

Budget Numbers: Is It Really All Smoke and Mirrors?

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Senator Kathleen Vinehout writes about a question she is often asked on the state's budget – is it in the red or in the black. She explains the process by which the estimate is generated and has been for decades.

ALMA - Are we in the red or in the black? What's the truth? What's the reality?" The rural Trempealeau County woman was clearly frustrated.

"What do the figures really mean?" she asked me. "Is there a big hole? Or not? Is it all smoke and mirrors?"

Fresh off the rhetoric of the campaign trail, people are rightly confused about where the state is headed and what numbers are real. It's hard to find someone who is not just outright frustrated at what they see as intentional distortions.

But when spring comes, lawmakers will be working hard trying to balance what is sure to be a \$70 billion-plus spending plan. Somehow, they will have to balance the books.

How can we tell what's real?

Let us begin with hard cash: money coming into state coffers. In a two-year budget, what's real – money actually coming in – can be found in the tax returns of the first year. The state's budget

year runs July 1 through June 30. It takes a while to tally things and pay year-end bills. So numbers change a bit while accounts are tallied and then audited.

Preliminary tax returns show that individual income tax collection is down by about 2½% and corporate income tax is down by over 9%. Individual income tax makes up over half of the general fund. This puts the actual total down about 2% over the budget estimate.

A sharp drop in corporate income tax collection is important. There are different theories why. Perhaps companies are not making money; or too many dollars were given away in corporate tax breaks.

Just one tax break – the manufacturing and ag tax credit – cost taxpayers almost half the amount by which corporate income tax collection dropped. (Tax breaks passed in the last four years total over 50 separate items and will cost taxpayers an estimated \$1.1 billion next fiscal year.)

So we know things did not go well in the last fiscal year. Will they get better?

This depends on with whom you talk – but let's take the least politically minded entity in the state budget process – the nonpartisan Legislative Fiscal Bureau (LFB).

When allowed to do the math without any partisan driven assumptions – and this is important – the LFB estimates Wisconsin will begin the next budget process in the red by about \$1.766 billion. You may have heard this number rounded up to \$1.8 billion.

This is how much money is needed to fund the commitments in the coming budget.

The number is an estimate – as all budget numbers are estimates. But it is based on the best nonpartisan assumptions going forward and follows the conventions used in estimating past budget 'starting points.'

In the final weeks of the campaign there were several other numbers tossed around. One used by the Governor was that Wisconsin was \$535 million in the black.

The Governor used a memo prepared by LFB to buttress his claim. In this memo the nonpartisan LFB was directed by Finance Co-Chair John Nygren to make several assumptions. Namely, "let us assume Wisconsin brings in more money and spends less." Not surprisingly, the numbers were better.

Politifact in the Milwaukee Journal Sentinel analyzed the '\$535 million in the black' and rated it False.

Other factors loom large in balancing the next state budget. Not included in this analysis is the mismatch between money coming in for roads and bridges and money going out.

The Governor and lawmakers voting for the last budget put nearly a billion in new spending on the state's credit card. The transportation fund cannot support this level of borrowing.

Balancing the next budget will be a challenge. Needs are great. Tax money given away in the form of tax breaks cannot be spent on vital services.

To begin an honest budget discussion, let's start with the best information and agree on the facts. To paraphrase Ambassador and former US Senator Daniel Patrick Moynihan: You can have your own opinion but not your own set of facts.

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