



PlatteChat

AN ONGOING CONVERSATION ABOUT HOW TO BEST PRESERVE FREE ENTERPRISE,
PERSONAL RESPONSIBILITY AND LIMITED GOVERNMENT IN NEBRASKA.

Platte
INSTITUTE
for economic research



Per Capita Spending: How Do We Compare?

In a 2009 policy study, the Platte Institute asked a simple question: Is Nebraska state government frugal or frivolous? Unfortunately, the answer appeared to be that Nebraska was fairly frivolous when compared to its neighbors and considering the relative size of its economy. Creighton economics professor Dr. Ernie Goss, the author of the study noted "Nebraska remains a big government state."

As we begin the fiscal year 2013-2014 it is worth revisiting that question. So how much does Nebraska state government spend per capita? Is it still a disproportionate amount relative to our size?

For the fiscal year ending June 30, 2012, the state of Nebraska spent \$9.877 billion:

- Approximately \$2.1 billion went to what the Nebraska Treasurer categorizes as "Personal Services"
- \$2.2 billion went to operating expenses
- \$567.8 million was spent on "Capital Outlays"
- \$54.2 million for travel
- Approximately \$4.96 billion was spent on government aid[\[1\]](#)

When subdivided by funding type:

- \$3.445 billion came from the General Fund
- \$1.7 billion from the Cash Fund-used to reimburse goods or services provided by state and non-state agencies or individuals and finance highway construction
- \$695 million from the Revolving Fund-which is used as a cost-reimbursement fund from one state agency to another
- \$1.3 billion from the Trust Fund-used for assets where the state is a trustee
- \$2.69 billion from the funds provided by the federal government[\[2\]](#)

Of all the agencies in the Nebraska state government, the biggest spenders were:

- Department of Health and Human Services (\$2.8 billion)
- University of Nebraska (\$2.2 billion)
- Department of Education (\$1.5 billion)
- Department of Roads (\$689 million)
- Public Employees' Retirement Systems (\$585 million)

- Department of Administrative Services (\$414.6 million)[3]

If the \$9.877 billion the state spent in 2012 is divided by Nebraska's estimated population in 2012-1,855,525[4]-Nebraska spent \$5,323.11 for every person living in the state. When funds from the federal government are removed and only actual state dollars are calculated, that amount drops to \$3,875.43 per person.[5]

Compared to other states, Nebraska is not out of the mainstream. The country as a whole spent \$5,251 per capita in fiscal year 2010, a year where Nebraska only spent slightly more, at \$5,260 when federal funds are included.[6] Similarly, while Nebraska did not outspend all of its neighbors in 2010, it wasn't as frugal either. Colorado, Iowa, and Wyoming all spent more per capita, at \$6,177, \$5,790, and \$13,585, respectively; while South Dakota, Kansas, and Missouri all spent less taxpayer money per person, at \$4,692, \$4,923, and \$4,262, respectively.[7] Although it should be noted that federal spending plays a key role in these numbers, especially for Wyoming, who received roughly \$3,767 per person from the federal government in 2010, the most of any state.[8]

When we expand this comparison out to other states, especially the nine states without income tax, we also find an interesting trend of low tax states spending less than high tax states. While there are exceptions-Alaska and Wyoming both have no income tax, but the highest per capita spending, likely driven by federal spending in those states[9]-other no income tax states had relatively low spending, especially compared to Nebraska. As previously mentioned South Dakota only spent \$4,692, but Texas, Florida, and Nevada all spent less than \$4,000 per person in 2010, the lowest in the nation, at \$3,703, \$3,068, and \$3,300, respectively. None of the other three no-income tax states spent more than \$5,000 per capita. Conversely, the nine highest income tax states all spent comparatively more per capita, with none spending less than \$5,000, and several, Oregon, Massachusetts, Hawaii, and Vermont, spent well over \$7,000 per capita.[10] So while the correlation is not perfect, there appears to be a relationship between how much a state taxes and how much it spends. It is important to remember this relationship; tax cuts can only be accompanied by spending cuts, and states are much more likely to spend less when they take less in taxes.

