

What Do State and Local Governments Spend Money On?

Part 1. Background

A recent CNN Money article (Ref. 1) discussed America's pension crisis. This encouraged me to think about and research where states spend their money.

All of us complain about taxes and wonder where that money goes. Is it being spent on things that the state needs? Is it being spent efficiently? Which states spend the most on pension, education, healthcare, or prisons?

Spending levels for each state were taken from References 2 and 3. The spending levels were broken down into a number of generic categories.

To account for differences in population size, all of the spending levels here are on a per capita basis.

In addition, the figures presented here are combined state and local spending for each state. Thus California education spending, for example, would include all of the education funding provided by the state of California as well as by all of the counties, cities, and towns.

Part 2. Where Does the Money Go?

Figure 1 shows the combined state and local spending per capita on pensions. This does not include worker and payer contributions, but purely government money. One would expect states like California, New York, and Illinois to be in the highest quintile. But it's surprising to find states such as Oregon and Colorado also in the highest quintile. And it's also surprising to see the "retiree" states of Florida and Arizona in the lowest quintile. But that's probably due to retirees moving to those states but collecting from their state of prior employment such as New York and California.

Alaska spends more than \$1800 per capita on pension funding whereas Indiana spends an even \$400.

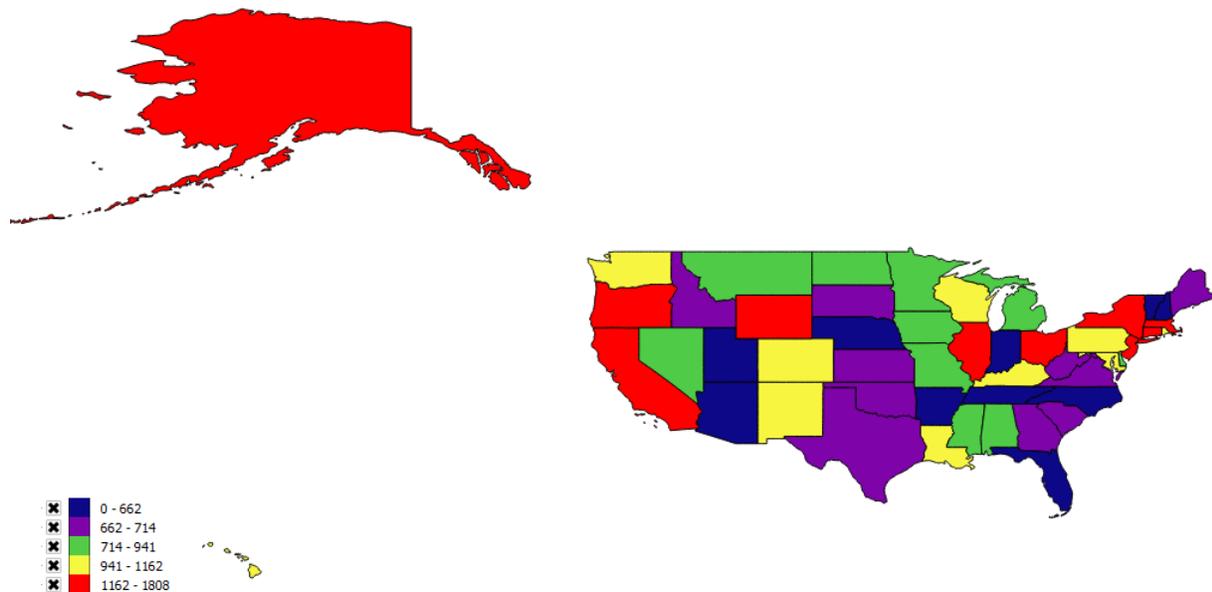


Figure 1. State Spending Per Capita on Pensions

Figure 2 shows the combined state and local spending for healthcare per capita. The highest quintile states include Kentucky and New Mexico which have been hard hit in recent years by the opioid crisis. A more detailed breakdown of healthcare costs would have to be done to explain why states such as Minnesota and Iowa are in the highest quintile of healthcare spending. And it's surprising to see Florida with its large retiree base in the lowest quintile on healthcare spending per capita.

The spend rate for healthcare varies from \$5710 in the District of Columbia and \$4334 in Wyoming down to about \$1200 for the two Dakotas.

