



Issue Brief

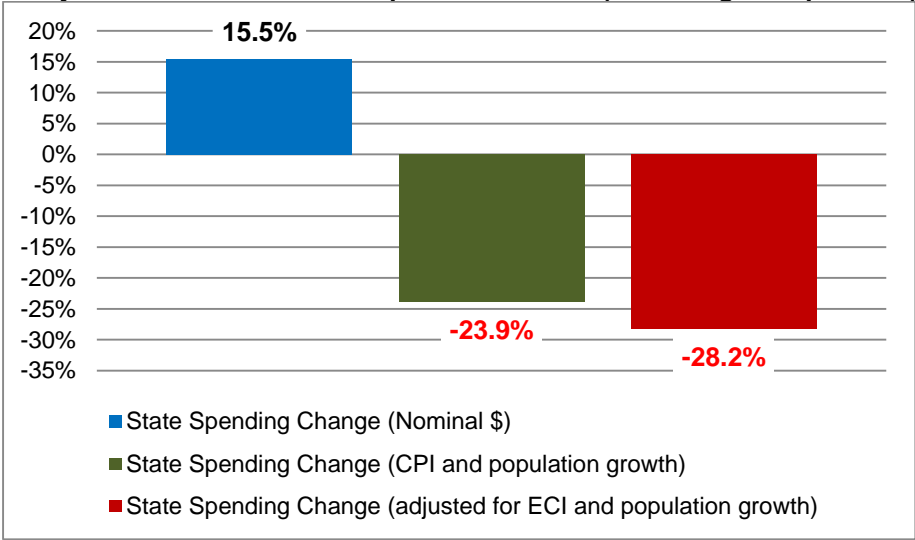
How Does Illinois Spending on Public Services Compare to Other States?

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Recent projections show that the state of Illinois will run a deficit ranging from \$7.59 to \$7.96 billion in Fiscal Year (FY) 2014.¹ This is, however, nothing new. According to the Comptroller’s Office, the state has run a deficit in its General Fund every year since at least FY1991.² This creates genuine cause for concern, since over \$9 out of every \$10 spent through the General Fund goes to four core service areas: education (35 percent), healthcare (29 percent), human services (20 percent), and public safety (6 percent).

Given that the state’s General Fund deficits have been sustained over such a long period of time, many believe that spending on those core services in Illinois must be exceedingly high, and hence a major reason why the state experiences recurring budget shortfalls. The data on spending, however, paint a very different picture. When considered over the long-term, it is clear that General Fund spending on services in Illinois is actually *declining* in real terms after adjusting for inflation. Figure 1 shows that in real, inflation-adjusted dollars, overall General Fund spending on services will be significantly less in FY2014 than it was in FY2000, irrespective of the inflation metric used.

Figure 1
FY2014 General Fund Services
Appropriations Relative to FY2000, in Nominal Dollars and
Adjusted for Inflation and Population Growth (excluding Group Health)



Source: FY2000 unadjusted appropriations from Governor’s final budget summary for FY2000; and FY2014 CTBA analysis SB 2555, SB 2556, HB 206, HB 208, HB 213, HB 214, HB 215, passed by the 98th General Assembly. Inflation for healthcare inflated by Midwest Medical Care CPI; all other appropriations adjusted using ECI-C and Midwest CPI from the BLS as of January 2014, and population growth from the Census Bureau as of January 2014.

Reducing spending in real terms over time could be an appropriate path to follow if service spending in the state was exceptionally high or overly generous compared to service spending in other states. However, under any objective evaluation, Illinois ranks near the bottom nationally in its spending on core services, which means that reducing investments in real terms over time is not an appropriate way to deal with the state's deficits.

There are three ways to compare Illinois' General Fund (GF) spending on services to other states: (i) per capita; (ii) as share of state Gross Domestic Product (GDP); and (iii) number of state employees per 1,000 residents. Under each metric, Illinois ranks as one of the lowest spending states in the nation.

Consider that in 2012, Illinois' state GDP was approximately \$695 billion, which placed Illinois fifth in the nation, as shown in Figure 2.³

Figure 2
2012 GDP and Rank of Top 10 Wealthiest States (\$ Billions)

State	2012 GDP	Rank out of 50
California	\$2,003	1
Texas	\$1,397	2
New York	\$1,206	3
Florida	\$777	4
Illinois	\$695	5
Pennsylvania	\$601	6
Ohio	\$509	7
New Jersey	\$508	8
North Carolina	\$456	9
Virginia	\$446	10

Source: US Bureau of Economic Analysis. "2012 State GDP." Last modified June 6, 2013. <http://www.bea.gov/>.

