

The Government “Gravy Train” An Analysis of New Mexico’s Private versus Public Sector Employment and Compensation

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Executive Summary

Estimating private sector productivity is easier than estimating government productivity. In the private sector, productivity is the sum of all goods and services (as measured by Gross Domestic Product) divided by the number of workers. In the public sector, however, there is no reliable measure of the “goods and services” received because prices are not set on a voluntary basis. Rather, elected legislatures determine taxes that citizens pay to fund government.

Unfortunately, citizens have no direct way to judge whether they are getting their “bang for the buck” for the goods and services the public sector provides. This study will provide an indirect way to better understand the productivity of the public sector by examining government employment and compensation levels across the 50 states.

The basis of comparison is the examination of the number of jobs and compensation in New Mexico versus the national average. There is nothing magical about the national average; however, since it represents an amalgam of 50 states, one can reasonably assume that being above the national average indicates “low productivity” among the government’s workforce and vice-versa.

The first part of the study examines New Mexico’s state and local government employment levels. In 2007, state and local government employed 24.5 people for every 100 people employed by the private sector—hereafter referred to as the “employment ratio.” Relative to the national average of 16.22, New Mexico’s state and local government employment ratio is 51 percent higher and is the 3rd highest ratio in the country.

The second part of the study examines New Mexico’s state and local government compensation levels. In 2007, state and local government compensation was \$45,516 per job while private sector compensation was \$41,669 per job. As a result, the average state and local government job paid 9.2 percent higher than the average private sector job—hereafter referred to as the “compensation ratio.” New Mexico’s compensation ratio is 1,351 percent larger than the national compensation ratio of 0.6 percent and is the 15th highest ratio in the country.

More specifically, compensation is comprised of two components. The first part is the wage or salary paid to the employee for services rendered (wage and salary ratio). The second part is benefits, such as health insurance and retirement, which are paid in addition to a wage or salary (benefit ratio). In 2007, both components are out-of-line with the national average with the wage and salary ratio at -2.3 percent (-7.4 percent nationally) and the benefit ratio at 70.2 percent (40.7 percent nationally).

The high benefit ratio is also a significant contributing factor to New Mexico’s unfunded retirement actuarial liability. In 2006, state pensions had a \$4,076,390,000 liability while other post-employment benefits (primarily healthcare) had a \$4,990,000,000 liability. A reduction in current benefit levels, especially to retirement healthcare plans, would not only save taxpayers money today, but would also save money in the future via lower unfunded actuarial liabilities—think of it as paying off a credit card early.

The third part of the study examines the employment and compensation ratios at the local level which can vary greatly among localities. Calculating the employment ratio on a county-by-county basis shows that some counties have ratios significantly above the state average such as Cibola (63.89), De Baca (55.56), and Rio Arriba (49.73). Doing the same for the compensation ratios also shows some counties with ratios significantly above the state average such as San Juan (14.5 percent), Sandoval (13.8 percent), and Lea (7.2 percent).

The fourth part of the study examines the budgetary savings to the state by aligning New Mexico’s state and local government employment and compensation ratios to the national average. In 2007, such an adjustment would have saved taxpayers up to \$2,931,228,000. To put this massive sum into perspective, imagine if the budget savings could have been used to significantly reduce taxes.[1]

For example, in FY 2006 (the latest year of available tax data), New Mexico’s state and local governments collected \$6,974,456,000 in taxes. As a percent of personal income, New Mexico had the 7th highest tax burden in the country at 12.65 percent. Applying all the state and local government employment and compensation savings to taxes would have lowered the tax burden, in FY 2006, by up to 50.8 percent to 6.22 percent of personal income from 12.65 percent of personal income.

Finally, policymakers should be aware that another way to solve these challenges is to grow the private sector boosting both income and employment. Policymakers must pursue pro-growth economic policies—such as

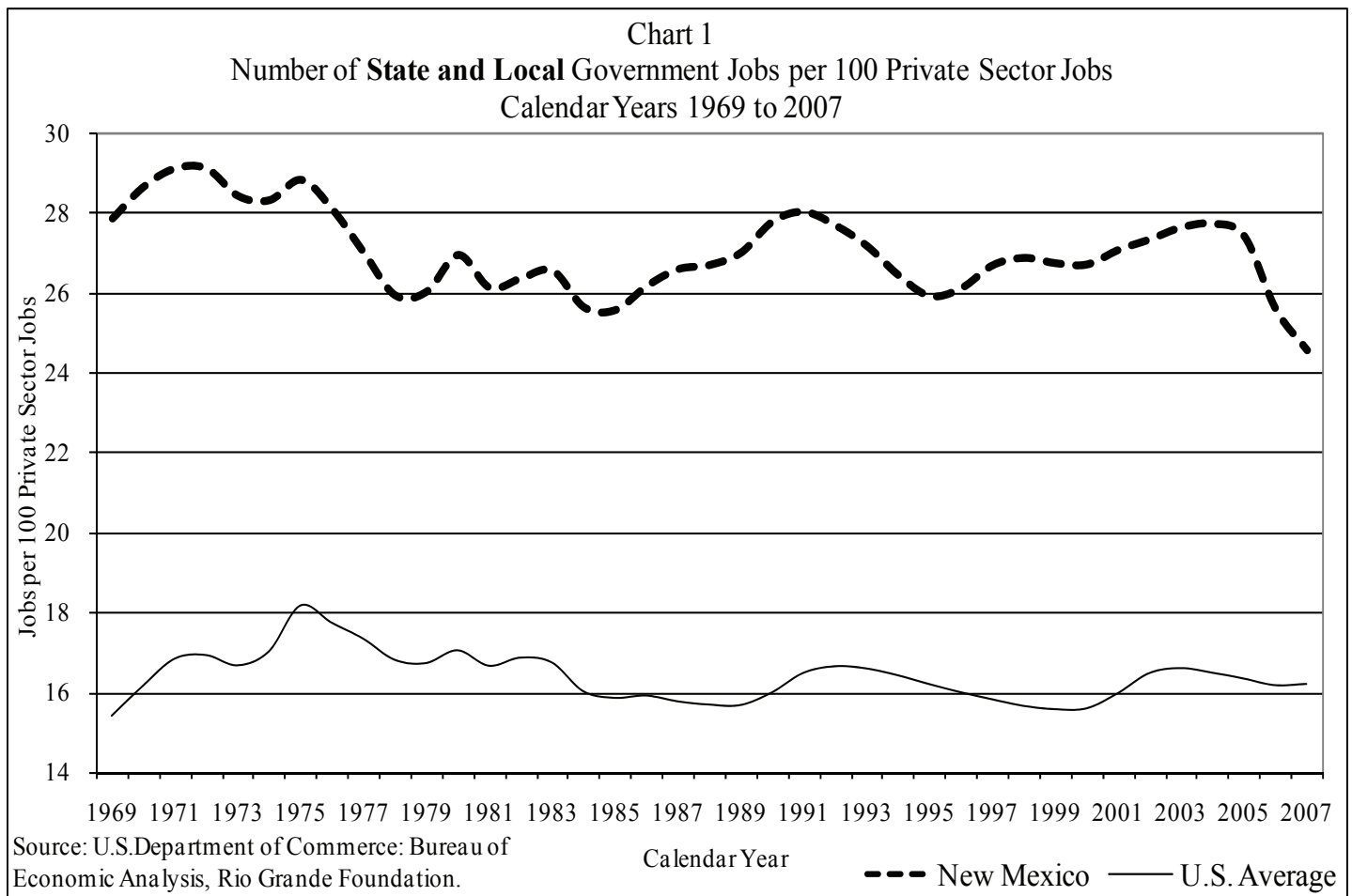


Table 1
Number of State and Local Jobs per 100 Private Sector Jobs by State and Rank
Selected Calendar Years

State	1970	Rank	1980	Rank	1990	Rank	2000	Rank	2007	Rank
U.S. Average	16.18	--	17.07	--	16.01	--	15.61	--	16.22	--
Alabama	17.40	23	20.26	12	18.62	15	18.06	15	18.90	11
Alaska	28.07	5	29.29	1	29.46	2	26.92	2	25.13	1
Arizona	19.24	18	19.37	17	17.33	22	15.74	30	15.51	36
Arkansas	17.25	24	18.80	24	16.95	24	16.52	23	18.37	13
California	17.48	22	16.39	39	14.82	38	15.93	29	16.61	27
Colorado	20.86	15	18.06	26	17.10	23	14.73	36	16.10	31
Connecticut	12.06	50	12.77	50	12.73	48	14.47	39	15.52	35
Delaware	15.28	37	17.14	34	13.41	45	13.86	42	14.81	43
Florida	16.51	31	16.55	38	15.17	35	13.54	45	13.52	46
Georgia	15.70	36	18.80	23	16.48	26	14.57	37	16.50	28
Hawaii	16.70	30	17.28	33	15.97	31	18.23	14	17.20	23
Idaho	23.11	7	21.85	8	21.46	9	19.94	9	18.25	14
Illinois	13.93	42	15.21	44	14.00	43	13.68	44	14.39	45
Indiana	13.88	43	15.96	40	14.33	41	13.69	43	14.84	42
Iowa	20.24	16	20.01	13	18.79	14	17.33	17	17.70	18
Kansas	22.77	9	20.30	11	20.51	12	19.48	11	20.38	7
Kentucky	16.46	32	17.75	28	16.28	27	16.50	24	17.28	21
Louisiana	21.10	13	19.92	14	21.39	10	20.87	6	19.85	9
Maine	16.97	29	17.85	27	16.80	25	16.01	27	16.80	26
Maryland	17.18	26	19.10	18	15.08	37	14.90	33	15.38	37
Massachusetts	12.49	48	14.72	46	12.75	47	12.35	48	12.57	49
Michigan	15.98	34	18.42	25	15.96	32	15.02	32	16.08	32
Minnesota	17.88	20	16.64	37	15.94	33	14.89	34	14.98	41
Mississippi	21.60	12	23.10	5	22.47	6	22.02	4	23.42	4
Missouri	14.22	41	15.43	42	14.02	42	15.36	31	15.96	33
Montana	24.81	6	23.92	4	24.63	4	21.23	5	18.96	10
Nebraska	22.08	11	21.93	7	19.71	13	16.81	19	17.58	20
Nevada	16.27	33	13.39	49	11.43	50	11.06	50	11.70	50
New Hampshire	14.60	40	15.29	43	13.91	44	13.32	46	14.40	44
New Jersey	13.23	45	16.94	35	15.16	36	14.55	38	16.20	30
New Mexico	28.67	4	26.94	2	27.79	3	26.70	3	24.54	3
New York	17.18	25	17.57	30	18.14	17	17.20	18	17.63	19
North Carolina	13.75	44	17.46	31	16.22	28	16.38	25	17.84	17
North Dakota	30.38	2	22.18	6	23.08	5	20.75	7	20.50	6
Ohio	13.17	46	15.17	45	14.45	40	14.01	41	15.28	38
Oklahoma	20.87	14	19.43	16	21.70	7	19.58	10	21.34	5
Oregon	20.20	17	19.02	19	17.76	19	16.73	22	16.34	29
Pennsylvania	12.37	49	13.50	48	12.16	49	12.27	49	12.84	48
Rhode Island	13.14	47	14.47	47	12.99	46	13.24	47	13.13	47
South Carolina	15.20	38	19.01	21	17.93	18	18.53	12	18.78	12
South Dakota	31.46	1	24.70	3	21.11	11	18.45	13	17.95	16
Tennessee	14.95	39	17.33	32	14.68	39	14.17	40	15.22	39
Texas	15.93	35	15.70	41	17.37	21	16.73	20	16.91	24
Utah	22.95	8	19.91	15	18.51	16	16.73	21	15.84	34
Vermont	17.06	27	17.72	29	16.21	29	16.03	26	17.28	22
Virginia	16.98	28	18.95	22	16.20	30	15.94	28	16.81	25
Washington	22.58	10	19.02	20	17.54	20	18.04	16	18.20	15
West Virginia	19.15	19	20.93	9	21.56	8	20.45	8	19.96	8
Wisconsin	17.70	21	16.86	36	15.44	34	14.79	35	15.08	40
Wyoming	28.82	3	20.85	10	30.21	1	27.65	1	24.74	2
District of Columbia	16.12	--	15.04	--	13.03	--	8.12	--	8.07	--

