



**Wisconsin:**  
Off and on and off and . . .

## **On the road To sustainability?**

Fed. Reserve Bank of Chicago ▪ 06.24.2011



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*Off-road four-wheeling*

*yellow brick* of *unsustainable*  
**On the road to fiscal sustainability?**  
*and political dysfunction.*





# Overview

- Badger background & ‘need-to-knows’
- ‘Ancient’ history and entering recession
- 2009-11 budget ‘fix’ and . . .
- Federal stimulus funds (delaying inevitable?)
- 2011-13: The cards dealt, the cards played
- Evaluating 2011-13 budget . . . now where?





## Wisconsin 'need to knows'

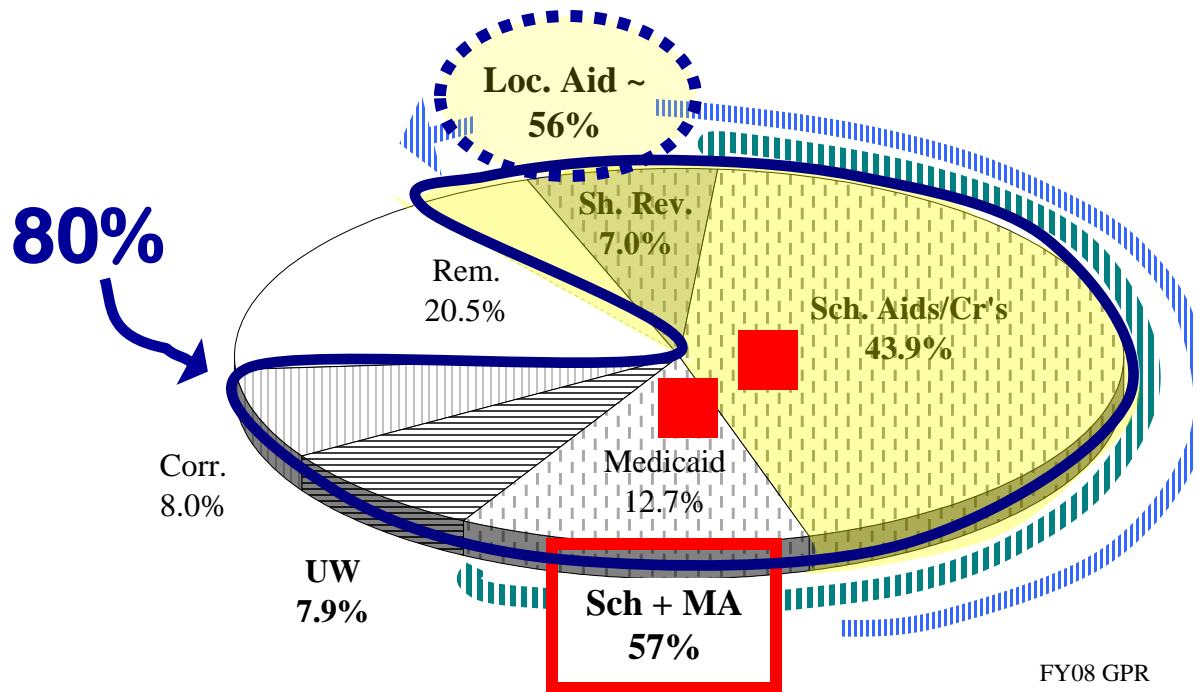
- Wis. issues are not new or even recent
- WI approach: state taxing, local spending
- . . . with familiar revenue options off table
- Roots of fiscal problems in 90s boom  
(add careerist legislature, partisan jockeying, stir)
- Overcommitment: schools, prisons, welfare, Medicaid, seniors' Rx, tax rebates/cut
- The lost decade: Delay, deny, defer
- The 'great' recession (yes, but), timing, depth





