



**For immediate release**

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## **Seven Fiscal Sins**

### **How the Budget Bill Puts Wisconsin on a Less Secure Financial Footing**

One of the disappointing things about the budget bill passed this summer is that fiscal conservatives who embraced responsible budgeting two years ago seemed to forget many of those principles this year. [A new publication](#) from the Wisconsin Budget Project—a nonpartisan research organization focusing on tax and budget policy—describes a number of decisions, made by lawmakers heeding the siren call of a large tax cut, that make Wisconsin’s fiscal situation less secure.

“There’s a possibility that Wisconsin’s budget surplus will turn out to be larger than expected. If so, we encourage lawmakers to take the opportunity to correct some of the short-sighted choices made in the budget that have made the state’s fiscal footing more precarious,” said Budget Project Director Jon Peacock.

Those short-sighted budget choices include:

#### **1) Creating a half billion dollar hole in the next budget**

Because the budget bill uses a short-term surplus for a large, ongoing tax cut, Wisconsin lawmakers will begin the next budget in a substantial hole.

That hole means that Wisconsin lawmakers will have to set aside the first \$545 million of increased general purpose revenue (GPR) in the next budget simply to provide flat funding for current services – before even beginning to set aside any revenue growth for cost increases resulting from inflation and population growth.

#### **2) Postponing the long-overdue increase in the state’s budget cushion**

Legislators and governors of both parties have been saying for the last couple of decades that the state should substantially increase the state’s budget cushion, which is currently just \$65 million.

A provision was set to go into effect that would have increased Wisconsin’s budget cushion to 2% of revenue. However, the recent budget bill pushes off this fiscally prudent change until 2019.

#### **3) Increasing bonding**

The budget bill authorized an additional \$1.4 billion in general obligation bonding, which will be financed with future General Fund revenue.

Authorizing bonds allows the state to spread out the costs of big capital projects over many years. But issuing bonds also obligates the state to repay those bonds down the road, tying up future revenue and making it more difficult to balance future budgets.

(more)

#### **4) Postponing tough choices on the Transportation Fund budget**

There is a widening mismatch between the revenues coming into the Transportation Fund and the expensive highway projects financed by Transportation Fund dollars. Instead of solving the problem by increasing revenues or taking a hard look at reprioritizing transportation funding, the Legislature kicked the can down the road, putting off the problem to be solved at a later date.

#### **5) Creating a future hole in the UW System budget**

Increased spending for the University of Wisconsin System was financed with reserve funds rather than new revenue. Regardless of the merits of that choice in the short-term, it creates longer term complications. At some point in the not-too-distant future, it won't be feasible to keep tapping reserves for those purposes, and the UW System will then have holes to close in its budget.

#### **6) Making unrealistic assumptions about spending in the welfare-to-work program**

The budget builds up the state's General Fund balance by siphoning off federal funding intended to assist low-income families, a move that frees up money for things like tax cuts. But there is a problem: that maneuver leaves inadequate funding for welfare-to-work programs that serve low-income families.

State policymakers justify this move in part by relying on unrealistic assumptions about declining participation in welfare-to-work programs. But if program participation continues to be far above the projected level, low-income families could face the unpleasant consequences of policymakers' actions.

#### **7) Transferring dollars from other funds**

Many legislators have preached against the practice of using "fund raids" to help balance the budget. Yet this budget includes up to \$383 million in shifts between funds that result in money being used for purposes other than those for which the fund has traditionally been used.

"Instead of making Wisconsin's longer-term fiscal outlook more challenging, the Governor and legislators should be looking for ways to make the budget more sustainable," Peacock said.

The new Wisconsin Budget Project paper is online at <http://www.wisconsinbudgetproject.org/?p=3659>.

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