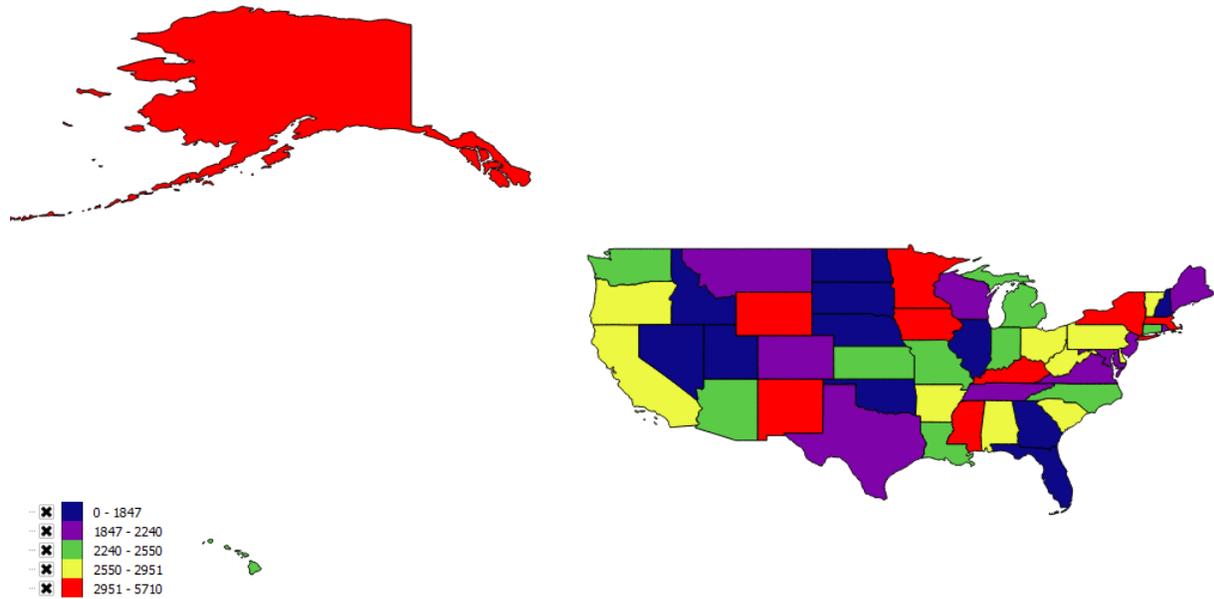


Figure 2. State Spending Per Capita on Healthcare

The combined state and local spending on education per capita is shown in Figure 3. Is it the resolve of the legislatures to spend so much per capita in states like Alaska, North Dakota, Iowa, Nebraska, and Colorado? Or is it due to the sparse populations? And California, which was in the highest spending rate on pensions per capita, is in the lowest quintile on education spending? Are they prioritizing retirees and people on the way to retiring more than they do children in grades K-12?

Alaska spends \$5057 per person on education followed by DC at \$4666 and Wyoming at \$4597. Among the lowest, Nevada, Florida, and Idaho spend \$2060, \$2107, and \$2110, respectively, on healthcare on a per capita basis

