



# FISCAL FACT

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## New Data and Research on State Governments on Tax Foundation Website

### Introduction

Essentially every state government has worked to close budget shortfalls during 2009. States have seen a fall in revenue, particularly sources prone to boom-and-bust cycles like taxes on high-income earners and on corporate profits. While spending ratcheted up with revenue during good times, it has not fallen as sharply as revenue in recent years. The National Association of State Budget Officers (NASBO) estimates that state revenue and spending will drop in 2009 and 2010, the first year-over-year drops since 1983.

Because every state adopts a balanced budget, state budget shortfalls must be closed with some combination of revenue increases or spending reductions. In contemplating tax increases, policymakers must keep in mind not only short-term revenue needs but also long-term economic growth. A state's tax system should not put it at a competitive disadvantage to its neighbors or harm its ability to attract investment and capital formation.

Since our founding in 1937, the Tax Foundation has been looked to for principled data, research, and analysis of tax issues at all levels of government. Our annual *Tax Freedom Day*, *State-Local Tax Burdens*, and *State Business Tax Climate Index* reports look at the size of tax burdens and evaluate how states raise revenue. Our pocket-sized *Facts & Figures* booklet has proven to be a popular resource for state-by-state tax rates, rankings, and collections. Our website includes the tables from all of these publications as well as property taxes by county, historical state tax rate information, and a blog with the latest state tax news.

We are therefore pleased to be expanding the resources on our website with additional information on state budgets and state government operations, organized in four general categories. We hope that this information will enable both policymakers and the general public to achieve greater understanding of the over 89,000 state and local government entities in the United States.

## ***State and Local Government Units***

<http://www.taxfoundation.org/taxdata/topic/138.html>

Federal and state governments provide many services and collect vast amounts of revenue through taxes and fees. In fiscal year 2006 the federal government collected \$2.4 trillion in revenue and the 50 state governments together collected \$966 billion in taxes and fees.

What often get less attention are the 89,476 local government units operating in the United States, which together collected \$768 billion in fiscal year 2006. That amounts to an average of one local government entity for every 3,367 people in the country.

These governments include everything from counties, towns and townships, to the less prominent cemetery, sewerage, and mosquito control districts. Each of these local government entities receives its own funding through the levying of taxes and fees. Provided on our website are some data and statistics dealing with these important and often overlooked state and local government entities.

## ***State and Local Government Employee Retirement Systems***

<http://www.taxfoundation.org/taxdata/topic/141.html>

While most Americans plan for their retirement with the aid of various employer-sponsored retirement plans, in the public sector, defined-benefit and pension plans are still the norm. In 2007 there were almost 7.5 million retired government employees receiving benefits from the 2,547 state and local government employee retirement systems in the United States. The number of systems varies by state; for example, Pennsylvania has the highest number of government pension systems (903).

On average, there are just over 40 Americans per beneficiary. (Alaska has the smallest ratio, with just 15.8 residents per state retiree.) The average annual benefit paid out was \$21,801. Government pension benefits are 8.9% of Illinois's state budget, the highest in the country; California pays out the highest dollar figure to over 1 million state worker retirees, \$23 billion per year.

The new data on our website includes state-by-state information on the average benefit paid per beneficiary, state population per beneficiary, and employer versus employee contributions to the plans. The section also includes data on receipts and investments of state and local government retirement systems. The data are from the U.S. Census Bureau's 2007 Survey of Public Employee-Retirement Systems.

## ***Public vs. Private Sector Compensation***

<http://www.taxfoundation.org/taxdata/topic/139.html>

There are 144 million wage and salary jobs in the United States. About 22 million, or 15%, of those are federal, state, and local government jobs. Provided in this section are data relating to the average compensation received by both government and private sector employees.

The data from this section are collected from the Bureau of Economic Analysis (BEA) and include both wage and salary compensation and compensation in forms other than wages. This non-wage

compensation includes employer contributions to employee pension and insurance funds and government social insurance funds such as Social Security and unemployment, all of which are important to consider when looking at the total compensation picture.

Unfortunately, while BEA can accurately report non-wage compensation for the private sector, the task is more difficult for state and local governments. This is because many governments provide employees with pension and retirement plans, the future liabilities of which, by many calculations, are not adequately funded by current government contributions to those plans.

Nevertheless, even without including information on unfunded pension liabilities or adequately accounting for effects of seniority or greater compensation variation in the private sector, federal and state government workers receive non-wage compensation greatly in excess of that received by private sector workers. The gap in overall compensation continues to grow, with private sector compensation growing 25% from 2001 to 2007, but state worker compensation growing 28% and federal worker compensation growing 34%.

### ***State and Local Government Employees and Pay, by Function***

<http://www.taxfoundation.org/taxdata/topic/140.html>

State and local governments offer a wide variety of services, ranging from police protection and public education to state-run liquor stores and waste management services. These many government functions employ millions of full-time and part-time workers. As one example, of the 16.5 million full-time equivalent jobs in state and local governments in 2007, almost 54% were in elementary, secondary and higher education.

The data in this section, taken from the Bureau of Economic Analysis and the U.S. Census Bureau's 2007 Census of Government Employment, provide information on many of these specific government functions, including average wages for employees working in the different government functions and the number of government employees per 10,000 state residents.

### ***Conclusion***

These new resources on our website will continue to be updated as new information and data become available. We are hopeful that they will contribute to public discussion of fiscal policy and government priorities in the crucial months to come.

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