

## Walker's "Eat Dessert First" Budget

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Senator Kathleen Vinehout gives an overview of provisions included in the AB 40, the 2012-15 State Budget Bill and the impact of some of those provisions. Spending in this budget does not decline and includes the revenue lost to the state as a result of the tax cuts, leaving less revenue for the state's largest financial investments: local government, education, health care and corrections. It also increases debt and leaves a structural deficit for the future.

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MADISON - "I love to eat dessert first," the Prescott man said as he munched on cake. He smiled and said, "The problem is you don't have room for the good things you need to eat."

The first course of dessert in the state budget is a tax cut for about seventy five percent of tax filers. For a taxpayer making \$30,000 a year the tax cut would be about \$50 a year and for someone making over \$300,000 about \$1,500.

Tax rates would be collapsed - income at the \$14 an hour range would be taxed at the same rate as income made at the \$150 an hour range.

"It's hard to be against a tax cut," my colleague told me. "But the rest of the budget suffers because of this cut."

The tax change would permanently remove about \$600 million of state revenue. Because spending is not reduced – this budget spends \$4 billion more than the last – a half a billion dollar structural deficit is created down the road.

The second course of dessert is almost 100 policy changes unrelated to the state's finances that, in many cases, reward special interests or benefit certain lawmakers. One example is elimination of the UW sponsored Center for Investigative Reporting; another is overturning a Supreme Court decision on lead paint.

The real meat and potatoes of state government are state operations and funding sent to our local communities, colleges and universities. The state budget affects many parts of our lives. For simplicity's sake I'll mention just a handful of major programs with a few details on what's in the budget.

Six items make up 85 percent of the state budget: health, K-12 education, corrections, transportation, the UW system and local government. Each of these areas of spending deserves a thorough look at how to improve operations. Unfortunately most of the discussion on the budget hasn't focused on the meat and potatoes.

Health spending increases by over two billion dollars despite the Governor's proposal to end BadgerCare for nearly 100,000 people. A simple change in eligibility would have saved over one hundred million in state funds. Instead the state spends more and fewer people are covered by Medicaid.

K-12 education receives a slight increase, but a large part of this goes to fund a statewide expansion of public spending for private schools.

The prison budget adds millions more to account for an increase in the prison population. Drug court, community policing and other programs to reduce crime and addictions are eliminated or in jeopardy.

Money for roads and bridges is dwindling, as autos are more efficient. As gas tax collections fall, lawmakers consider other ways to fund transportation. Instead of solving this long-term problem, the budget transfers nearly half a billion from the general fund – leaving less to fund K-12 schools, UW and other state expenses.

Local government and the university system receive very little additional money leaving questions about how these entities will cut services as they try to cover increasing costs.

Long-term finances are stable but precarious. The economy is improving. Tax collections are expected to increase. But financial forecasts are inconsistent. For example, budget writers built into the budget several hundred million in new tax collections. Yet a recent forecast by the Philadelphia Federal Reserve shows Wisconsin's economy contracting over the next six months.

This budget continues to increase debt. Not enough money is put away should the state face another economic down turn. Following the law and setting aside 2% of the general fund as a cushion in the state's checkbook could improve finances. Instead, the Governor changes the law and keeps a mere half a percent as a financial cushion in the reserve fund.

Every parent who tells their children not to eat dessert first knows there will not room for the meat and potatoes. They also know there's going to be a crash from eating all that sugar.

Wisconsin's fiscal sugar crash is likely to show up in the spring of 2015 when the next Governor and lawmakers pick up the pieces set in motion in June of 2013.

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