

Record Federal Grants to States Keep Federal Share of State Budgets High

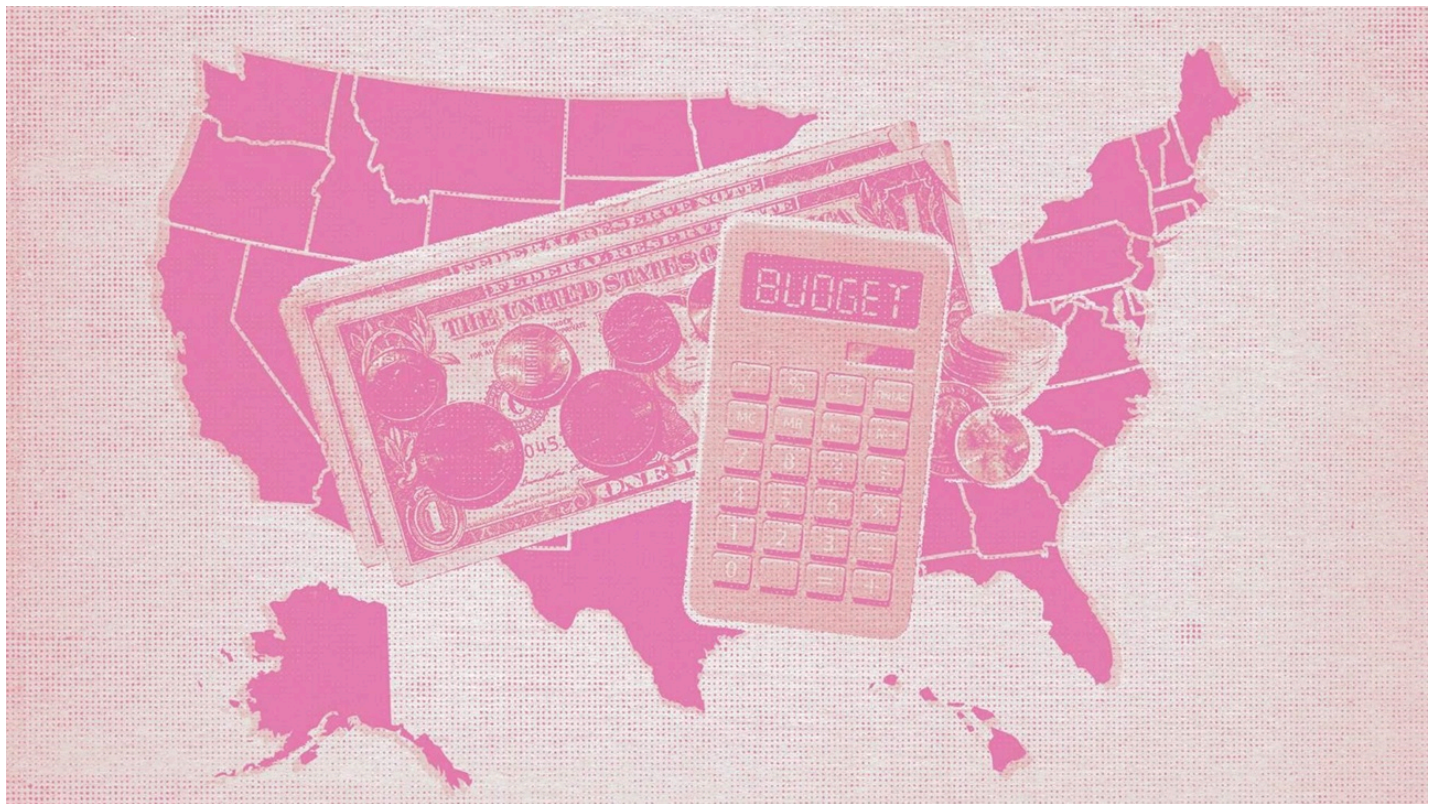
ARTICLE

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The Pew Charitable Trusts

The share of states' total revenue coming from federal funds remained elevated in fiscal year 2022, fueled by pandemic aid dollars and infrastructure investments. Total federal grants to states topped \$1 trillion for the first time, but amid soaring state tax collections, their share of state budgets declined slightly from a record high in fiscal 2021. The share of state revenue coming from federal funds is likely to stay elevated through fiscal 2024 as the temporary factors that have lifted state tax revenue in recent years fade and the remaining pandemic aid and other aid packages buoy federal grants.

