

# Which Federal Programs Are Most Important for the Great Plains?

*The Great Plains receives more Federal funds, per capita, than the country as a whole. Most of its funding is in the form of direct payments to individuals, such as retirement and disability, and in salaries, wages, and procurement. But, compared with the Nation as a whole, the region gets relatively more funding from other types of assistance, such as agricultural and natural resource payments, defense and space, and community resource programs. Program changes would affect some places more than others, depending on local demographic and economic characteristics. For example, defense procurement increases would likely benefit the region's metro areas more than nonmetro areas; welfare reform is likely to affect persistent-poverty counties more than other counties.*

In this article, we use 1995 data from the Bureau of the Census to examine the Federal programs that benefit the Great Plains. By comparing the Great Plains with the Nation as a whole, we show the types of Federal programs that are most important to the Great Plains, and to different types of counties within the Great Plains. We then discuss some proposed and recently implemented program changes with significant implications for the region.

## Great Plains Counties Receive Relatively Large Share of Federal Funds Per Capita

A rough gauge of the importance of Federal programs locally can be obtained by computing total Federal funds received in a particular county divided by the county population (Federal funds per capita). Our Federal funds data from the Bureau of the Census were for fiscal year 1995 and included both expenditures and loans from 1,214 programs. Because the funding data were not deemed accurate at the county level for all of the programs, we focused on 750 Federal programs that accounted for 88 percent of the total reported Federal funds. Notwithstanding the excluded funds and other data limitations (see "Data and Definitions," p. 57), we believe this analysis provides a reasonable basis for assessing the importance of Federal funds for the region.

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Per capita Federal funds were 10 percent higher in the Great Plains (\$5,447) than in the Nation as a whole (\$4,973) (fig. 1). The difference from the national average was greater for nonmetro Great Plains counties (19 percent higher than for all nonmetro counties) than for metro counties (8 percent higher than for all metro counties). This is largely explained by the relatively high level of Federal funds received by nonmetro farming-dependent counties, \$6,196 per capita. Over half (277) of the 477 Great Plains counties were farming-dependent (see "Data and Definitions"). Other nonmetro Great Plains counties receiving relatively high levels of Federal funds include the 26 government-dependent counties (\$6,462) and the 62 persistent poverty counties (\$5,886).