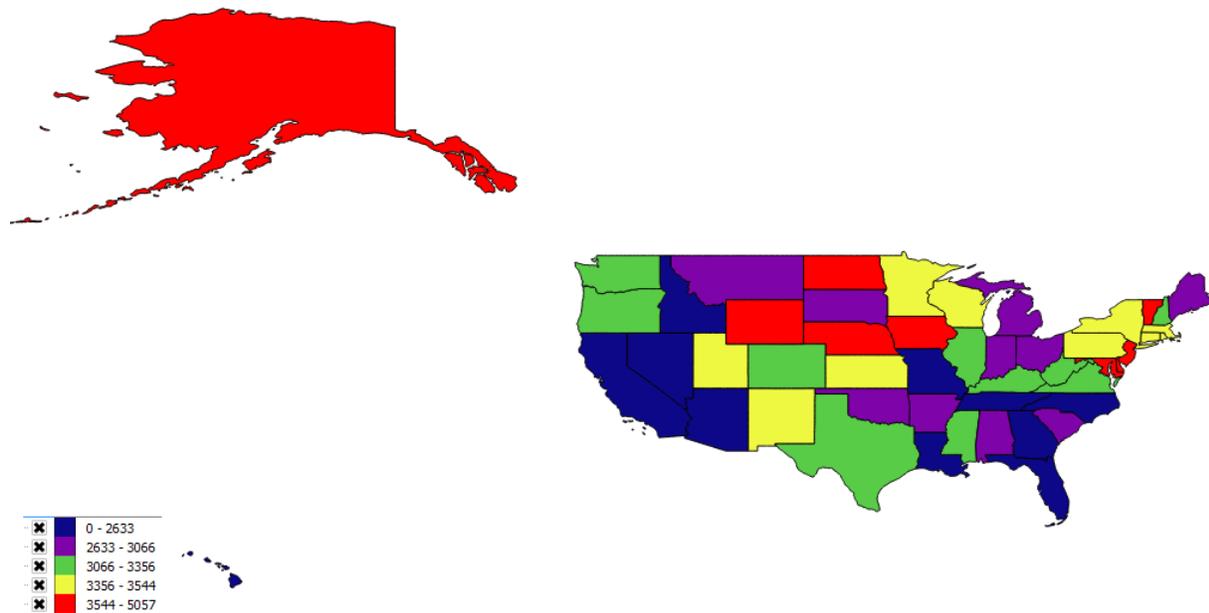


Figure 3. State Spending Per Capita on Education

Figure 4 shows the welfare spending rate per capita. The highest five welfare spending states per capita are the District of Columbia (by a wide margin), North Dakota, Alaska, Maine, and Rhode Island.

The District of Columbia spends \$2726 per person on welfare spending whereas the next highest state, North Dakota, spends \$1667. The lowest spending state on Welfare is Florida at \$269 per person followed closely by Missouri, Arkansas, and Texas. Thus the District of Columbia spends ten times as much on welfare as Florida does (on a per person basis).

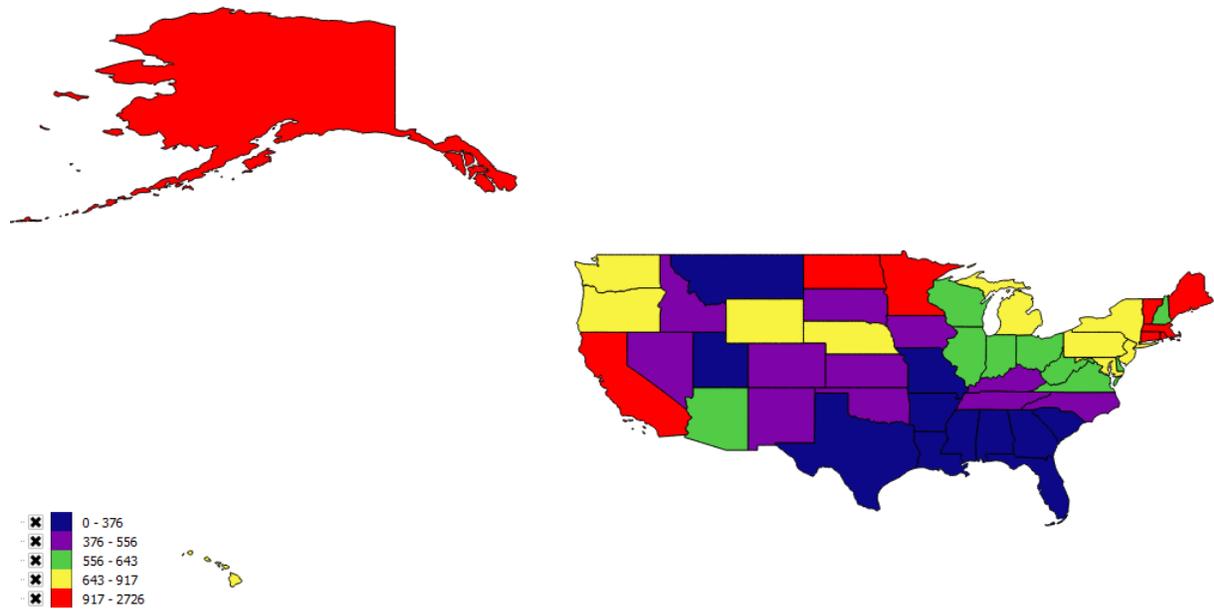


Figure 4. State Spending Per Capita on Welfare

The protection category includes state and local spending on police, patrol, fire, and security items. Figure 5 shows the spending rate on protection per capita for each state. The combined state and local spending varies from \$1556 for the District of Columbia and \$839 for California (A factor of two down from 1st highest to 2nd highest!) down to about \$500 for Mississippi, Iowa, and Indiana.

