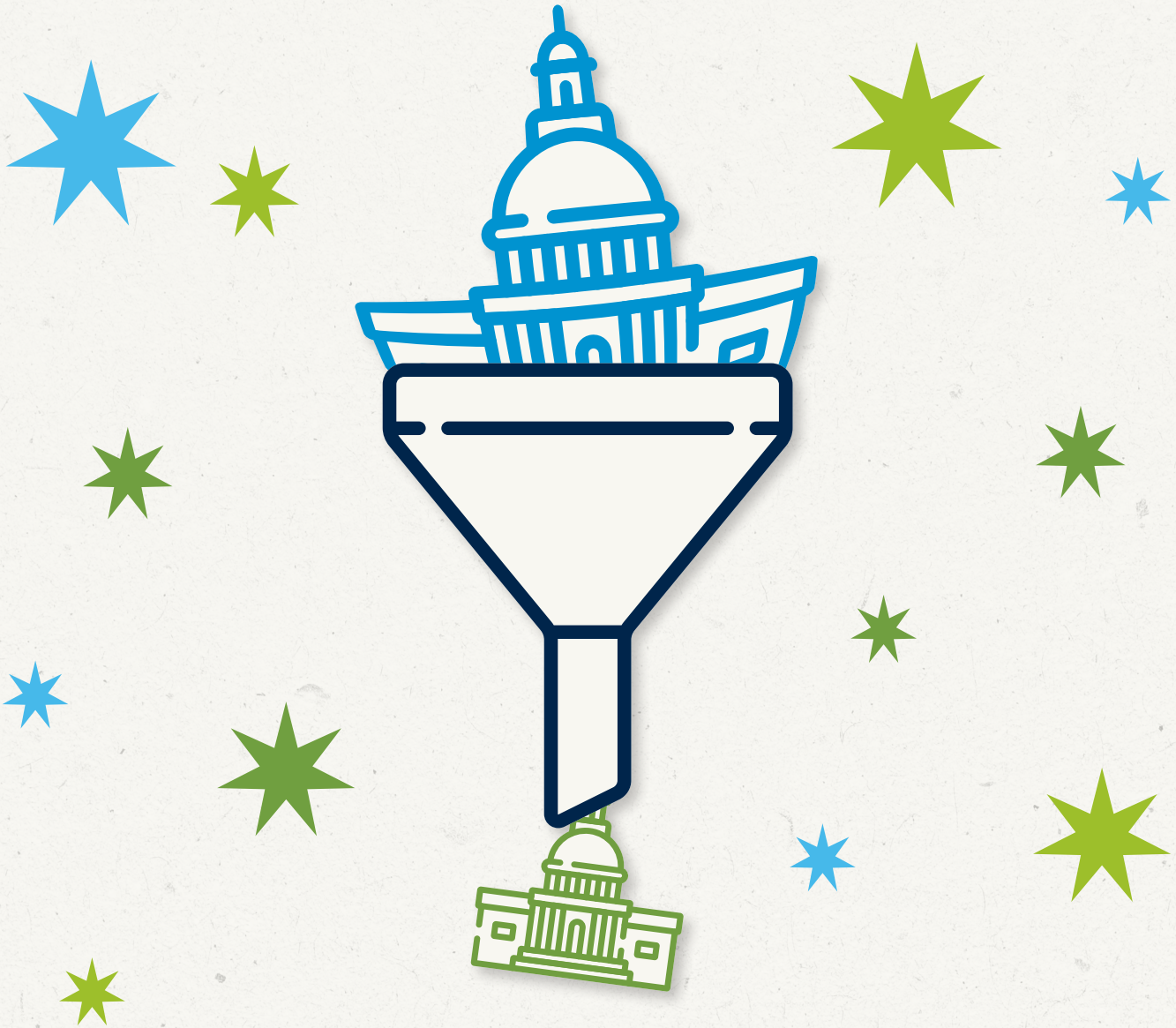


HOW STATES CAN
**Shrink Bloated Bureaucracy
and Save Taxpayer Dollars**



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FGA

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Key Findings

1

THERE ARE **MORE THAN 20 MILLION** STATE AND LOCAL GOVERNMENT EMPLOYEES NATIONWIDE.

2

GOVERNMENT EMPLOYEES **EARN 40 PERCENT MORE IN WAGES AND BENEFITS** THAN PRIVATE SECTOR EMPLOYEES.