Trends in federal funding

In fiscal 2022, 36.4% of states' revenue came from federal dollars, down from a record high of 36.7% the previous fiscal year. The share grew in 30 states compared with fiscal 2021 and in 48 states compared with fiscal 2019, just before the pandemic.

Percentage of State Revenue from Federal Funds

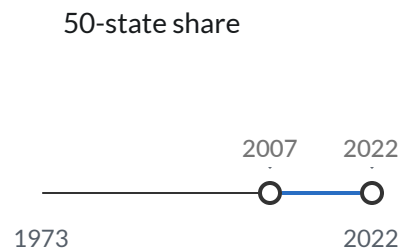
Fiscal years 1973-2022

Recession 50-state share

Select a State

Select a State

Select a State



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Federal grants accounted for 36.4%, or \$1.11 trillion, of states' combined total revenue in fiscal 2022—a lower share than in the prior year.

Sources: Pew analysis of data from the U.S. Census Bureau and National Bureau of Economic Research

A spike in [state tax revenue that peaked in fiscal 2022](#) diminished the effect of increased pandemic aid on the federal share of state revenue. States' fiscal 2022 tax collections increased by 16.7% compared with a year earlier. Temporary factors—such as unprecedented federal support to businesses and individuals in the form of stimulus checks and a shift in personal spending from often-untaxed services to often-taxable purchases of goods—helped lift state tax revenue.

Historically, the federal share of state revenue has ranged from about a quarter to a third. Before the pandemic, the highest share occurred just after the 2007-09 recession, when a temporary influx of federal dollars and falling state tax revenue pushed the federal share to 35.5% in fiscal 2010 and 34.7% in fiscal 2011. The fiscal 2022 share was 4.4 percentage points higher than the 20-year average of 32% for fiscal 2003-22 and 11.4 percentage points higher than the fiscal 1981-2000 average of 25%. In the period between the 2007-09 Great Recession and the pandemic, [Medicaid was a major driver](#) of the long-term growth of the federal share because of states' participation in Medicaid expansion under the Affordable Care Act as well as an overall increase in Medicaid enrollment. As of May 2024, [40 states and Washington, D.C.](#), had adopted the expansion.

The federal share of state revenue reflects how much funding states receive from the U.S. government to help pay for public services, such as health care, education and training, transportation, and infrastructure. The indicator measures the combined effects of swings in state and federal funds. A higher or lower percentage does not necessarily indicate a problem for state budgets.



