December, 2009

The Government "Gravy Train"
An Analysis of New Mexico's Private versus Public Sector Employment and Compensation (Updated)

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Executive Summary

This updated study is the first in a three-part series that will examine the problem of New Mexico's unfunded pension and retiree health care liabilities. As of June 30, 2008, the unfunded pension liability was $4,615,387,000 while the unfunded retiree health care liability was an additional $2,946,289,629—neither estimate includes the recent financial turmoil which has surely increased these reported liabilities. Overall, this study shows that the root cause of the unfunded liabilities is a bloated state and local government workforce and overly-generous benefits.

The basis of comparison in this study is the examination of the number of government jobs and compensation relative to the private sector in New Mexico. New Mexico is then compared to the national average. Of course, 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 inefficiencies in the government workforce.

The first part of the study examines New Mexico's state and local government employment levels. In 2008, state and local government employed 25.3 people for every 100 people employed by the private sector— hereafter referred to as the "employment ratio." Relative to the national average of 16.72, New Mexico's state and local government employment ratio is 51 percent higher and is the 2nd highest ratio in the country.

The second part of the study examines New Mexico's state and local government compensation levels. In 2008, state and local government compensation was $49,711 per job while private sector compensation was $44,601 per job. As a result, the average state and local government job paid 11.5 percent higher than the average private sector job—hereafter referred to as the "compensation ratio." New Mexico's compensation ratio is 423 percent larger than the national compensation ratio of 2.2 percent and is the 10th highest ratio in the country.

Additionally, state and local government 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 2008, both the wage and salary ratio and benefit ratio were out-of-line with the national average. New Mexico's wage and salary ratio was at 1 percent (-6.1 percent nationally) and is the 12th highest in the country. The benefit ratio was at 75.7 percent (44.1 percent nationally) and is the 11th highest in the country.

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 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 2008, New Mexico's state and local governments employed 167,671 people (full and part time), or 20.2 percent of the state labor force. Of the total, New Mexico state government employed 60,469 people and local governments employed 107,202 people. State and local employees were paid $8,335,060,000 in total compensation, or 17.9 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 and local government employment by private employment. Chart 1 and Table 1 shows that in 2008 New Mexico's state and local government employed 25.33 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 2nd highest state and local government employment ratio in the country, up from the 5th spot in 1970. In addition, New Mexico's state and local government employment ratio is a whopping 51 percent higher than the national average—
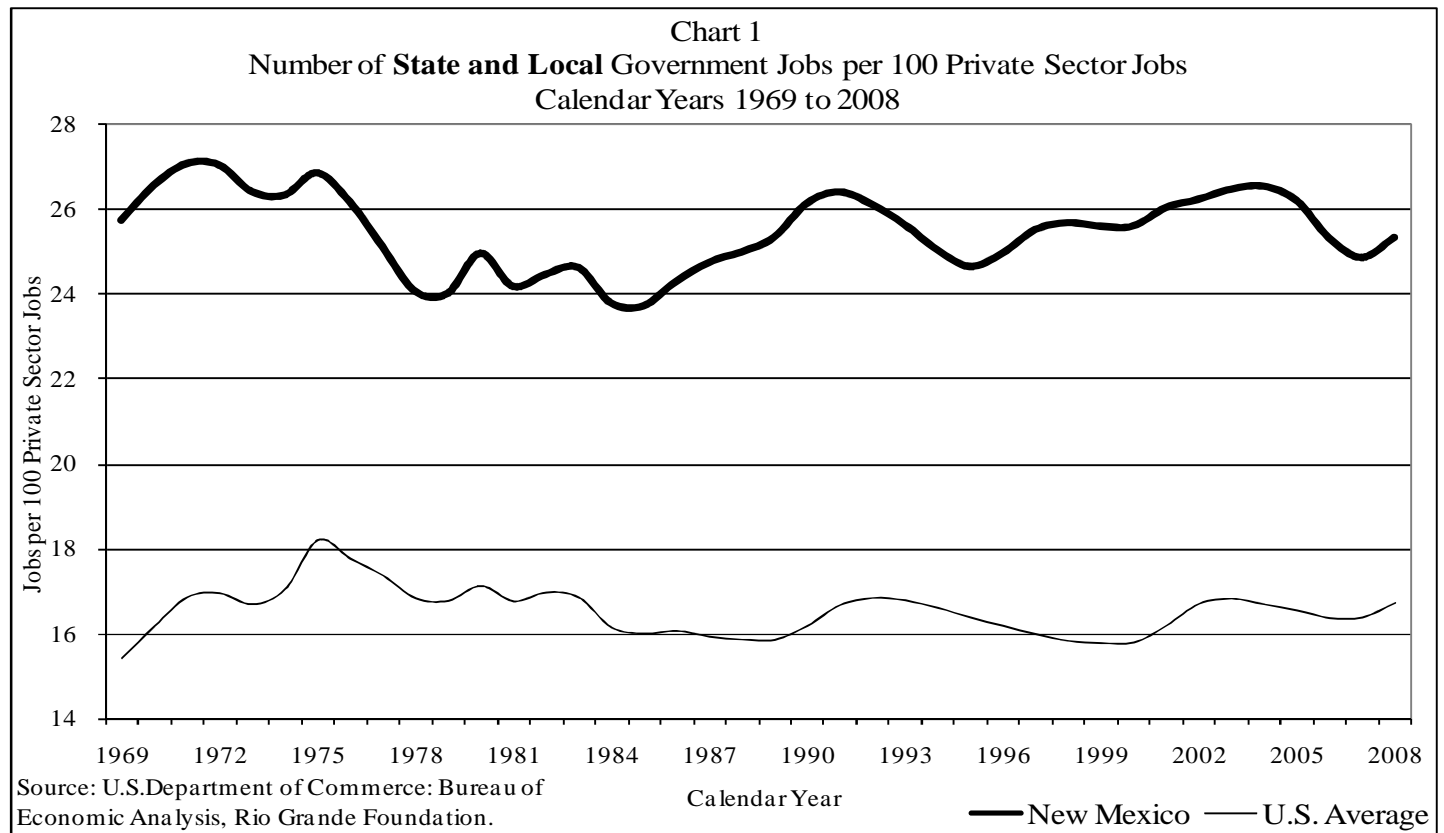

Chart 1
Number of **State and Local** Government Jobs per 100 Private Sector Jobs
Calendar Years 1969 to 2008