As shown in Figure 3, Illinois' \$695 billion in state GDP was the greatest in the entire Midwest region in 2012.

Figure 3
2012 GDP and Rank of Midwest States (\$ Billions)

State	2012 GDP	Rank out of 50
Illinois	\$695	5
Ohio	\$509	7
Michigan	\$401	13
Indiana	\$299	16
Minnesota	\$295	17
Wisconsin	\$262	21
Missouri	\$259	22
Iowa	\$152	30

Source: US Bureau of Economic Analysis. "2012 State GDP." Last modified June 6, 2013. <http://www.bea.gov/>.

However, because population varies significantly from state-to-state—for instance, Illinois' population of 12.9 million in 2012 is four times larger than Iowa's (3.1 million)—a better metric for comparing the respective wealth of the states is GDP per capita. Gross Domestic Product per capita is calculated by dividing total state GDP by population. As shown in Figure 4, Illinois' GDP per capita is almost \$54,000.

Figure 4
2012 GDP per Capita and Rank of Midwest States

State	Total GDP (\$ Billions)	GDP per Capita	Rank out of 50
Minnesota	\$295	\$54,791.11	9
Illinois	\$695	\$53,998.00	12
Iowa	\$152	\$49,585.81	22
Indiana	\$299	\$45,679.94	30
Wisconsin	\$262	\$45,674.09	31
Ohio	\$509	\$44,125.35	32
Missouri	\$259	\$42,981.16	35
Michigan	\$401	\$40,523.06	39

Sources: CTBA analysis using (i) 2012 population from US Census Bureau. "Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2012: July 2012 totals." Last updated December 2012. <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>; and (ii) US Bureau of Economic Analysis. "2012 State GDP." Last modified June 6, 2013. <http://www.bea.gov/>.

Hence, when population is taken into account, Illinois had the second highest GDP per capita in the Midwest region, trailing only Minnesota. Nationally, Illinois ranked 12th overall.⁴ Thus, even after adjusting for population, Illinois remains one of the wealthier states in the country, with a GDP per capita greater than 38 other states.

Yet, despite its relatively large economy, Illinois' GF expenditures on services were well below other states for FY2012, the latest year available for a comprehensive national comparison. Since Illinois cut its GF spending on services in FY2013 by \$377 million from FY2012 levels, and is again cutting service expenditures in the enacted FY2014 budget by some \$173 million from FY2013 levels, there is little reason to believe the state's national ranking on GF spending has changed significantly since 2012.⁵

General Expenditures Comparison Across All 50 States⁶

General Fund expenditures compared in this analysis focus on each states' respective net spending on core services (i.e. education, healthcare, human services, and public safety), which collectively constitute the vast majority—90 percent plus—of all service spending done by all states.

Again, because states vary widely in population, a simple comparison of aggregate spending levels—whether by service category or overall—is meaningless. A far more telling comparison adjusts for population, and, hence uses GF expenditures per capita. In FY2012, Illinois spent \$1,947.46 per resident on core services through its GF. Illinois' spending per capita ranked 28th among all 50 states, well below its rank in both overall population of fifth and GDP per capita of 12th. Moreover, despite having the largest population and second highest GDP per capita in the Midwest, Illinois ranked second *lowest* amongst the Midwest states in GF spending on services, as shown in Figure 5.

Figure 5
FY2012 General Fund Expenditures and Rank amongst Midwest States

State	Total GF Spending (\$ Billions)	GF per Capita	Rank out of 50
Minnesota	\$16.6	\$3,088.0	9
Wisconsin	\$13.7	\$2,397.2	15
Ohio	\$26.9	\$2,329.5	16
Michigan	\$22.1	\$2,233.7	19
Indiana	\$13.0	\$1,986.3	25
Iowa	\$6.0	\$1,955.8	27
Illinois	\$25.1	\$1,947.5	28
Missouri	\$7.9	\$1,312.9	46

Sources: CTBA analysis using (i) 2012 population from US Census Bureau. "Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2012: July 2012 totals." Last updated December 2012. <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>; (ii) National Association of State Budget Officers, *Fall 2012: Fiscal Survey of the States* (Washington, DC: 2012), 4; and (iii) state budgets.

Figure 6 compares FY2012 General Fund expenditures per capita for the 10 states that had the highest GDPs in 2012.

