

Maine Issue Brief

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2006 Maine State Government “Gravy Train” Update

By J. Scott Moody

Recently, the Bureau of Economic Analysis (BEA) released new 2006 employment data and revised 2004-2006 personal income data. Chart 1 shows that a significant gap still exists in Maine between public and private sector compensation. In 2006, average Maine state government compensation was 21.3 percent higher than average private sector compensation—\$48,080 versus \$39,629, respectively. Table 1 shows that this compensation gap was the 8th highest in the nation in 2006.

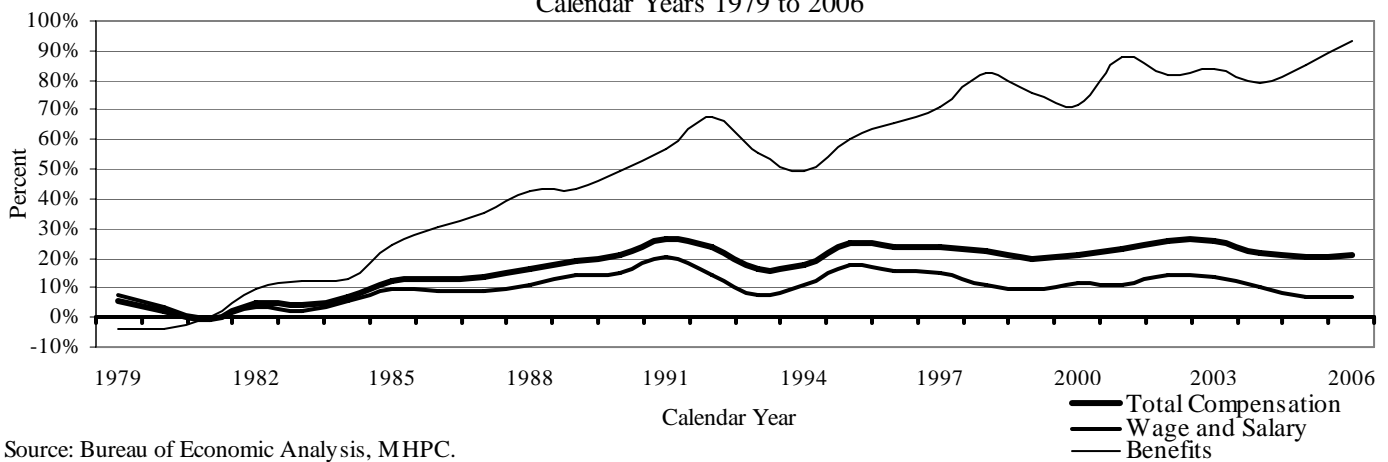
Chart 1 also shows that benefits are the primary driver of the compensation gap with an average benefits package, in 2006, that was 92.9 percent higher for state government employees versus those in the private sector—\$12,979 versus \$6,727, respectively. This substantial gap in benefit levels is unsustainable. In fact, the Maine Office of the State Controller recently estimated that the state retiree health care plan is already running a \$2,297,000,000 “actuarial accrued liability.” Table 1 shows that this benefits gap was the 5th highest in the nation in 2006.

The BEA revisions resulted in a lower compensation gap than was reported previously. While some of this was due to lower compensation estimates, the most surprising, and disturbing, revision was an increase in reported state government employment. Pre-revision data showed state government employment of 26,248 in 2005. The post-revision data showed an actual increase of 1,683 to 27,931 state government employees in 2005. Initial data for 2006 showed another increase of 177—to 28,108 state government employees. A forthcoming Maine Heritage Policy Center study will explore the employment situation in more detail.

Overall, Maine does not have the largest compensation gap in New England. Vermont has the highest compensation gap in the country at 39.1 percent. However, on the other end of the spectrum, New Hampshire has the lowest compensation gap in the country at -9.7 percent. Massachusetts was ranked as only the 40th highest compensation gap in the country at -2.5 percent.

In 2006, if Maine’s policymakers had simply lowered the compensation gap to the national average of 3.3 percent, the savings to Maine taxpayers would have been up to \$200,366,421. Essentially all the money collected from either the gas tax (\$229,066,000), or the cigarette tax (\$154,825,000) or the corporate income tax (\$188,016,000) in fiscal year 2006 was spent maintaining this compensation gap. By closing the gap, policymakers could eliminate any one of these taxes.

Chart 1
State Government Compensation as a Percent of Private Sector Compensation (per Job)
Calendar Years 1979 to 2006



Source: Bureau of Economic Analysis, MHPC.