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

State	1970	Rank	1980	Rank	1990	Rank	2000	Rank	2008	Rank
U.S. Average	16.18	--	17.12	--	16.19	--	15.80	--	16.72	--
Alabama	17.40	23	20.34	12	18.81	15	18.25	16	19.68	10
Alaska	28.07	4	29.39	1	29.79	2	27.24	2	25.61	1
Arizona	*19.24*	*18*	*19.43*	*17*	*17.55*	*22*	*15.92*	*30*	*16.51*	*34*
Arkansas	17.25	24	18.88	23	17.11	24	16.70	23	18.79	15
California	17.48	22	16.42	39	14.99	38	16.12	28	17.29	25
Colorado	*20.86*	*15*	*18.11*	*26*	*17.30*	*23*	*14.91*	*36*	*16.62*	*30*
Connecticut	12.06	50	12.81	50	12.86	48	14.65	39	15.94	37
Delaware	15.28	37	17.18	34	13.54	45	14.01	42	15.25	43
Florida	16.51	31	16.59	38	15.37	35	13.74	45	14.23	46
Georgia	15.70	36	18.87	24	16.64	26	14.73	38	17.39	24
Hawaii	16.70	30	17.31	33	16.20	31	18.49	14	18.13	17
Idaho	23.11	7	21.95	8	21.74	9	20.23	9	19.29	13
Illinois	13.93	42	15.26	44	14.15	43	13.84	43	14.67	45
Indiana	13.88	43	16.01	40	14.46	41	13.83	44	15.50	41
Iowa	20.24	16	20.10	13	18.98	14	17.52	17	17.98	20
Kansas	22.77	9	20.38	11	20.72	12	19.70	11	20.47	7
Kentucky	16.46	32	17.81	28	16.44	27	16.69	24	17.72	21
Louisiana	21.10	13	19.98	14	21.61	10	21.13	6	20.22	9
Maine	16.97	29	17.96	27	17.02	25	16.22	27	17.16	26
Maryland	17.18	26	19.16	18	15.27	37	15.09	33	15.98	36
Massachusetts	12.49	48	14.77	46	12.91	47	12.51	48	12.93	49
Michigan	15.98	34	18.48	25	16.12	32	15.18	32	16.53	32
Minnesota	17.88	20	16.71	37	16.11	33	15.06	34	15.31	42
Mississippi	21.60	12	23.20	5	22.67	6	22.28	4	24.17	4
Missouri	14.22	41	15.48	42	14.17	42	15.54	31	16.38	35
Montana	24.81	6	24.04	4	24.94	4	21.52	5	19.51	12
Nebraska	22.08	11	22.02	7	19.91	13	16.99	19	17.65	22
Nevada	16.27	33	13.44	49	11.65	50	11.26	50	12.44	50
New Hampshire	14.60	40	15.36	43	14.06	44	13.48	46	14.82	44
New Jersey	13.23	45	16.99	35	15.33	36	14.73	37	16.53	31
New Mexico	*26.54*	*5*	*24.96*	*2*	*26.12*	*3*	*25.59*	*3*	*25.33*	*2*
New York	17.19	25	17.63	30	18.38	17	17.46	18	17.99	19
North Carolina	13.75	44	17.52	31	16.38	30	16.56	25	18.48	16
North Dakota	30.38	2	22.28	6	23.37	5	21.03	7	20.25	8
Ohio	13.17	46	15.22	45	14.59	40	14.16	41	15.72	38
Oklahoma	*20.87*	*14*	*19.50*	*16*	*21.92*	*7*	*19.80*	*10*	*21.51*	*5*
Oregon	20.20	17	19.11	19	17.96	19	16.93	20	17.09	28
Pennsylvania	12.37	49	13.55	48	12.29	49	12.42	49	13.04	48
Rhode Island	13.14	47	14.53	47	13.15	46	13.41	47	13.47	47
South Carolina	15.20	38	19.08	21	18.11	18	18.72	12	19.62	11
South Dakota	31.46	1	24.83	3	21.36	11	18.69	13	18.00	18
Tennessee	14.95	39	17.39	32	14.82	39	14.32	40	15.70	39
Texas	*15.93*	*35*	*15.74*	*41*	*17.55*	*21*	*16.93*	*21*	*17.13*	*27*
Utah	*22.95*	*8*	*19.98*	*15*	*18.70*	*16*	*16.91*	*22*	*16.53*	*33*
Vermont	17.06	27	17.81	29	16.42	28	16.24	26	17.63	23
Virginia	16.98	28	19.01	22	16.38	29	16.12	29	17.04	29
Washington	22.58	10	19.09	20	17.74	20	18.26	15	18.85	14
West Virginia	19.15	19	21.00	9	21.77	8	20.71	8	20.64	6
Wisconsin	17.70	21	16.93	36	15.59	34	14.95	35	15.55	40
Wyoming	28.82	3	20.93	10	30.53	1	28.02	1	25.15	3
District of Columbia	16.21	--	15.27	--	13.50	--	8.48	--	8.33	--

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

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

25.33 versus 16.72 nationally.

Regionally, New Mexico's rank is significantly higher than neighboring states with only Oklahoma even coming close with a ratio of 21.51 (5th). The remaining four neighboring states all have significantly lower ranks: Arizona (16.51, 34th), Colorado (16.62, 30th), Texas (17.13, 27th), and Utah (16.53, 33rd).

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. In 2008, New Mexico's state and local government compensation was $49,711 per job while private sector compensation was $44,601 per job. As a result, the average state and local government job paid 11.5 percent higher than the average private sector job.

The compensation ratio is shown in Chart 2 and Table 2 over time (since 1969) and by state. From 1985 onward, New Mexico's state and local government compensation has been above the private sector. In 2008, New Mexico's ratio was 423 percent higher than the national average—11.5 percent versus 2.2 percent nationally.

Overall, in 2008, New Mexico's state and local government compensation ratio ranked as the 10th highest in the country. Regionally, New Mexico has the highest ratio. The five neighboring states are all ranked lower: Arizona (7 percent, 18th), Colorado (-7.7 percent, 46th), Oklahoma (3 percent, 30th), Texas (-9.8 percent, 50th) and Utah (3.6 percent, 28th).