Figure 6
FY2012 General Fund Expenditures and Rank amongst Wealthiest States

State	Total GF Spending (\$ Billions)	GF per Capita	Rank out of 50	State GDP (\$ Billions)
New Jersey	\$30.5	\$3,443.0	7	\$508
New York	\$53.3	\$2,722.3	12	\$1,206
Ohio	\$26.9	\$2,329.5	16	\$509
California	\$85.9	\$2,259.0	18	\$2,003
Pennsylvania	\$26.1	\$2,046.4	23	\$601
Virginia	\$16.3	\$1,994.3	24	\$446
Illinois	\$25.1	\$1,947.5	28	\$695
North Carolina	\$18.6	\$1,908.0	29	\$456
Texas	\$43.9	\$1,683.8	36	\$1,397
Florida	\$24.5	\$1,270.5	48	\$777

Sources: CTBA analysis using (i) 2012 population from US Census Bureau. “Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2012: July 2012 totals.” Last updated December 2012. <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>; (ii) National Association of State Budget Officers, *Fall 2012: Fiscal Survey of the States* (Washington, DC: 2012), 4; (iii) state budgets; and (iv) US Bureau of Economic Analysis. “2012 State GDP.” Last modified June 6, 2013. <http://www.bea.gov/>.

The state with the highest GF expenditures on services per capita in 2012 was Alaska (\$6,920.8), while Nevada (\$1,075.1) ranked 50th. The national median expenditure per capita in 2012 was \$1,974.5. To rank median in GF expenditures per capita, Illinois would have had to have spent nearly \$350 million more in FY2012 on core services than it did. Increasing Illinois’ rank in per capita spending is unlikely to occur in the near future, given the FY2013 and FY2014 budget cuts. Indeed, Illinois’ FY2012 spending on services was over \$400 million less in nominal dollars, meaning without adjusting for inflation, than in FY2011.⁷

Examining GF expenditures on services as share of GDP is another way to compare Illinois to other states. In a meaningful way, it is actually one of the better metrics to use because it takes into account a state’s wealth—and hence, ability to fund core services. Using this metric, Illinois ranks 36th in spending on services nationwide. This means that despite having a high GDP, Illinois is in the bottom third for investing in core services. As shown in Figures 7 and 8, Illinois’ GF expenditures as share of GDP lags behind most other Midwest and wealthy states.

Figure 7
FY2012 GF Expenditures as Share of GDP amongst Midwest States

State	GF Expenditures as Share of GDP	Rank out of 50
Minnesota	5.64%	11
Michigan	5.51%	12
Ohio	5.28%	15
Wisconsin	5.25%	16
Indiana	4.35%	23
Iowa	3.94%	33
Illinois	3.61%	36
Missouri	3.05%	46

Sources: CTBA analysis using (i) National Association of State Budget Officers, *Fall 2012: Fiscal Survey of the State* (Washington, DC: 2012), 4; (ii) state budgets; and (iii) US Bureau of Economic Analysis. “2012 State GDP.” Last modified June 6, 2013. <http://www.bea.gov/>.

Figure 8
FY2012 GF Expenditures as Share of GDP amongst Wealthiest States

State	GF Expenditures as Share of GDP	Rank out of 50
New Jersey	6.01%	8
Ohio	5.28%	15
Pennsylvania	4.35%	24
California	4.29%	25
North Carolina	4.08%	28
New York	4.42%	21
Virginia	3.66%	34
Illinois	3.61%	36
Florida	3.16%	43
Texas	3.14%	45

Sources: CTBA analysis using (i) National Association of State Budget Officers, *Fall 2012: Fiscal Survey of the State* (Washington, DC: 2012), 4; (ii) state budgets; and (iii) US Bureau of Economic Analysis. "2012 State GDP." Last modified June 6, 2013. <http://www.bea.gov/>.

Another way to compare the relative effort states make in providing public services is to compare the number of state employees per capita.⁸ This provides useful information to compare the relative size of a state's government vis-à-vis the rest of the country. Figure 9 shows that in 2011, the most recent data available, Illinois ranked 49th nationally in the number of state employees per 1,000 residents, and dead last in the Midwest region.

Figure 9
2011 Non-Education State Employees per 1,000 Residents
Midwest Region Comparison

State	State Employees per 1,000 Residents	Rank Out of 50
Iowa	16.4	24
Minnesota	14.9	29
Michigan	14.7	33
Missouri	14.5	34
Indiana	13.8	37
Wisconsin	12.4	44
Ohio	12.0	45
Illinois	10.2	49

Sources: (i) US Census Bureau. "2011 State Government: Total Full-Time Equivalent State Employees." Accessed July 10, 2013. <http://www.census.gov/govs/apes/>; and, (ii) 2011 population from US Census Bureau. "Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2012: July 2012 totals." last updated December 2012. <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>.