Source: U.S. Department of Commerce: Bureau of Economic Analysis, Rio Grande Foundation.

fewer regulations, lower taxes, and secure property rights—that will promote economic development allowing private sector businesses to better compensate and hire additional employees. Such policies are a win-win for both the private and public sectors.

Introduction

According to the U.S. Department of Commerce’s Bureau of Economic Analysis, in 2007, New Mexico’s state and local governments employed 164,702 people (full and part time), or 19.7 percent of the state labor force. Of the total, New Mexico state government employed 59,477 people and local governments employed 105,225 people. In the aggregate, they were paid \$7,496,619,000 in total compensation, or 17.2 percent of earnings (wages and salaries plus benefits).

However, aggregate statistics are not very useful when it comes to informing public policy. Rather, policymakers need relative metrics to judge whether or not New Mexico has too many government employees or if they are paid too much, i.e., by their level of productivity. As such, this study explores various private versus public sector ratios, namely employment and compensation ratios, over time and across states.

State and Local Government Employment Ratios

The employment ratio is derived by dividing state government employment by private employment. Chart 1 and Table 1 shows that in 2007 New Mexico’s state and local government employed 24.5 people for every 100 people employed by the private sector.

Table 1 also reveals that when compared with the other 49 states, New Mexico has the 3rd highest state and local government employment ratio in the country, up from the 4th spot in 1970. In addition, New Mexico’s

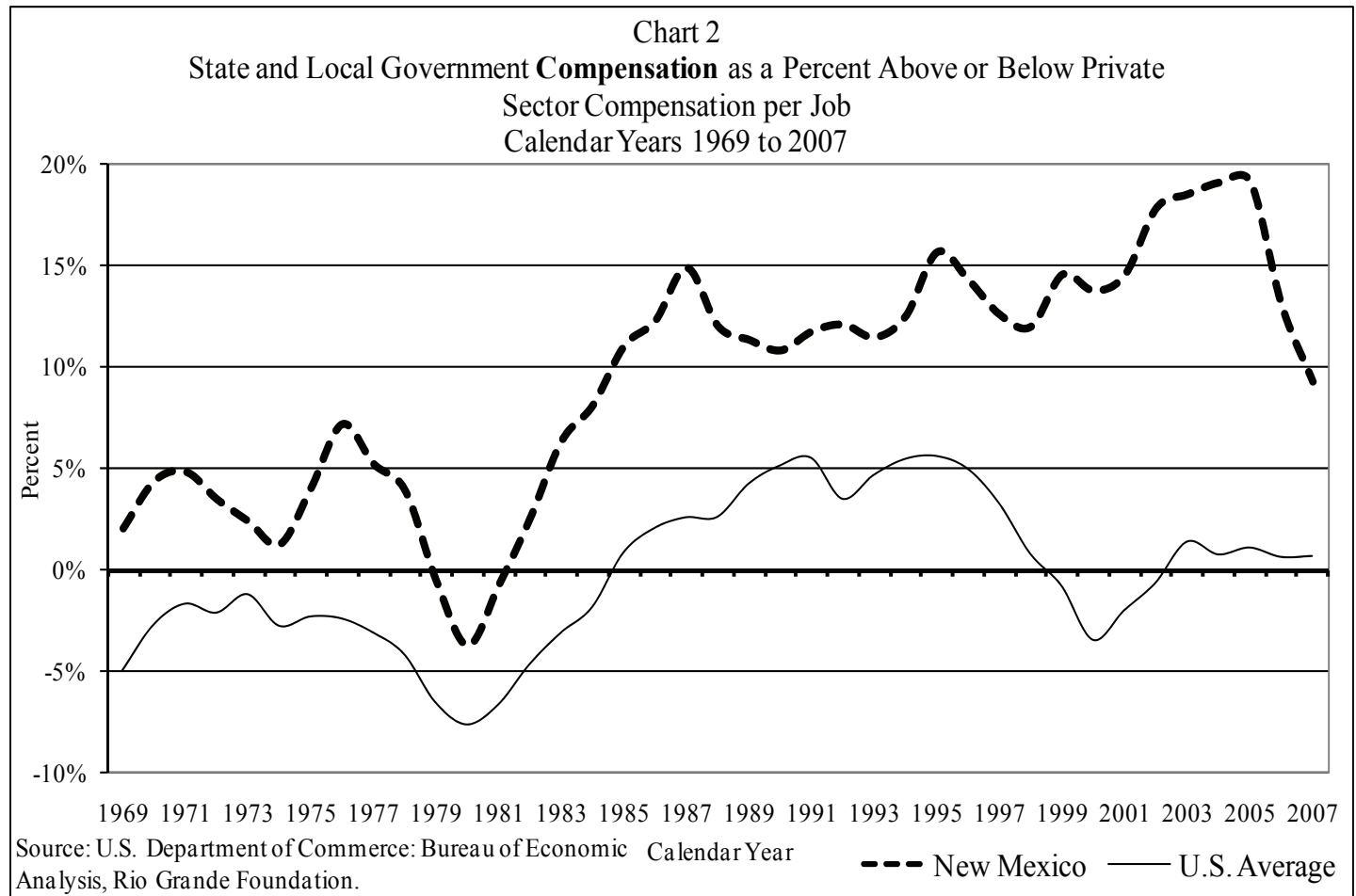


Table 2

State and Local Compensation as a Percent Above or Below Private Sector Compensation per Job by State and Rank