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.
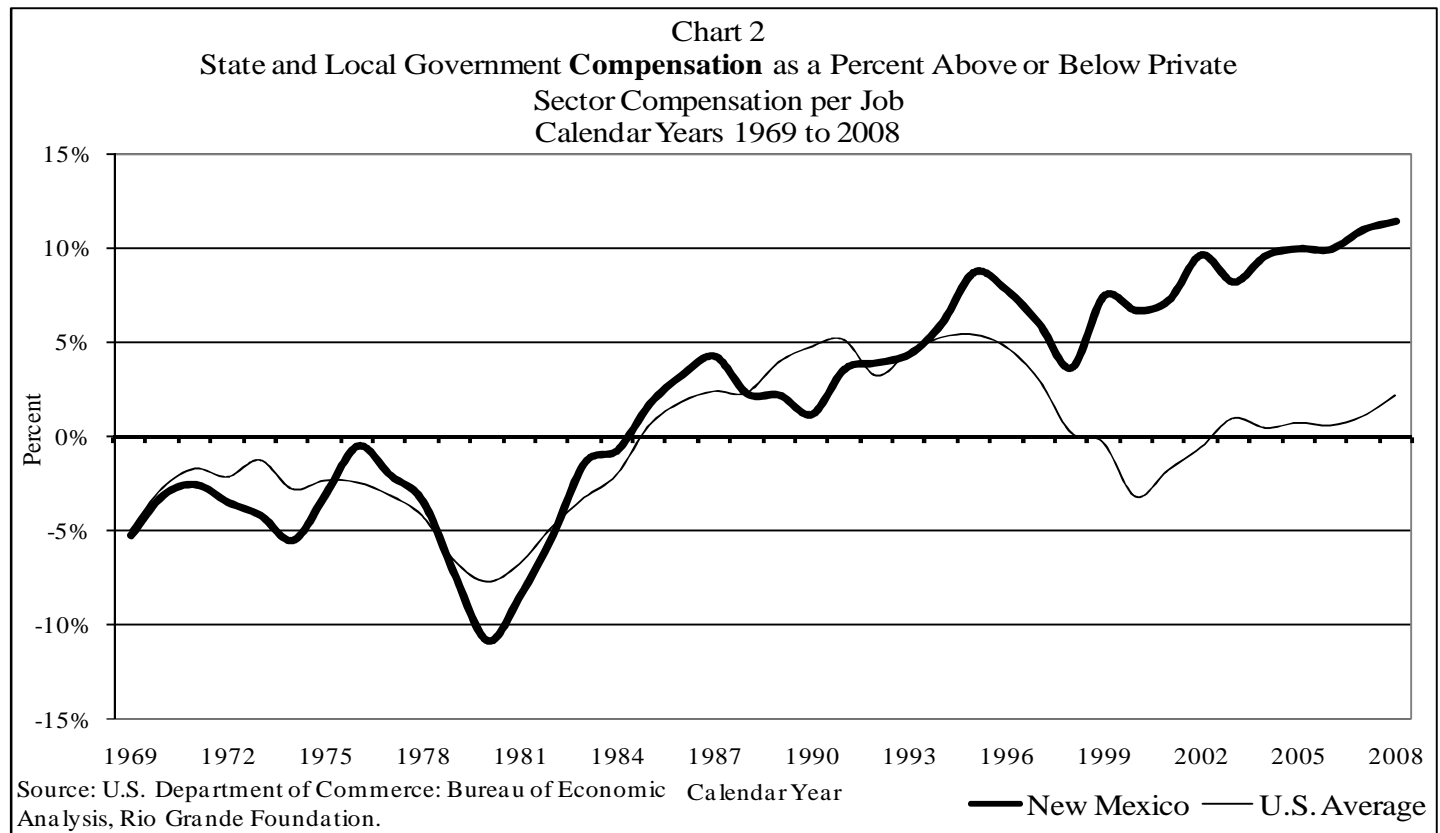

Chart 2
State and Local Government **Compensation** as a Percent Above or Below Private
Sector Compensation per Job
Calendar Years 1969 to 2008

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

State	1970	Rank	1980	Rank	1990	Rank	2000	Rank	2008	Rank
					Table 2					

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	2008	Rank
U.S. Average	-2.7%	--	-7.7%	--	4.8%	--	-3.2%	--	2.2%	--
Alabama	-6.7%	28	-9.2%	24	2.4%	32	5.6%	17	8.9%	15
Alaska	-3.8%	20	3.8%	5	14.6%	5	8.3%	8	5.0%	25
Arizona	*-4.0%*	*21*	*-7.5%*	*18*	*9.9%*	*10*	*-4.1%*	*34*	*7.0%*	*18*
Arkansas	-5.0%	25	-9.6%	26	5.0%	24	6.9%	13	9.0%	14
California	12.7%	2	4.6%	4	11.7%	8	-4.9%	38	11.7%	9
Colorado	*-9.5%*	*40*	*-11.6%*	*30*	*1.7%*	*34*	*-13.3%*	*48*	*-7.7%*	*46*
Connecticut	-2.2%	15	-9.5%	25	4.4%	28	-10.8%	45	-5.4%	43
Delaware	-14.4%	46	-13.1%	35	0.8%	39	-5.5%	40	3.4%	29
Florida	-0.9%	10	-1.2%	9	19.5%	4	16.3%	3	18.8%	5
Georgia	-4.9%	24	-12.4%	32	1.0%	38	-8.7%	43	-7.4%	45
Hawaii	28.1%	1	17.6%	1	10.4%	9	6.8%	14	24.5%	4
Idaho	-15.3%	49	-15.8%	41	-2.8%	45	-1.7%	30	5.5%	21
Illinois	-11.9%	42	-15.5%	40	-5.5%	46	-4.3%	36	-2.9%	39
Indiana	-14.7%	47	-21.4%	48	1.7%	35	1.1%	26	-0.5%	35
Iowa	-6.1%	27	-11.0%	29	8.6%	14	8.8%	7	10.0%	12
Kansas	-9.2%	38	-18.6%	45	-8.1%	49	-12.7%	46	-9.3%	49
Kentucky	-7.0%	31	-14.8%	39	4.7%	25	0.4%	28	4.6%	26
Louisiana	-11.0%	41	-22.6%	49	-9.7%	50	-3.3%	32	5.1%	24
Maine	-4.6%	23	-7.5%	19	7.3%	19	7.5%	9	8.1%	16
Maryland	2.6%	7	0.0%	6	20.2%	3	7.1%	12	11.4%	11
Massachusetts	6.2%	5	0.0%	7	3.0%	31	-12.9%	47	-8.7%	48
Michigan	-8.8%	36	-12.3%	31	1.6%	36	-5.4%	39	5.4%	22
Minnesota	-4.4%	22	-3.1%	10	6.1%	21	-3.9%	33	-2.6%	38
Mississippi	-9.1%	37	-12.9%	33	3.0%	30	5.8%	16	9.7%	13
Missouri	-13.7%	45	-15.9%	42	-2.5%	43	-7.3%	41	-6.0%	44
Montana	-9.4%	39	-8.9%	22	5.9%	22	14.8%	4	17.5%	6
Nebraska	-7.7%	34	-14.3%	38	8.0%	16	2.6%	23	5.2%	23
Nevada	-1.8%	12	-1.0%	8	25.6%	1	26.2%	2	27.6%	3
New Hampshire	-7.8%	35	-14.1%	37	-2.8%	44	-15.6%	50	-8.1%	47
New Jersey	-3.2%	17	-13.0%	34	4.6%	26	-1.6%	29	6.9%	19
New Mexico	*-3.1%*	*16*	*-10.9%*	*28*	*1.2%*	*37*	*6.7%*	*15*	*11.5%*	*10*
New York	7.5%	4	9.3%	3	7.4%	18	-8.4%	42	-5.1%	42
North Carolina	9.4%	3	-3.3%	11	8.6%	13	1.2%	25	2.9%	31
North Dakota	-13.6%	44	-13.3%	36	4.2%	29	2.8%	22	-2.9%	40
Ohio	-15.1%	48	-20.2%	47	0.2%	41	1.9%	24	4.6%	27
Oklahoma	*-12.9%*	*43*	*-17.8%*	*44*	*-1.3%*	*42*	*7.2%*	*10*	*3.0%*	*30*
Oregon	-2.1%	14	-6.9%	16	7.8%	17	4.1%	19	7.7%	17
Pennsylvania	-3.4%	18	-5.5%	14	14.4%	6	3.6%	21	0.0%	34
Rhode Island	0.4%	8	9.5%	2	25.6%	2	26.6%	1	32.4%	1
South Carolina	-0.7%	9	-7.6%	20	8.4%	15	9.4%	6	14.1%	8
South Dakota	-5.6%	26	-7.1%	17	5.1%	23	3.8%	20	2.9%	32
Tennessee	-3.7%	19	-9.1%	23	2.2%	33	-4.6%	37	-1.3%	36
Texas	*-6.9%*	*30*	*-19.2%*	*46*	*-6.6%*	*47*	*-13.8%*	*49*	*-9.8%*	*50*
Utah	*-6.9%*	*29*	*-9.9%*	*27*	*0.6%*	*40*	*1.0%*	*27*	*3.6%*	*28*
Vermont	-7.3%	33	-6.9%	15	8.9%	12	5.6%	18	14.4%	7
Virginia	3.3%	6	-8.8%	21	9.6%	11	-4.3%	35	-3.2%	41
Washington	-7.0%	32	-4.1%	13	6.7%	20	-9.9%	44	-1.9%	37
West Virginia	-25.3%	50	-28.4%	50	-7.8%	48	12.8%	5	29.7%	2
Wisconsin	-1.1%	11	-3.9%	12	11.9%	7	7.1%	11	5.8%	20
Wyoming	-1.8%	13	-17.6%	43	4.5%	27	-2.9%	31	1.6%	33
District of Columbia	-8.5%	--	9.6%	--	10.4%	--	-2.7%	--	-2.9%	--
Source: U.S. Department of Commerce: Bureau of Economic Analysis, Rio Grande Foundation.										