On a more local level, it is important to note how Nebraska's taxes compare to our neighbors. The Cornhusker State's individual and corporate income taxes-with the highest rates at 6.84 and 7.81 percent, respectively-are the highest of any of our neighboring states with the exception of Iowa. Similarly, Nebraska's 5.5 percent sales tax is higher than all of our neighboring states, with the exception of Iowa and Kansas.[11]

From 2000-2010 Nebraska did relatively well in keeping per capita spending from growing, growing 31 percent over ten years and earning a rank of 35th in real dollar spending growth (controlling for population and inflation) according to the Tax Foundation. Our neighbors did not fare as well, specifically Wyoming, which saw a 61 percent increase in spending, ranking 4th, while the rest of our neighbors ranged from growing 34 percent (Iowa, ranking 31) to growing 47 percent (Kansas, ranking 7th), with the others somewhere in between, with Colorado at 30, South Dakota at 26, and

Missouri at 17.^[12]

While Nebraska has done a better job controlling growth in spending per capita and has a lower per capita spending than some of our neighbors, more could be done to ensure a frugal stewardship of our tax dollars. At the moment, Nebraska does not appear to be frugal or frivolous in spending. But as debates over cutting taxes continue, we cannot forget the spending side of the equation, and low taxes are only possible when spending is low and controlled.

To listen to this week's Platte Chat, click on the podcast logo



[1] Nebraska State Treasurer, "Historical Expenditures: Spending by Major Category, 2000-2012," NebraskaSpending.gov. Accessed July 1, 2013: <http://nebraskaspending.com/history/>.

[2] Nebraska State Treasurer, "Historical Expenditures: Spending by fund type, 2000-2012," NebraskaSpending.gov. Accessed July 1, 2013, <http://nebraskaspending.com/history/byFund.php>; Nebraska Treasurer, "Glossary of Terms," NebraskaSpending.gov. Accessed July 1, 2013, <http://nebraskaspending.com/glossary.htm>.

[3] Nebraska State Treasurer, "Historical Expenditures: Spending by Major Category, 2000-2012," NebraskaSpending.gov. Accessed July 1, 2013: <http://nebraskaspending.com/history/>.

[4] United States Census Bureau, "State & County QuickFacts: Nebraska." Accessed July 1, 2013, <http://quickfacts.census.gov/qfd/states/31000.html>.

[5] Nebraska expenditures without federal funds total \$7,190,969,358.

[6] The Henry J. Kaiser Family Foundation, "Total State Expenditures per Capita." Accessed July 1, 2013, <http://kff.org/other/state-indicator/per-capita-state->

[spending/#table](#).

[7] Ibid.

[8] Mary Mahling, "Infographic: Wyoming First in Federal Dollars Per Capita," The Pew Charitable Trusts, Stateline, July 1, 2011. Accessed July 1, 2013, <http://www.pewstates.org/projects/stateline/headlines/infographic-wyoming-first-in-federal-dollars-per-capita-85899375205>.

[9] Arthur B. Laffer, Stephen Moore, and Jonathan Williams, *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index* 6th edition, 2013. Accessed July 2, 2013, <http://alec.org/docs/RSPS-6th-Edition>

[10] The Henry J. Kaiser Family Foundation, "Total State Expenditures per Capita." Accessed July 2, 2013, <http://kff.org/other/state-indicator/per-capita-state-spending/#table>.

[11] Tax rates for these states comes from the Tax Foundation:
Wyoming-- <http://taxfoundation.org/state-tax-climate/wyoming>

South Dakota-- <http://taxfoundation.org/state-tax-climate/south-dakota>

Missouri-- <http://taxfoundation.org/state-tax-climate/missouri>

Kansas-- <http://taxfoundation.org/state-tax-climate/kansas>

Colorado-- <http://taxfoundation.org/state-tax-climate/colorado>

Iowa-- <http://taxfoundation.org/state-tax-climate/iowa>

Nebraska-- <http://taxfoundation.org/state-tax-climate/nebraska>

[12] Nick Kasprak, "Monday Map: State Government Spending Growth, 2000-2010," Tax Foundation, June 18, 2012. Accessed July 1, 2013: <http://taxfoundation.org/blog/monday-map-state-government-spending-growth-2000-2010>.