Selected Calendar Years

State	1970	Rank	1980	Rank	1990	Rank	2000	Rank	2007	Rank
U.S. Average	-2.7%	--	-7.7%	--	5.1%	--	-3.5%	--	0.6%	--
Alabama	-6.7%	28	-9.1%	25	2.8%	33	5.5%	18	7.6%	18
Alaska	-3.8%	20	3.9%	5	15.8%	5	8.4%	9	10.2%	11
Arizona	-4.0%	21	-7.5%	20	10.5%	11	-3.8%	32	5.6%	20
Arkansas	-5.0%	25	-9.5%	27	5.5%	25	6.8%	15	8.2%	17
California	12.7%	2	4.7%	4	12.1%	8	-4.8%	35	10.2%	12
Colorado	-9.5%	40	-11.5%	30	2.3%	35	-13.7%	48	-9.3%	46
Connecticut	-2.2%	16	-9.5%	26	4.5%	30	-10.9%	45	-7.8%	45
Delaware	-14.4%	46	-13.1%	35	1.0%	39	-5.9%	39	1.4%	30
Florida	-0.9%	11	-1.2%	9	20.0%	4	16.9%	3	16.7%	6
Georgia	-4.9%	24	-12.4%	32	0.9%	40	-9.8%	44	-10.1%	49
Hawaii	28.1%	1	17.7%	1	11.5%	9	7.4%	13	23.9%	2
Idaho	-15.3%	49	-15.7%	41	-2.0%	43	-2.0%	29	3.8%	24
Illinois	-11.9%	42	-15.5%	40	-5.6%	46	-5.0%	37	-6.3%	42
Indiana	-14.7%	47	-21.4%	48	2.3%	36	0.3%	27	-1.1%	36
Iowa	-6.1%	27	-10.9%	29	9.3%	14	8.7%	8	8.9%	16
Kansas	-9.2%	38	-18.5%	45	-7.5%	49	-12.6%	46	-9.5%	47
Kentucky	-7.0%	31	-14.7%	39	5.4%	26	-0.2%	28	4.5%	23
Louisiana	-11.0%	41	-22.5%	49	-9.5%	50	-4.9%	36	1.1%	32
Maine	-4.6%	23	-7.4%	19	8.0%	19	8.1%	10	11.0%	9
Maryland	2.6%	8	0.0%	7	20.7%	3	7.7%	12	10.3%	10
Massachusetts	6.2%	5	0.0%	6	3.2%	32	-13.0%	47	-7.1%	43
Michigan	-8.8%	36	-12.1%	31	2.1%	37	-7.4%	40	3.4%	26
Minnesota	-4.4%	22	-3.0%	10	6.5%	23	-4.1%	33	-3.1%	38
Mississippi	-9.1%	37	-12.8%	33	3.7%	31	5.7%	17	9.7%	13
Missouri	-13.7%	45	-15.8%	42	-2.1%	44	-7.9%	41	-5.0%	41
Montana	-9.4%	39	-8.8%	23	7.0%	22	15.7%	4	17.1%	5
Nebraska	-7.7%	34	-14.2%	38	8.6%	17	3.5%	22	4.9%	22
Nevada	-1.8%	13	-1.1%	8	27.5%	1	28.7%	1	22.1%	3
New Hampshire	-7.8%	35	-14.1%	37	-2.5%	45	-15.9%	50	-9.9%	48
New Jersey	-3.2%	17	-12.9%	34	4.5%	29	-2.1%	30	-0.5%	34
New Mexico	4.3%	6	-3.7%	12	10.8%	10	13.7%	6	9.2%	15
New York	7.5%	4	9.4%	3	7.2%	21	-8.9%	42	-7.4%	44
North Carolina	9.4%	3	-3.3%	11	9.2%	15	1.2%	26	1.9%	29
North Dakota	-13.6%	44	-13.2%	36	5.1%	28	3.3%	23	-0.5%	35
Ohio	-15.1%	48	-20.1%	47	0.8%	41	1.8%	25	5.6%	21
Oklahoma	-12.9%	43	-17.6%	44	-0.8%	42	7.1%	14	3.2%	27
Oregon	-2.1%	15	-6.9%	17	8.6%	18	4.4%	19	9.4%	14
Pennsylvania	-3.4%	18	-5.5%	15	14.7%	6	3.5%	21	0.1%	33
Rhode Island	0.4%	9	9.5%	2	26.4%	2	28.2%	2	32.5%	1
South Carolina	-0.7%	10	-7.6%	21	9.0%	16	9.1%	7	11.9%	8
South Dakota	-5.6%	26	-7.0%	18	6.0%	24	4.0%	20	3.7%	25
Tennessee	-3.7%	19	-9.1%	24	2.7%	34	-5.1%	38	-2.5%	37
Texas	-6.9%	30	-19.1%	46	-6.5%	47	-14.3%	49	-11.5%	50
Utah	-6.9%	29	-9.9%	28	1.4%	38	1.9%	24	2.9%	28
Vermont	-7.3%	33	-6.8%	16	9.8%	13	5.9%	16	14.8%	7
Virginia	3.3%	7	-8.7%	22	9.9%	12	-4.8%	34	-4.4%	40
Washington	-7.0%	32	-4.1%	14	7.5%	20	-9.1%	43	-4.0%	39
West Virginia	-25.3%	50	-28.2%	50	-7.1%	48	13.9%	5	18.6%	4
Wisconsin	-1.1%	12	-3.8%	13	12.9%	7	7.9%	11	7.4%	19
Wyoming	-1.8%	14	-17.5%	43	5.2%	27	-3.4%	31	1.3%	31
District of Columbia	-8.9%	--	9.1%	--	8.5%	--	-5.0%	--	-4.7%	--

Source: U.S. Department of Commerce: Bureau of Economic Analysis, Rio Grande Foundation.

state and local government employment ratio is a whopping 51 percent higher than the national average—24.5 versus 16.2 nationally.

Regionally, New Mexico’s rank is the significantly higher than neighboring states with only Oklahoma even coming close with a ratio of 21.3 (5th). The remaining four neighboring states all have significantly lower ranks: Arizona (15.5, 36th), Colorado (16.1, 31st), Texas (16.9, 24th), and Utah (15.8, 34th).

State and Local Government Compensation Ratios

The compensation ratio is derived by dividing state and local government compensation per job by private sector compensation per job. For example, in 2007, state and local government compensation was \$45,516 per job while private sector compensation was \$41,669 per job. As a result, public sector compensation was 9.2 percent higher than private sector compensation.

The compensation ratio is shown in Chart 2 and Table 2 over time (since 1969) and by state. From 1969 onward, New Mexico’s state and local government compensation has been above the private sector. In 2007, New Mexico’s ratio was 1,351 percent higher than the national average—9.2 percent versus 0.6 percent nationally.

Overall, in 2007, New Mexico’s state and local government compensation ratio ranked as the 15th highest in the country. Regionally, New Mexico has the highest ratio. The five neighboring states are all ranked lower: Arizona (5.6 percent, 20th), Colorado (-9.3 percent, 46th), Oklahoma (3.2 percent, 27th), Texas (-11.5 percent, 50th) and Utah (2.9 percent, 28th).

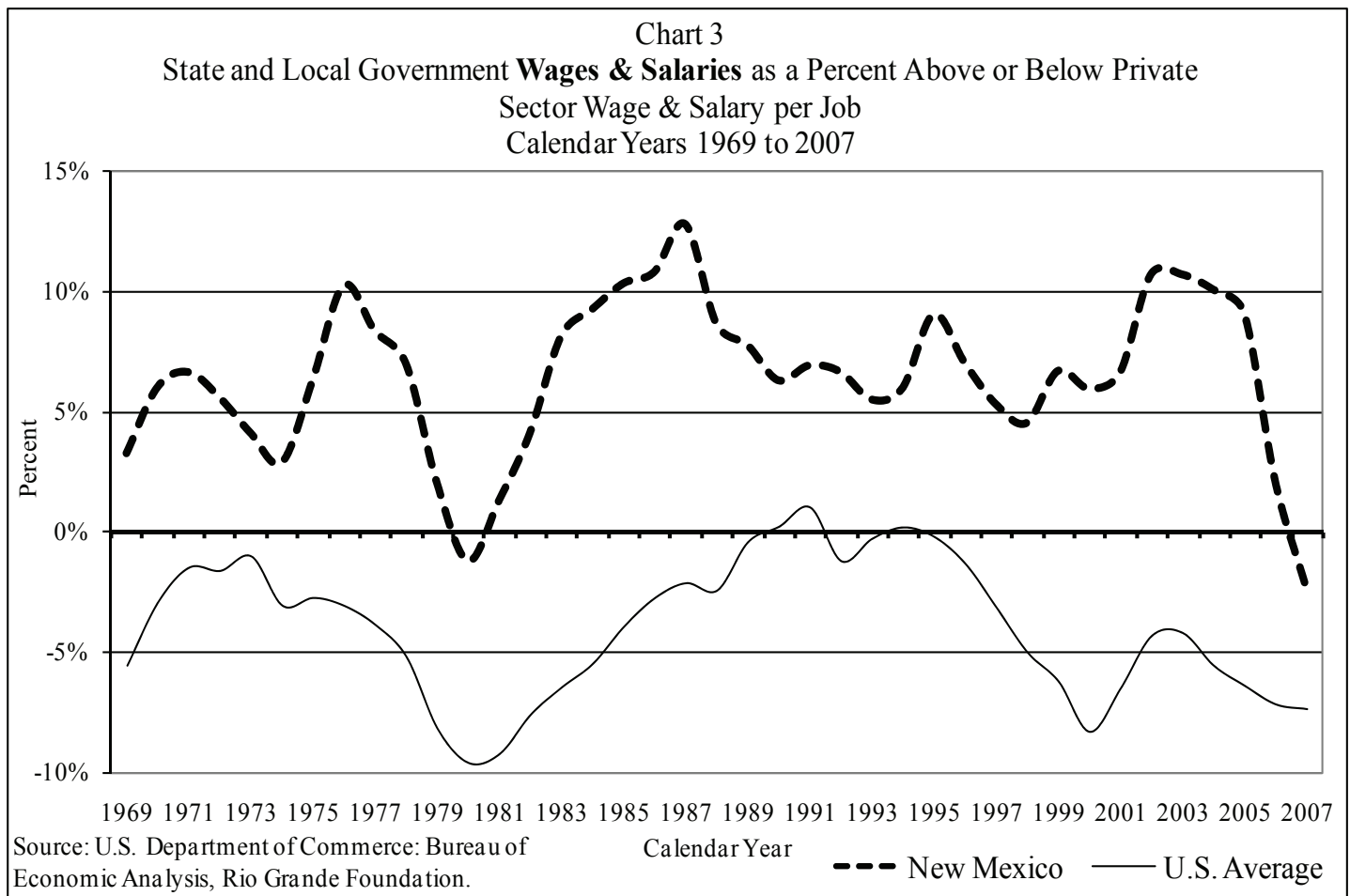


Table 3

State and Local Wages and Salaries as a Percent Above or Below Private Sector Wages and Salaries per Job by