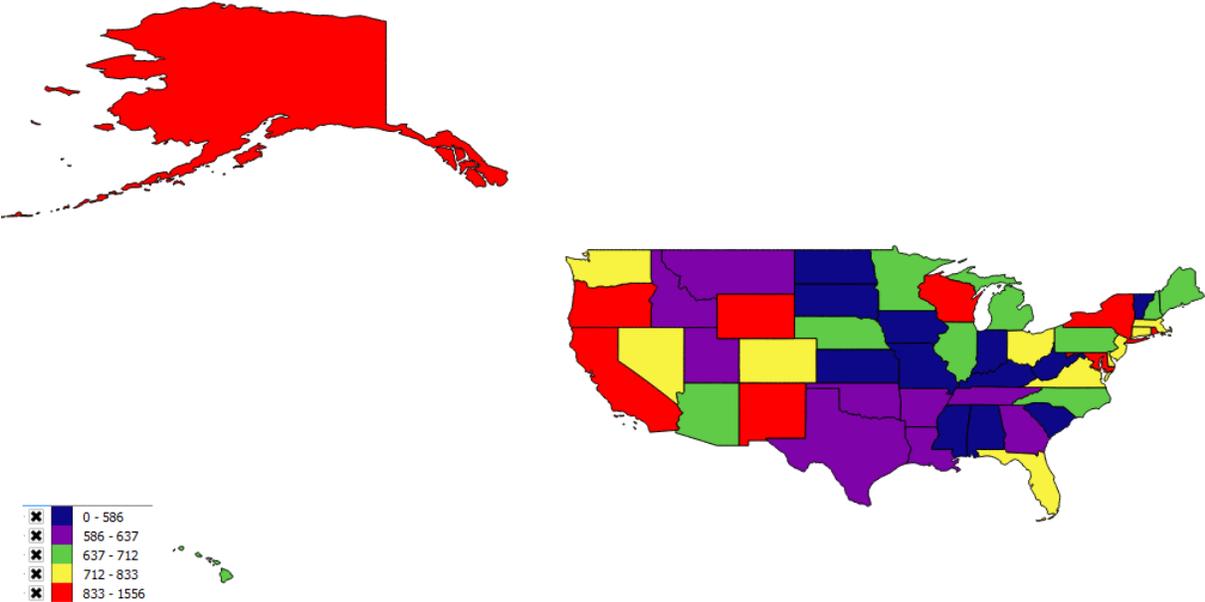


Figure 5. State Spending Per Capita on Protection

We hear talk these days of our crumbling infrastructure and transportation systems, but which states are doing something about it? The highest spending states on transportation include the District of Columbia (\$4532 per person), Alaska (\$2830 per person), and North Dakota (\$2603 per person). One could expect Alaska and North Dakota to spend a fair amount due to their harsh winters. Tennessee, the lowest spend state at \$399 per person, is followed closely by Idaho and Missouri.