# State budget math problematic

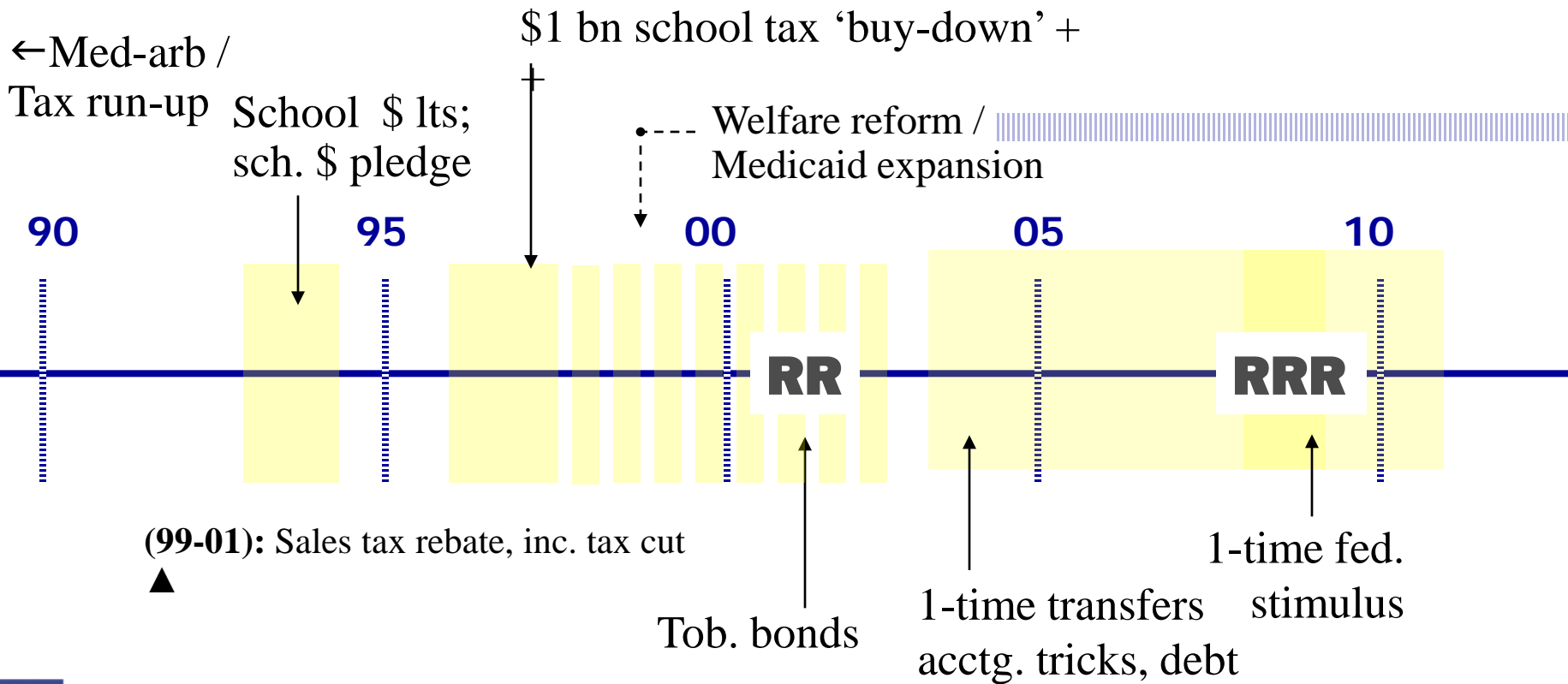
- 'Non-state' budget
- Dominant programs