Selected Calendar Years

State	1970	Rank	1980	Rank	1990	Rank	2000	Rank	2007	Rank
U.S. Average	-2.9%	--	-9.6%	--	0.2%	--	-8.3%	--	-7.4%	--
Alabama	-8.1%	37	-12.7%	35	-3.5%	35	-1.2%	15	-2.0%	15
Alaska	0.5%	11	7.0%	3	18.1%	2	8.7%	3	-0.1%	10
Arizona	-4.3%	25	-8.6%	21	9.3%	6	-6.8%	28	-1.2%	13
Arkansas	-4.8%	27	-12.1%	31	-1.4%	30	-3.4%	20	-5.9%	28
California	13.5%	2	0.6%	5	8.7%	8	-6.0%	26	2.5%	8
Colorado	-7.7%	35	-10.0%	24	-1.5%	31	-17.3%	47	-14.4%	43
Connecticut	-0.5%	12	-12.5%	34	-0.5%	27	-13.7%	43	-14.3%	42
Delaware	-10.5%	43	-16.0%	41	-4.1%	38	-9.5%	33	-4.0%	24
Florida	0.8%	10	-4.8%	12	9.1%	7	6.4%	5	7.0%	4
Georgia	-5.1%	28	-13.6%	37	-5.4%	41	-16.5%	45	-17.1%	48
Hawaii	27.0%	1	14.8%	1	11.7%	5	8.2%	4	11.9%	3
Idaho	-14.6%	48	-16.5%	42	-8.0%	45	-9.4%	32	-8.6%	32
Illinois	-10.2%	42	-14.7%	39	-7.4%	44	-10.0%	36	-11.5%	39
Indiana	-13.2%	47	-21.2%	49	-3.9%	37	-9.2%	31	-11.5%	37
Iowa	-4.8%	26	-11.7%	27	4.2%	14	1.8%	9	-0.3%	11
Kansas	-7.7%	36	-19.1%	45	-9.9%	48	-17.2%	46	-17.4%	49
Kentucky	-5.2%	30	-13.5%	36	-0.5%	26	-7.4%	29	-4.5%	26
Louisiana	-10.1%	41	-20.8%	47	-13.8%	50	-11.2%	38	-9.8%	33
Maine	-2.5%	19	-8.0%	19	3.1%	17	-1.8%	17	-2.1%	16
Maryland	2.6%	7	-2.5%	8	12.6%	4	-0.1%	12	1.7%	9
Massachusetts	9.9%	3	2.2%	4	0.0%	25	-18.1%	49	-12.9%	41
Michigan	-8.9%	40	-11.9%	29	-1.7%	33	-11.2%	39	-4.2%	25
Minnesota	-3.9%	23	-3.5%	9	1.9%	21	-9.9%	35	-10.1%	35
Mississippi	-8.6%	39	-14.3%	38	-3.6%	36	-4.3%	22	-3.3%	22
Missouri	-12.4%	46	-15.6%	40	-6.2%	42	-14.8%	44	-14.6%	45
Montana	-8.4%	38	-9.5%	23	0.3%	24	4.6%	7	3.8%	6
Nebraska	-4.0%	24	-12.0%	30	5.3%	11	-2.2%	18	-2.9%	21
Nevada	0.8%	9	0.3%	6	16.5%	3	16.9%	2	13.0%	2
New Hampshire	-5.4%	31	-11.8%	28	-4.8%	39	-20.0%	50	-16.0%	46
New Jersey	-3.8%	22	-10.6%	25	0.5%	23	-1.3%	16	-0.3%	12
New Mexico	6.0%	5	-1.2%	7	6.3%	9	6.0%	6	-2.3%	17
New York	-1.0%	16	-4.7%	10	2.3%	18	-12.2%	40	-19.6%	50
North Carolina	8.1%	4	-4.8%	11	3.3%	16	-4.1%	21	-2.6%	19
North Dakota	-12.0%	44	-12.3%	33	-1.6%	32	-6.6%	27	-12.1%	40
Ohio	-15.5%	49	-19.9%	46	-4.9%	40	-2.3%	19	-2.8%	20
Oklahoma	-12.4%	45	-20.9%	48	-8.6%	47	-5.4%	25	-10.3%	36
Oregon	-0.7%	15	-5.8%	14	2.0%	19	-4.6%	24	-1.5%	14
Pennsylvania	-2.0%	18	-7.1%	16	5.3%	12	0.2%	11	-6.3%	29
Rhode Island	1.1%	8	10.4%	2	19.8%	1	21.6%	1	18.6%	1
South Carolina	-2.0%	17	-7.0%	15	4.0%	15	2.1%	8	2.9%	7
South Dakota	-2.9%	20	-7.1%	17	-0.7%	28	-4.5%	23	-8.3%	31
Tennessee	-3.1%	21	-11.5%	26	-2.8%	34	-10.2%	37	-11.5%	38
Texas	-5.2%	29	-18.4%	44	-8.1%	46	-17.3%	48	-16.2%	47
Utah	-6.2%	34	-12.3%	32	-6.7%	43	-9.8%	34	-10.0%	34
Vermont	-5.8%	32	-8.1%	20	4.9%	13	-0.5%	13	5.0%	5
Virginia	5.2%	6	-9.0%	22	1.7%	22	-13.7%	42	-14.5%	44
Washington	-6.1%	33	-5.2%	13	2.0%	20	-13.6%	41	-7.9%	30
West Virginia	-23.3%	50	-25.5%	50	-12.6%	49	-0.7%	14	-4.0%	23
Wisconsin	-0.6%	13	-7.6%	18	5.7%	10	0.9%	10	-2.5%	18
Wyoming	-0.6%	14	-16.9%	43	-1.0%	29	-8.3%	30	-4.6%	27
District of Columbia	-8.2%	--	13.0%	--	4.2%	--	-7.7%	--	-11.4%	--

Source: U.S. Department of Commerce: Bureau of Economic Analysis, Rio Grande Foundation.

More specifically, compensation is comprised of two components that must also be explored. The first part is the wage or salary paid to the employee for services rendered. The second part is benefits such as health insurance, retirement, and so forth. The next two sections will explore these two components of compensation.

Wage and Salary Ratios

The wage and salary ratio is derived by dividing state and local government wages and salaries per job by private sector wages and salaries per job. For example, in 2007, state and local government wages and salaries were \$34,221 per job while private sector wages and salaries were \$35,034 per job. As a result, state government wages and salaries were 2.3 percent below private sector wages and salaries.

The wage and salary ratio is shown in Chart 3 and Table 3 over time (since 1969) and by state. From 1969 onward, New Mexico's state and local government wages and salaries has been above the private sector with two exceptions in 1980 and 2007. Yet, New Mexico's ratio has exceeded the national average in every year since 1969. In 2007, New Mexico's ratio was -2.3 percent while the national average was -7.4 percent.

Overall, in 2007, New Mexico's state and local government wage and salary ratio ranked as the 17th highest in the country. Regionally, New Mexico had the second highest ratio with Arizona having a slightly ratio (-1.2 percent, 13th). The remaining four neighboring states had significantly lower ratios: Colorado (-14.4 percent, 43rd), Oklahoma (-10.3 percent, 36th), Texas (-16.2 percent, 47th), and Utah (-10 percent, 34th).

