Guest Opinion: Region will feel smaller federal presence

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This week, the first major initiative to lower the federal budget deficit, an all-cuts approach, passed Congress. Despite the vote, large deficits will continue to challenge our country, with cuts likely to be a significant part of the next package adopted by Congress. How will diminished flows from Washington, D.C., affect the Spokane area?

Ideally, a model that tracks these flows through the area economy would give some answers. Currently, the Institute for Public Policy & Economic Analysis at Eastern Washington University doesn’t have such a tool. But we can gain insights by examining the federal presence in the area. Its size might surprise you.

When most residents think of the federal government here, Fairchild Air Force Base or the U.S. Postal Service probably come to mind. The payroll of these and other federal organizations is not trivial. For the fiscal year 2008-'09, total compensation for all federal workers in Spokane and Kootenai counties amounted to $851 million. Out of a total of $20.6 billion in personal income for the two counties, that’s 4.1 percent.

Personal income is the sum of payments to individuals from wages, salaries, benefits, investment returns and government.

But a much larger slice of income comes in the form of checks to individuals, businesses and nonprofits, collectively known as transfer payments. Among these programs, the most prominent are Social Security, Medicare, the federal share of Medicaid, veterans benefits, support for students and the current version of welfare (supplemental security income, family assistance and food stamps). For the 2009 calendar year, total transfer payments amounted to $3.3 billion in Spokane County and $849 million in Kootenai County. That was 20 percent of all personal income in Spokane and 19 percent in Kootenai County.

In 2009, Social Security payments alone came to slightly more than $1 billion in Spokane and $358 million in Kootenai County. Medicare payments were $728 million in Spokane and $211 million in Kootenai. Medicaid added another $569 million and $99 million, respectively, to the counties’ economies.
Federal flows haven’t always been this critical to the Spokane-area economy. The accompanying graph shows the growth of transfer payments in the two counties. Thirty years ago, these flows came to 12 percent to 13 percent of total personal income. The shares have steadily climbed since then.

This experience has not been shared by other local economies in the Pacific Northwest. Federal transfer payments to King County, for example, made up about 8 percent of total personal income in 1980; 30 years later, they amounted to about 9 percent. Despite the challenges to its high tech economy, in Ada County (Boise) transfer payments constituted 13 percent of personal income in 2009.

Some rural counties around Spokane are greatly dependent on federal transfers. For example, in 2009 the share in Stevens County was 29 percent, and in Shoshone County 32 percent.

There’s a third large slice to the federal presence in the local economy: direct payments, loans and grants. The Department of Agriculture is the biggest contributor of direct payments – to farmers, besides making loans for housing and infrastructure, and funding school lunch and WIC food programs. Other departments also distribute significant loans and grants in the two counties. Education for K-12 and higher education organizations, Housing and Urban Development for housing and community development programs, and Transportation for airports, roads and transit.

One last piece of the federal presence comes from government purchases. Federal procurement in Spokane County amounted to $175 million in fiscal 2009. The sum of direct payments, loans and grants and procurement is difficult to put into a calendar year basis, but it is likely that it amounted to at least another 2 percentage points of personal income in Spokane and one in Kootenai County.

The result of all these inputs: About one-quarter of total income in the two counties came from the feds in 2009.

With the likelihood the federal presence in the area will shrink, how fast and to what level will be critical to our region’s future economic health.

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