



## **Census Bureau Releases 2008 Tax and Spending Data** **Wisconsin below average on per capita spending and taxes**

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New data from the U.S. Census Bureau show that Wisconsin was below average in per capita state and local taxes and spending in fiscal year 2008. This issue brief analyzes the latest data, which was released by the Census Bureau on July 14, and updates the state rankings.

Wisconsin’s spending and taxes have been falling relative to other states for a number of years, and the figures in the tables below show a significant drop from 2000 to 2008 – particularly in the per capita rankings shown in Table 1. For example, Wisconsin went from 15<sup>th</sup> highest in 2000 to 27<sup>th</sup> in 2008 in total state and local general revenue per capita, and from 13<sup>th</sup> to 23<sup>rd</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 \$570 (6.1%) per person below the national average in 2007-08. However we think the better spending measure to use for comparisons between states is a slightly narrower category, known as direct general spending, which excludes things like revenue from public utilities and state-run liquor stores. By that measure, the Census Bureau data show that Wisconsin was \$345 (4.4%) below the national average in per capita spending.

**Table 1 –2008 Revenue, Spending and Employees – Per Capita<sup>1</sup>**

	Natl. Average	Wisconsin	% Difference	Ranking	
				2000	2008
Total state & local general revenue	\$7,970	\$7,463	-6.4%	15 <sup>th</sup>	27 <sup>th</sup>
State & local “own-source” revenue	\$6,388	\$6,152	-3.7%	11 <sup>th</sup>	21 <sup>st</sup>
Total state & local taxes	\$4,371	\$4,331	-0.9%	8 <sup>th</sup>	17 <sup>th</sup>
Federal revenue	\$1,582	\$1,310	-17.2%	35 <sup>th</sup>	46 <sup>th</sup>
Total state & local spending	\$9,327	\$8,757	-6.1%	13 <sup>th</sup>	23 <sup>rd</sup>
Direct general state & local spending	\$7,886	\$7,541	-4.4%	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>

*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 17<sup>th</sup> to 18<sup>th</sup> highest in total per capita taxes).*

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

Total state and local taxes were \$40 per person less in Wisconsin in FY 2008 than the national average, and Wisconsin ranked 17<sup>th</sup> in that category (compared to 8<sup>th</sup> in 2000). However, because per capita income in Wisconsin is almost 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 13<sup>th</sup> in fiscal year 2008 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 \$236 below average and ranks 21<sup>st</sup>. Measured against personal income, own source revenue at the state and local level in Wisconsin is 2 percent above the national average.

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 46<sup>th</sup> in federal revenue, 17 percent below average.

**Table 2 – Revenue and Spending Relative to Income in 2008 <sup>2</sup>**

	Natl. Average	Wisconsin	% difference	Ranking	
				2000	2008
Total state & local general revenue	20.4%	20.3%	-0.7%	18 <sup>th</sup>	30 <sup>th</sup>
State & local "own-source" revenue	16.4%	16.7%	+2.1%	13 <sup>th</sup>	21 <sup>st</sup>
Total state & local taxes	11.2%	11.8%	+5.0%	4 <sup>th</sup>	13 <sup>th</sup>
Federal revenue	4.1%	3.6%	-12.2%	35 <sup>th</sup>	38 <sup>th</sup>
Total state & local spending	23.9%	23.8%	-0.5%	19 <sup>th</sup>	27 <sup>th</sup>
Direct general state & local spending	20.2%	20.5%	+1.4%	17 <sup>th</sup>	25 <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 2008 was 4.4 percent below the national average when it is measured on a per capita basis, and 1.4 percent above 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 declined significantly over the past decade. In fact, Wisconsin's total state and local taxes per capita were \$40 less than the national average in FY 2008. 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.

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<sup>1</sup> We used the Census Bureau's July 1, 2008 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.