

Wisconsin's Budget Deficit: Let's Pay the Bills First

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Senator Kathleen Vinehout writes about the recent reports of a structural **deficit going into the next biennial state budget**

, her conversations with the Legislative Fiscal Bureau and agency reports showing **shortfalls in Medicaid and Transportation funds**

. These fund shortfalls are not included in the structural deficit reported by the Legislative Fiscal Bureau.

MADISON - "I don't want another cent from the state until you guys pay the bills," the business-owner from Durand told me. "I am tired of hearing about tax cuts and deficits."

"I want all the bills paid: schools, roads, Medicaid, the tech colleges, the debt, all of them paid. Then talk to me about giving me my money back."

News of the rising structural deficit going into the next state budget has many people offering advice about budgets. People aren't happy about talk of a new round of tax cuts in the face of an expected \$1.8 billion budget shortfall.

Many are asking whether the projected 'surplus' that justified the last tax cuts was real. Most everyone is convinced 'tax cuts' really mean "vote for me and pay for it later."

"Why does the state give away money when local government hasn't gotten its fair share in 20 years?" an Eau Claire woman recently asked. She read about local officials considering a registration fee on vehicles.

"They need money to plow the streets. We end up paying more when the state does these tax giveaways. Why doesn't the state just give the city what it needs to keep up the roads?"

I recently met with Legislative Fiscal Bureau (LFB) staff to get to the bottom of the state's fiscal problems. The Bureau is the nonpartisan arm of the Legislature that advises lawmakers on budget matters. I learned revenue numbers – tax receipts collected by the state – are down. Corporate income tax receipts are particularly down – over 9% below budget estimates.

New tax cuts to certain business took a toll on money used to pay the state's bills. For example, reduced taxes on manufacturing and ag businesses are estimated to cost over \$50 million just in this past budget year.

The state has bills that are sum sufficient – must be paid in full regardless of whether or not they are over budget – such as the state's fast growing Medicaid program. These bills are not figured into the recently released shortfall numbers. Earlier this summer the Department of Health Services (DHS) reported the Medicaid program was over \$90 million in the red.

Part of the budget problems stem from an ideologically motivated decision to not take several billion in federal funds that would free up hundreds of millions in state cash that could be sent to schools, cities and counties.

Budget problems don't end with the state's general fund budget – the part of the budget that pays for health, education, the UW, prisons and local government. There is also a serious gap in the state's Transportation Fund.

Not paying bills today has long-term impacts on services we take for granted, like schools. Many superintendents are forced to delay maintenance and capital improvements. One superintendent showed me a budget in which he had zero dollars put aside for capital improvements.

Governor Walker and legislators who voted for the past two budgets took over \$1 billion cumulative out of public schools over the past four years- at a time when they spent more than \$4 billion in new money over the last budget of Governor Doyle.

The effect of spending cuts to our communities might not be seen right away. There's a lag between passing the state's two-year budget and witnessing the effect of a lack of state funds on local services. At first these cuts may show up in small ways: new towel fees for sports, higher prices for school lunch, reduced city pool maintenance, fewer snowplows on the road, and higher fees for city water.

But over time, the effect of fewer state dollars and the resulting delays in maintenance turns into higher property tax bills when, for example, schools go to referendum to pay for maintenance or to simply cover the costs of operations.

Over the years, a community can become a less desirable place to live. Local elementary schools close. Class sizes are bigger. Roads crumble. Pools close.

The Durand businessman ended his recent advice by saying, "If you give away money you need to pay bills, it's going to cost all of us more in the long run"

I couldn't agree more.

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