



## **New Census Data on State and Local Spending and Revenue Wisconsin now below average on per capita spending and taxes**

*(Updated March 2010)*

In the fall of 2009, the U.S. Census Bureau released figures on state and local revenue and spending in fiscal year 2007. We prepared an analysis of the data at that time, and have recently updated it to reflect revised Federal estimates of personal income in each state.

Wisconsin's spending and revenue rankings have been dropping for a number of years, and the figures in the two tables below show a significant drop in those rankings from 2000 to 2007 – particularly in the rankings for per capita revenue. For example, Wisconsin went from 15<sup>th</sup> highest in 2000 to 30<sup>th</sup> in 2007 in total state and local general revenue per capita, and from 13<sup>th</sup> to 24<sup>th</sup> in total spending per capita.

Our analysis of the Census Bureau data found that total government spending at the state and local level in Wisconsin was \$506 (5.8%) per person below the national average in 2006-07. Fiscal analysts often focus on a slightly narrower measure of spending, known as direct general spending, which excludes things like revenue from public utilities. By that measure, the Census Bureau data show that Wisconsin was \$279 (3.7%) below the national average.

**Table 1 –2007 Revenue, Spending and Employees – Per Capita<sup>1</sup>**

	Natl. Average	Wisconsin	% Difference	Ranking	
				2000	2007
Total state & local general revenue	\$7,721	\$7,140	-7.5	15 <sup>th</sup>	30 <sup>th</sup>
State & local “own-source” revenue	\$6,176	\$5,863	-5.1	11 <sup>th</sup>	25 <sup>th</sup>
Total state & local taxes	\$4,234	\$4,169	-1.5	8 <sup>th</sup>	19 <sup>th</sup>
Federal revenue	\$1,545	\$1,277	-17.3	35 <sup>th</sup>	45 <sup>th</sup>
Total state & local spending	\$8,779	\$8,273	-5.8	13 <sup>th</sup>	24 <sup>th</sup>
Direct general state & local spending	\$7,444	\$7,165	-3.7	12 <sup>th</sup>	22 <sup>nd</sup>
State and local employees (Mar. 2008)	0.055	0.050	-8.2	33 <sup>rd</sup>	41 <sup>st</sup> ('08)

*Note: We excluded the District of Columbia from these rankings. If it were included, Wisconsin would drop one place on all of the rankings (for example, from 20<sup>th</sup> to 21<sup>st</sup> highest in total per capita taxes).*

### **Taxes, Fees and Federal Revenue**

Total state and local taxes were \$65 per person less in Wisconsin in FY 2007 than the national average, and Wisconsin ranked 19<sup>th</sup> in that category (compared to 8<sup>th</sup> in 2000). However, because per capita income in Wisconsin is 6 percent below the national average, Wisconsin ranks higher (closer to the top) on many of the measures when revenue is calculated as a percentage of total personal income in the state. Most notably, Wisconsin ranked 14<sup>th</sup> in fiscal year 2007 in total state and local taxes relative to income, despite the fact that the state average per person is now below the national average.

Of course, state residents don't only care about taxes; they generally have the same feelings regarding other revenue sources, such as fees, that come from their pockets. A broader measure of what state and local government collects from its residents, known as "own source revenue," includes all state and local revenue except federal aid. On that measure, Wisconsin's per capita revenue is \$313 below average and ranks 25<sup>th</sup>. Measured against personal income, own source revenue at the state and local level in Wisconsin is almost exactly the same as the national average (just 3 cents less in Wisconsin per \$1,000 of income).

The fact that Wisconsin takes in less "own source" revenue per capita than the national average is one factor in the state's below average spending. Another factor is that Wisconsin continues to rank very low in federal revenue. On a per capita basis, Wisconsin ranks 45<sup>th</sup> in federal revenue, 17 percent below average.

**Table 2 – Revenue and Spending Relative to Income in 2007 <sup>2</sup>**

	Natl. Average	Wisconsin	% difference	Ranking	
				2000	2007
Total state & local general revenue	20.7%	20.1%	-2.6	18 <sup>th</sup>	31 <sup>st</sup>
State & local "own-source" revenue	16.5%	16.5%	-0.02	13 <sup>th</sup>	23 <sup>rd</sup>
Total state & local taxes	11.3%	11.75%	+3.7	4 <sup>th</sup>	14 <sup>th</sup>
Federal revenue	4.1%	3.6%	-12.9	35 <sup>th</sup>	37 <sup>th</sup>
Total state & local spending	23.5%	23.3%	-0.7	19 <sup>th</sup>	29 <sup>th</sup>
Direct general state & local spending	19.9%	20.2%	+1.4	17 <sup>th</sup>	26 <sup>th</sup>

*(As noted under the previous table, we excluded the District of Columbia from these rankings.)*

### **Government employment and payroll**

One reason that per capita government spending in Wisconsin is below the national average is that government units in Wisconsin have fewer employees on their payroll. Census Bureau data reveal the following about public sector employment and payrolls in Wisconsin in 2008:

- The number of state and local employees per 1,000 state residents was 8.2% below average, ranking 41<sup>st</sup> nationally.
- State and local spending for public employee payrolls was 9 percent below the national average and ranked 33<sup>rd</sup>.

### **Conclusion**

State and local spending in Wisconsin in fiscal year 2007 was well below the national average when it is measured on a per capita basis, and nearly identical to the national average when it is measured relative to personal income. Wisconsin relies more heavily on tax revenue than most other states and less on fees. Nevertheless, when compared with other states, Wisconsin taxes, total revenue and total spending have all been declining fairly steadily throughout this decade. In fact, Wisconsin's total state and local taxes per capita were \$65 less than the national average in FY 2007. Because per capita personal income in Wisconsin is below the national average, most of the Wisconsin rankings – and the tax ranking in particular – are higher when revenue and spending are measured as a percentage of income.

<sup>1</sup> We used the Census Bureau's July 1 population estimate for each state to compute the per capita amounts.

<sup>2</sup> To be consistent with how the Legislative Fiscal Bureau has determined rankings in the past, we calculated the percentages using personal income during the calendar year in which the fiscal year began.