Searching for the 'Reform Dividend', Is the 'new' money real?

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Sen. Kathleen Vinehout writes about the "Reform Dividend" Gov. Walker first highlighted in his budget address and whether it is real. She adds the findings of her research, including a comparison of Wisconsin and Minnesota.

MADISON - "Overall, our common-sense reforms brought us here – to the point we have a significantly better budget outlook." Governor Walker said in his recent Budget Address. "We call this the Reform Dividend. And wow, as the fiscal bureau pointed out, that's a whole lot of money."

What is the "Reform Dividend" the Governor spoke about in his budget address? Where is it? How much is it? An inquiring mind wanted to know.

Rita Brunkow from Mondovi asked me. "Do you know what this "Reform Dividend" is? Who's reforming what and where is the dividend coming from?"

Rita did her homework, and before she emailed me, she wrote to the Governor.

"I asked what reform it came from and where the money (dividend) came from…I got back what appeared to be a short press release statement similar to what I had already read in the newspaper."

Ms. Brunkow wrote a second time, “making it clear I was not seeking a vague general statement but looking for specific answers as to where this money was coming from. I did not get a reply a second time.”

So, I went looking for the elusive “Reform Dividend.”

I examined the details of ten “economic forecast” and “general fund tax revenue estimate” reports prepared by the nonpartisan Legislative Fiscal Bureau (LFB). I studied over fifty revenue collection reports from the Wisconsin Department of Revenue.

I read the Governor’s Budget in Brief, the administration’s November “Agency Requests and Revenue Estimates” for the new budget and the administration’s 632-page summary of the Executive Budget.

To keep the numbers straight I created a spreadsheet.

I learned a few disturbing details. In Fiscal Year 2014, tax revenue actually dropped below the prior year. This almost never happens except in a recession. For the budget ending this year, the LFB revised expected revenue downward several times. If there was a dividend, numbers should be going up, not down.

By Saturday morning, I still had not found any evidence of a “Reform Dividend.” At breakfast, my husband suggested maybe I should look across the river.

I went looking at Minnesota’s budget numbers and revenue estimates, their jobs numbers and economic activity numbers. If Wisconsin has a “Reform Dividend” Wisconsin numbers should be better than Minnesota, where there was no “reform”.

Here is what I found. Since 2011, when Governor Walker first took office and passed his “reforms,” general fund tax revenue grew 18%.

In Minnesota, over those same years, general fund tax revenue grew 31%.

No evidence of a “Reform Dividend” there.

I looked at jobs numbers. Since the Great Recession (2008-09) Wisconsin did not gain back all of the lost jobs until 2015 – an entire year after the nation recovered and two years after Minnesota recovered.

No “Reform Dividend” there.

I then looked at state economic activity from the Bureau of Economic Analysis. Most recent annual numbers (from 2015) showed that since 2012 the Minnesota economy grew faster than the national average and Wisconsin’s economy grew slower than the national average. No “Reform Dividend” there.

Where else to look?

I remembered a conversation from last week with a county official, who attended a County Association meeting, at which the state budget director talked about the extra money in the budget and how it would be spent. During the follow-up questions, someone in the back of the room pointed out the recently announced increase in expected revenue was only an increase over the governor’s own November estimates. Isn’t this new estimate actually lower than the estimates made in 2016 and 2015, the questioner asked, and is this really new money?

The state budget director smiled and congratulated the man for doing his homework.

The “Reform Dividend” disappeared. Replaced by a smile.

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