3

SALARIES AND BENEFITS FOR GOVERNMENT EMPLOYEES ARE **BANKRUPTING LOCAL GOVERNMENTS**.

4

HIGH EMPLOYEE HEADCOUNT IS ASSOCIATED WITH **OVERREGULATION AND BURDENSOME GOVERNMENT INTERVENTION**.

THE BOTTOM LINE:

STATES SHOULD REDUCE THE SIZE OF BLOATED AND INEFFICIENT BUREAUCRACY TO SAVE TAXPAYER DOLLARS AND LIMIT BURDENSOME GOVERNMENT INTERVENTION.

Overview

Government at all levels is plagued by bureaucratic inefficiencies and bloat, which waste taxpayer money and impose a burden on residents. While reducing the size of the federal government is important, it is crucial that state and local governments are not overlooked. Reducing tax burdens and shrinking state and local government promotes economic freedom and allows residents to thrive.¹ However, government only continues to grow. Currently, there are more than 20 million state and local government employees nationwide.² Since the start of 2023, state and local government employment has grown by more than 730,000 jobs and has surpassed the previous peak by more than 320,000 employees.³

In 2023, there were 19.5 million state and local government employees nationwide, with 5.3 million employed by a state government and 14.2 million employed by a local government.⁴

In total, wages alone for these employees are estimated to cost taxpayers more than \$1.23 trillion.⁵ The cost of providing health care, retirement, and other benefits to these employees adds billions more in costs.⁶ The number of employees and payroll costs vary widely by state, with California spending more than \$185 billion annually on wages for its 2.3 million employees and South Dakota spending slightly more than \$2.6 billion on wages for its 65,000 employees.⁷

HOW MUCH DOES YOUR STATE SPEND ON WAGES ALONE FOR STATE AND LOCAL GOVERNMENT EMPLOYEES?

STATE	GOVERNMENT EMPLOYEES	STATE AND LOCAL PAYROLL COSTS IN 2023	STATE	GOVERNMENT EMPLOYEES	STATE AND LOCAL PAYROLL COSTS IN 2023
Alabama	328,703	\$16.8 billion	Nebraska	152,027	\$8.1 billion
Alaska	58,462	\$3.9 billion	Nevada	132,560	\$8.4 billion
Arizona	335,518	\$19.5 billion	New Hampshire	83,779	\$4.3 billion
Arkansas	187,425	\$8.7 billion	New Jersey	546,908	\$38.9 billion
California	2,284,125	\$185.6 billion	New Mexico	139,558	\$5.1 billion
Colorado	373,001	\$22.9 billion	New York	1,316,330	\$101.5 billion
Connecticut	214,561	\$15.2 billion	North Carolina	642,674	\$35.5 billion
Delaware	59,303	\$3.5 billion	North Dakota	67,000	\$3 billion
Florida	987,066	\$57 billion	Ohio	704,643	\$35.6 billion
Georgia	592,673	\$31.7 billion	Oklahoma	247,210	\$11.6 billion
Hawaii	85,938	\$5.2 billion	Oregon	262,657	\$17.1 billion
Idaho	110,398	\$5.3 billion	Pennsylvania	622,437	\$38.8 billion
Illinois	763,440	\$46.8 billion	Rhode Island	55,293	\$3.7 billion
Indiana	397,239	\$19.4 billion	South Carolina	299,657	\$15.8 billion
Iowa	242,517	\$12.3 billion	South Dakota	65,216	\$2.7 billion
Kansas	245,310	\$11.4 billion	Tennessee	387,139	\$19.6 billion
Kentucky	267,533	\$13.1 billion	Texas	1,734,854	\$99.3 billion
Louisiana	284,903	\$13.4 billion	Utah	228,678	\$11.8 billion
Maine	90,017	\$4.3 billion	Vermont	46,708	\$2.7 billion
Maryland	363,084	\$25 billion	Virginia	544,807	\$30.9 billion
Massachusetts	416,207	\$29 billion	Washington	476,490	\$36.8 billion
Michigan	538,652	\$30.6 billion	West Virginia	117,126	\$5.3 billion
Minnesota	375,087	\$21.9 billion	Wisconsin	361,279	\$18.7 billion
Missouri	362,548	\$17.7 billion	Wyoming	59,254	\$3.2 billion
Mississippi	201,464	\$9.3 billion			
Montana	72,105	\$3.5 billion			

