



Census Bureau Issues New Figures on State and Local Finances Wisconsin Spending and Taxes Drop Relative to Other States

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The U.S. Census Bureau recently released figures on state and local revenue and spending in 2006. We have analyzed those numbers, and the two tables below show the different ways of ranking revenue and spending and illustrate the change compared to the two previous years.

Wisconsin's spending and revenue rankings have been dropping (getting closer to average) for a number of years, and the figures in the two tables below show a significant drop in those rankings from 2004 to 2006 – particularly in the rankings for per capita revenue. For example, Wisconsin went from 20th highest in 2004 to 28th in 2006 in total state and local general revenue.

Table 1 –2006 Revenue, Spending and Employees – Per Capita¹

	Wisconsin	Natl. Average	Ranking		
			2004	2005	2006
Total state & local general revenue (FY 2006)	\$6,885	\$7,317	20 th	23 rd	28 th
State & local “own-source” revenue (FY2006)	\$5,607	\$5,803	16 th	19 th	23 rd
Total state & local taxes (FY 2006)	\$4,002	\$4,001	12 th	15 th	16 th
Federal revenue (FY 2006)	\$1,279	\$1,514	35 th	38 th	42 nd
State & local fees and misc. revenue (FY 2006)	\$1,605	\$1,803	32 nd	35 th	36 th
Total state & local spending (FY 2006)	\$7,073	\$7,103	16 th	18 th	20 th
State and local employees (Mar. 2006)	0.052	0.054	37 th	34 th	39 th

Note: If the District of Columbia were included, Wisconsin would drop one place for all or nearly all of the rankings (for example, from 22nd to 23rd highest in state and local spending relative to income).

The average personal income in Wisconsin was 6 percent below the national average in 2006. As a result, most of Wisconsin's rankings are higher (closer to the top) when measured relative to income. Nevertheless, Wisconsin has dropped significantly (moved toward average) in those rankings as well – as shown in Table 2.

The new figures reveal the following about government spending, taxes and other revenue in Wisconsin in state fiscal year 2006:

- Wisconsin was slightly (0.4%) below average in total state and local spending per capita.²
- Total state and local revenue in Wisconsin from all general revenue sources, including federal revenue, was \$6,885 per person, which was 6 percent below the national average.
- Total state and local taxes per capita were virtually identical to the national average.
- In state and local taxes relative to income, which has generally been the most watched measure, Wisconsin went from 5th in 2004 to 11th in 2006.
- Wisconsin's ranking for total state and local taxes per capita went from 12th in 2004 to 16th in 2006. That ranking was 8th in FY 2000 and also during most of the 1990s.
- Our state continues to rely less on fees and other revenue sources than most other states, and Wisconsin's per capita ranking in that category dropped from 32nd to 36th.

- Wisconsin fell to 42nd in per capita federal revenue.
- In what is called “own source” revenue – which combines all state and local taxes, fees and things like interest earnings, but excludes federal revenue – Wisconsin fell to 23rd in the per capita ranking (3.4% below the national average) and 21st when it is measured relative to income.

Table 2 – Revenue and Spending Relative to Income in 2006³

	Wisconsin	Natl. Average	Ranking		
			2004	2005	2006
Total state & local general revenue (FY 2006)	20.5%	20.5%	23 rd	28 th	28 th
State & local “own-source” revenue (FY2006)	16.7%	16.3%	14 th	17 th	21 st
Total state & local taxes (FY 2006)	11.9%	11.2%	5 th	7 th	11 th
Federal revenue (FY 2006)	3.8%	4.3%	33 rd	34 th	36 th
State & local fees and charges (FY 2006)	4.8%	5.1%	35 th	37 th	34 th
Total state & local spending (FY 2006)	21.1%	19.9%	18 th	23 rd	22 nd

Which figure to use?

We focus in these tables on combined state and local revenue and spending because nearly everyone agrees that using either one alone can be misleading. But beyond that point of agreement there are widely divergent viewpoints about which ranking is the most relevant.

The most watched ranking is state and local taxes relative to income. Some politicians have contended for many years that Wisconsin should set the goal of getting out of the top 10 in total taxes relative to income. That has now been achieved; our state has now moved to 11th in taxes relative to income (or 12th if the District of Columbia is included).

There are a couple of problems with focusing just on taxes. First, although taxes are often used as a proxy for spending, the two things are very different. Total state and local general revenue – which includes federal revenue, state and local fees, and miscellaneous revenue – has typically been a somewhat better surrogate for spending. However, the two things have diverged in recent years, as Wisconsin’s spending has surpassed its revenue. Thus, it is useful to look at the spending figures and rankings as well as taxes and other revenue.

A second problem with focusing just on tax revenue is that it minimizes the significance of other types of state revenue, such as fees. Fees tend to be distributed more broadly and somewhat less progressively than taxes, so a fixation on tax revenue could drive Wisconsin toward greater reliance on more regressive revenue sources. More importantly, politicians and the public generally react the same to fee increases and to taxes, and putting more emphasis on tax rankings is at odds with that perspective.

Whether one looks at taxes, all revenue, or spending, the trends are the same – Wisconsin’s revenue and spending have been declining relative to other states, and Wisconsin is now below average in some of the significant measures. Of course, all the rankings have the shortcoming that they miss the very important matter of the quality of state and local services that Wisconsin residents receive. Wisconsin residents have long enjoyed a high level of services, and whether that can be maintained as revenue and spending decline is unclear.

¹ We used the Census Bureau’s July 1 population estimate for each state to compute the per capita amounts.

² The spending figure referenced in the text and table is state and local “direct general spending.”

³ These figures are calculated based on personal income during the fiscal year (e.g., July 2005 through June 2006). The rankings for 2004 and 2005 have changed a little because the Census Bureau made a retroactive change in how it estimates personal income in each state.