Benefit Ratios

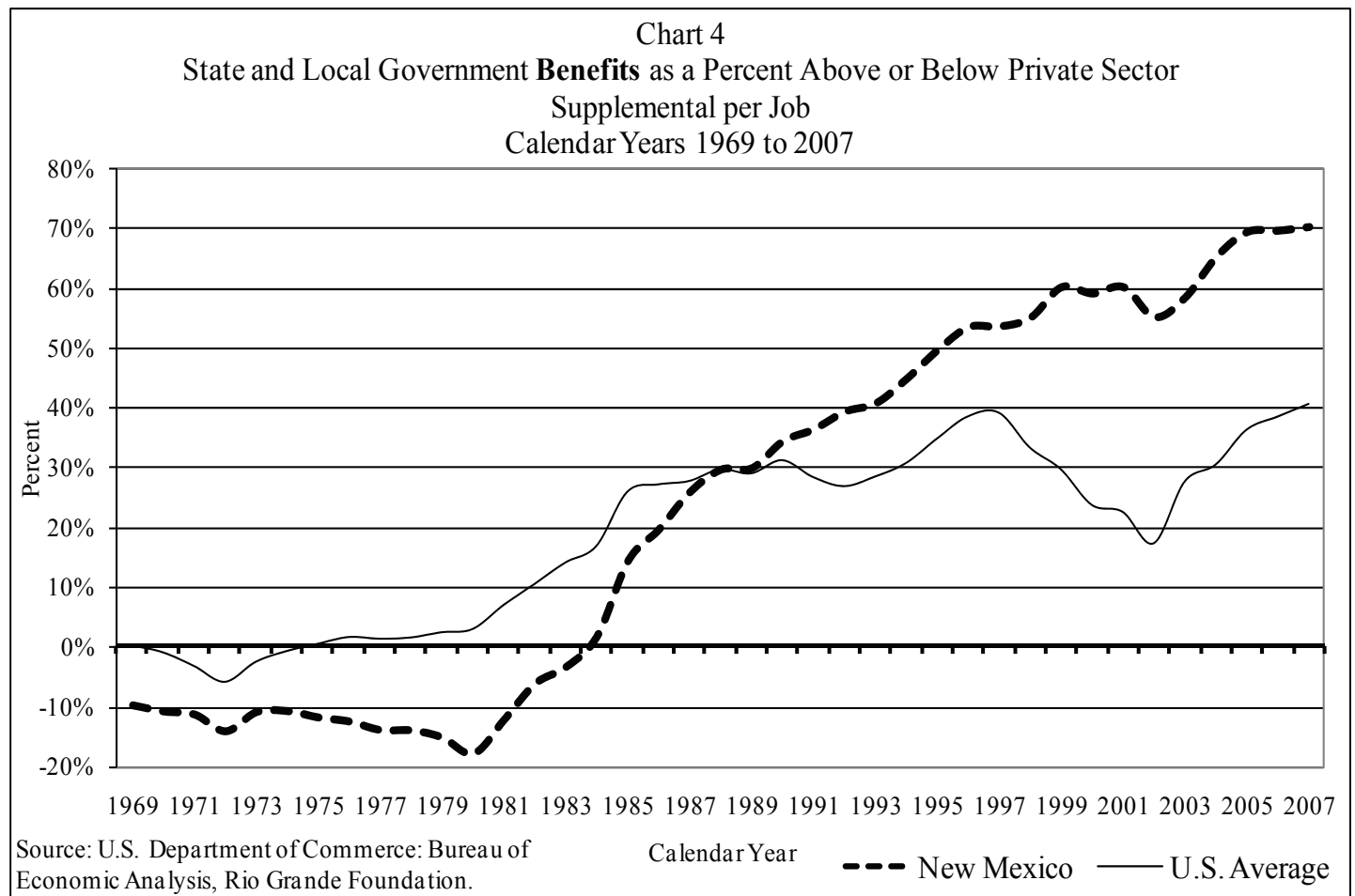


Table 4

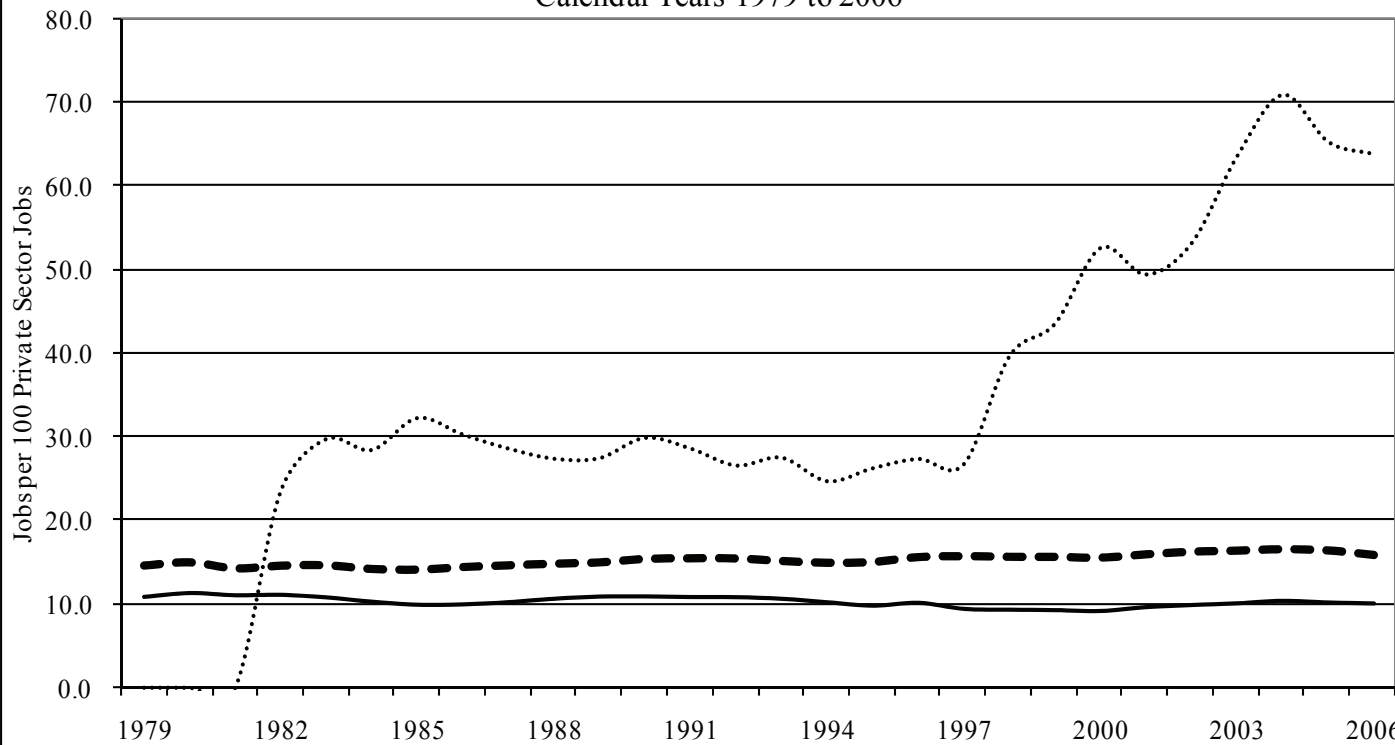
State and Local Benefits as a Percent Above or Below Private Sector Benefits per Job by State and Rank

Selected Calendar Years

State	1970	Rank	1980	Rank	1990	Rank	2000	Rank	2007	Rank
U.S. Average	-1.0%	--	2.9%	--	31.3%	--	23.8%	--	40.7%	--
Alabama	5.5%	6	10.9%	7	36.8%	24	42.3%	22	54.7%	22
Alaska	-35.0%	47	-11.0%	20	5.4%	38	6.6%	33	56.1%	20
Arizona	-1.9%	8	-1.0%	19	17.2%	41	13.9%	38	42.0%	33
Arkansas	-6.9%	10	4.1%	8	41.0%	16	62.4%	9	76.2%	6
California	5.9%	5	27.0%	3	29.5%	26	2.0%	46	47.2%	27
Colorado	-27.0%	39	-21.1%	39	22.9%	31	7.3%	41	17.1%	47
Connecticut	-16.8%	32	7.0%	14	30.6%	34	5.5%	49	25.8%	42
Delaware	-47.0%	50	1.5%	25	27.4%	39	13.9%	43	28.0%	40
Florida	-17.4%	28	21.0%	4	81.5%	2	78.7%	5	68.5%	11
Georgia	-2.6%	11	-4.6%	28	36.4%	27	30.1%	30	26.0%	41
Hawaii	37.9%	2	34.1%	2	10.7%	46	2.8%	47	86.9%	3
Idaho	-20.3%	26	-11.5%	27	27.6%	19	37.2%	17	64.4%	13
Illinois	-26.1%	43	-20.0%	42	4.0%	50	23.0%	35	19.6%	46
Indiana	-27.4%	45	-22.3%	45	35.6%	28	51.4%	19	46.7%	28
Iowa	-17.7%	25	-6.1%	24	36.3%	23	46.4%	18	52.4%	25
Kansas	-22.2%	31	-15.4%	31	4.5%	48	12.9%	40	28.6%	39
Kentucky	-21.9%	33	-20.7%	41	35.4%	25	38.0%	25	46.1%	29
Louisiana	-19.3%	34	-32.2%	49	12.9%	47	29.7%	29	53.9%	23
Maine	-22.2%	35	-4.6%	21	31.4%	22	60.9%	7	76.7%	5
Maryland	1.9%	7	14.6%	6	67.8%	3	55.1%	15	56.5%	19
Massachusetts	-25.3%	42	-12.1%	34	20.4%	44	16.9%	39	23.2%	44
Michigan	-8.3%	20	-13.4%	36	20.8%	43	11.4%	45	38.3%	35
Minnesota	-8.6%	16	-0.7%	23	31.4%	32	29.0%	31	31.5%	37
Mississippi	-13.2%	23	-4.0%	26	42.4%	17	61.5%	11	73.0%	7
Missouri	-25.3%	41	-17.1%	37	20.5%	42	30.9%	28	41.9%	34
Montana	-17.5%	17	-5.1%	16	38.8%	5	75.1%	1	80.2%	4
Nebraska	-42.7%	49	-27.4%	46	26.6%	35	34.8%	26	43.4%	31
Nevada	-27.7%	44	-9.4%	32	87.7%	1	97.4%	2	71.5%	8
New Hampshire	-30.2%	46	-27.3%	47	10.0%	45	7.8%	42	21.1%	45
New Jersey	1.7%	9	-24.9%	48	25.9%	37	-6.2%	50	-1.1%	50
New Mexico	-10.8%	14	-17.9%	38	34.4%	18	59.1%	8	70.2%	9
New York	81.2%	1	88.2%	1	34.8%	33	10.9%	44	61.0%	17
North Carolina	22.7%	3	5.8%	15	42.3%	20	31.4%	27	24.2%	43
North Dakota	-28.5%	38	-18.5%	35	41.0%	12	57.0%	10	59.1%	18
Ohio	-11.5%	27	-20.9%	44	30.5%	36	24.8%	34	45.6%	30
Oklahoma	-17.9%	22	0.9%	9	41.4%	9	77.2%	3	69.8%	10
Oregon	-13.0%	18	-12.1%	29	40.8%	13	51.3%	14	61.8%	16
Pennsylvania	-14.4%	30	2.3%	22	61.6%	4	21.2%	36	31.1%	38
Rhode Island	-5.3%	15	5.2%	17	59.2%	8	63.9%	13	101.5%	2
South Carolina	11.3%	4	-10.7%	33	36.5%	30	48.2%	21	55.1%	21
South Dakota	-33.3%	40	-6.3%	18	43.1%	11	52.7%	12	64.4%	14
Tennessee	-9.3%	19	4.7%	12	32.4%	29	24.0%	32	42.1%	32
Texas	-22.3%	37	-23.1%	43	2.0%	49	3.5%	48	12.4%	49
Utah	-12.5%	21	4.3%	10	47.1%	10	70.0%	6	67.6%	12
Vermont	-21.5%	36	0.5%	11	36.0%	14	41.7%	16	61.8%	15
Virginia	-14.8%	29	-7.1%	30	57.9%	6	49.5%	20	50.0%	26
Washington	-14.7%	24	1.9%	13	34.7%	21	14.9%	37	14.9%	48
West Virginia	-39.6%	48	-40.7%	50	18.4%	40	79.8%	4	120.2%	1
Wisconsin	-5.3%	13	16.4%	5	50.2%	15	44.8%	23	53.0%	24
Wyoming	-12.4%	12	-20.5%	40	39.5%	7	24.3%	24	31.6%	36
District of Columbia	-16.2%	--	-15.7%	--	35.4%	--	13.7%	--	37.2%	--

Source: U.S. Department of Commerce: Bureau of Economic Analysis, Rio Grande Foundation.

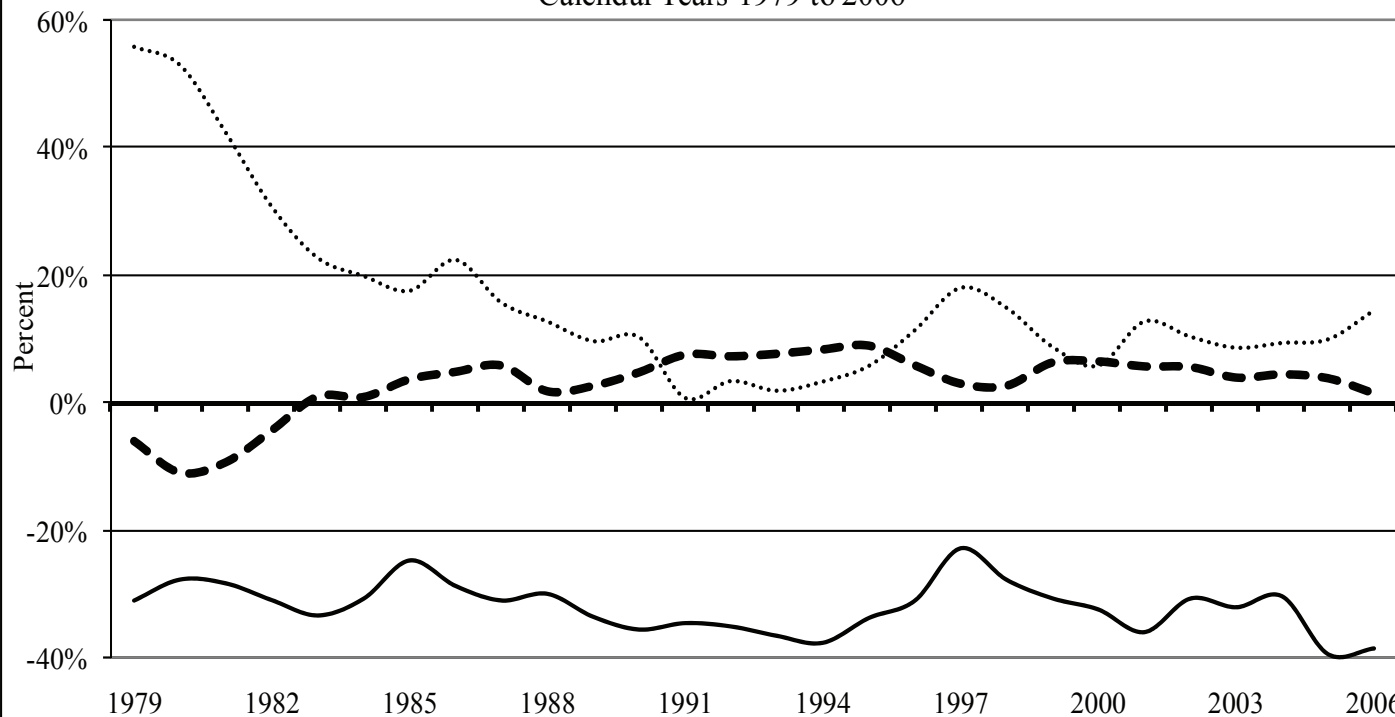
Chart 5
 Number of Local Government Jobs per 100 Private Sector Jobs
 Calendar Years 1979 to 2006



Source: U.S. Department of Commerce: Bureau of Economic Analysis, Rio Grande Foundation.