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. In 2008, New Mexico's state and local government wages and salaries were $37,808 per job while private sector wages and salaries were $37,417 per job. As a result, state government wages and salaries were 1 percent higher than 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 2001 onward, New Mexico's state and local government wages and salaries has been above the private sector. In 2008, New Mexico's ratio was 1 percent while the national average was -6.1 percent.

Overall, in 2008, New Mexico's state and local government wage and salary ratio ranked as the 12th highest in the country. Regionally, New Mexico had the highest ratio: Arizona (-0.5 percent, 14th), Colorado (-11.9 percent, 40th), Oklahoma (-10.6 percent, 38th), Texas (-15 percent, 47th), and Utah (-8.3 percent, 34th).

Benefit Ratios

The benefit ratio is derived by dividing state and local government benefits per job by private sector benefits per job. In 2008, New Mexico's state and local government benefits were $11,903 per job while private sector benefits were $7,185 per job. As a result, public sector benefits were 65.7 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 1984, state and local government benefits have been above the private sector. In addition, since 1985, 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 68.1 percent.

Overall, in 2008, New Mexico's benefit ratio ranked as the 11th highest in the country. Regionally, New

Chart 3
State and Local Government **Wages & Salaries** as a Percent Above or Below Private Sector Wage & Salary per Job
Calendar Years 1969 to 2008

