



How Does Wisconsin Compare in State and Local Spending and Expenditure Growth?

A diverse coalition of groups known as the Wisconsin Way has been working together to look for more cost effective ways to deliver government services and more sustainable methods to finance those services, including new revenue options. The coalition recently unveiled a number of proposals focused on economic development, tax reform and modernization, and government spending and management reform.

Some responding to the report suggested that the focus should be solely on spending, suggesting that growing state and local expenditures are the primary source of Wisconsin's fiscal challenges. In an attempt to help shed light on whether Wisconsin's budget difficulties stem from unrestrained spending, this budget brief compares total state and local spending in Wisconsin with other states and examines how spending in Wisconsin has changed.

In Spending Measures, Wisconsin Ranks in the Middle among the States

There are several ways to measure total state and local spending. The most comprehensive measure, but not necessarily the best for comparison purposes, is called total direct spending. By that measure, Wisconsin was about 5.8 percent below the national average in per capita spending in fiscal year 2007 (the most recent year of comparable national data) and ranked 24th nationally. Our state was 0.7 percent below the average total spending measured as a percent of total state personal income, and we ranked 29th.

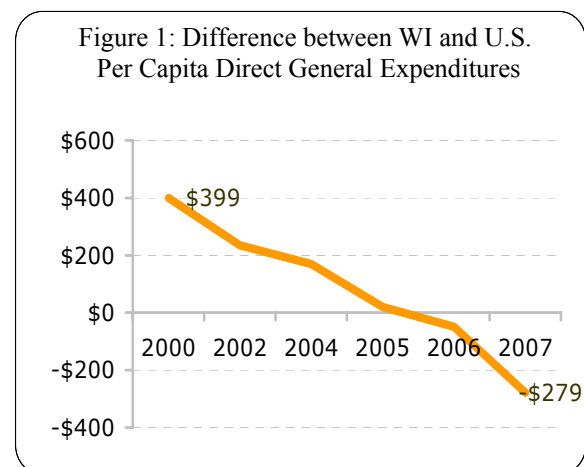
A more commonly used measure is called **direct general spending**. It excludes spending by certain government owned business operations such as utility companies, liquor stores, and insurance

trusts. Many states don't have publicly owned energy companies or liquor stores, so including those sources of spending can significantly change a state's expenditure ranking. For that reason, direct general spending is the most frequently used measure for comparing state and local expenditures. In fiscal year (FY) 2007, total direct general spending in Wisconsin was very similar to the national average:

- Total state and local direct general spending per person was \$279 below the national average.
- The per capita figure ranked 22nd nationally and was 3.7 percent below average.
- Measured relative to personal income, Wisconsin's total direct general spending was 1.4 percent above average, but ranked just 26th.

Wisconsin's Expenditures Are Slowing Compared to Other States

Figure 1 shows Wisconsin's state and local spending has been decreasing compared to other states.



Wisconsin's direct state and local government general expenditures measured on a per capita basis was \$399 above the national average in FY 2000 but fell to \$279 below the national average in FY 2007. Over that same time, our state's rank for direct general spending as a percentage of income declined from 17th to 26th.

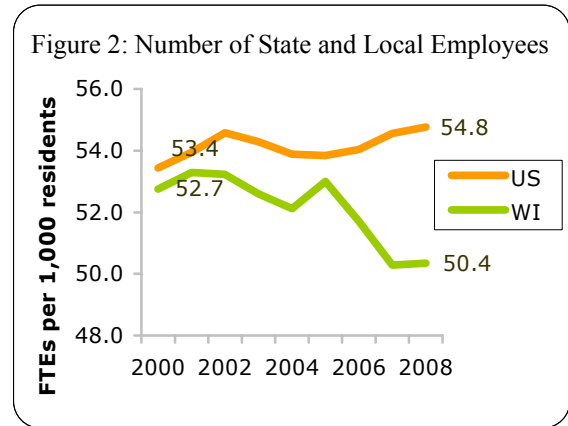
Much of the call to cut spending is focused on the state level, where expenditures from the General Fund are largely under the control of the Legislature and Governor. According to the National Association of State Budget Officers, Wisconsin's expenditures from the General Fund actually *decreased* four percent in constant dollars between FYs 2000 and 2008, ranking 48th among the states in the size of the change over that period. If Wisconsin's General Fund expenditures had kept pace with the average national increase in General Fund spending during that period, an additional \$3.4 billion in expenditures would have been made from Wisconsin's General Fund in FY 2008.

Public Sector Employment

Contrary to what many people seem to think, the number of government employees in Wisconsin is well below the national average. State and local governments in Wisconsin employed 50.4 full-time equivalent (FTEs) employees per 1,000 state residents in 2008, eight percent lower than the national average.

Wisconsin ranked 41st in 2008 among the states in terms of public sector employment. If Wisconsin had the same number of state and local government FTEs per capita as the national average, there would have been an additional 24,800 public employees in the state in 2008 at an estimated annual cost of \$1.2 billion. To put this in perspective, this is approximately the number and annual pay of all public sector employees working in police and fire protection in Wisconsin.

Figure 2 shows that the difference between Wisconsin public sector employment and the national average has grown over the course of this decade.



Conclusion

An examination of Wisconsin's state and local expenditures and expenditure trends shows that Wisconsin's spending levels are now consistent with those in other states. At one time, Wisconsin expenditures were well above average, but the trend since at least 2000 has been for Wisconsin's expenditure ranking among states to fall.

The degree to which Wisconsin's expenditures have fallen relative to other states raises the question as to whether our budget difficulties can be resolved by relying primarily on spending cuts. Far from being out of control, state and local expenditures are already restrained; public sector employment in Wisconsin is low and trending lower. Focusing too heavily on additional cuts runs the risk of providing inadequate support for public structures and services. As one Wisconsin Way coalition member noted, "There's really no way we can cut our way out of the existing budget mess going forward. The numbers don't add up."

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April 13, 2010