Calendar Year --- New Mexico Cibola — Bernalillo

Chart 6
 Local Government Compensation as a Percent Above or Below Private Sector
 Compensation per Job, by County
 Calendar Years 1979 to 2006



Source: U.S. Department of Commerce: Bureau of Economic Analysis, Rio Grande Foundation.

Calendar Year --- New Mexico San Juan — Roosevelt

The benefit ratio is derived by dividing state and local government benefits per job by private sector benefits per job. For example, in 2007, state government benefits were \$11,295 per job while private sector benefits were \$6,635 per job. As a result, public sector benefits were 70.2 percent above private sector benefits.

The benefit ratio is shown in Chart 4 and Table 4 over time (since 1979) and by state. In every year since 1989, state and local government benefits have been above the private sector. In addition, since 1989, the gap between state and local government benefits versus private sector benefits has been steadily growing with an all-time high set in 2007 at 70.2 percent.

Overall, in 2007, New Mexico’s benefit ratio ranked as the 9th highest in the country. Regionally, New Mexico has the highest ratio. The remaining five neighboring states are all ranked lower, though some not by much: Arizona (42 percent, 33rd), Colorado (17.1 percent, 47th), Oklahoma (69.8 percent, 10th), Texas (12.4 percent, 49th), and Utah (67.6 percent, 12th).

Table 5
Number of Local Jobs per 100 Private Sector Jobs by County and Rank
Selected Calendar Years

County	1980	Rank	1990	Rank	2000	Rank	2006	Rank
New Mexico	15.01	--	15.41	--	15.57	--	15.88	--
Bernalillo	11.34	30	10.93	32	9.15	31	10.08	31
Catron	51.97	4	42.91	6	54.84	3	48.53	5
Chaves	15.20	26	19.00	21	16.16	28	14.37	28
Cibola	(a)	33	29.93	9	52.67	4	63.89	1
Colfax	14.24	27	17.15	27	16.94	25	20.47	21
Curry	13.50	28	15.10	28	20.33	22	16.14	26
De Baca	36.60	7	51.43	4	59.88	2	55.56	2
Dona Ana	21.07	15	19.99	19	16.37	27	16.68	23
Eddy	11.48	29	13.54	31	13.67	30	12.21	30
Grant	16.14	25	19.93	20	23.42	19	26.76	13
Guadalupe	23.95	13	25.17	12	25.45	15	28.57	11
Harding	41.67	6	100.00	2	(b)	32	(b)	32
Hidalgo	17.25	22	17.68	25	32.96	8	31.69	10
Lea	9.51	32	13.54	30	16.44	26	12.60	29
Lincoln	16.51	24	18.61	22	18.13	23	16.53	24
Los Alamos	20.94	16	17.44	26	(b)	33	(b)	33
Luna	25.01	11	25.50	11	23.17	20	20.19	22
McKinley	18.57	21	22.51	15	26.25	14	27.76	12
Mora	148.53	1	111.49	1	60.57	1	48.88	4
Otero	20.39	18	20.57	17	29.56	9	32.21	7
Quay	18.83	20	19.99	18	29.36	10	25.64	15
Rio Arriba	61.63	2	51.93	3	52.28	5	49.73	3
Roosevelt	24.70	12	18.31	23	23.47	18	24.51	17
Sandoval	27.16	10	18.16	24	21.65	21	25.01	16
San Juan	17.06	23	23.63	13	24.81	16	22.51	19
San Miguel	42.15	5	33.93	7	35.99	7	32.02	9
Santa Fe	11.31	31	10.06	33	14.03	29	14.86	27
Sierra	23.27	14	23.14	14	24.79	17	22.65	18
Socorro (c)	27.87	9	21.64	16	26.32	13	32.19	8
Taos	19.66	19	14.50	29	17.53	24	16.26	25
Torrance	56.12	3	48.44	5	44.17	6	40.67	6
Union	30.77	8	27.37	10	28.80	12	26.30	14
Valencia	20.70	17	32.78	8	28.98	11	22.46	20

(a) Cibola county was created in 1981.

(b) Data unavailable.

(c) Data for 2000 was imputed.

Source: U.S. Department of Commerce: Bureau of Economic Analysis, Rio Grande Foundation.

The high benefit ratio is also a significant contributing factor to New Mexico's unfunded retirement actuarial liability. In 2006, state pensions had a \$4,076,390,000 liability while other post-employment benefits (primarily healthcare) had a \$4,990,000,000 liability. Reductions in current benefit levels, and most importantly of retirement healthcare plans, would not only save taxpayers money today, but would also save money in the future via lower unfunded actuarial liabilities—think of it as paying off a credit card early.

Local Government Ratios

Looking more closely at the local level is necessary because the employment and compensation ratios can dramatically vary among localities. As shown in Chart 5 and Table 5, calculating the employment ratio on a county-by-county basis shows that some counties have ratios significantly above the state average such as Cibola (63.9), De Baca (55.6) and Rio Arriba (49.7) in 2006. At the other end of the spectrum are counties that are below the state average such as Bernalillo (10.1), Eddy (12.2), and Lea (12.6).

County	1980	Rank	1990	Rank	2000	Rank	2006	Rank
New Mexico	12.1%	--	-4.6%	--	-6.2%	--	-1.6%	--
Bernalillo	5.2%	10	0.5%	6	-4.8%	5	0.0%	5
Catron	-15.5%	24	-35.4%	29	-28.4%	22	-37.5%	30
Chaves	-1.5%	12	-11.3%	15	-24.6%	17	-25.2%	21
Cibola	(a)	33	-2.1%	7	-7.8%	6	-17.9%	11
Colfax	2.5%	11	-24.7%	21	-31.9%	25	-27.7%	23
Curry	-12.2%	22	-24.3%	20	-18.4%	12	-23.9%	17
De Baca	-18.3%	28	-38.0%	32	-29.5%	24	-15.8%	9
Dona Ana	-16.2%	25	-25.5%	22	-34.8%	28	-28.8%	25
Eddy	18.4%	7	0.6%	5	-17.6%	11	-7.5%	6
Grant	33.9%	5	2.1%	4	-22.2%	14	-14.3%	8
Guadalupe	-31.5%	32	-29.2%	26	-19.2%	13	-13.1%	7
Harding	-3.5%	13	-6.3%	9	(b)	32	(b)	32
Hidalgo	48.1%	3	15.2%	1	-27.8%	20	-23.1%	16
Lea	22.9%	6	-6.7%	10	-0.8%	3	7.2%	3
Lincoln	-23.4%	30	-39.8%	33	-36.9%	29	-32.2%	28
Los Alamos	-6.0%	14	-10.3%	13	(b)	33	(b)	33
Luna	-17.9%	27	-36.3%	31	-33.9%	27	-27.5%	22
McKinley	43.0%	4	-20.9%	17	-24.6%	18	-21.2%	14
Mora	-8.2%	17	-29.4%	27	-14.7%	9	-15.9%	10
Otero	6.7%	9	-17.3%	16	-23.8%	15	-22.6%	15
Quay	-11.5%	19	-4.0%	8	-14.5%	8	-20.2%	13
Rio Arriba	15.0%	8	-7.7%	11	-24.2%	16	-28.0%	24
Roosevelt	-27.8%	31	-35.7%	30	-32.5%	26	-38.6%	31
Sandoval	-12.1%	20	10.2%	3	46.2%	1	13.8%	2
San Juan	53.1%	2	10.3%	2	5.8%	2	14.5%	1
San Miguel	-15.0%	23	-27.5%	23	-29.5%	23	-31.9%	27
Santa Fe	-10.3%	18	-8.4%	12	-1.8%	4	3.5%	4
Sierra	-12.2%	21	-29.0%	25	-37.2%	30	-35.8%	29
Socorro (c)	-6.6%	16	-21.6%	18	-16.8%	10	-30.7%	26
Taos	-6.2%	15	-30.4%	28	-28.2%	21	-24.5%	19
Torrance	-17.4%	26	-28.2%	24	-41.0%	31	-24.5%	18
Union	-22.4%	29	-24.1%	19	-25.3%	19	-25.0%	20
Valencia	57.3%	1	-10.8%	14	-13.5%	7	-19.7%	12

(a) Cibola county was created in 1981.

(b) Data unavailable.

(c) Data for 2000 was imputed.

Source: U.S. Department of Commerce: Bureau of Economic Analysis, Rio Grande Foundation.