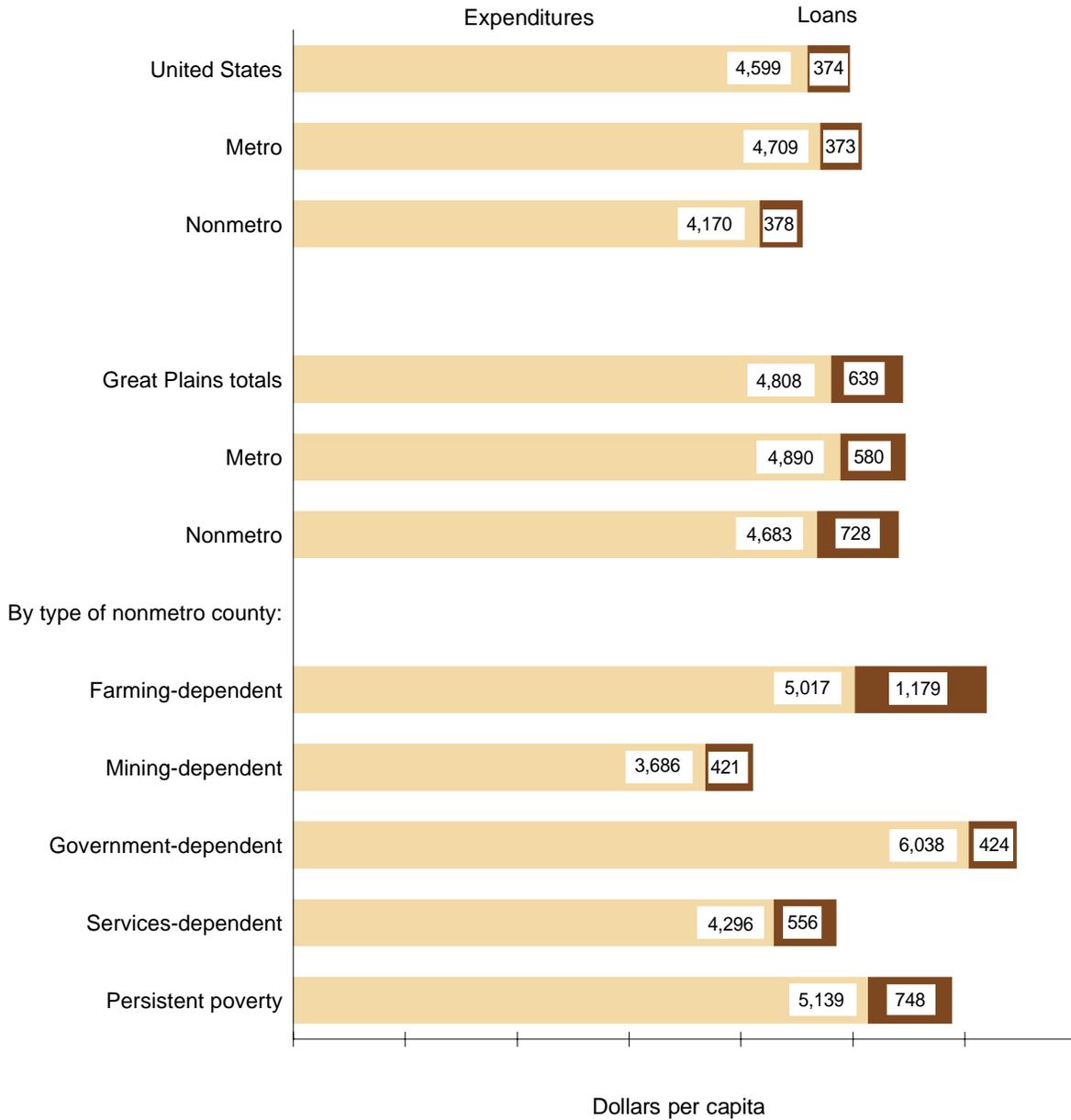
Not all nonmetro places in the Great Plains received such high levels of Federal funds. The 32 mining-dependent counties in the region, for example, received only \$4,107 per capita—below the total nonmetro average, and the 48 services-dependent counties received \$4,852, somewhat above the nonmetro average.

The geographic pattern of per capita Federal funding in U.S. nonmetro areas is shown in figure 2, with the Great Plains region outlined. The relatively few nonmetro counties in the region that received low amounts of Federal funds tend to be located near or adjacent to metro counties (shown as grey), specialize in mining (such as in Wyoming, Montana, and the southwest Texas/New

Figure 1

**Per capita Federal funds by major type, fiscal year 1995**

*Funding in Great Plains exceeded national average in per capita dollars and varied greatly by type of nonmetro county*



Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

Mexico border area), have little farming (several counties in Kansas and Oklahoma), or are primarily involved in cattle operations (North Central Nebraska).