Pandemic Aid Has Increased Federal Grants to Every State

Percentage increase in federal funds by state, state FY 2019-2022

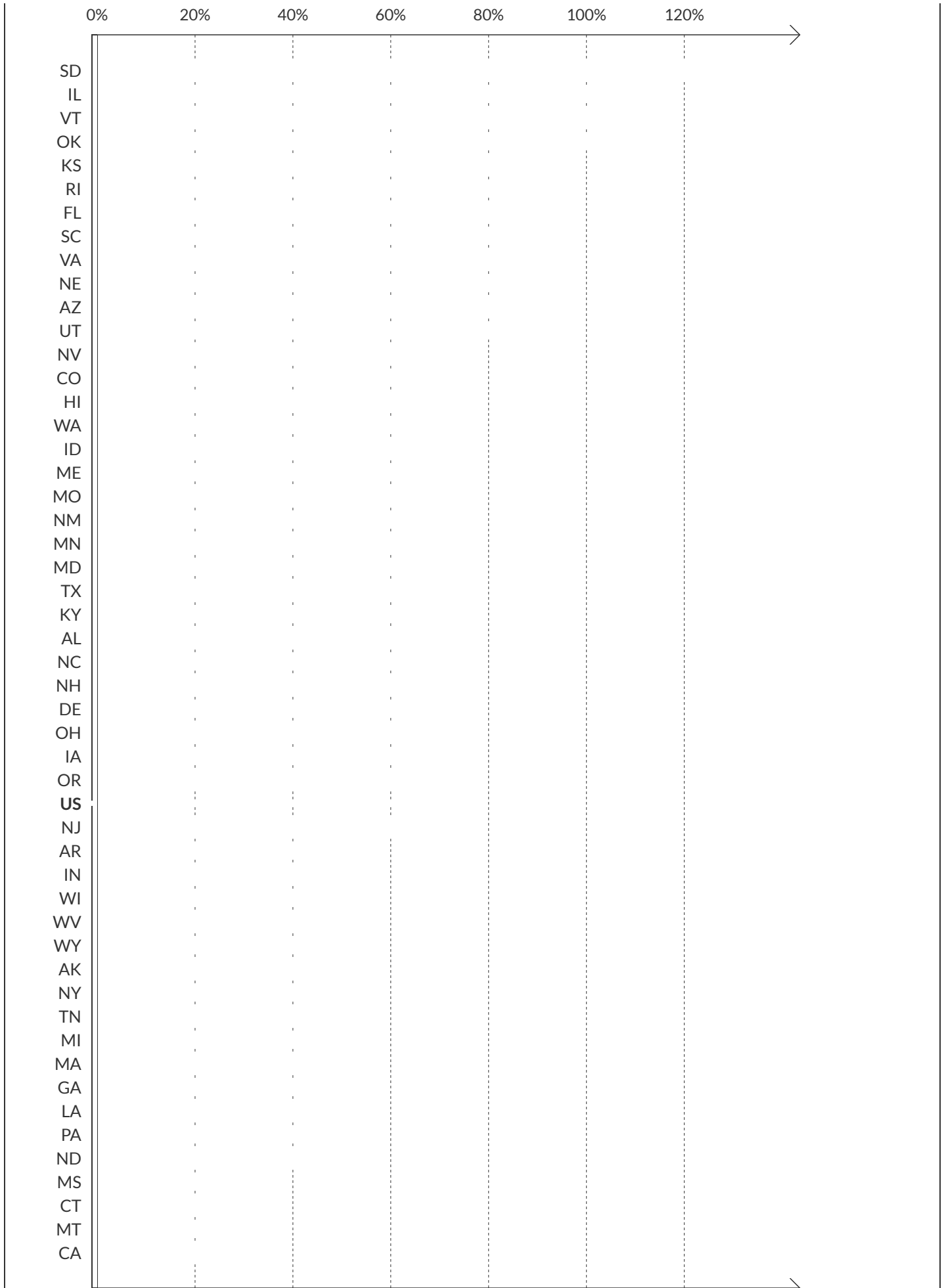
More than 50-state total

Less than 50-state total

[All states](#)

Show regions

Sort by alphabetical order



0% 20% 40% 60% 80% 100% 120%

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Sources: Pew analysis of data from the U.S. Census Bureau, 2022 Annual Survey of State Government Finances