# Boom, splurge, bust, deficits, denial

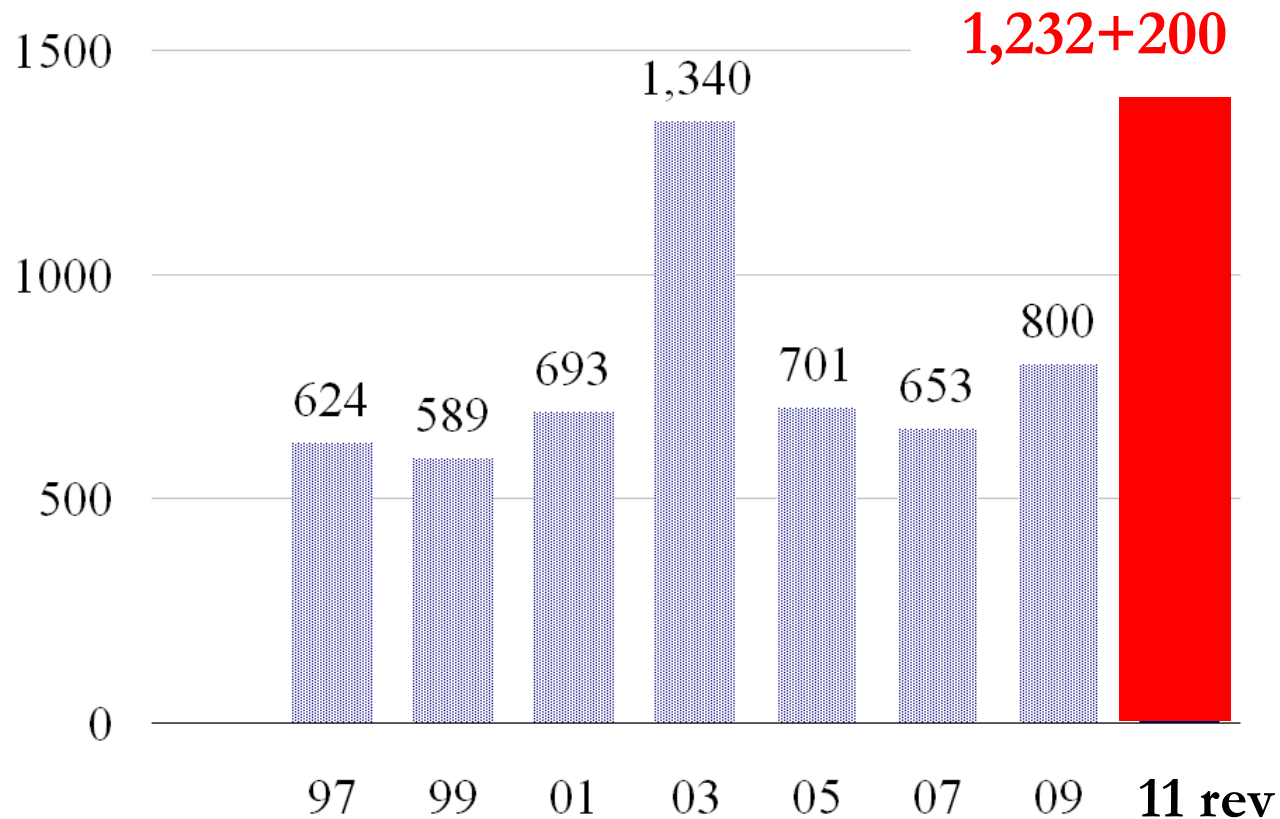
## Boom, overcommit



## Deficits and denial



# 15 years of 'structural imbalances'








## Paying for yesterday: 2011-13 as case

New GPR tax revenue forecast (01/31)

<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
\$12.69b	\$13.16b (+3.7%)	\$13.639 (+4.0%)
	+0.47b (x 2)	+0.53b = <b>\$1.47</b>