**Federal Fund Importance Varies by Type of Payment**

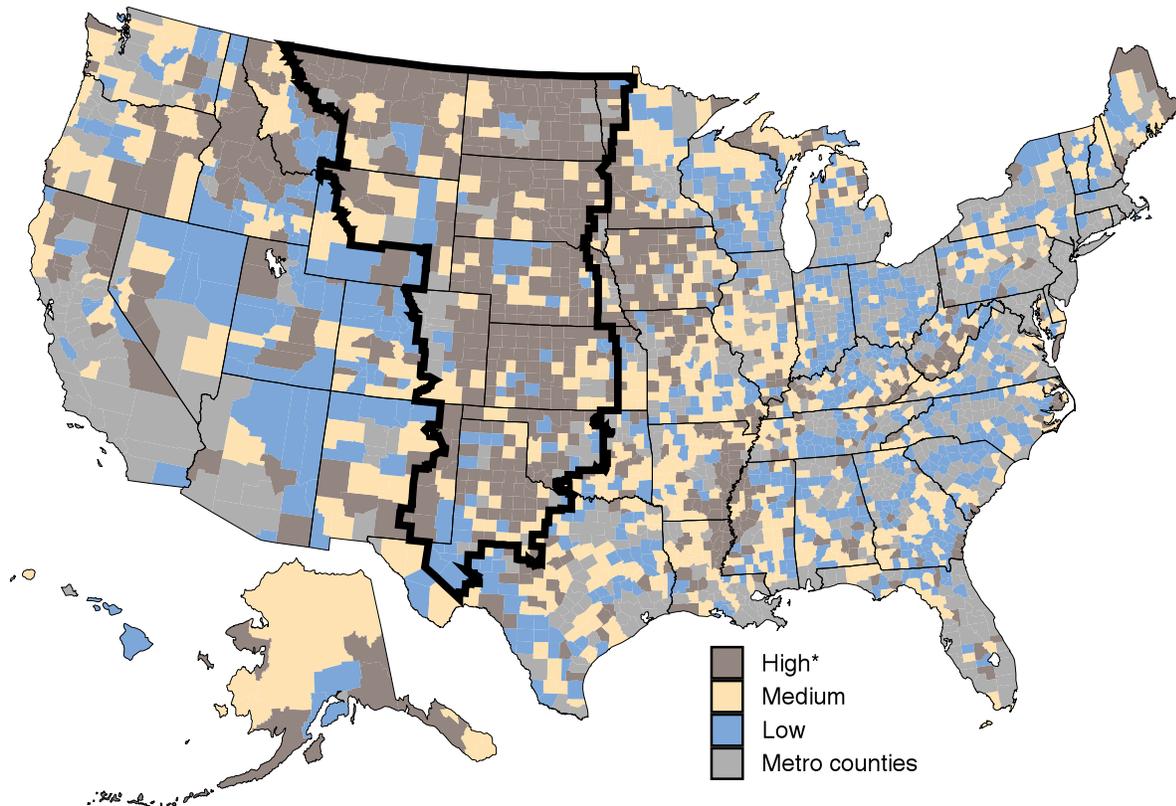
Additional insights can be gained by looking at the percentage shares of Federal funding for different types of payments, including salaries and wages, procurement con-

tracts, direct payments (to individuals and others), grants, direct loans, and guaranteed/insured loans (table 1).

Both in the Great Plains and in the Nation as a whole, retirement and disability payments (including Social Security) accounted for about one-third of all Federal payments in 1995 (32 percent in the Great Plains, 34 percent in the Nation). The importance of these direct payments to

Figure 2  
**Per capita Federal funds, fiscal year 1995**

*Funding levels in most nonmetro Great Plains counties were relatively high*



\*High, Medium, and Low correspond to the top third, middle third, and bottom third of nonmetro counties nationwide. High was \$4,855 or more and Low was \$3,802 or less.

Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

individuals is generally greater in nonmetro areas than in metro areas, due to the higher percentages of elderly and disabled among the nonmetro population. Although these programs comprise a smaller percentage of Federal funds in the nonmetro Great Plains than in other nonmetro areas, they are an important source of local income and wealth and help sustain the demand for local goods and services.

Salaries and wages and procurement contracts together account for over one-fourth (27 percent) of Federal funds nationwide, and about the same for the Great Plains, but they are more important for metro areas than nonmetro areas. The metro Great Plains, where most of the region's urban and administrative services are concentrated, particularly benefits from these Federal payments. Salaries and wages account for 20 percent, and procurement 17 percent, of metro Great Plains Federal funds. Unlike direct payments to individuals, this kind of payment is associated with economic activity that directly creates local employment and output. And unlike retirement and disability payments, these payments need not decline proportionally with declining population.

The nonmetro Great Plains stand out most in the "other direct payments" category (including farm payments), which account for 10 percent of their Federal funds, and in direct loans, which add another 7 percent to their Federal funds receipts. These payments account for only 2 and 4 percent, respectively, of payments to nonmetro areas in general. Because of their size and importance, these payments play a significant role in the economy of the nonmetro Great Plains, and indirectly, in that of the metro areas that serve the region. Metro areas in the region receive only 1 percent of their Federal funds from "other direct payments," and they receive most of their loaned funds in the form of guaranteed loans, which comprise 10 percent of their total Federal funds.