Chart 7
 New Mexico's **State and Local** Budget Savings if Private/Public **Compensation** Ratio
 Equalled the National Average
 Calendar Years 1969 to 2007

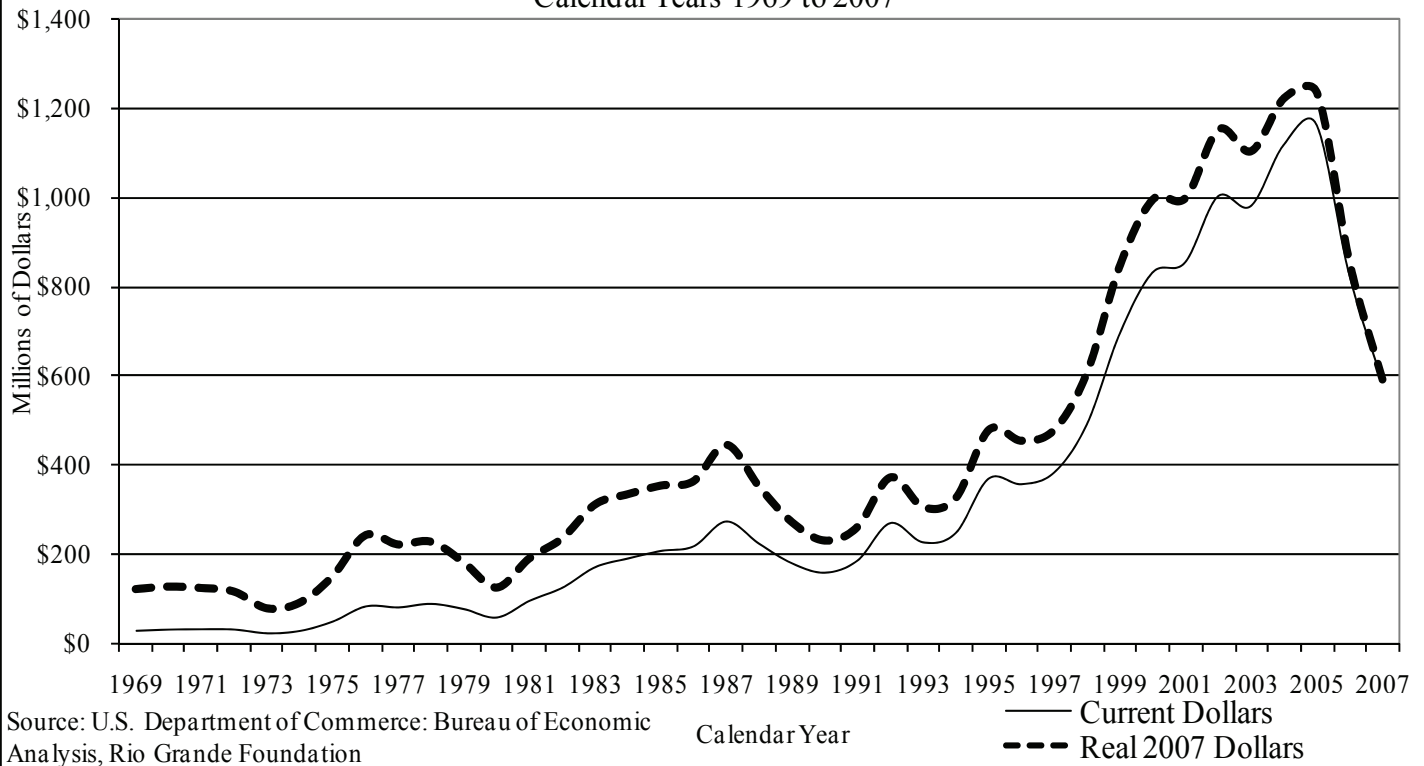
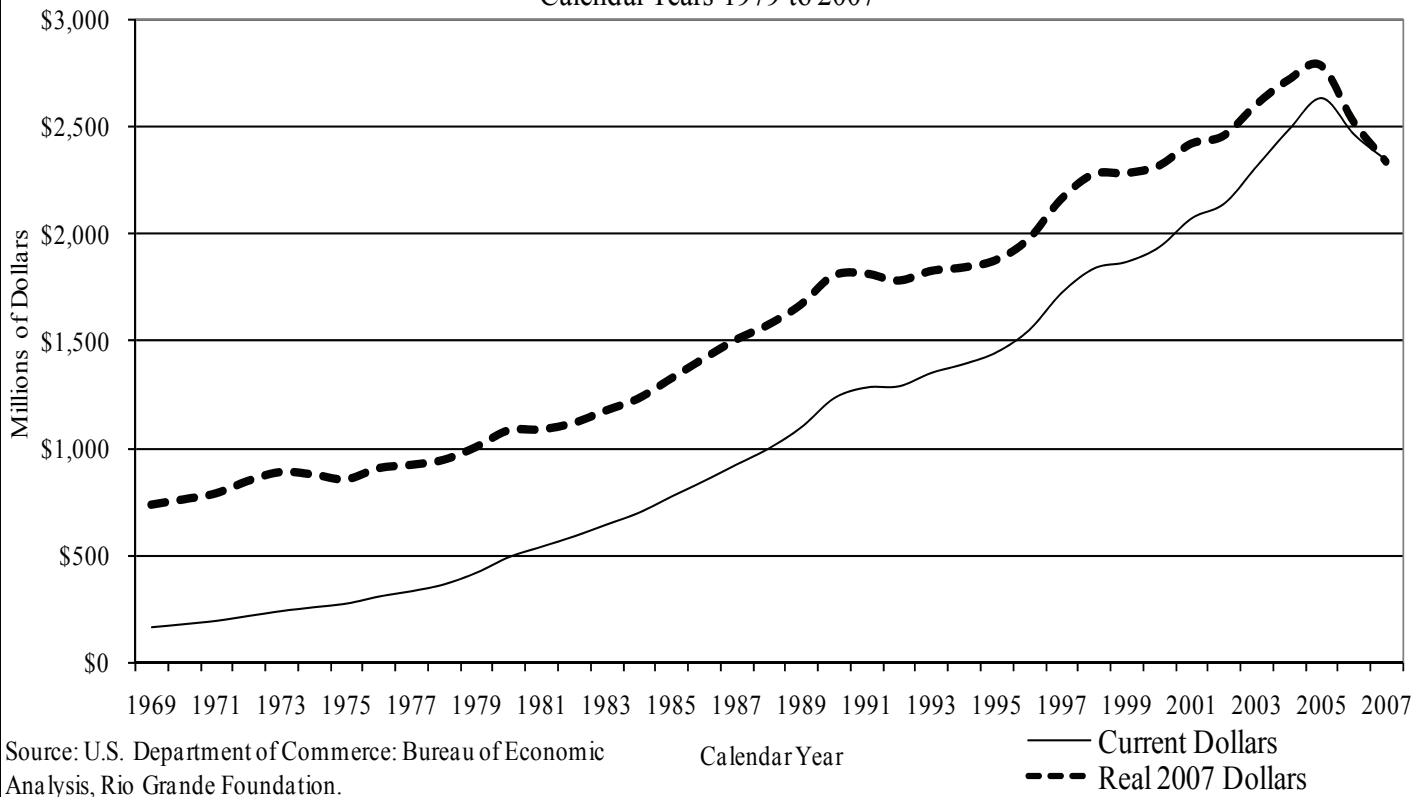


Chart 8
 New Mexico's **State and Local** Budget Savings if Private/Public **Employment** Ratio Equalled
 the National Average
 Calendar Years 1979 to 2007



As shown in Chart 6 and Table 6, doing the same for the compensation ratios also shows some counties with ratios significantly above the state average such as San Juan (14.5 percent), Sandoval (13.8 percent), and Lea (7.2 percent) in 2006. At the other end of the spectrum are counties that are below the state average such as Roosevelt (-38.6 percent), Catron (-37.5 percent), and Sierra (-35.8 percent).

Lower Private to Public Sector Employment and Compensation Ratios Equals a Lower Level of Taxation

Charts 7 and 8 and Table 7 show how much state and local government spending could have been reduced if either the employment ratio (chart 7) or compensation ratio (chart 8) had been reduced to the national average in each year between 1979 to 2006. The data shows that in recent years much of the savings would have accrued from lowering the employment ratio.

In 2007, adjusting the state employment ratio to the national average would have saved taxpayers up to \$2,341,182,208 whereas adjusting the state compensation ratio to the national average would have saved taxpayers up to an additional \$590,045,792. The same patterns exists when considering the entire 1979 to 2007 time period where adjusting the state employment ratio would have amounted up to a staggering \$62,633,315,841 (in real 2007 dollars), whereas adjusting the state compensation ratio would have saved taxpayers up to \$17,184,798,763 (in real 2007 dollars).

Chart 9 and Table 7 illustrate how the tax savings would have impacted New Mexico’s level of state and local taxation as a percent of personal income, i.e., tax burden

In 2007, such an adjustment would have saved taxpayers up to \$2,931,228,000. To put this massive sum into perspective, imagine if the budget savings could have been used to significantly reduce taxes.[1]