Table 1
State Government Compensation as a Percent of Private Sector Compensation (per Job)
Calendar Year 2006

State	Total Compensation		Wage and Salary		Benefits		State	Total Compensation		Wage and Salary		Benefits	
	Percent	Rank	Percent	Rank	Percent	Rank		Percent	Rank	Percent	Rank	Percent	Rank
United States	3.3%	--	-4.9%	--	43.0%	--							
Alabama	16.8%	14	7.2%	10	62.5%	19	Montana	20.9%	9	7.6%	8	82.6%	9
Alaska	21.4%	7	18.6%	3	33.1%	42	Nebraska	17.2%	13	9.8%	6	52.2%	24
Arizona	3.3%	34	-3.1%	31	36.5%	37	Nevada	28.6%	3	19.3%	2	77.9%	11
Arkansas	15.0%	16	1.5%	23	77.8%	12	New Hampshire	-9.7%	50	-16.4%	48	24.6%	46
California	14.4%	18	7.1%	11	48.0%	27	New Jersey	4.0%	32	2.6%	20	10.9%	50
Colorado	-2.3%	39	-8.1%	39	26.6%	44	New Mexico	32.2%	2	16.5%	5	115.4%	3
Connecticut	-3.0%	42	-10.7%	44	34.2%	38	New York	-2.8%	41	-11.7%	45	45.7%	29
Delaware	2.5%	36	-7.2%	35	50.2%	25	North Carolina	3.7%	33	-2.2%	30	32.2%	43
Florida	11.9%	21	0.7%	25	71.0%	15	North Dakota	4.9%	31	-7.3%	36	64.8%	18
Georgia	-7.2%	48	-16.9%	49	41.3%	34	Ohio	1.6%	37	-7.2%	34	42.1%	33
Hawaii	17.6%	12	6.7%	12	72.4%	14	Oklahoma	3.2%	35	-8.1%	40	56.6%	21
Idaho	11.7%	22	-2.1%	29	79.4%	10	Oregon	22.3%	6	-9.9%	42	175.7%	1
Illinois	7.9%	30	0.0%	28	45.0%	30	Pennsylvania	-4.0%	44	-10.2%	43	24.8%	45
Indiana	-4.1%	45	-12.6%	46	33.3%	41	Rhode Island	18.9%	11	9.3%	7	65.1%	17
Iowa	27.6%	4	17.0%	4	76.1%	13	South Carolina	13.9%	19	3.7%	15	61.9%	20
Kansas	1.5%	38	-6.6%	33	38.3%	35	South Dakota	20.3%	10	7.3%	9	84.9%	6
Kentucky	8.2%	28	2.5%	21	33.7%	40	Tennessee	8.2%	27	-7.6%	38	83.7%	7
Louisiana	10.5%	24	1.4%	24	54.2%	23	Texas	-5.5%	47	-9.4%	41	14.0%	48
Maine	21.3%	8	6.7%	13	92.9%	5	Utah	23.2%	5	0.6%	26	131.7%	2
Maryland	11.5%	23	3.4%	16	54.8%	22	Vermont	39.1%	1	27.1%	1	96.2%	4
Massachusetts	-2.5%	40	-5.3%	32	11.5%	49	Virginia	-4.9%	46	-14.8%	47	47.9%	28
Michigan	12.1%	20	6.6%	14	36.6%	36	Washington	-3.4%	43	-7.6%	37	15.9%	47
Minnesota	10.2%	25	3.1%	17	44.2%	31	West Virginia	15.9%	15	2.7%	19	69.4%	16
Mississippi	14.8%	17	0.2%	27	83.4%	8	Wisconsin	8.1%	29	2.4%	22	33.7%	39
Missouri	-7.8%	49	-19.7%	50	48.6%	26	Wyoming	9.7%	26	2.9%	18	43.4%	32

Source: Bureau of Economic Analysis, MHPC.

J. Scott Moody is vice president of policy and chief economist at The Maine Heritage Policy Center. The author can be reached at jmoody@mainepolicy.org.

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Editor and Director of Communications, Jason A. Fortin

P.O. Box 7829
Portland, ME 04112
207.321.2550 (p)
207.773.4385 (f)

<http://www.mainepolicy.org>
<http://blog.mainepolicy.org>
info@mainepolicy.org

MHPC Staff:	Heather Noyes <i>Director of Development</i>
Bill Becker <i>President & Chief Executive Officer</i>	Sandy Cleveland <i>Executive</i>
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