Among the Great Plains nonmetro counties, farm-dependent counties received 17 percent of their Federal payments from "other direct payments" and 12 percent from direct loans (farm and nonfarm), much higher percentages than other Great Plains counties. Nonmetro government-dependent counties, which tend to be the locations of universities, military bases, and Federal research and admin-

Table 1

**Share of Federal funds by object and place, fiscal year 1995**

*In the Great Plains, metro areas rely more on salaries and wages and procurement contracts and guaranteed loans; nonmetro areas rely more on direct payments (to individuals and others), grants, and direct loans*

Place	Total funds	Salaries and wages	Procurement contracts	Direct payments to individuals		Other direct payments	Grants	Direct loans	Guaranteed or insured loans
				Retirement and disability	Other				
Percent									
United States	100	13	14	34	17	1	14	2	6
Metro	100	14	15	33	17	0	14	1	6
Nonmetro	100	8	7	41	18	2	14	4	4
Great Plains	100	16	12	32	14	4	11	3	8
Metro	100	20	17	30	12	1	9	1	10
Nonmetro	100	9	5	34	16	10	13	7	6
By county type:									
Farming-dependent	100	5	2	31	18	17	11	12	7
Mining-dependent	100	5	7	38	18	6	16	2	8
Government-dependent	100	29	11	26	11	2	14	2	5
Services-dependent	100	7	4	40	18	7	12	5	6
Persistent poverty	100	7	4	29	16	10	20	5	7

Note: Individual figures may not sum to total.

Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

istrative institutions, rely most on Federal salaries and wages and procurement, which together account for 40 percent of their funding. Services-dependent counties in the Great Plains, which tend to be relatively urban and residential in nature, rely more on retirement and disability payments than do other places. Persistent-poverty counties, which in the Great Plains tend to be locations of Indian reservations and are in many cases farming-dependent counties, rely most on Federal grants and “other direct payments.”

#### **Federal Fund Importance Also Varies by Function**

The functional breakout provides another view of Federal funding in the region. About half of the Federal funds in the Great Plains provide income security (table 2). This includes retirement, disability, medical, public assistance, unemployment and other such assistance (see “Data and Definitions”). The Great Plains received somewhat less from this function (\$2,737 per capita) than the Nation as a whole (\$2,940), largely due to lower funding in the region’s metro areas. The metro areas made up for this deficiency, however, through higher payments for defense and space and community resources. The latter category covers most programs involved in economic and community development, such as business assistance, community facilities, environmental protection, housing, and transportation.

The nonmetro Great Plains disproportionately benefited from agricultural and natural resource programs, averaging \$1,025 per capita, over three times the \$291 national average for nonmetro areas. Farming counties in the Great Plains received almost double this amount (\$2,035). Because most poverty counties in the Great Plains are also farming counties, they also benefited disproportionately from this form of assistance (\$1,153). Most other types of nonmetro counties in the region benefited significantly less from these programs, though still receiving more than the national nonmetro average.

The nonmetro Great Plains also received relatively high levels of other types of Federal assistance. Compared with nonmetro areas in general, they received 32 percent more in community resources, 17 percent more in defense and space, 16 percent more in human resources (elementary and secondary education, training and employment, health and social services, food), and 13 percent more in national functions (law enforcement, energy, higher education, and other miscellaneous). Only in the income security function did Great Plains nonmetro counties receive less than nonmetro counties in general, but the difference was small—only 3 percent. Income security programs still accounted for over half (55 percent) of the Federal funds they received.

Table 2

**Per capita Federal funds by function and place, fiscal year 1995***The largest variations in funding, by function, were in agriculture and natural resources and in defense and space*

Place	Total funds	Agriculture and natural resources	Community resources	Defense and space	Human resources	Income security	National functions
	Dollars per person						
United States	4,973	80	475	687	78	2,940	712
Metro	5,082	26	506	789	76	2,903	782
Nonmetro	4,547	291	352	291	85	3,088	439
Great Plains	5,447	460	565	850	81	2,737	755
Metro	5,470	89	628	1,184	69	2,575	925
Nonmetro	5,411	1,025	468	341	99	2,983	495
By county type:							
Farming-dependent	6,196	2,035	466	42	100	3,152	402
Mining-dependent	4,107	363	420	48	110	2,631	535
Government-dependent	6,462	339	600	1,959	129	2,690	745
Services-dependent	4,852	640	438	89	92	3,100	493
Persistent poverty	5,886	1,153	516	19	239	2,707	199

Note: Individual figures may not sum to total.

Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

Among the different types of nonmetro counties in the Great Plains, government-dependent counties received the largest amounts for three of the functions (community resources, defense and space, and national functions). Farm-dependent counties received the most from income security programs as well as from agriculture and natural resources. Persistent-poverty counties received the most from human resources, and had the second highest amounts from community resources and agriculture and natural resources programs.