Source: U.S. Census Bureau

While private sector employment has also been on the rise in recent years, government employment has been growing at a faster pace than other types of employment since March 2023.⁸ Additionally, state and local government employment is virtually immune from economic factors. In 2020, private sector jobs fell from 129 million to 108 million—a drop of 16 percent—while government jobs only fell by three percent.⁹ During the Great Recession, government employment grew while private employment plummeted.¹⁰

The compensation of government employees is much higher than in the private sector

As of June 2024, the total employer cost—which includes wages and benefits—for the average private sector employee was \$43.78 per hour.¹¹ Total employer costs for the average government employee was \$61.27 per hour.¹² Total compensation is 40 percent higher for public sector employees compared to private sector employees, and benefits are 80 percent higher.¹³ Additionally, over the last 12 months, the compensation of government employees has increased at a faster rate than other occupations.¹⁴

GOVERNMENT EMPLOYEES EARN 40 PERCENT MORE THAN PRIVATE SECTOR WORKERS

	AVERAGE HOURLY COMPENSATION	AVERAGE HOURLY WAGES	AVERAGE HOURLY BENEFITS	AVERAGE RETIREMENT BENEFITS
GOVERNMENT	\$61.37	\$37.80	\$23.57	\$8.19
PRIVATE	\$43.94	\$30.90	\$13.04	\$1.52
PERCENT DIFFERENCE	40%	22%	80%	438%

Source: National Compensation Survey

Going beyond averages to account for differences in education and job type, government employees earn more than private sector employees in the same field for most types of jobs.¹⁵ The difference is especially stark in fields like services and sales and office occupations.¹⁶ For example, government employees in the service sector earn more than double what their private sector counterparts earn, and their benefits are four times higher.¹⁷

Government is also slow to react to changing needs, meaning that some positions remain even when they are no longer needed. In June 2024, the involuntary separation rate for private employees was 3.6 percent compared to 1.2 percent for government employees.¹⁸ This means that private sector employees are three times more likely to be terminated or laid off compared to government employees.¹⁹ Labor unions and archaic policies prevent even poor performers and those with misconduct from being terminated.²⁰

Excessive employee benefits are imperiling state and local budgets

Salaries and benefits for government employees consume a large portion of state spending.²¹ For example, an analysis of North Carolina’s 2022 budget shows that 66 percent of state income tax revenue was spent on salaries and benefits for state employees.²²

GOVERNMENT EMPLOYEE SALARIES CONSUME STATE BUDGETS

STATE	2023 STATE EXPENDITURES	STATE PAYROLL COSTS IN 2023 (salary only, not including benefits)	STATE	2023 STATE EXPENDITURES	STATE PAYROLL COSTS IN 2023 (salary only, not including benefits)
Alabama	\$12.9 billion	\$6.3 billion	Nebraska	\$5.2 billion	\$2.3 billion
Alaska	\$8.5 billion	\$2 billion	Nevada	\$4.8 billion	\$2.1 billion
Arizona	\$15.8 billion	\$5.5 billion	New Hampshire	\$2 billion	\$1.3 billion
Arkansas	\$5.8 billion	\$3.7 billion	New Jersey	\$53.4 billion	\$10.6 billion
California	\$234.6 billion	\$48.4 billion	New Mexico	\$8.5 billion	\$3.3 billion
Colorado	\$13.5 billion	\$7.5 billion	New York	\$84.5 billion	\$21.6 billion
Connecticut	\$22.3 billion	\$5.4 billion	North Carolina	\$22.6 billion	\$10.3 billion
Delaware	\$5.9 billion	\$1.8 billion	North Dakota	\$2.2 billion	\$1.2 billion
Florida	\$42.8 billion	\$11.4 billion	Ohio	\$25 billion	\$10.7 billion
Georgia	\$31 billion	\$8.1 billion	Oklahoma	\$7.9 billion	\$3.9 billion
Hawaii	\$10.8 billion	\$3.8 billion	Oregon	\$19.9 billion	\$6.5 billion
Idaho	\$4.6 billion	\$1.7 billion	Pennsylvania	\$41.1 billion	\$12.2 billion
Illinois	\$45 billion	\$10.2 billion	Rhode Island	\$5.2 billion	\$1.7 billion
Indiana	\$26.1 billion	\$5.9 billion	South Carolina	\$12.1 billion	\$5.3 billion
Iowa	\$8.9 billion	\$3.9 billion	South Dakota	\$2.2 billion	\$933 million
Kansas	\$9.2 billion	\$3.6 billion	Tennessee	\$23.5 billion	\$5.2 billion
Kentucky	\$14.4 billion	\$5 billion	Texas	\$51.8 billion	\$23.9 billion
Louisiana	\$12.4 billion	\$4.8 billion	Utah	\$11.4 billion	\$5.4 billion
Maine	\$4.3 billion	\$1.3 billion	Vermont	\$2.1 billion	\$1.1 billion
Maryland	\$28.2 billion	\$7.2 billion	Virginia	\$27.8 billion	\$9.5 billion
Massachusetts	\$36.7 billion	\$9.2 billion	Washington	\$30.7 billion	\$11.9 billion
Michigan	\$17.9 billion	\$12.3 billion	West Virginia	\$3.6 billion	\$2.3 billion
Minnesota	\$27.5 billion	\$6.8 billion	Wisconsin	\$18.9 billion	\$5.5 billion
Mississippi	\$6.3 billion	\$3.1 billion	Wyoming	\$1.5 billion	\$819 million
Missouri	\$12.5 billion	\$4.9 billion			
Montana	\$2.6 billion	\$1.4 billion			