Structural 'deficit' =

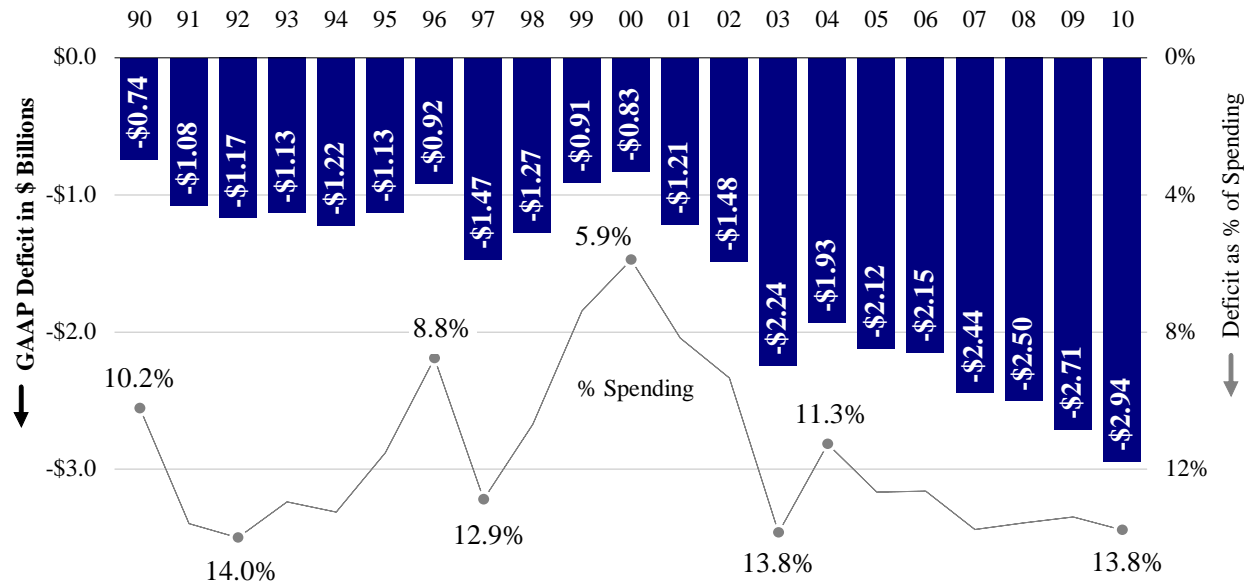
=   
**\$1.4b**





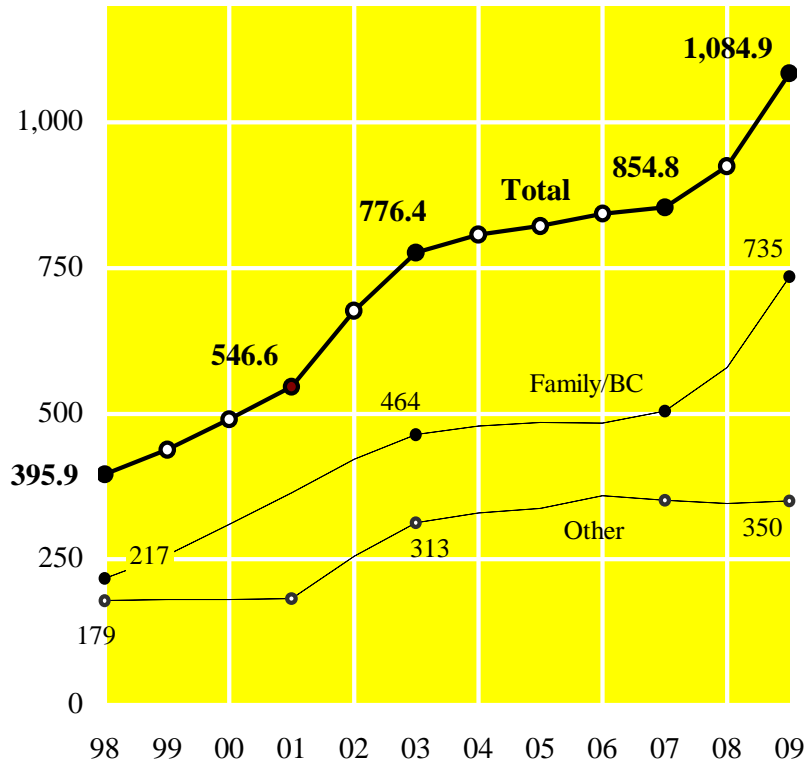
# Toward recession, worst prepared?

