



Connecticut's Efforts at Maximizing Federal Revenues

Background

In late April 2012, the program review committee authorized a study to assess the state's success at maximizing federal revenues.

In federal fiscal year (FFY) 2010, the federal government sent \$3.3 trillion to states. The U.S Census Bureau Consolidated Federal Funds Report separates these funds into five broad categories: 1) *retirement and disability payments*; 2) *federal employee salaries and wages*; 3) *other direct payments, including Medicare*; 4) *procurement contracts*; and 5) *grants*.

Grant payments are made to state and local governments and to state residents (i.e., individuals and non-governmental organizations). **This study is focusing on the federal revenues that state and local governmental entities have the most control over, primarily grants.**

There is great variation between states regarding federal funding levels, population levels, and demographics. According to the 2010 census, Connecticut is the 29th most populous state and represents 1.16% of the United States population. Connecticut also routinely ranks among the highest states in per capita income. Comparing Connecticut's share of federal revenues to its share of population can be a useful indicator of relative success, as can comparing the state to other high income/high cost states. A variety of methods, including those population and income comparisons, will be used to determine Connecticut's success at federal grant acquisition. The review is also examining organizational structures, policies, and procedures, as well as resources of other states compared to Connecticut.

To complete this update, PRI staff reviewed the Consolidated Federal Funds Report for Fiscal Year 2010, and its companion documents, the Federal Aid to States for Fiscal Year 2010 report and the Catalogue of Federal Domestic Assistance.

Main Points

Connecticut ranks 4th in overall per capita FFY 10 federal revenues. The high ranking is largely driven by relatively high amounts of procurement funding (ranked 4th per capita) for defense contracting for example and "other direct" payments, such as Medicare (1st per capita). Connecticut's overall high ranking is despite low rankings in retirement and disability payments (38th) and salaries and wages (48th).

Connecticut ranks 18th in per capita federal grants to all state recipients. Connecticut's governments and residents received over \$8.3 billion in federal grants in FFY 2010. Grants sent to Connecticut accounted for 1.21% of all federal grant monies. Connecticut received funding for 551 of the total 1,192 federally funded grants in FFY 2010.

Connecticut also ranks 18th in per capita federal grants to state and local governments. Approximately \$7.7 billion was sent to Connecticut's state and local governments, with \$0.6 billion in grants going to non-governmental entities.

The federal government uses two major classifications for grants to states, "formula" and "project." Formula grants are typically sent to states annually based on the population meeting certain demographic criteria. Project grants are typically competitively awarded, and are usually for a limited duration. In Connecticut, formula grants accounted for over \$6 billion (72.5%) of federal grant revenues, compared to the national average of 73.9%. The state received \$1.9 billion (22.4%) through project grants, somewhat higher than the national average of 19.8%.

Ten grants account for two-thirds (66%) of all federal grant money Connecticut received. Of the 551 grants received in FFY 10, one alone -- Medicaid -- accounted for \$3.6 billion or 42.8% of all grant funding. Other grants that make up a large portion of Connecticut funding include highway planning and construction (\$656 million, 7.9%), Section 8 housing vouchers (\$364 million, 4.4%), and Temporary Assistance for Needy Families (\$267 million, 3.2%).

Next Steps

PRI staff will continue to analyze the state's approach to maximizing federal revenue. Staff will continue to inventory and classify existing federal grant revenue sources. More research will be done to identify model agencies within the state. Staff will compare Connecticut's federal funds management system to other states considered successful in this area to determine use of relevant best practices.