

Wisconsin Needs Smarter Budget Choices

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This week Senator Kathleen Vinehout writes about budget priorities and how she crafted an alternative budget that would leave the state with no structural deficit and a strong balance at the end of the biennium.

ALMA - "Two years ago, Wisconsin made tough choices," wrote Robert from Mondovi. "The deficit was eliminated, costs were controlled and Wisconsin was back on the track to prosperity."

The Buffalo County man wanted "relief for the hardworking people of Wisconsin".

With that in mind, I took a close look at state finances and discovered problems. I talked with the Legislative Fiscal Bureau analysts and read their papers. I sharpened my pencil and considered options.

The recently passed \$70 billion budget spends \$4 billion more than the last budget. It is estimated to create a half a billion dollar deficit going into the next budget - even though we started with more money. The economy is improving. Tax revenues are up - a little less \$1.5 billion.

Lawmakers who voted for the budget (I was not among them) argued some of the new revenue be returned to taxpayers. Tax rates were changed in this budget. Average taxpayers making \$45,000 a year will save about \$84 in 2014; about \$1.60 a week.

But this budget reaches historic debt levels. As debt increases, more tax dollars go to make debt payments; sort of like using your paycheck to pay the credit card bill.

In the last legislative session instead of making 'credit card' payments coming due, Wisconsin postponed paying some debt bills. This was not the first time, but it was the largest total debt postponement.

My mother always said, "Actions have consequences." She was correct. In this budget the debt not paid comes due with a higher payment - making those 'credit card' payments a bigger share of what the state bought with tax dollars.

The rule financial experts follow is no more than 4% of tax money should be spent on debt payment. Ideally debt should be 3 to 3.5% of total general revenue. In the new state budget, debt payments are above the danger zone at 5.25%.

Fewer dollars are left for new investments in the 'meat and potatoes' of state government: K-12 and higher education, courts and prisons, local government, and health care.

The result: public schools, the UW, courts and prisons, and local government all received cuts or very modest increases but much less than their share of the \$4 billion in new money.

Health received three times its share - over half - of the increase in new money. There will be more health spending but fewer people receiving health services. Why? The Governor won't accept the federal Medicaid dollars to cover people making between \$11,500 and \$15,300 a year - costing Wisconsin more including tens of millions of dollars in administration contracts.

So, what would happen if Wisconsin accepted the federal Medicaid money, expanded Family Care (which saves money), invested in drug courts, mental health, schools, and the UW. What if we scrapped the tax rate cut and instead invested in the state's rainy day fund?

To answer those questions, I put together an alternative budget. I restored money to eliminated agriculture programs and gave all the 'bed tax' money back to nursing homes. I fixed a deficit in childcare provider funds and restored cuts to courts and the UW. I paid cash for some new construction projects.

To address two problems facing our state – deteriorating K-12 education and addiction and mental illness - I invested in "Fair Funding for our Future" proposed by State Superintendent Tony Evers and made a big down payment on drug courts and mental health treatment.

On the revenue side, I eliminated new private school state spending and several expensive new initiatives. I didn't buy 80 new vehicles, got rid of new tax breaks and tax rate changes, and made changes in health administration. I set aside over \$600 million in the state's checkbook which wiped out the structural deficit going into the next budget and had almost \$400 million in cash left over.

Wisconsin must wisely invest our \$4 billion in new money, set some aside and not be too quick to give folks a \$1.60 a week tax cut. This is a much smarter approach and in the long run could provide that 'relief' Robert wanted for Wisconsin's hardworking people.

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