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

Calendar Year

New Mexico —— U.S. Average

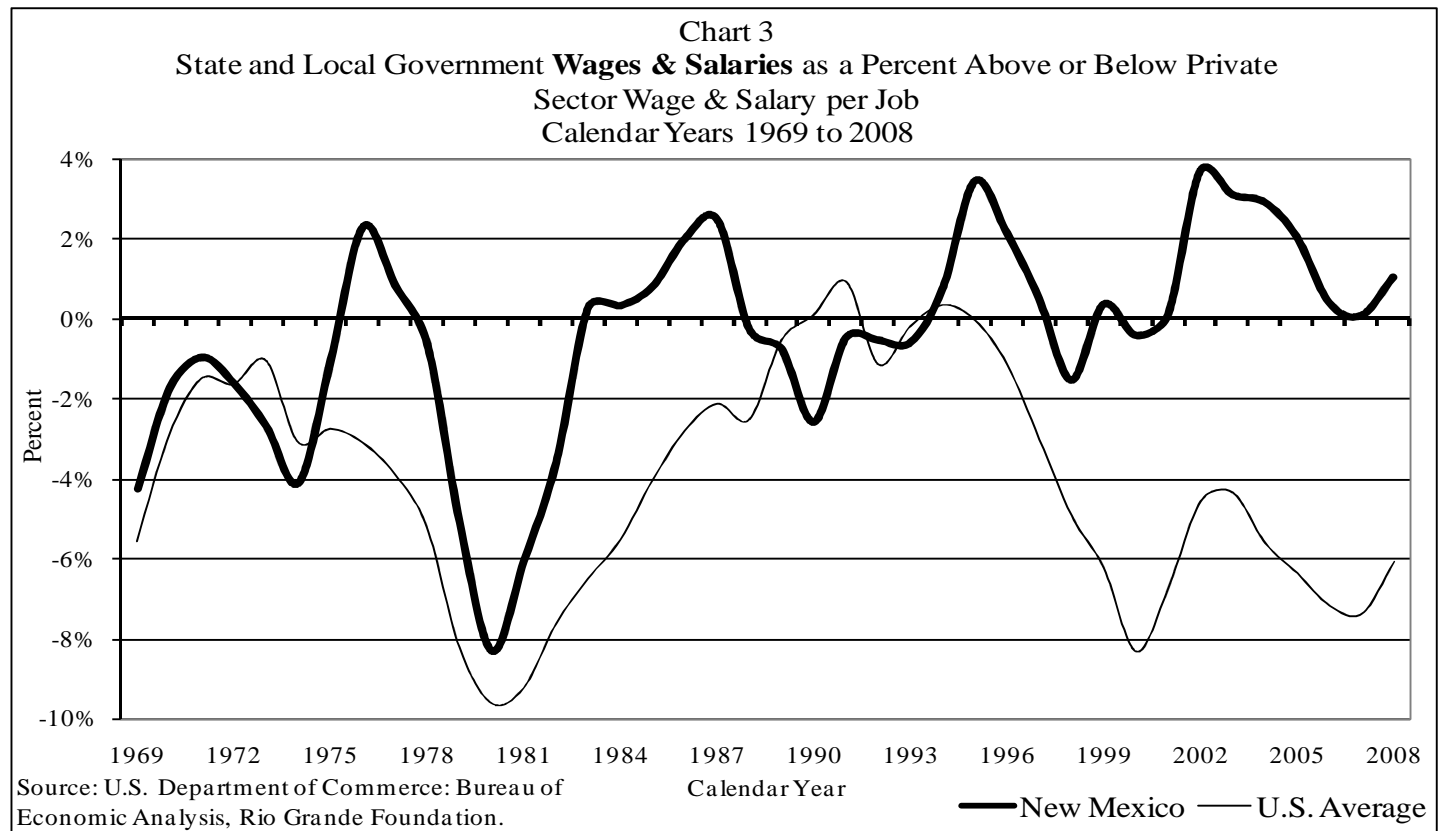| State	1970	Rank	1980	Rank	1990	Rank	2000	Rank	2008	Rank
U.S. Average	-2.9%	--	-9.6%	--	0.1%	--	-8.3%	--	-6.1%	--
Alabama	-8.1%	37	-12.8%	35	-3.7%	35	-1.3%	15	-1.3%	16
Alaska	0.5%	10	7.0%	3	17.5%	2	8.7%	3	-2.1%	19
Arizona	*-4.3%*	*25*	*-8.6%*	*21*	*9.0%*	*6*	*-6.9%*	*27*	*-0.5%*	*14*
Arkansas	-4.8%	27	-12.1%	31	-1.3%	29	-3.0%	20	-3.9%	25
California	13.5%	2	0.6%	5	8.4%	8	-6.3%	26	4.0%	8
Colorado	*-7.7%*	*35*	*-10.0%*	*24*	*-1.8%*	*30*	*-17.2%*	*47*	*-11.9%*	*40*
Connecticut	-0.5%	11	-12.5%	34	-0.5%	25	-13.8%	42	-11.9%	41
Delaware	-10.5%	43	-16.0%	41	-4.3%	38	-9.7%	34	-3.9%	24
Florida	0.8%	9	-4.8%	11	8.9%	7	6.0%	5	8.9%	4
Georgia	-5.1%	28	-13.6%	37	-5.1%	40	-15.6%	45	-14.4%	46
Hawaii	27.0%	1	14.8%	1	11.1%	5	7.4%	4	12.7%	3
Idaho	-14.6%	48	-16.5%	42	-8.0%	45	-8.8%	31	-5.7%	29
Illinois	-10.2%	42	-14.7%	39	-7.3%	44	-9.8%	35	-9.4%	36
Indiana	-13.2%	47	-21.2%	49	-4.1%	37	-9.3%	32	-11.0%	39
Iowa	-4.8%	26	-11.8%	28	3.9%	13	1.5%	8	1.4%	10
Kansas	-7.7%	36	-19.1%	45	-9.9%	48	-16.9%	46	-17.0%	49
Kentucky	-5.2%	30	-13.6%	36	-0.8%	26	-7.7%	30	-3.9%	26
Louisiana	-10.1%	41	-20.9%	47	-13.5%	50	-9.4%	33	-4.4%	27
Maine	-2.5%	19	-8.0%	18	3.1%	16	-1.7%	17	-2.9%	21
Maryland	2.6%	6	-2.4%	7	12.4%	4	-0.5%	12	2.7%	9
Massachusetts	9.9%	3	2.2%	4	-0.1%	23	-18.2%	49	-12.7%	42
Michigan	-8.9%	40	-11.9%	29	-1.9%	32	-11.5%	39	-2.0%	18
Minnesota	-3.9%	23	-3.5%	8	1.7%	20	-10.1%	36	-9.1%	35
Mississippi	-8.6%	39	-14.3%	38	-3.7%	36	-3.8%	21	-2.3%	20
Missouri	-12.4%	46	-15.6%	40	-6.3%	42	-14.4%	44	-15.1%	48
Montana	-8.4%	38	-9.6%	23	-0.1%	24	4.1%	6	4.8%	7
Nebraska	-4.0%	24	-12.0%	30	5.3%	9	-2.8%	18	-1.1%	15
Nevada	0.8%	8	0.4%	6	15.4%	3	15.0%	2	14.3%	2
New Hampshire	-5.4%	31	-11.8%	27	-4.9%	39	-20.2%	50	-14.0%	45
New Jersey	-3.8%	22	-10.5%	25	0.4%	22	-1.5%	16	1.2%	11
New Mexico	*-1.7%*	*16*	*-8.3%*	*20*	*-2.6%*	*33*	*-0.4%*	*11*	*1.0%*	*12*
New York	-1.0%	15	-4.6%	9	2.5%	17	-12.1%	40	-18.1%	50
North Carolina	8.1%	4	-4.8%	10	3.3%	15	-4.1%	22	-1.4%	17
North Dakota	-12.0%	44	-12.4%	33	-1.9%	31	-7.0%	28	-13.5%	43
Ohio	-15.5%	49	-20.0%	46	-5.2%	41	-3.0%	19	-3.2%	22
Oklahoma	*-12.4%*	*45*	*-21.0%*	*48*	*-8.5%*	*47*	*-5.0%*	*25*	*-10.6%*	*38*
Oregon	-0.7%	14	-5.9%	13	1.8%	18	-4.8%	23	-0.1%	13
Pennsylvania	-2.0%	18	-7.1%	15	5.2%	10	0.1%	9	-6.4%	31
Rhode Island	1.1%	7	10.4%	2	19.7%	1	20.9%	1	18.1%	1
South Carolina	-2.0%	17	-7.1%	14	3.8%	14	2.3%	7	5.9%	6
South Dakota	-2.9%	20	-7.2%	16	-1.0%	27	-4.8%	24	-7.7%	33
Tennessee	-3.1%	21	-11.5%	26	-3.1%	34	-10.5%	38	-10.5%	37
Texas	*-5.2%*	*29*	*-18.4%*	*44*	*-8.3%*	*46*	*-17.5%*	*48*	*-15.0%*	*47*
Utah	*-6.2%*	*34*	*-12.3%*	*32*	*-7.1%*	*43*	*-10.2%*	*37*	*-8.3%*	*34*
Vermont	-5.8%	32	-8.1%	19	4.6%	12	-0.8%	13	6.2%	5
Virginia	5.2%	5	-9.0%	22	1.8%	19	-13.0%	41	-13.9%	44
Washington	-6.1%	33	-5.2%	12	1.7%	21	-13.9%	43	-6.4%	30
West Virginia	-23.3%	50	-25.7%	50	-12.9%	49	-1.0%	14	-6.6%	32
Wisconsin	-0.6%	12	-7.6%	17	5.1%	11	0.0%	10	-3.3%	23
Wyoming	-0.6%	13	-17.1%	43	-1.1%	28	-7.4%	29	-4.9%	28
District of Columbia	-7.7%	--	13.9%	--	6.8%	--	-4.9%	--	-7.7%	--

Table 3
State and Local **Wages and Salaries** as a Percent Above or Below Private Sector **Wages and Salaries** per Job by State and Rank
Selected Calendar Years

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

Mexico has the second highest ratio with Oklahoma's ratio being higher at 71.7 percent. The remaining four neighboring states are all ranked lower: Arizona (46.9 percent, 27th), Colorado (14.5 percent, 49th), Texas (18.2 percent, 48th), and Utah (63 percent, 12th).

Budget Savings

As shown in Charts 5 and 6 and in Table 5, in 2008, adjusting the employment ratio to the national average would have saved taxpayers up to $2,596,600,137 whereas adjusting the compensation ratio to the national average would have saved taxpayers up to an additional $692,828,283. The same patterns exists when considering the entire 1979 to 2008 time period where adjusting the employment ratio would have amounted up to a staggering $55,199,769,673 (in real 2008 dollars), whereas adjusting the compensation ratio would have saved taxpayers up to $5,669,243,317 (in real 2008 dollars).

Conclusion

Overall, policymakers should be most concerned with New Mexico's employment ratio which was the 2nd highest in the country in 2008. In addition, New Mexico's high benefit ratio of 65.7 percent is also of particular concern and ranks as the 11th highest in the country. Both problems significantly contribute to New Mexico's unfunded pension and retiree health care liability which will be discussed in further detail in the next two companion studies.