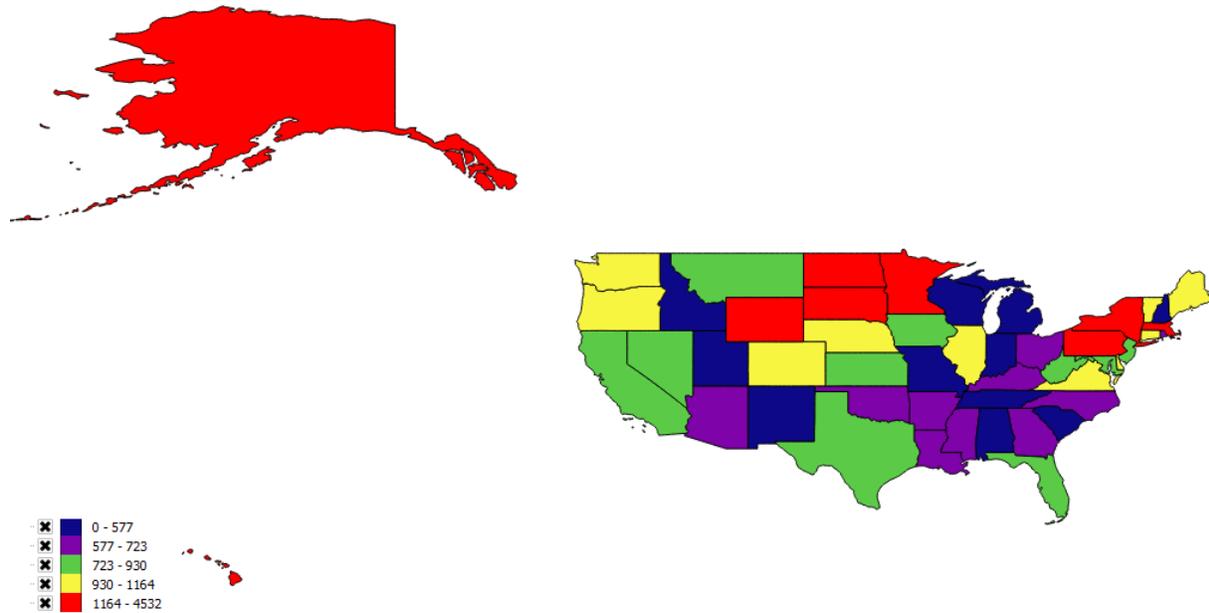


Figure 6. State Spending Per Capita on Transportation

Figure 7 shows state and local spending per person to service the state and local debt. Included in the states with some of the highest debt interest payments include the high pension states such as California, Illinois, and New York. Though California barely makes it into the highest debt interest quintile as shown in red.

Whereas DC and Connecticut spend \$732 and \$575 per person on debit interest, respectively, Wyoming, Oklahoma, and Georgia barely spend above \$110.