- Boom, splurge, bust, delay; the 'millstone'
- Wisconsin vs. US economy
- 2008 revenue slows; punt, struct. imbal. 2x
- Reserves? Wis. (poster child) vs. other states
- Meanwhile, bond ratings and GAAP deficits





# Making things worse



Participants (000)

Medicaid:

'98: 1/13

'08: 1/5

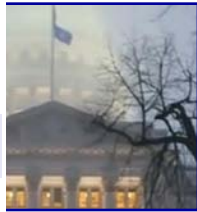
Fed stimulus no more;  
now \$1.8 bn bill to pay





## 2009-11 budget 'fix'

- Ill-prepared: no reserves, accum. debt
- Transfers ~ exhausted, \$800 mill. carryover
- Yes, some spending cuts, state op's, even K-12
- Accounting trick, some transfers (but...),  
debt restructuring
- Spending growth tops most states (NASBO)
- Significant indiv., corp., tobacco hikes:  
top five states, \$3 bn over 08-11
- Enter the stimulus (Doyle, Obey, and Obama)
- Gen'l fund vs. all-funds spending



	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>Total</u>
Medical Assistance/ SeniorCare	\$346,852,200	\$605,913,500	\$316,769,700	\$1,269,535,400*
General School Aids	552,278,000	236,722,000	0	789,000,000*
Federal Aids to Schools (Titles I, IDEA, Ed. Tech.)	0	186,370,000	194,100,000	380,470,000
Federal Highway Aid	357,100,000	69,200,000	0	426,300,000
Shared Revenue	0	0	76,139,100	76,139,100*
Foster Care and Adoption Assistance	3,227,800	6,511,800	4,950,000	14,689,600*
Child Care Block Grant	0	30,493,400	0	30,493,400*
Child Support Incentive Payment Match	0	13,809,800	9,743,900	23,553,700*
FoodShare Administration	0	2,313,000	2,313,000	4,626,000
Community Services Block Grant	0	12,165,700	0	12,165,700
TANF Emergency Contingency Fund	0	4,222,400	1,379,800	5,602,200*
UI State Administrative Grants	0	555,300	0	555,300
Employment Services	0	5,840,000	0	5,840,000
Workforce Investment Act – Adult	0	4,265,300	0	4,265,300
Workforce Investment Act – Youth	0	11,372,000	0	11,372,000
Workforce Investment Act -- Dislocated Workers	0	13,059,700	0	13,059,700
Vocational Rehabilitation	0	4,611,500	0	4,611,500
Environmental Improvement Fund	0	145,635,000	0	145,635,000
Commerce Housing Programs	0	17,101,900	0	17,101,900
Emergency Food Assistance	0	2,022,400	0	2,022,400
Healthy Homes Demonstration Project	0	874,400	0	874,400
Elderly Nutrition Program	0	1,782,400	0	1,782,400
Community Services Employment Rehabilitation	0	558,900	432,300	991,200*
AIM Grants for Milwaukee	0	5,900,500	5,900,500	11,801,000*
TAD Grants for Milwaukee	0	495,000	495,000	990,000*
Low-Income Weatherization	0	141,502,200	0	141,502,200
State Energy Program	0	55,500,000	0	55,500,000
<b>Total</b>	<b>\$1,259,458,000</b>	<b>\$1,580,224,500</b>	<b>\$612,594,500</b>	<b>\$3,452,277,000</b>

**\$2.22 bn stimulus "offsets general fund shortfall"**





## 2011-13: The cards dealt

- \$1.4 bn structural carryover of IOUs  
(backfilling MA, K12 for stimulus)
- 2011-13 est. rev's spent on IOUs
- \$1.8 bn Medicaid demand
- Revenue growth from recovery?
- Tricks? Transfers?
- New taxes, tax revenue?