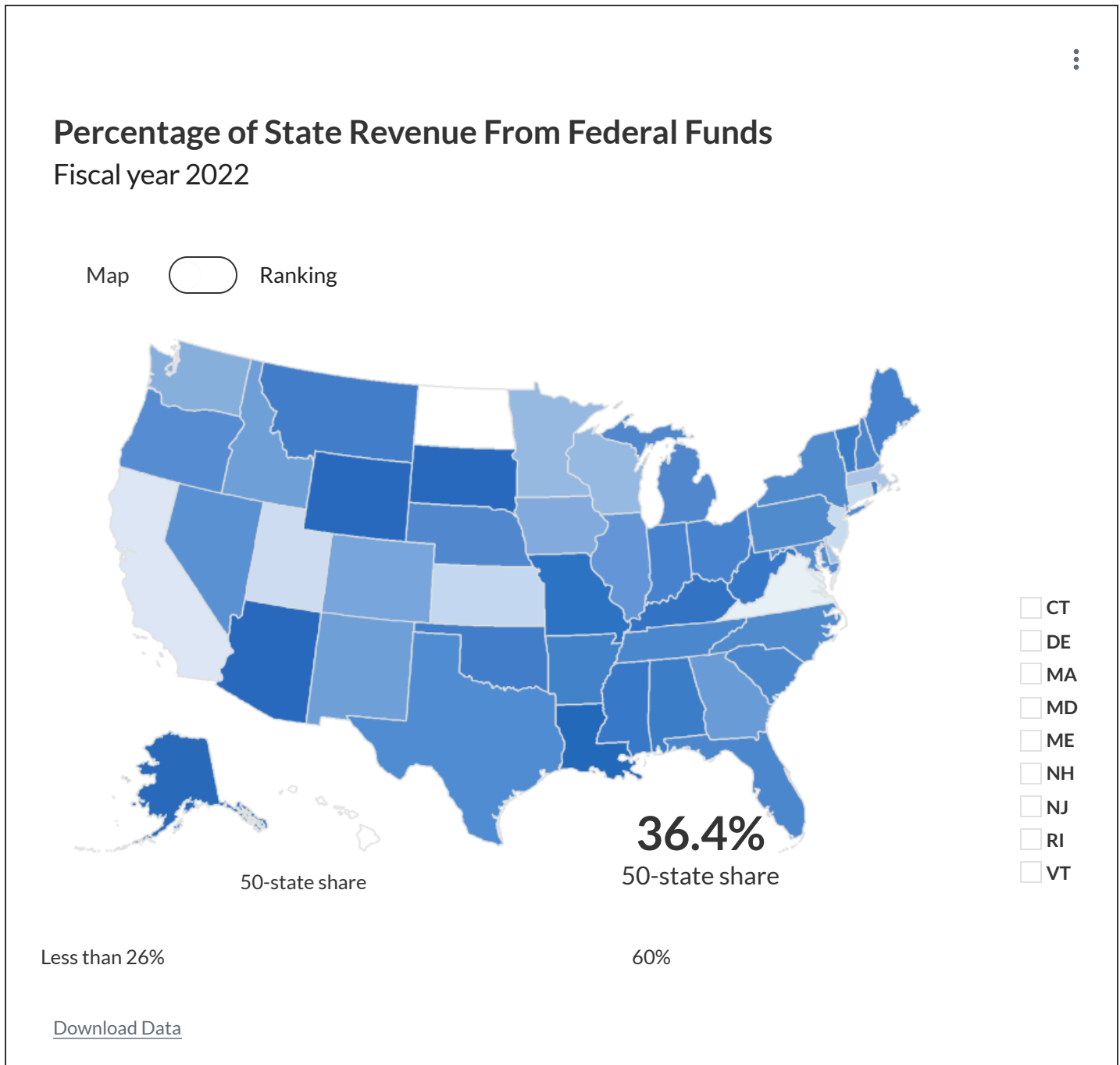
Nationwide, states received 60.8% more in federal grants in fiscal 2022 than they did just before the pandemic—ranging from 130.5% more in South Dakota to 32.8% more in California. The federal government, via six pieces of legislation, awarded states more than [\\$800 billion in COVID-19 relief](#), which will continue to flow to states over the next few years. Additionally, fiscal 2022 was the first year states were eligible for the more than \$760 billion authorized through the [Infrastructure Investment and Jobs Act](#) and the [Inflation Reduction Act](#). These funds are likely to keep federal grants to states elevated as pandemic aid expires.