Additionally, 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.
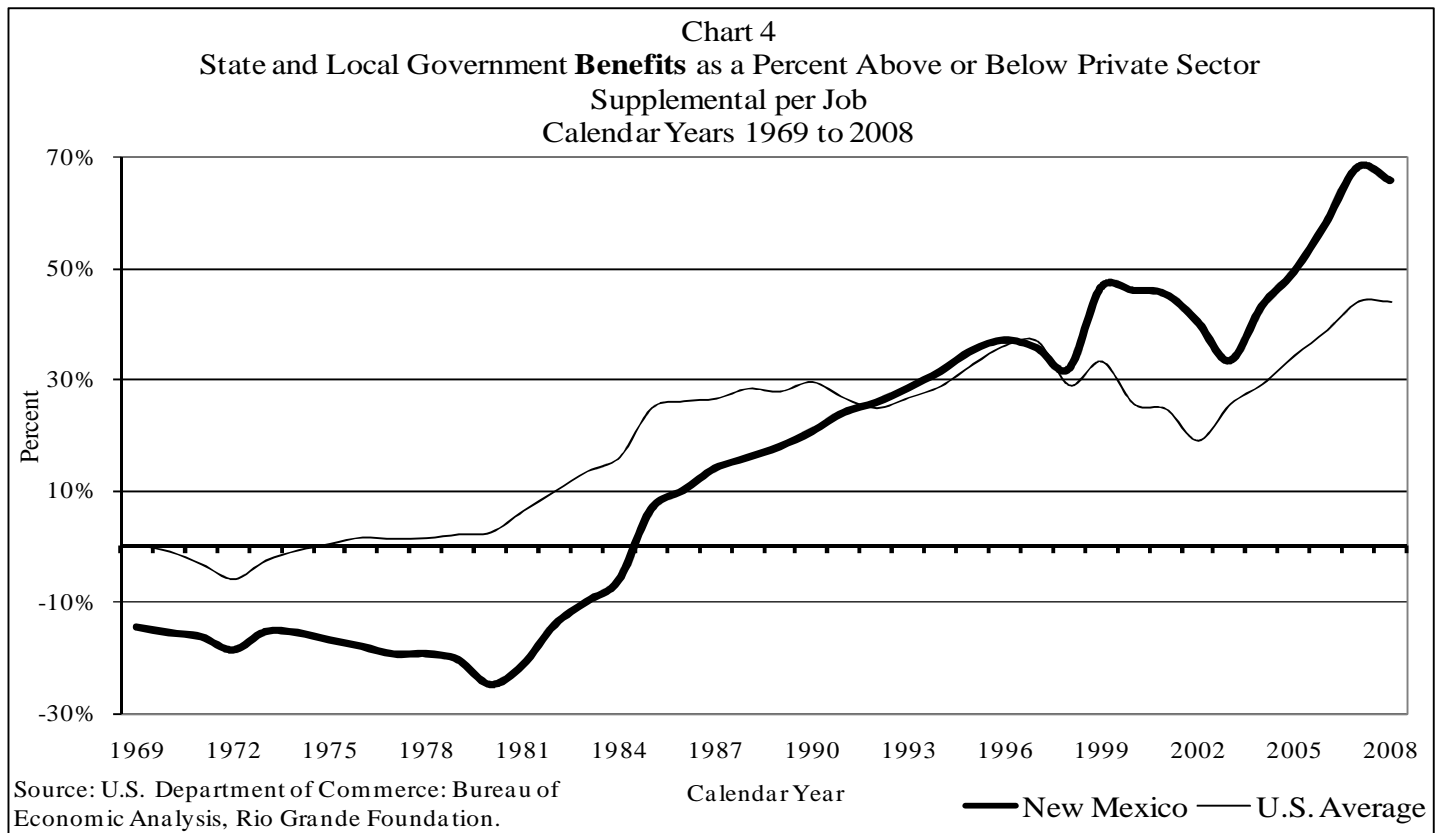

Chart 4
State and Local Government **Benefits** as a Percent Above or Below Private Sector
Supplemental per Job
Calendar Years 1969 to 2008

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

New Mexico ——— U.S. Average

	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	2008	Rank
U.S. Average	-1.0%	--	2.5%	--	29.6%	--	25.6%	--	44.1%	--
Alabama	5.5%	6	10.5%	7	34.3%	19	43.2%	22	59.1%	15
Alaska	-35.0%	47	-11.4%	30	1.8%	49	6.1%	47	36.3%	35
Arizona	*-1.9%*	*9*	*-1.1%*	*19*	*14.4%*	*43*	*12.0%*	*40*	*46.9%*	*27*
Arkansas	-6.9%	13	3.6%	13	36.4%	13	59.1%	7	70.4%	8
California	5.8%	5	26.6%	3	28.7%	30	3.2%	49	50.7%	24
Colorado	*-27.0%*	*41*	*-21.5%*	*42*	*20.9%*	*37*	*9.1%*	*43*	*14.5%*	*49*
Connecticut	-16.8%	26	6.6%	8	30.9%	27	6.5%	46	27.8%	43
Delaware	-47.0%	50	1.2%	16	26.8%	33	17.2%	38	38.6%	33
Florida	-17.4%	27	20.6%	4	78.5%	2	75.1%	2	71.4%	7
Georgia	-2.6%	10	-5.0%	22	34.9%	17	32.4%	25	28.3%	42
Hawaii	37.9%	2	33.8%	2	7.0%	46	3.6%	48	85.8%	4
Idaho	-20.3%	32	-12.0%	31	22.2%	35	34.8%	24	59.3%	14
Illinois	-26.1%	40	-20.3%	38	3.9%	47	26.5%	34	29.8%	40
Indiana	-27.4%	42	-22.7%	43	32.4%	23	59.1%	8	48.6%	25
Iowa	-17.7%	29	-6.6%	25	33.0%	21	47.7%	17	50.8%	23
Kansas	-22.2%	35	-15.8%	35	0.8%	50	8.7%	44	27.8%	44
Kentucky	-21.9%	34	-21.1%	40	32.4%	24	43.9%	21	44.4%	30
Louisiana	-19.3%	31	-32.4%	49	10.1%	44	30.2%	30	53.0%	20
Maine	-22.2%	36	-5.2%	23	26.7%	34	53.3%	11	61.2%	13
Maryland	1.9%	7	14.2%	6	64.2%	3	51.1%	14	57.7%	16
Massachusetts	-25.3%	39	-12.5%	33	19.5%	39	17.3%	37	12.3%	50
Michigan	-8.3%	14	-13.8%	34	18.7%	40	27.3%	33	40.3%	32
Minnesota	-8.6%	15	-1.2%	20	29.3%	29	31.2%	28	29.5%	41
Mississippi	-13.2%	21	-4.5%	21	37.7%	11	57.1%	9	67.4%	9
Missouri	-25.3%	38	-17.5%	36	17.7%	41	32.2%	26	38.6%	34
Montana	-17.5%	28	-5.6%	24	33.8%	20	68.1%	5	75.5%	5
Nebraska	-42.7%	49	-27.7%	48	22.1%	36	31.7%	27	35.8%	36
Nevada	-27.7%	43	-9.8%	28	79.7%	1	87.3%	1	99.6%	3
New Hampshire	-30.2%	45	-27.6%	47	8.8%	45	10.6%	42	22.2%	46
New Jersey	1.7%	8	-25.2%	46	26.9%	32	-2.0%	50	35.8%	37
New Mexico	*-15.5%*	*25*	*-24.9%*	*45*	*20.5%*	*38*	*46.0%*	*19*	*65.7%*	*11*
New York	81.1%	1	87.4%	1	35.4%	16	13.6%	39	66.2%	10
North Carolina	22.7%	3	5.4%	9	38.2%	9	31.2%	29	23.6%	45
North Dakota	-28.5%	44	-18.8%	37	35.9%	15	53.0%	12	51.3%	22
Ohio	-11.5%	17	-21.2%	41	27.5%	31	28.9%	31	42.3%	31
Oklahoma	*-17.9%*	*30*	*0.4%*	*17*	*37.1%*	*12*	*74.9%*	*3*	*71.7%*	*6*
Oregon	-13.0%	20	-12.5%	32	36.4%	14	50.6%	15	45.2%	28
Pennsylvania	-14.4%	22	1.9%	14	59.6%	4	22.2%	35	30.4%	39
Rhode Island	-5.3%	11	4.7%	10	53.9%	6	56.1%	10	100.8%	2
South Carolina	11.3%	4	-11.1%	29	32.6%	22	48.0%	16	53.3%	19
South Dakota	-33.3%	46	-6.6%	26	37.9%	10	51.5%	13	54.6%	18
Tennessee	-9.3%	16	4.3%	11	30.7%	28	28.0%	32	44.6%	29
Texas	*-22.3%*	*37*	*-23.4%*	*44*	*2.3%*	*48*	*8.1%*	*45*	*18.2%*	*48*
Utah	*-12.5%*	*19*	*3.9%*	*12*	*42.6%*	*8*	*63.5%*	*6*	*63.0%*	*12*
Vermont	-21.5%	33	0.0%	18	31.3%	25	39.2%	23	52.7%	21
Virginia	-14.8%	24	-7.4%	27	55.2%	5	46.7%	18	55.1%	17
Washington	-14.7%	23	1.5%	15	31.2%	26	10.6%	41	20.0%	47
West Virginia	-39.6%	48	-40.9%	50	15.8%	42	71.0%	4	193.6%	1
Wisconsin	-5.3%	12	15.9%	5	45.7%	7	44.6%	20	47.8%	26
Wyoming	-12.4%	18	-20.8%	39	34.7%	18	21.0%	36	33.3%	38
District of Columbia	-16.7%	--	-17.1%	--	32.1%	--	11.3%	--	25.6%	--