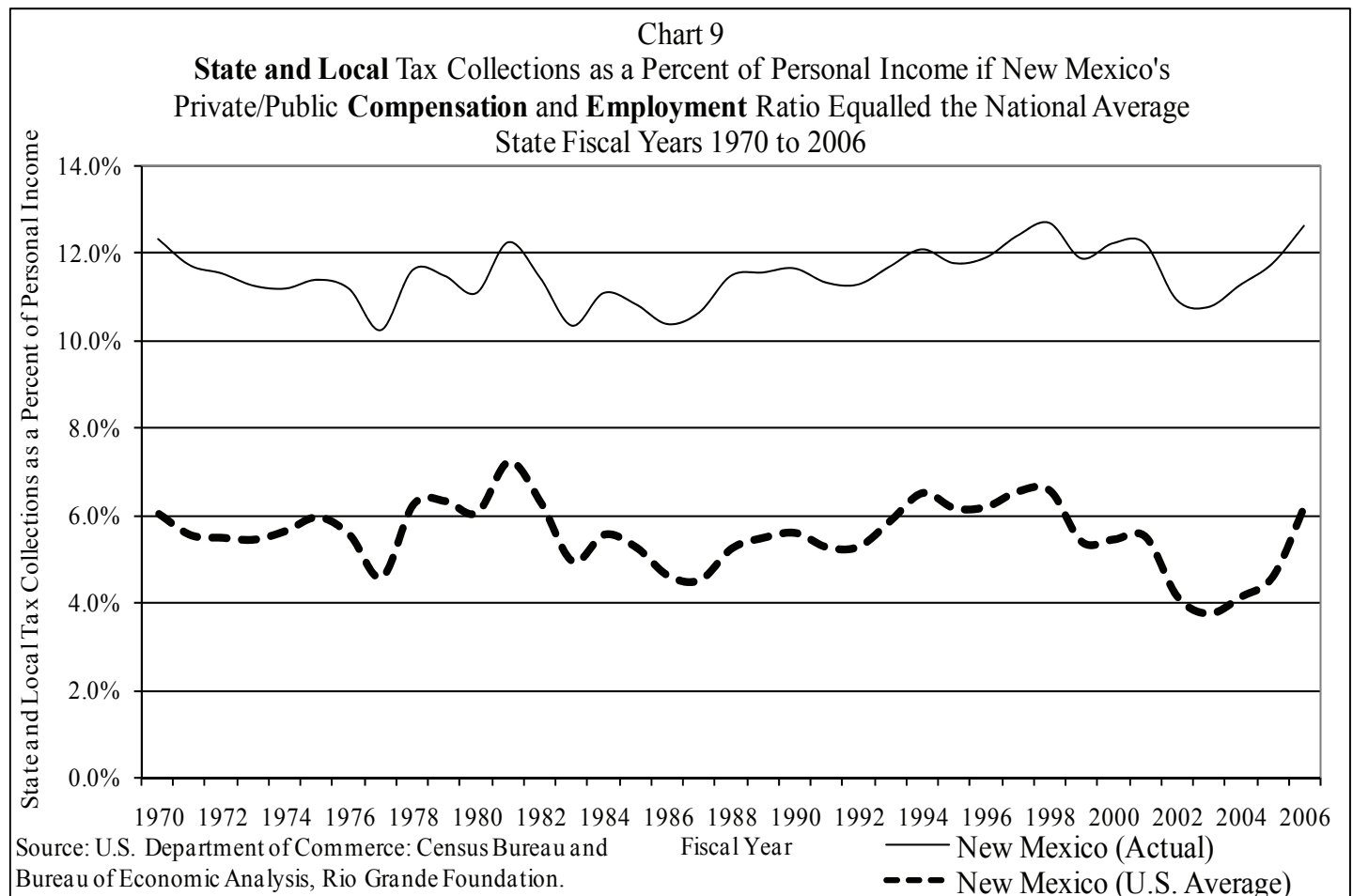


Table 7

Hypothetical: If New Mexico's State and Local Private/Public Compensation Ratio Equaled the U.S. Average
Calendar/Fiscal Years 1969 to 2007

Calendar/Fiscal Year	Budget Compensation Savings		Budget Employment Savings		Tax Collections as a Percent of Personal Income		
	Nominal (Calendar Years)	Real 2007 Dollars (Calendar Years)	Nominal (Calendar Years)	Real 2007 Dollars (Calendar Years)	Actual State Tax Burden (Fiscal Years)	Hypothetical State Tax Burden (Fiscal Years)	Percent Difference
1969	\$26,549,212	\$121,634,232	\$160,839,565	\$736,880,506	n.a.	n.a.	n.a.
1970	\$29,251,155	\$127,273,011	\$175,057,332	\$761,681,839	12.35%	6.04%	-51.1%
1971	\$29,965,732	\$124,168,768	\$190,708,828	\$790,238,660	11.74%	5.55%	-52.7%
1972	\$29,235,862	\$116,105,258	\$213,750,131	\$848,872,325	11.55%	5.49%	-52.5%
1973	\$20,911,262	\$78,657,831	\$236,559,770	\$889,820,902	11.27%	5.45%	-51.7%
1974	\$26,438,689	\$91,237,499	\$254,409,184	\$877,942,859	11.20%	5.65%	-49.6%
1975	\$47,746,198	\$150,522,317	\$271,481,610	\$855,859,580	11.41%	5.96%	-47.7%
1976	\$81,301,666	\$242,313,425	\$304,495,143	\$907,524,590	11.20%	5.55%	-50.5%
1977	\$79,154,531	\$221,811,516	\$329,451,187	\$923,207,627	10.24%	4.58%	-55.3%
1978	\$87,035,179	\$227,884,886	\$361,515,279	\$946,558,262	11.63%	6.26%	-46.2%
1979	\$75,062,508	\$181,500,911	\$416,319,535	\$1,006,659,342	11.50%	6.33%	-45.0%
1980	\$56,462,834	\$125,140,031	\$489,251,408	\$1,084,340,470	11.10%	6.06%	-45.4%
1981	\$94,091,880	\$190,671,001	\$537,354,397	\$1,088,913,315	12.28%	7.23%	-41.1%
1982	\$123,412,826	\$235,697,686	\$585,870,711	\$1,118,914,259	11.46%	6.30%	-45.1%
1983	\$169,549,351	\$311,516,449	\$640,902,843	\$1,177,543,745	10.35%	4.95%	-52.2%
1984	\$188,973,466	\$334,633,065	\$696,823,687	\$1,233,931,151	11.10%	5.56%	-49.9%
1985	\$205,892,520	\$353,821,294	\$771,866,632	\$1,326,434,053	10.85%	5.27%	-51.4%
1986	\$216,335,006	\$363,707,139	\$844,403,504	\$1,419,629,620	10.38%	4.62%	-55.5%
1987	\$272,111,621	\$445,387,443	\$921,354,537	\$1,508,056,654	10.65%	4.52%	-57.6%
1988	\$222,166,968	\$351,621,060	\$997,638,568	\$1,578,950,884	11.50%	5.25%	-54.4%
1989	\$178,237,804	\$271,815,543	\$1,096,859,845	\$1,672,729,064	11.58%	5.49%	-52.6%
1990	\$157,030,496	\$230,539,332	\$1,231,478,834	\$1,807,956,508	11.67%	5.60%	-52.0%
1991	\$184,239,321	\$261,380,006	\$1,281,242,263	\$1,817,696,185	11.34%	5.27%	-53.5%
1992	\$268,437,431	\$372,258,796	\$1,287,036,622	\$1,784,813,326	11.30%	5.29%	-53.2%
1993	\$225,351,797	\$305,480,563	\$1,349,888,377	\$1,829,870,749	11.72%	5.89%	-49.7%
1994	\$246,225,357	\$326,842,919	\$1,390,976,566	\$1,846,401,387	12.11%	6.52%	-46.2%
1995	\$368,087,753	\$478,791,797	\$1,446,168,172	\$1,881,109,746	11.79%	6.17%	-47.7%
1996	\$355,912,971	\$454,353,193	\$1,550,143,129	\$1,978,889,607	11.92%	6.20%	-48.0%
1997	\$381,855,271	\$479,521,214	\$1,723,600,230	\$2,164,440,140	12.43%	6.56%	-47.3%
1998	\$490,171,550	\$608,778,076	\$1,837,598,479	\$2,282,241,121	12.72%	6.57%	-48.4%
1999	\$693,222,350	\$848,706,510	\$1,868,296,864	\$2,287,340,724	11.90%	5.39%	-54.7%
2000	\$830,925,203	\$995,606,269	\$1,937,233,259	\$2,321,173,519	12.25%	5.45%	-55.5%
2001	\$854,218,537	\$999,507,929	\$2,071,888,487	\$2,424,284,746	12.25%	5.51%	-55.0%
2002	\$1,002,347,013	\$1,152,670,686	\$2,140,555,956	\$2,461,578,744	10.95%	4.14%	-62.2%
2003	\$980,475,187	\$1,104,037,783	\$2,315,095,336	\$2,606,851,000	10.78%	3.75%	-65.2%
2004	\$1,117,300,604	\$1,223,016,582	\$2,487,854,790	\$2,723,248,918	11.29%	4.13%	-63.4%
2005	\$1,164,777,610	\$1,234,640,155	\$2,632,945,941	\$2,790,868,194	11.78%	4.60%	-60.9%
2006	\$829,164,881	\$851,500,796	\$2,462,348,940	\$2,528,679,314	12.65%	6.22%	-50.8%
2007	\$590,045,792	\$590,045,792	\$2,341,182,208	\$2,341,182,208	n.a.	n.a.	n.a.
Total	\$12,999,675,396	\$17,184,798,763	\$43,852,448,150	\$62,633,315,841	n.a.	n.a.	n.a.

Source: U.S. Department of Commerce: Census Bureau and Bureau of Economic Analysis, Rio Grande Foundation.

For example, in FY 2006 (the latest year of available tax data), New Mexico's state and local governments collected \$6,974,456,000 in taxes. As a percent of personal income, New Mexico had the 7th highest tax burden in the country at 12.65 percent. Applying all the state and local government employment and compensation savings to taxes would have lowered the tax burden, in FY 2006, by up to 50.8 percent to 6.22 percent of personal income from 12.65 percent of personal income.

Conclusion

Overall, policymakers should be most concerned with New Mexico's state and local employment ratio which was the 3rd highest in the country in 2007. In addition, New Mexico's high benefit ratio of 70.2 percent is also of particular concern and ranks as the 9th highest in the country. This high benefit ratio is a significant contributing factor to New Mexico's unfunded retirement actuarial liability.

In 2006, state pensions had a \$4,076,390,000 liability while other post-employment benefits (primarily healthcare) have a \$4,990,000,000 liability. The most taxpayer friendly option for policymakers is to reduce the overly generous level of promised state and local government retiree health benefits. Doing so would not only save taxpayers money today, but would also save money in the future via lower unfunded actuarial liabilities.

Finally, policymakers should be aware that another way to solve these challenges is to grow the private sector, boosting both employment and paychecks. Policymakers must pursue pro-growth economic policies—such as fewer regulations, lower taxes, and secure property rights—that will promote economic development, allowing private sector businesses to better compensate and hire additional employees. Such policies are a win-win for both the private and public sector.

Methodology

The employment and compensation data used in this study are from the Bureau of Economic Analysis's Regional Economic Accounts. <http://www.bea.gov/regional/index.htm#state>

The tax collection data used in this study are from the Census Bureau. <http://www.census.gov/govs/www/estimate.html>

All calculations were performed by the authors. The data exclude farm and proprietorship income as well as dividends, interest, and rents, and personal current transfer receipts. The data were adjusted for inflation using the "Gross Domestic Product" deflator.

Notes

[1] Unfortunately, not all the employment/compensation savings can be used to offset taxes. First, some programs have significant intergovernmental funding with the federal government, especially Medicaid. As a result, any savings would be split among the participants. Second, some programs have significant non-tax revenue sources such as tuition for higher education. As a result, any savings may not be directly transferable to the portion funded by taxes.