Aside from agriculture and natural resources, perhaps the most striking local variations in Federal receipts occurred with defense and space programs. As noted previously, most of this money in the Great Plains went to metro areas (\$7.6 billion) for this function. Almost half of this amount, \$3.2 billion, was in the form of defense procurement contracts, much of which went to metro areas in Colorado.

The 26 government-dependent nonmetro counties in the region received over \$1.1 billion from defense and space funds. However, 90 percent of the money went to only four counties (Geary, KS; Ward, ND; Curry, NM; and Jackson, OK), with Geary, KS, getting almost half (\$0.5 billion) of the total. Defense procurement accounted for a smaller share (26 percent) of defense and space funding, as military salaries and wages were the more significant factor for these government-dependent counties.

### Federal Policy Changes Could Have Important Implications for the Region

When we review these findings in light of proposed and recently enacted policy changes, they have some important implications for the Great Plains region. For example, some current defense budget proposals aim to increase defense procurement spending to develop new weapons systems, paying for these increases by closing military bases and saving on defense personnel costs. If this were to happen, it would probably benefit metro areas in the region that rely heavily on military procurement contracts, while other places—particularly, nonmetro government-dependent counties in the region—might be more likely to experience defense funding cutbacks.

Current plans to eliminate the Federal budget deficit by the year 2002 call for major reductions in projected growth of Medicare payments. If enacted, this could significantly affect the Great Plains because of its relatively large numbers of elderly Medicare beneficiaries (Frenzen, 1996). Whether metro or nonmetro areas would be affected most could depend, in part, on whether service providers or patients would be responsible for paying for unfunded cost increases. Many nonmetro patients receive services from providers in metro areas. Nonmetro areas, however, rely somewhat more on direct payments to individuals, such as Medicare payments, than do metro areas; hence nonmetro areas could be more significantly affected.

Some policymakers have proposed the formation of a commission to review ways to scale back the rising costs

## Data and Definitions

**The Data.** The Department of Commerce, Bureau of the Census, Governments Division provided us with their Consolidated Federal Funds Reports data. These data, obtained from various Federal departments and agencies, reflect Federal obligations for expenditures and loans during fiscal year 1995 and covered 1,214 programs. Our analysis covered 750 of these programs, accounting for \$1.31 trillion, or about 88 percent of the total Federal funds reported by Census.

We excluded programs for which 25 percent or more of their funding nationally went to State capitals, because such levels suggested pass-through funding that State governments redistributed to local areas. We also excluded programs that reported much or all of their funding only at the State or national level. Such funding cannot be traced to the county level. As a result, most of the large block grant programs involved with social services, employment, and training were excluded. This understates the amount of funding received, particularly for our "human resources" function.

Interpretations should be made with caution because our data are only as good as the information each agency supplies to Census. In some cases, such as with Medicaid, the data are based not on actual outlays that go to places but on estimates based on other information, and these estimates may involve substantial errors. In other cases, like procurement, expenditures may be reported only at the location of prime contractors or primary subcontractors and ignore further subcontracting that disperses the impact of expenditures. In addition, some Federal agencies make payments to entities that provide services to multi-county areas, but the payments may be reported only to the headquarters of the multicounty entity. These data limitations may lead to an overstatement or understatement of benefits to some metro and nonmetro areas. For example, defense procurement, which we found primarily benefits metro areas and government-dependent nonmetro areas, probably involves subcontracting that disperses the benefits more broadly to some other nonmetro areas.

Census population estimates for calendar year 1995 were used to compute per capita amounts.

**Definitions.** The object classifications reported in table 1 [salaries and wages, procurement contracts, direct payments to individuals (retirement/disability and other), other direct payments, grants, direct loans, and guaranteed/insured loans] come from the Bureau of the Census.

In table 2, we used ERS's six broad function categories for Federal programs:

- Agriculture and natural resources (agricultural assistance, agricultural research and services, forest and land management, water and recreation resources).
- Community resources (business assistance, community facilities, community and regional development, environmental protection, housing, Native American programs, and transportation).
- Defense and space (aeronautics and space, defense contracts, defense payroll and administration).
- Human resources (elementary and secondary education, food and nutrition, health services, social services, training and employment).
- Income security (medical and hospital benefits, public assistance and unemployment compensation, retirement and disability--includes Social Security).
- National functions (criminal justice and law enforcement, energy, higher education and research, all other programs excluding insurance).