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

Chart 5
New Mexico's **State and Local** Budget Savings if Private/Public **Compensation** Ratio Equalled the National Average
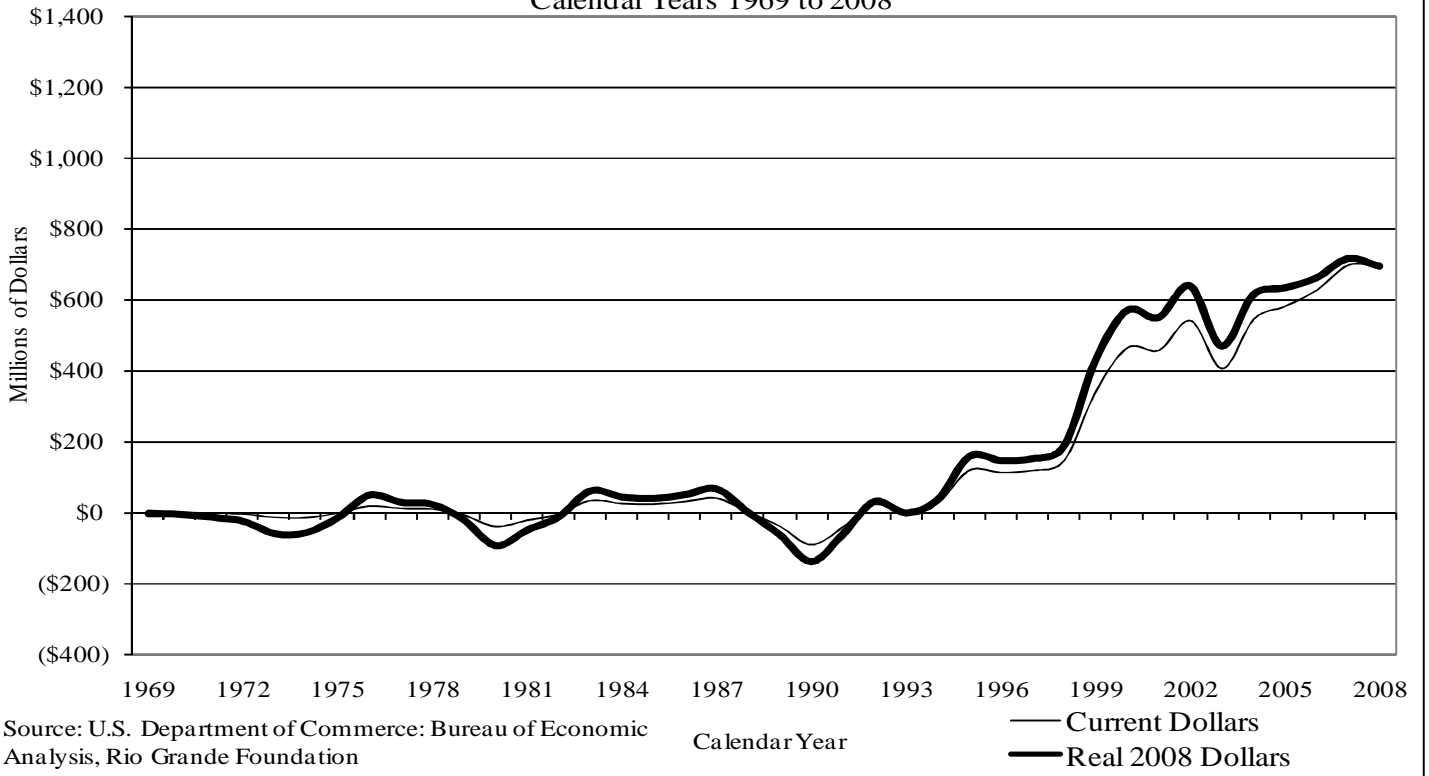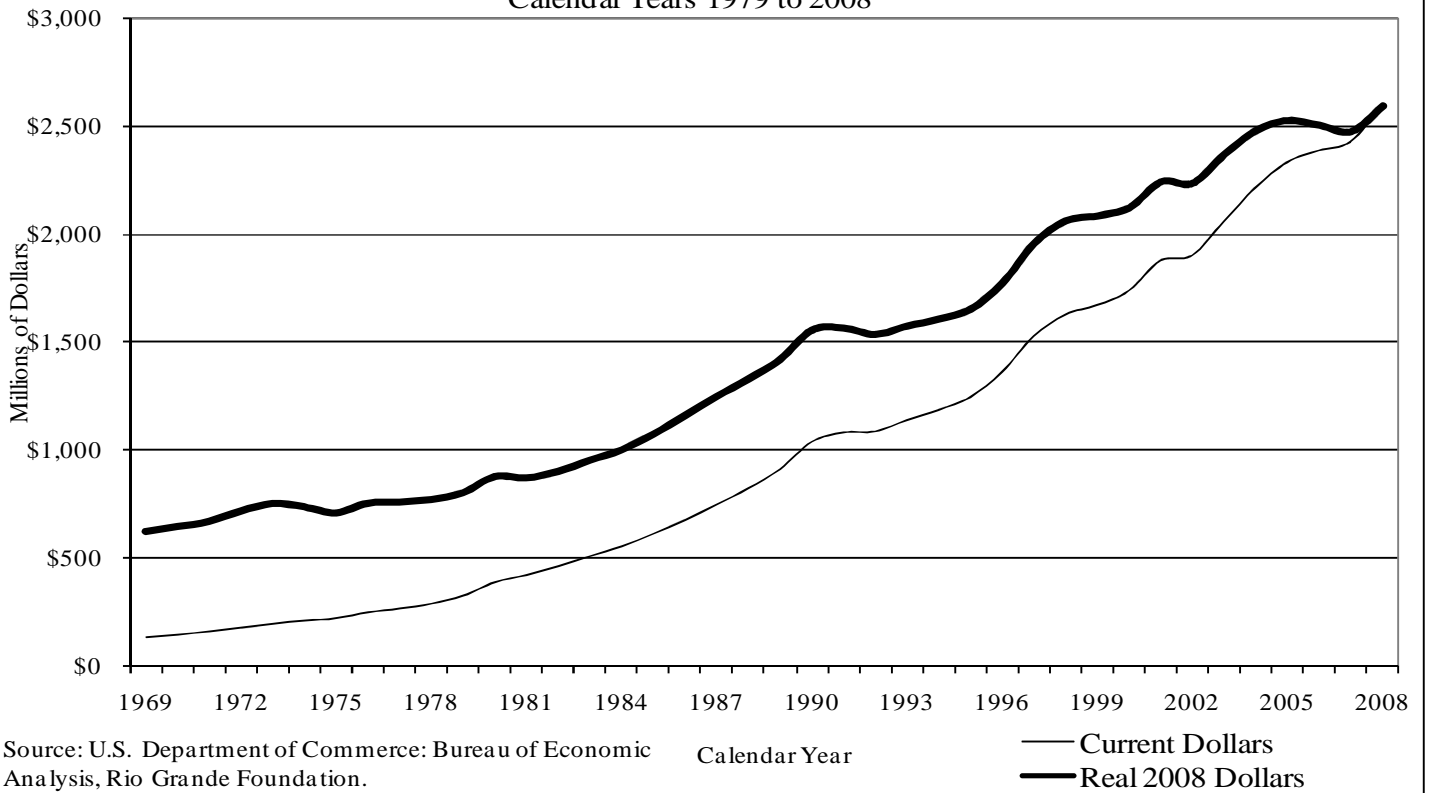### Calendar Years 1969 to 2008

