

THE RICHARD STOCKTON COLLEGE OF NEW JERSEY

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NJ'S Return on Tax Dollars Sent to Washington A Mixed Bag

Southern NJ Counties Low in Federal Grants, High in Social Security Payments

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Galloway Twp., NJ – During the months leading up to an election, the question arises of “How much do we get back from the Federal government for all the tax dollars we give them?” The simple answer does not tell the whole story.

In April 2008, the Federal Government released its “Consolidated Federal Funds Report” for the 2006 fiscal year. Among the information this report contains are data on expenditures by the Federal Government to each of the states by category or program. Categories include:

- Retirement and disability (includes Social Security Payments)
- Other direct payments (includes Medicare Payments)
- Grants
- Procurement (includes payments to Military Bases by Department of Defense)
- Salaries and wages

Overall, New Jersey ranked 14th among the 50 states and Washington, D.C. in total expenditures by the Federal Government to the state.¹ However, when adjusted for population, New Jersey drops to 37th in per capita Federal Expenditures.² Combine this data with New Jersey's high income (NJ ranks 2nd in per capita personal income³) and high tax payments (NJ ranks 5th in per capita IRS gross tax collections⁴), and the state ranks near the bottom in its rate of return on its tax dollar. For every dollar sent to the Federal government in taxes, NJ receives only 56 cents in Federal Expenditures.⁵

The main driver of our low rate of return in the state is the high level of income. Reducing income or increasing demand for social programs is desirable in terms of increasing the rate of return for NJ tax dollars sent to the federal government. It is also generally not the goal of most policymakers. Their focus will be more on increasing other categories like Federal Grants and Federal Procurement.

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¹ Source: US Census Bureau, "Table 1. Summary of Federal Government Expenditure by State and Outlying Area: Fiscal Year 2006," Consolidated Federal Funds Report for Fiscal Year 2006, p. 10, April 2008.

² Source: US Census Bureau, "Table 10. Per Capita Amounts of Federal Government Expenditure, by Major Object Category, by State and Outlying Area: Fiscal Year 2006," Consolidated Federal Funds Report for Fiscal Year 2006, p. 10, April 2008.

³ Source: US Bureau of Economic Analysis, "State Personal Income 2006," BEA News Releases. March 27, 2007.

⁴ Source: Internal Revenue Service, "Table 5: Internal Revenue Gross Collections, by Type of Tax and State, Fiscal Year 2006," IRS Data Book 2006, Publication 55B, Washington, DC, issued March 2007

⁵ Rate of return was calculated by dividing the per capita Federal Expenditures by the per capita IRS Gross Tax Collections.

Stockton NJ's Return for Tax Dollars Invested / page 2

So how do New Jersey's eight southern counties (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem) fair compared to the state as a whole in these different categories of Federal Expenditures?

Burlington ranks 3rd among our counties in total Federal Government Expenditures, mostly due to Procurement from the Department of Defense related to McGuire Air Force Base.

With the threats of base closures over the last two decades, much of the efforts of our Congressional delegation have been targeted to saving what we currently have. There has not been much opportunity to expand the state's share of Federal Procurement dollars. It remains to be seen what effect the pending retirement of Congressman Saxton and the loss of his seniority on the Armed Services Committee will have in this category.

Cape May and Ocean are 4th and 7th based primarily on the strength of Retirement and Disability and Other Direct Payments from Social Security and Medicare obligations.

Atlantic, Camden, and Cumberland make 6th, 8th and 9th on the list, due to being in the top ten across multiple categories.

Salem ranks 11th in total Expenditures, despite ranking high in Retirement and Disability and Other Direct Payments, due to very low expenditures related to Federal Procurement and Federal Employee salary and wages.

Gloucester is last among the southern New Jersey counties, which ranks 18th in total Expenditures and is lower than the state level in all the categories. This is especially the case in Grants where it is less than half the state's per capita amount.

As a region, the categories of Grants and Procurement are where the eight Southern New Jersey Counties lag behind their Northern counterparts. This is the case even with the presence of McGuire Air Force Base in the region, which weighs heavily in the Procurement Category. To raise the Procurement number higher, the area would have to cite new Federal facilities such as prisons.

Federal Grants can come either through competitive processes, earmarks or through formula and block grants. Of these processes, earmarks are the most direct manner in which a Senator or Congressman can seek to increase a state's share of Federal Grant money. According to the Federal Office of Management and Budget, in FY 2005, New Jersey ranked 23rd in total earmarked funds.⁶ However, New Jersey ranks 46th in these funds per capita among the 50 states. Still, earmarks have come under great scrutiny in the past decade because of projects that were deemed as 'pork' or wasteful spending. In some cases this spending has brought charges of corruption.

One person's 'pork' is another community's important project creating jobs and economic benefits. New Jersey's low ranking may change as Democrats have gained control of both houses of Congress. However, given the criticism of earmarks and the intent to reduce or do away with these funding sources by both houses of Congress, being a state with a high number of earmarks may not be a distinction that lawmakers want.

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⁶ Source: Office of Management and Budget, "List of States - 2005 Appropriations." Website: <http://www.whitehouse.gov/omb/earmarks/preview-public-site/statesc49e.html?source=APP&mode=agencies> Accessed May 8, 2008.