Source: U.S. Census Bureau

In addition to salaries, government pension and retiree health care benefits are extremely generous compared to private sector benefits.²³ A whopping 86 percent of state and local employees have access to a defined benefit pension compared to just 15 percent of private sector employees.²⁴ The cost to employers for retirement benefits for government employees is more than four times the cost for private sector employees.²⁵

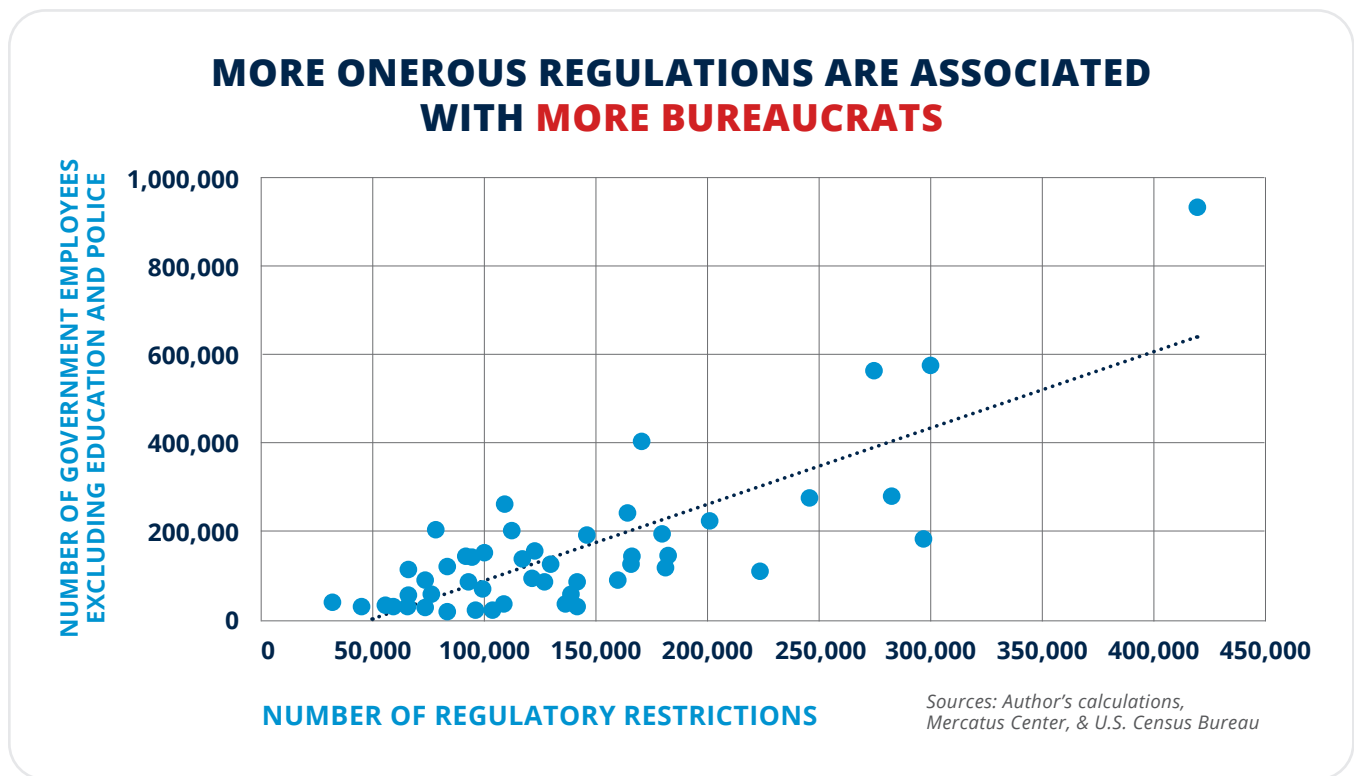
These benefits are extremely expensive and are bankrupting local governments, forcing cuts to services for taxpayers.²⁶ Chicago faces a \$37.1 billion debt to city employee pension funds, and the state of Illinois has an unfunded pension liability equal to 212.3 percent of state revenue.²⁷⁻²⁸ In 2021, total unfunded pension liabilities for all states reached \$836 billion—49 percent of states’ revenue.²⁹