Calendar Year

— Current Dollars
— Real 2008 Dollars

Chart 6
New Mexico's **State and Local** Budget Savings if Private/Public **Employment** Ratio Equalled the National Average
Calendar Years 1979 to 2008

Calendar Year

— Current Dollars
— Real 2008 Dollars

Table 5
Budget Savings if New Mexico's State and Local Private/Public Compensation Ratio Equaled the U.S. Average
Calendar/Fiscal Years 1969 to 2008

Calendar/Fiscal Year	Budget Compensation Savings		Budget Employment Savings	
	Nominal (Calendar Years)	Real 2008 Dollars (Calendar Years)	Nominal (Calendar Years)	Real 2008 Dollars (Calendar Years)
1969	($977,652)	($4,589,213)	$133,191,409	$625,215,805
1970	($1,463,794)	($6,527,205)	$145,225,636	$647,575,722
1971	($3,606,123)	($15,313,987)	$158,409,955	$672,713,656
1972	($6,524,934)	($26,563,268)	$176,841,565	$719,929,065
1973	($15,898,562)	($61,324,560)	$195,677,629	$754,775,454
1974	($16,557,605)	($58,566,812)	$209,056,712	$739,465,947
1975	($5,088,835)	($16,441,074)	$220,374,376	$711,988,344
1976	$15,397,651	$47,045,558	$247,568,348	$756,413,518
1977	$9,475,770	$27,220,131	$265,285,982	$762,061,450
1978	$7,794,669	$20,923,305	$288,373,291	$774,083,167
1979	($9,306,422)	($23,063,760)	$324,684,103	$804,652,553
1980	($41,886,728)	($95,108,719)	$387,365,599	$879,558,933
1981	($24,588,779)	($51,020,741)	$420,964,615	$873,484,869
1982	($7,163,342)	($14,009,889)	$461,916,964	$903,405,885
1983	$31,463,887	$59,201,004	$507,684,054	$955,234,999
1984	$23,124,886	$41,933,885	$553,482,857	$1,003,667,048
1985	$21,616,667	$38,047,760	$611,208,278	$1,075,795,195
1986	$28,407,182	$48,912,584	$675,292,282	$1,162,744,347
1987	$38,417,247	$64,350,653	$747,039,705	$1,251,325,822
1988	($931,378)	($1,508,238)	$822,577,261	$1,332,049,618
1989	($41,149,485)	($64,210,836)	$911,587,991	$1,422,468,022
1990	($93,458,286)	($140,396,443)	$1,037,342,126	$1,558,333,142
1991	($43,533,150)	($63,167,380)	$1,080,600,491	$1,567,970,652
1992	$20,598,745	$29,195,977	$1,085,439,559	$1,538,465,955
1993	($2,125,455)	($2,947,656)	$1,137,105,282	$1,576,977,297
1994	$25,112,565	$34,109,659	$1,185,027,307	$1,609,587,781
1995	$117,280,113	$156,043,123	$1,244,311,788	$1,655,577,338
1996	$111,243,082	$145,249,458	$1,359,785,167	$1,775,463,750
1997	$116,636,505	$149,642,178	$1,526,475,134	$1,958,435,426
1998	$145,596,835	$184,715,757	$1,626,726,576	$2,063,795,077
1999	$341,428,673	$426,878,315	$1,669,954,346	$2,087,895,229
2000	$464,424,052	$568,328,508	$1,736,375,761	$2,124,850,858
2001	$457,976,716	$548,037,286	$1,876,350,459	$2,245,332,519
2002	$541,266,234	$637,446,422	$1,900,950,124	$2,238,739,053
2003	$405,834,937	$467,862,355	$2,057,536,805	$2,372,008,737
2004	$545,989,622	$612,071,016	$2,214,227,934	$2,482,217,038
2005	$582,447,433	$631,844,800	$2,331,897,590	$2,529,665,824
2006	$628,704,961	$660,474,157	$2,386,723,202	$2,507,327,113
2007	$699,584,566	$714,469,204	$2,426,882,162	$2,478,517,466
2008	$692,828,283	$692,828,283	$2,596,600,137	$2,596,600,137
Total	$5,065,562,464	$5,669,243,317	$38,347,520,426	$55,199,769,673

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

Methodology

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

All calculations were performed by the authors.

The data reflects the recent comprehensive revision for the years 1969 to 2008. As a result, this study supersedes the previous study on this topic released by the Rio Grande Foundation last year.

The data excludes farm and proprietorship income as well as dividends, interest, and rents, and personal current transfer receipts.

The data was adjusted for inflation using the "Gross Domestic Product" deflator.

The data was adjusted to exclude state government employment and compensation in Los Alamos county up to 2005 since they represented employees of the University of California and not the State of New Mexico.

Exhibit
Number of **State and Local** Government Jobs
Calendar Years 1969 to 2008

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

—— New Mexico