In Illinois, only 1 percent of the entire population was employed by the state in 2011. In contrast, in Minnesota—a state whose population is one-quarter the size of Illinois'—2 percent of the population was employed by the state.

Figure 10 shows that in 2011, the most recent data available, Illinois also ranked second to last in the number of state workers per capita when compared to other wealthy states.

Figure 10
2011 Non-Education State Employees per 1,000 Residents
Wealthy States Comparison

State	State Employees per 1,000 Residents	Rank Out of 50
North Carolina	16.0	26
Virginia	15.4	27
New Jersey	14.8	31
Pennsylvania	13.2	40
New York	12.5	42
Texas	12.4	43
Ohio	12.0	45
California	10.8	46
Illinois	10.2	49
Florida	9.7	50

Sources: (i) US Census Bureau. "2011 State Government: Total Full-Time Equivalent State Employees." Accessed July 10, 2013. <http://www.census.gov/govs/apes/>; and (ii) 2011 population from US Census Bureau. "Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2012: July 2012 totals." Last updated December 2012. <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>.

The average number of state employees per 1,000 residents nationally is 16.8. Illinois is nearly 1.5 standard deviations below that mean. This indicates that, compared to the national average, Illinois has so few state-based public sector workers that it is a statistical outlier.

In conclusion, the data make it abundantly clear that Illinois is not a high spending state on core public services. Despite having the fifth largest population, fifth highest GDP, and 12th highest GDP per capita, Illinois ranks either in the bottom half or bottom third in GF spending on core services, depending on the metric used, and next to last in state workers per capita. If anything, the data strongly indicate that Illinois fails to invest at levels that can be anticipated to satisfy demographically driven demand. This in turn makes it highly unlikely that the decision to resolve its ongoing budget deficits by imposing cuts to core services is in the best interests of the state or its citizens.

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ENDNOTES

¹ CTBA analysis of the FY2014 General Fund budget. Appropriations for FY2014 from CTBA analysis PA 98-34, PA 98-35, PA 98-17, PA 98-33, PA 98-27, PA 98-64, PA 98-50, passed by the 98th General Assembly; and hard costs COGFA, *State of Illinois Budget Summary: Fiscal Year 2014* (Springfield, IL: August 1, 2013), 26. Revenue from HR 389 of the 98th Illinois General Assembly and COGFA, *Monthly Briefing for the Month Ended: October 2013* (Springfield, IL: October 2013), 9.

² State of Illinois Comptroller, GAAP Fund Balance, <http://www.ioc.state.il.us/index.cfm/fiscal-condition/gaap-fund-balance>.

³ US Bureau of Economic Analysis. "2012 State GDP." Last modified June 6, 2013. <http://www.bea.gov/>.

⁴ CTBA analysis using (i) 2012 population from US Census Bureau. "Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2012: July 2012 totals." Last updated December 2012. <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>; and (ii) US Bureau of Economic Analysis. "2012 State GDP." Last modified June 6, 2013. <http://www.bea.gov/>.

⁵ Source for FY2014 and FY2013 budgets: CTBA, *Analysis of the FY2014 General Fund Budget* (Chicago: October 2013). Source for FY2012 budget, COGFA, *State of Illinois Budget Summary: Fiscal Year 2014* (Springfield, IL: August 1, 2013), 26.

⁶ Spending on items other than current spending, like repayment of debt service and pension liabilities, have not been included to isolate investments being made in providing current, core services. Moreover, some states, like Michigan, provide education funding through special state funds that are not part of their General Funds. In those instances, state-based education spending has been added to General Fund spending to produce an "apples-to-apples" comparison. The states with non-General Fund education expenditures are: Alabama, Florida, Michigan, New Hampshire, Vermont, and Wyoming. Additionally, there were several states in which budgets detailed by service category were not available. In those instances, GF expenditures as reported by the National Association of State Budget Officers were used. The states are: North Dakota, Oklahoma, Oregon, and Washington and the source is: National Association of State Budget Officers, *Fall 2012: Fiscal Survey of the State* (Washington, DC: 2012), 4.

⁷ FY2011 spending from Governor's Office of Management and Budget, *Illinois State Budget, Fiscal Year 2013* (Springfield, IL: February 22, 2012), CH 2-18.

⁸ Analysis done using US Census, 2011 Annual Survey of Public Employment and Payroll, Full-Time Equivalent Employment, and excludes elementary and secondary education employees. Elementary and secondary education employees in most states are considered local government employees; however, seven states reported elementary and secondary education state employees. To allow for comparison between all 50 states, elementary and secondary education state employees have been excluded.