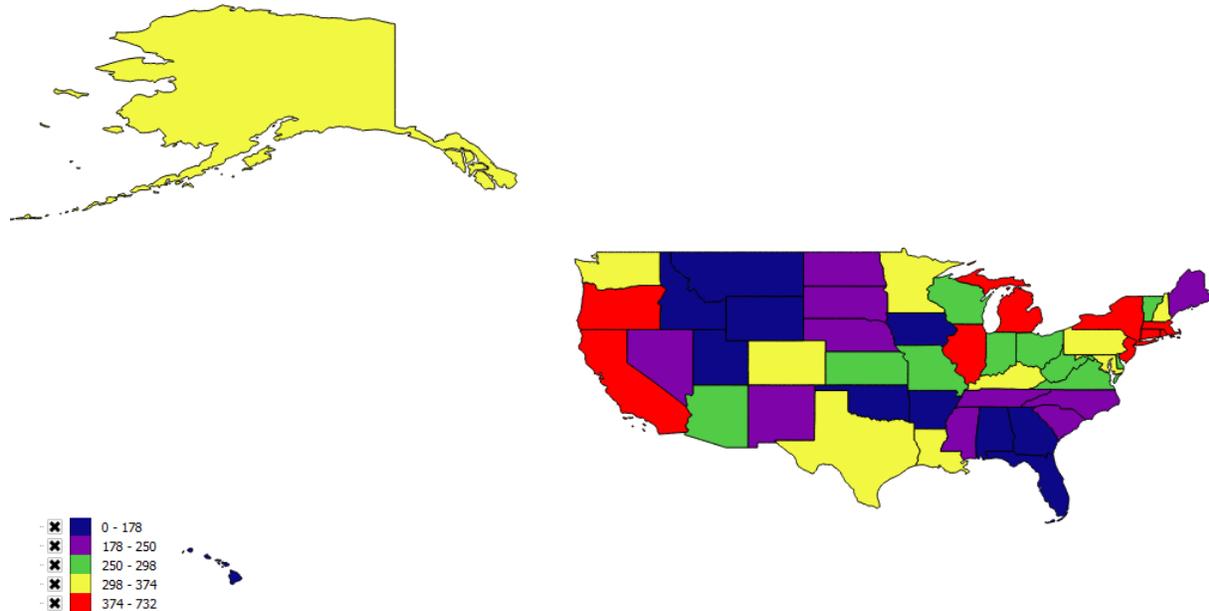


Figure 7. State Spending Per Capita on Debt Interest

Finally Figure 8 shows the combined state and local corrections funding per capita for corrections. Corrections include prisons, jails, and other costs associated with the facilities. Alaska has the highest correctional cost per capita at \$511 per person followed by California at \$323 and Delaware at \$314. The lowest costs in the country are in New Hampshire (\$87), and Minnesota (\$100), and Nevada (\$104).

It should be noted that these are costs per capita (i.e., resident of the state) and not per prisoner.

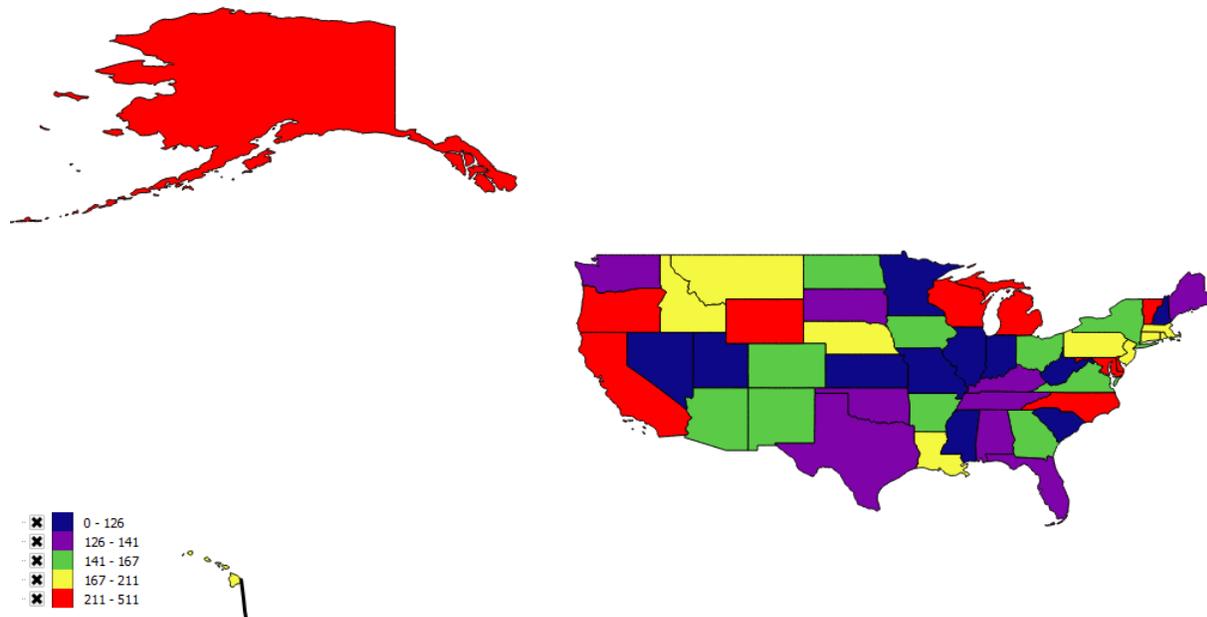


Figure 8. State Spending Per Capita on Corrections

As a side note, there is always a debate about states spending more for prisons than they do for education. You can look at statements like these in two ways: one from the client side (i.e., the student and the prisoner) and another from payer's side (i.e., the generic resident in a state). We haven't looked at the client side here. To do that, we would have to compare what a state pays for education per student and compare that with what a state pays for corrections per inmate. We've looked at the payers' side, namely what his or her state pays within a category per resident. (That is not necessarily per taxpayer, but per capita.)

References

1. DePillis, Lydia, "The big myth about America's spending crisis", CNN Money Online, 26 April 2018, <http://money.cnn.com/interactive/economy/pension-crisis-retired-workers/>
2. www.usgovernmentdebt.us
3. www.sentencingproject.org