For reporting by place, we used OMB's 1993 definitions of metro and nonmetro counties and ERS's revised nonmetro county typologies. Because only 11 nonmetro counties in the Great Plains were defined as manufacturing-dependent, we excluded this economic type from our analysis; we also excluded the "nonspecialized" type to simplify the presentation. Hence, some counties did not fall into any of the types we presented. One of the county types we used, persistent poverty counties, overlaps with the other types (the main overlap in the Great Plains involves farming counties). For more information on how the county types were defined, see Cook and Mizer, *The Revised ERS County Typology*, RDRR 89, USDA, ERS, December 1994.

The Great Plains region was defined following a modified version of the counties identified in Donald J. Bogue and Calvin L. Beale, *Economic Areas of the United States*, New York: Free Press of Glencoe, Inc., 1961.

of Social Security, retirement, and disability programs. The Great Plains region relies somewhat less on these programs than the Nation in general. However, these programs still account for about one-third of all the Federal funds received in the region and 40 percent for services-dependent counties. Hence, any benefit reductions would be felt in the region, as elsewhere in the country.

The proposed reauthorization of the major transportation programs, expected sometime in 1998, could also significantly affect the Great Plains region. Transportation is one of the community resources functions from which the Great Plains benefits disproportionately. Currently, the region tends to benefit from the allocation formula for highway aid, in the sense that per capita payments are relatively high and the region gets more money from Washington than it pays through gas taxes. While there may be good reasons for receiving relatively high pay-

ments per capita (such as high costs due to low population density), some proposals would alter the formula to reallocate some of the money to other regions. Such a change might have important consequences for the Great Plains.

The reauthorization of Federal farm programs, enacted in 1996, replaced the deficiency payments with fixed production flexibility contract payments, designated to be reduced annually from 1998 to 2002 (Sommer and Perry, 1996). If these reductions take place as scheduled, this change would affect the Great Plains more than other nonmetro areas because of the importance of farm payments to the local economies in the large number of farm-dependent counties in the region.

The recently enacted welfare reform legislation will probably affect the Great Plains less than most other regions because the Great Plains region has relatively less poverty and relies less on income security programs, such as welfare and food stamps, than most other regions (Cook and Dagata, 1997). However, the persistent-poverty counties in the region are expected to be affected significantly.

The Great Plains region gets a disproportionate amount of funding from loans, particularly direct loans that often carry subsidized interest rates. Recent budget cuts have caused some Federal credit programs to shift from direct loans to guaranteed loans with little or no interest subsidy. This change could result in lower benefits to the region—particularly for farm-dependent counties that rely most on direct loans.

Another policy trend involves program reorganization and consolidation by many Federal agencies to improve efficiency and save money. To the extent that total Federal salaries and wages decline as a result of these reinvention efforts, the Great Plains may be disproportionately affected, particularly in metro areas and government-dependent nonmetro areas, which receive a relatively large amount of funds from Federal salaries and wages. The places affected will also depend on the extent that field staff is centralized and moved from nonmetro to metro areas, what productivity improvements are implemented, and how much of the savings are returned to the programs.

While many of these policies and proposals might curtail Federal spending growth and therefore dampen the growth of the Great Plains economy, some compensating benefits are expected in connection with budget savings and deficit reduction, such as reduced taxes and lower interest rates. Thus, the information presented here does not allow us to speculate about what the overall net effect of these recent and proposed changes might be for the Great Plains economy.

#### **For Further Reading . . .**

Peggy J. Cook and Elizabeth M. Dagata, "Welfare Reform Legislation Poses Opportunities and Challenges for Rural America," *Rural Conditions and Trends*, Vol. 8, No. 1, June 1997, pp. 38-47.

Paul D. Frenzen, "Proposals to Slow Growth of Federal Health Spending Focus on Medicare and Medicaid," *Rural Conditions and Trends*, Vol. 7, No. 2, December 2, 1996, pp. 40-45.

Richard Reeder, Faqir Bagi, and Samuel Calhoun, "Who's Vulnerable to Federal Budget Cuts?" *Rural Development Perspectives*, Vol. 11, No. 2, February 1996, pp. 36-42.

Judith E. Sommer and Janet E. Perry, "1996 Agricultural Legislation Cuts Link Between Income Support Payments and Farm Prices," *Rural Conditions and Trends*, Vol. 7, No. 2, December 1996, pp. 56-61.