Budget Myths Abound in Wsconsin

Posted on Aug 29, Posted by Kathleen Vinehout, State Senator 31st District Category Wisconsin

There are **many myths concerning the 2013-15 State Budget** just signed into law in June. Senator Kathleen Vinehout presents each myth and provides the facts about the budget - the state spends more; the state is left with a deficit and greater debt.

MADISON - “The State is spending less.” “This budget took a deficit and turned it into a surplus.” “Wisconsin has paid off its debt.” Which of these are true statements regarding the new state budget?

The answer is **NONE** of the above.

Getting information about what’s happening in Madison is one of the most common complaints of my constituents. The slow summer news cycle allowed writers and readers to begin to catch up on, for example, the plethora of policy unrelated to the budget.

Lost in most budget reviews are the basic financials – the fundamentals of the budget.

Myth number one says the state spending is less and implies the size of government is smaller.

But, according to numbers released by the nonpartisan Wisconsin Taxpayers Alliance, the 2013-15 budget spends $4 billion more than the previous. In fact, state spending is greater than it has ever been in Wisconsin’s history.

The new spending goes to a number of expensive new programs. Half of the $4 billion goes to health spending. But for first time in many years there are fewer people covered by state health programs. Nearly 100,000 people are expected to lose state health coverage by January. Not taking federal money for Medicaid expansion left the state budget and citizenry in worse shape.

Myth number two says this budget took a deficit and turned it into a surplus.

The opposite is true. A recent Legislative Fiscal Bureau (LFB) report tells the story. The 2013-15 budget began with a small surplus. Tax collections are improved. Wisconsin is emerging from the recession. The state had a bit more money to spend.

But the recently passed budget spends more than it is projected to collect in revenue.

When spending is greater than revenue – a deficit exists. Lawmakers are bound by the state constitution to balance the budget.

To do this, budget writers carried money over from the last fiscal year to create a technically balanced budget. But when spending exceeds revenue the imbalance catches up with us in the next budget creating a “structural” (or built in) deficit.

A recent report from the LFB pegs this deficit at the end of the 2015-2017 budget at MINUS $545 million.

People are rightly confused about the difference between the deficit and the debt. Sometimes lawmakers use the terms interchangeably. But they are very different.

A deficit is a mismatch between spending and revenue - spending more than money coming in. Debt is borrowing and must be paid back. Spending more than money coming in can certainly lead to more borrowing. This is exactly what's happening in Wisconsin.

The third myth says the state eliminated the debt. This is false. In fact, state debt reaches record levels in the 2013-15 budget.

Why? The budget increases borrowing by more than $2 billion. Almost half of this borrowing goes to transportation spending. In addition, debt payments not made in the last legislative session catch up to lawmakers.

When debt payments are not paid, interest adds up. In the depths of the recession, Governor Doyle delayed debt payments to gain cash and keep government going.

In the 2011-13 legislative session, Governor Walker did not pay an even larger amount of debt payments coming due. Because debt payments were not made more money goes to pay off debt in this budget than ever before.

I often hear *smart budget decisions mean better times ahead*. But delaying debt payments always has a cost. This budget pays that price in a greater percent of tax dollars going to pay off debt than ever before in our history. New borrowing only adds to the debt. As a result state debt reaches an all-time high of $14.7 billion - or about 101% of general tax revenue.

Another myth even state officials parrot is *the only alternative to spending cuts is tax increases*. This assumes everything in government is at peak efficiency. This is far from the truth.

Smarter budget decisions mean smarter spending decisions. An example is paying debt bills when they are coming due – so as not to add interest and penalties.

But to do that would not have allowed the "surplus" used to justify the modest but politically popular tax cut.

Tags: Untagged