State highlights

Federal shares vary across the country. Fiscal 2022 data shows that:

- Louisiana reported the highest percentage of revenue from federal funds (50.5%).
- Comparatively, North Dakota reported the lowest percentage (22.2%).
- The percentage of state revenue from federal funds in states with the largest federal shares—Louisiana (50.5%), Alaska (50.2%), and Arizona (49.7%)—was roughly double what it was in those with the lowest shares: North Dakota (22.2%), Hawaii (25.9%), and Virginia (27.6%).
- Federal funds, rather than state tax dollars, accounted for the largest source of revenue in 16 states, up from five states in fiscal 2019 and 15 in fiscal 2021. In fiscal 2020, federal funds made up the largest share in 18 states, the most on record.
- California and Montana were the only states where the federal share of state revenue was lower in fiscal 2022 than in fiscal 2019.
- 20 states reported their largest share of revenue from federal funds of any year in the past 50 years.
- South Dakota experienced the biggest annual percentage-point growth in the federal share of state revenue, up 11 percentage points from fiscal 2021. This swing was related to the timing of receiving and spending federal pandemic aid.

- North Dakota experienced the biggest annual percentage-point decline, with the federal share falling 17.5 percentage points from fiscal 2021.



Federal grants accounted for 36.4%, or \$1.11 trillion, of states’ combined total revenue in fiscal 2022. The share of revenue from federal grants ranged widely—from 50.5% in Louisiana to 22.2% in North Dakota. States in the South had the highest median share, at 40%, while those in the West had the lowest, at 35.7%.

Sources: Pew analysis of data from the U.S. Census Bureau

Federal funds compared with other revenue sources

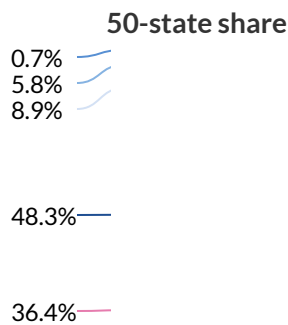
Federal dollars remained the second-largest source of states' revenue in fiscal 2022, accounting for \$1.1 trillion, or roughly 36.4%, of the \$3.1 trillion that state governments collected. Tax collections are states' leading revenue generator and reached \$1.5 trillion in fiscal 2022—making up nearly half of state revenue.



Share of Total State Revenue by Category

Fiscal year 2022

Federal funds		Taxes		Service charges		Miscellaneous		Local funds		
AL	AK	AZ	AR	CA	CO	CT	DE	FL	GA	HI
ID	IL	IN	IA	KS	KY	LA	ME	MD	MA	MI
MN	MS	MO	MT	NE	NV	NH	NJ	NM	NY	NC
ND	OH	OK	OR	PA	RI	SC	SD	TN	TX	UT
VT	VA	WA	WV	WI	WY					



Click on any state for a detailed view

[Download Data](#)

Federal grants were the second-largest source of state revenue in fiscal 2022, accounting for \$1.11 trillion, or 36.4%, of the \$3.05 trillion that state governments collected. Tax collections were states' leading revenue generator, reaching a total of \$1.47 trillion during the same period, or 48.3% of total revenue. The remaining revenue is collected from service charges (such as public university tuition and road tolls), local governments, and miscellaneous sources.

Sources: Pew analysis of data from the U.S. Census Bureau

Why Pew assesses the federal share of state revenue

State revenue comes from a wide range of sources, including taxes, federal funds, service charges, local funds, and miscellaneous fees. Federal funds generally make up a large proportion of overall revenue—historically ranging from about a quarter to a third. Because state and federal budgets are inseparably linked, any policy changes, major pieces of legislation, or disruptions in federal funding can affect state finances in many ways.

The recent influx of federal aid highlights the value of careful planning, particularly with one-time dollars, in helping states avoid future fiscal risks. A 2023 report from The Pew Charitable Trusts provides recommendations to help [states reduce their exposure to fiscal risks](#) when spending one-time federal aid.

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