

Wisconsin Taxpayers Alliance

NEWS

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State-Local Debt, Spending Climb

WISTAX Examines Wisconsin's State-Local Finances in National Context

MADISON—Total debt for all state-local governments in Wisconsin climbed 38.0%, or 8.4% per year, from 2000 to 2004. Debt here grew faster than nationally (34.4%), and faster than inflation (10.4%) and personal income (16.0%). The rapid growth in debt was due mostly to increases at the state level, said the Wisconsin Taxpayers Alliance (WISTAX) in its new study, "State-Local Finance Perspectives." WISTAX is a nonprofit, nonpartisan organization dedicated to public-policy research and citizen education.

From 2000 to 2002, total state debt rose an average of 13.9% per year; from 2002 to 2004, state debt climbed an additional 9.2% per year. By comparison, local government debt rose 4.7% annually from 2000 to 2002 and 6.5% per year in the subsequent two years.

The study noted that over a longer time period—1994 through 2004—Wisconsin's 103.3% increase in debt was 12th highest nationally.

New figures on 2004 state-local finances from the U.S. Census Bureau allowed WISTAX to compare the Badger State on various measures of debt, spending, and revenues. The Census Bureau figures are the most complete and widely used information on state-local finances.

Wisconsin's direct general expenditures (spending after subtracting intergovernmental transfers and spending by public utilities and insurance trusts) were 21.9% of personal income in 2004, or 21st highest among the states. Nationally, spending averaged 20.8% of income. As a share of income, Wisconsin's spending climbed from 21.2% in 1994 to 21.4% in 2002 and to 21.9% in 2004. Despite increased spending, Wisconsin's national rank fell from 16th in 1994 to 19th in 2002 and to its current 21st, WISTAX said.

A comparison of spending in various categories showed Wisconsin above the national norm in most areas. The biggest gap between Wisconsin and the U.S. was in higher education (2.5% of income in Wisconsin, 1.9% nationally) and highways (1.7% vs. 1.3%), where Badger State spending was about one-third more than average. The UW System is one of the largest in the nation, and the technical college system is expansive. WISTAX noted that the combination of relatively large systems and modest incomes leads to high spending ranks. While Wisconsin spent significantly more on highways than nationally, the state ranked 19th and had spending similar to Minnesota (1.7%) and less than Iowa (1.9%).

The new study found 2004 state-local welfare spending (4.1% of income) here was 16th highest nationally, nearly 12% above the national average (3.7%) and more than 20% higher

than surrounding states (3.4%). This includes dollars spent on Medicaid (medical assistance for low income and disabled) and Wisconsin's Welfare to Work program, among others. WISTAX researchers noted that increased spending relative to income from 1994 through 2004 was due, in part, to higher public welfare expenditures. Welfare spending rose 82.6% during the period; remaining spending climbed 64.3%.

Wisconsin's 2004 state-local general revenues claimed 21.2% of income, or 24th highest and more than the U.S. average of 20.6%. General revenues consist of taxes, fees, federal revenues, and miscellaneous dollars, such as interest income or property sales. Because Wisconsin's federal aids are below average, state-local governments here fund more of their spending through taxes than in other states.

Wisconsin's tax burden, at 12.2% of income, was sixth highest nationally, according to WISTAX. Nationally, taxes claimed 11.0% of income. The new federal figures show the state's tax rank falling, from third in 1994 and 1999 to fourth in 2000 and to fifth in 2002. While Wisconsin ranked sixth in total taxes, it was third on a narrower measure—the sum of individual income, sales, and property taxes. These are the three major taxes that individuals pay, and Wisconsin's high ranking may help explain state residents' frustration with taxes here.

The new study also noted that overall fees and charges here (3.1% of income) were slightly below the national norm (3.2%). Much of the difference was due to small hospital-fee collections here versus elsewhere. Wisconsin has relatively few public hospitals. In fact, when hospital and higher education fees are factored out, Wisconsin's remaining fee collections (1.7%) were above average (1.6%).

According to WISTAX, when miscellaneous revenues are added to taxes and fees, state-local "own-source" revenues claimed 16.8% of income in the Badger State, 14th highest nationally.

A state's overall revenue ranking can depend a lot on the amount of federal dollars the state receives. Wisconsin's receipt of federal monies in 2004 was nearly 7% below average. These revenues totalled 4.3% of income here versus 4.6% nationally.

The new WISTAX report also discusses Wisconsin's somewhat unique approach to state-local finance. Here, the job of state government is largely to aid local governments. In 2004, 38.2% of state and federal dollars collected at the state level went to aid schools, municipalities, and counties. That percentage ranked the Badger State seventh nationally. California topped the list at 47.5%; Hawaii was last with only 2.6% of these dollars returned to local governments. While Wisconsin ranked high on this measure, some neighboring states—Minnesota (39.9%) and Michigan (39.4%)—had similar percentages. Illinois' (32.6%) percentage was lower, but the state ranked 10th. Iowa (28.3%, 24th) was about average.

A free copy of *The Wisconsin Taxpayer* titled "State-Local Finance Perspectives" can be obtained by writing WISTAX, 401 North Lawn Ave., Madison, WI 53704-5033; e-mailing wistax@wistax.org; visiting www.wistax.org; or phoning 608.241.9789. □

(Editors Note: An electronic version of this release is available at www.wistax.org.)

The Wisconsin Taxpayers Alliance, founded in 1932, is the state's oldest and most respected private government-research organization. Through its publications, civic lectures, and school talks, WISTAX aims to improve Wisconsin government through citizen education. Nonprofit, nonpartisan, and independently funded, WISTAX is not affiliated with any group—national, state, or local—and receives no government support.

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