Economic, rhetorical and political realities

- Remaining option? Austerity



**\$3.6b?**



## 2011-13: 'Givens' dictate 'cards played'

- New revenue for carryover IOUs
- Increased Medicaid (\$1.2 bn+ vs. \$1.8 bn)
- Cut all other major appropriations:
  - School aids, UW, muni./co. aids, prisons
- Fringes trimmed; modest comp. increase
  - [Aside: State vs. local; collective bargaining]
- Some debt restructuring
- Some *modest* revenue 'uppers'
- New projection of windfall taxes (but . . .)
- Winners? Some small or phased tax cuts, transportation.





# The story in numberzzzzz briefly

	<b>Fisc. Yr. End 10/11</b>			<b>Fisc. Yr. End 12/13</b>			<b>% Chg: Ann. &amp; Bienn.</b>		
	2010	2011	<b>Total</b>	2012	2013	<b>Total</b>	11-12	12-13	10/1-12/3
Gen. fund (GPR) rev's	12.82	14.17	26.99	13.99	14.73	28.71	-1.3	5.3	6.4
Program fees/charges	4.05	4.32	8.38	3.01	3.03	6.04	-30.4	0.9	-27.9
Segregated rev's	3.31	3.89	7.20	3.63	3.67	7.30	-6.7	1.2	1.4
<i>Subtotal</i>	20.18	22.38	42.56	20.63	21.43	42.06	-7.8	3.9	-1.2
Federal funds	10.39	9.37	19.76	8.63	8.55	17.19	-7.8	-1.0	-13.0
<b>Total</b>	30.58	31.75	62.32	29.26	29.98	59.25	-7.8	2.5	-4.9
<i>Adj. Total*</i>	25.68	26.15	51.83	26.03	26.57	52.60	-0.5	2.1	1.5

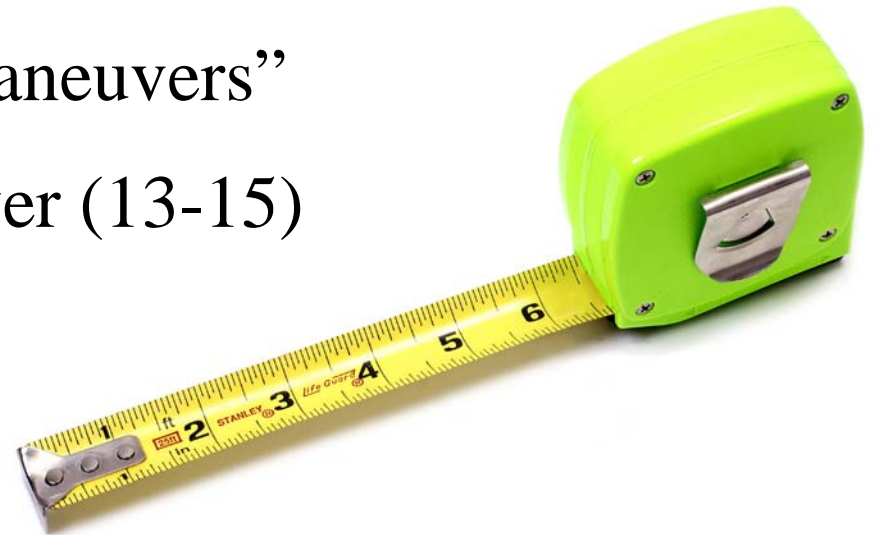






# How does new budget measure up?

- Spending growth
- Reserves
- “GAAP deficit”
- Accounting tricks and transfers
- Debt and debt “maneuvers”
- Structural carryover (13-15)





**[www.wistax.org](http://www.wistax.org)**

**Wisconsin Taxpayers Alliance: 79 Years of  
Nonpartisan Research and Citizen Education**





## ... and how it explains Feb. 'chaos'

- Aid cuts inevitable (Doyle & Walker)
- Loc. gov't reality: personnel, contracts
- Wis. public sector benefits and cost relief
- 3000 units of gov't + 1000s of union contracts
- Hurdle: Achieving relief with coll. bargaining?
- Choice: Cut comp. vs. people