From 2000 to 2018, the share of all states' K-12 education budgets that went to employee pension funds nearly doubled, increasing from 7.5 percent to 14.4 percent.³⁰ In total, salaries and benefits are nearly 80 percent of education spending, driving the 13 percent rise in cost per student since 2010.³¹

State and local governments are feeling dual pressure: ever-growing pension and benefit liabilities and the demands of public-sector unions for even more generous wages and benefits. Nearly 40 percent of state and local government employees are members of a union, compared to just six percent of private sector employees.³² In contract negotiations, unions push for increases to salaries and benefits that taxpayers simply cannot afford.³³

Overregulation and burdensome government intervention are associated with high numbers of government employees

It is not just state and local budgets that are impacted by an inefficient, sprawling government. States with more government employees also have more regulations, and a higher regulatory burden on businesses and residents.



When new regulations are added to the books, government employment goes up. For example, the state of Minnesota recently imposed new regulations related to legalizing marijuana, which are projected to require more than 200 new government positions to implement.³⁴ Other new welfare programs created by the most recent spending legislation are expected to lead to more than 1,000 new government employees in the state.³⁵

States should cut down on waste and inefficiency by reducing the size of the bureaucracy

State governments can save taxpayer dollars and reduce bureaucratic inefficiency by reducing the size of government. Government agencies are often slow to respond to change, and open positions can remain unfilled for months or even years yet remain as a line-item in an agency budget.³⁶ At best, leaving a government position unfilled for months suggests its functions are not necessary, and that the post does not need to be filled in the future. However, some state and local government agencies intentionally do not recruit for open positions, leaving them unfilled so they can use the funds allocated for those salaries for other purposes.³⁷



STATE GOVERNMENTS CAN SAVE TAXPAYER DOLLARS AND REDUCE BUREACRATIC INEFFICIENCY BY REDUCING THE SIZE OF GOVERNMENT.

To reduce unnecessary bureaucracy and save taxpayer dollars, states should eliminate government positions that have been open for months. For example, in Nebraska, the executive budget division must review and reauthorize any positions that have been open for more than 90 days.³⁸ And upon request, the executive state personnel division may determine whether these vacant positions are properly classified. As such, the governor may direct the divisions to review and eliminate these positions to permanently reduce the size of the bureaucracy.³⁹ Recently, this policy led to the elimination of nearly 500 positions, saving \$26 million in the budget.⁴⁰

States should also lift restrictions that slow down government hiring and firing to make departments more efficient and agile. Even though most states are “at will,” there remain numerous barriers to dismissal, demotion, suspension, or other discipline of government employees despite poor performance or misconduct. Mississippi law allows for agencies to request temporary exemptions from civil service laws that make it too difficult to fire bad employees or make necessary changes to the agency.⁴¹ After reviewing the agency’s request and plan for action during the exemption period, the legislature may temporarily codify an exemption from civil service laws in statute. During exemption periods where restrictions were lifted on an agency, terminations in most departments substantially increased, and human resources directors reported department operations improved.⁴²



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THE BOTTOM LINE: States should reduce the size of bloated and inefficient bureaucracy to save taxpayer dollars and limit burdensome government intervention.

The role of state and local government is to provide public services to taxpayers. However, far too often bureaucracy grows and makes government less efficient and more burdensome to residents and businesses. It is important for state governments to save taxpayer dollars and cut back where there are inefficient departments or positions that are no longer needed.

Government employees' salaries and benefits cost trillions, and to be good stewards of taxpayer dollars, states should reduce the size of government.



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