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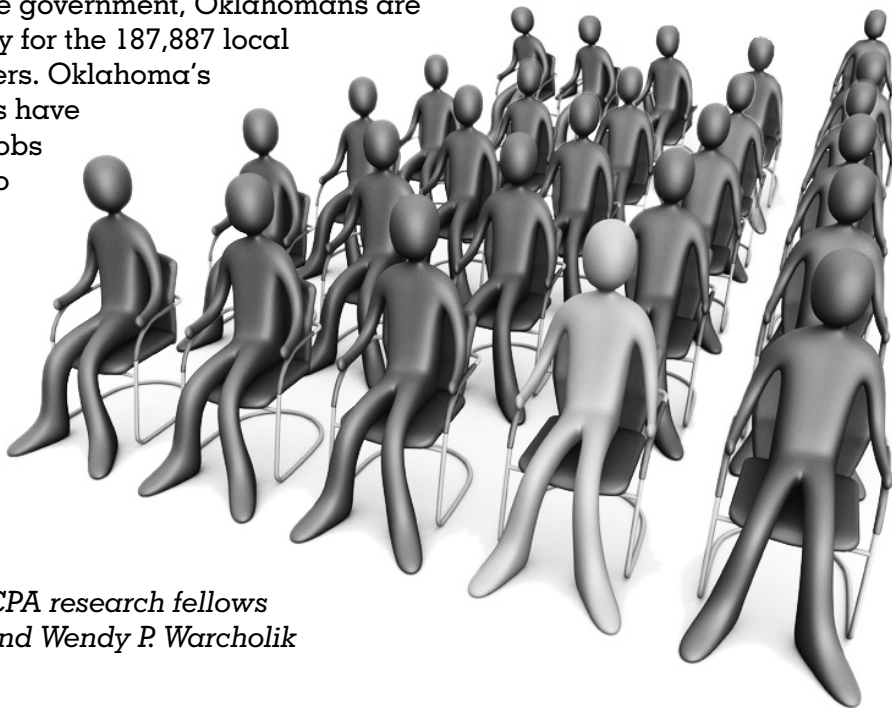
How Many Oklahomans Does It Take to Fund One Government Job?

It takes 15 Oklahomans in the private sector to fund one Oklahoma state government job. In total, for 2006, there were 83,769 state government workers in Oklahoma earning \$3,519,178,000—or an average of \$42,011 on a per-job basis. As a result, it would take a total of 1,281,682 private sector jobs to fund Oklahoma's state bureaucracy—slightly more people than were employed in the private sector in 2006 (1,266,179).¹

Oklahomans are paying dearly for these 83,769 state government employees in the form of higher taxes. According to recent research by OCPA, Oklahoma state government has 28,748 too many jobs when compared to the national state employment average. Eliminating these jobs would have saved Oklahoma's taxpayers up to \$1,207,715,398 in 2006.²

It takes 25 Oklahomans in the private sector to fund one Oklahoma local government job. In total, for 2006, there were 187,887 local government workers in Oklahoma earning \$7,672,488,000—or an average of \$40,836 on a per-job basis. As a result, it would take a total of 4,768,558 private sector jobs to fund Oklahoma's local bureaucracy—or 3.8 times the people employed by Oklahoma's private sector in 2006.

As with the state government, Oklahomans are also paying dearly for the 187,887 local government workers. Oklahoma's local governments have 37,912 too many jobs when compared to the national local employment average. Eliminating these jobs would have saved Oklahoma's taxpayers up to \$1,548,166,528 in 2006.



—Prepared by OCPA research fellows
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— over —

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Methodology

The average private sector compensation per job was \$40,726 in 2006. Compensation is broken down into wages and salary (\$33,632) and benefits (\$7,093).

In order to calculate the amount of taxes paid, this study utilizes the information provided by "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," published by the Institute on Taxation and Economic Policy (ITEP)—a liberal think tank based in Washington D.C.

Although benefits are not taxable, the study assumes the full \$33,632 in wages and salaries are taxable. ITEP uses a "family income" (FI) concept which is likely very similar to the "adjusted gross income" concept used on federal and state individual income tax forms. In order to derive FI, wages and salaries were increased by 30 percent to approximate AGI (according to the Internal Revenue Service, wages and salaries constitute about 70 percent of AGI). The resulting average FI was \$43,722 per job in 2006.

The ITEP analysis shows that the effective tax rate for a taxpayer earning \$43,722 is 10 percent—split 6.3 percent for state taxes and 3.7 percent for local taxes. While the ITEP report was released in January 2003, data from the Census Bureau indicate that no major changes in the overall effective tax rate in Oklahoma have occurred. As such, the ITEP estimate is still useful for this application. Overall, the average private sector job paid \$2,746 in direct state taxes and \$1,609 in direct local taxes in 2006.

Dividing the average state government compensation per job (\$42,011) by \$2,746 yields 15 average private sector jobs needed to sustain a single state government job in 2006. Dividing the average local government compensation per job (\$40,836) by \$1,609 yields 25 average private sector jobs needed to sustain a single local government job in 2006.

Endnotes

¹ This may appear nonsensical at first glance. However, keep in mind that this counts only taxes that are directly paid by individuals and does not include taxes paid by businesses, taxpayers with higher-than-average incomes, revenue from matching federal funds (such as Medicaid), or taxes paid by non-residents or retirees. In short, this exercise is meant to illustrate the simple concept that all money spent by government must first come from taxpayers and that government employees really are "servants of the people."

² For more information on Oklahoma's compensation and employment ratios, see J. Scott Moody and Wendy P. Warcholik, "Overcrowding on the Government Gravy Train," *Perspective* (December 2007), pp. 4-11.