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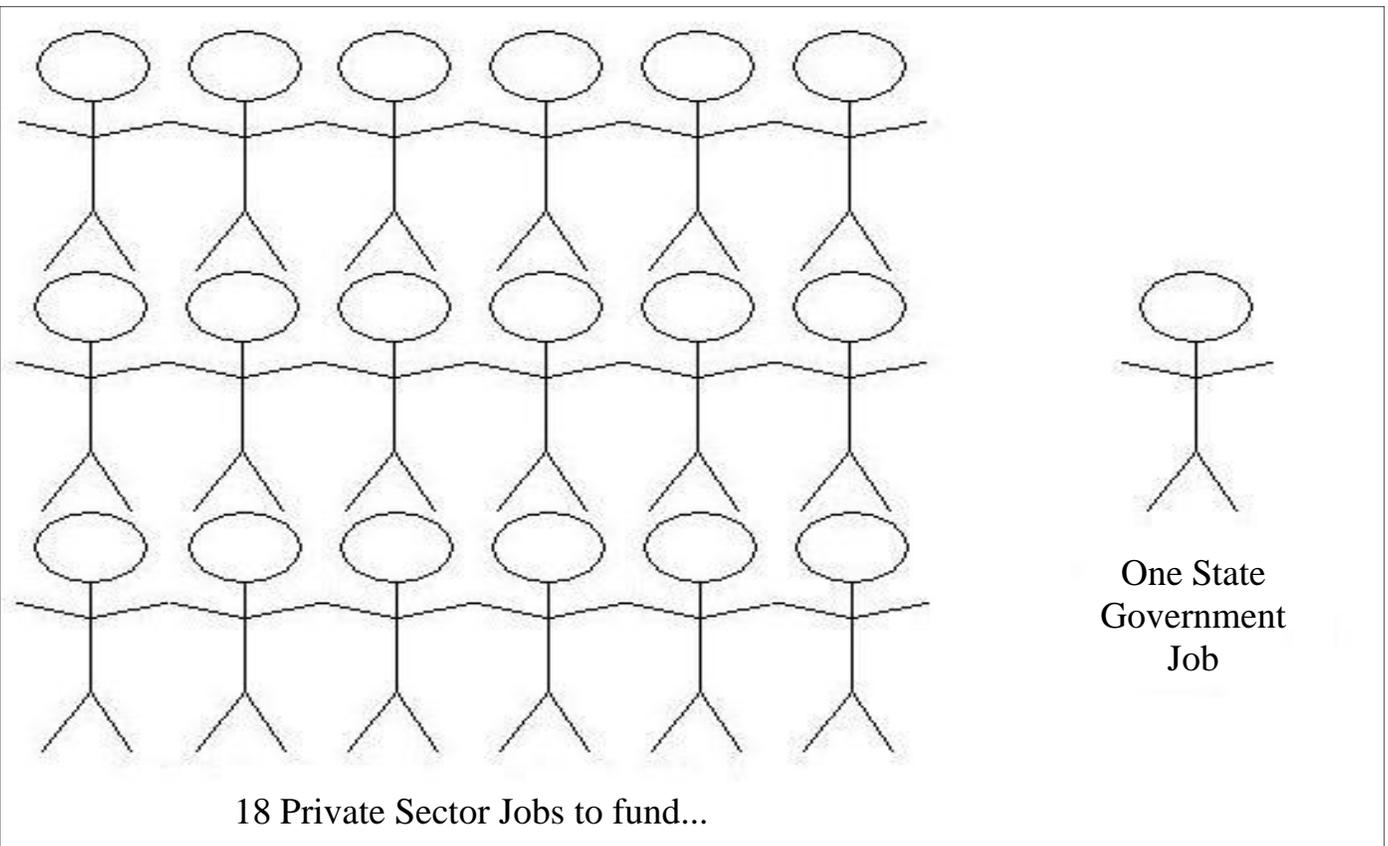
How Many Mainers does it take to Fund One State Government Job?

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By J. Scott Moody

It takes 18 Mainers working in the private sector to fund one Maine state government job. This result is due to a combination of the low private sector compensation (\$39,629 per job in 2006, 42nd highest in the country) versus high state government compensation (\$48,080 per job in 2006, 29th highest in the country), on a per job basis. In the aggregate, in 2006, there were 28,108 state government workers in Maine earning \$1,351,436,000 in compensation. As a result, it would take a total of 505,944 average private sector jobs to fund Maine's state bureaucracy—nearly as many people that were employed in the private sector in 2006 (525,835).[1]

Mainers are paying dearly for these 28,108 state government employees in the form of high taxes. According to recent research from The Maine Heritage policy Center, Maine state government has 5,258 too many jobs when compared to the national average. Eliminating these jobs would have saved Maine's taxpayers up to \$215,330,035 in 2006.[2] Additionally, Maine state government pays too much per job when compared to the national average. In 2006, closing the compensation gap would have saved Maine's taxpayers up to another \$200,366,421.[3] With these savings, Maine's state taxes as a percent of personal income could have been reduced by up to 11.1 percent, to 7.71 percent from 8.67 percent.



Methodology

The average private sector compensation per job was \$39,629 in 2006. Compensation is broken down into wages and salary (\$32,902) and benefits (\$6,727).

In order to calculate the amount of state taxes paid, this study utilizes the information provided by the “Maine Tax Incidence Study” produced by the Maine Revenue Services (MRS). Although benefits are not taxable, the study assumes that the full \$32,902 in wages and salaries are taxable. MRS uses an “expanded income” (EI) concept which is very similar to the “adjusted gross income” (AGI) concept used on federal and state individual income tax forms. In order to derive EI, wages and salaries were increased by 30 percent to approximate AGI (according to the IRS, wages and salaries constitute about 70 percent of AGI). The resulting average EI was \$42,772 per job in 2006.

The latest 2004 MRS analysis puts that level of income in the “seventh decile” (\$35,715 to \$47,487) corresponding to an effective state tax rate on individuals of 6.3 percent. While the income data is for 2006 and tax burden data for 2004, the study assumes no change in the effective tax rate which seems reasonable given no major state tax increases since 2004. As such, the average private sector job paid \$2,691 in direct state taxes in 2006.

Dividing the average state government compensation per job (\$48,080) by \$2,691 yields 18 private sector jobs needed to sustain one state government job in 2006.

Notes and Sources:

- [1] This may appear nonsensical at first glance. How can it be possible that nearly all of the taxes Maine’s workforce goes only to pay the compensation of state government workers? Keep in mind that this counts only taxes that are directly paid by individuals, but does not include taxes paid by businesses, or matching federal funds (such as Medicaid) or taxes paid by non-residents.
- [2] For more information on Maine’s employment ratio, see this MHPC report: <http://www.mainepolicy.org/Portals/0/The%20Maine%20View%20-%20Vol.%20%205,%20Issue%20No.%2012.pdf>
- [3] For more information on Maine’s compensation ratio, see this MHPC report: [http://www.mainepolicy.org/Portals/0/The%20Maine%20View%20-%20Vol.%20%205,%20Issue%20No.%204%20\(final\).pdf](http://www.mainepolicy.org/Portals/0/The%20Maine%20View%20-%20Vol.%20%205,%20Issue%20No.%204%20(final).pdf) The updated report can be found here: <http://www.mainepolicy.org/Portals/0/Issue%20Brief,%20No.%2024.pdf>

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