

State Revenue Projections Awfully Optimistic

Written by Joint Finance Committee Democrats

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LFB revenue prediction driven by assumptions about the national economy, budgeting at that level may be overly optimistic as Wisconsin continues to lag behind other states.

MADISON – On Wednesday, the Legislative Fiscal Bureau (LFB) released their annual 2017 state revenue update. State revenues for the current fiscal year 2017 are estimated to come in \$281.4 million below what was approved in the 2015-17 budget. The numbers are also \$152.1 million what was re-estimated a year ago in the 2016 LFB revenue update. Revenue growth for the current budget year 2017 is expected to be just 2.7%, well below the original budgeted growth of 3.8% and the LFB projection of 3.2% made last January. Lower than expected income tax revenue and corporate income tax revenue are the main drivers of the lower estimates.



“Lower than expected revenue is a reflection that Wisconsin’s economic growth rate continues to lag behind the national economy,” said Rep. **Gordon Hintz** (D-Oshkosh). “The projected state revenue growth rate for FY2017 has declined with every estimate.”

The slower than expected revenue in the report was masked by unexpected savings that came as a result of lower Medicaid expenses and one-time agency savings. The end result is a projected net ending balance of \$362.2 million. The \$362.2 million includes \$101 million of savings from a debt payment that Gov. Walker skipped last May. Gov. Walker skipped another \$108 million debt payment in February of 2015 that inflated the 2015-17 beginning balance.

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“The projected budget year-end balance being championed by Republicans comes in spite of lower than expected state revenue,” said Rep. **Katrina Shankland** (D-Stevens Point). “When you consider that \$209 million of borrowing should be included in that balance, the fiscal picture is hardly impressive.”

The LFB revenue update also increased their revenue projections for the 2017-19 biennium. The projections were made on the assumption that 5.4 million jobs will be added nationally over the next three years, that U.S. unemployment would decline to 4.1% by 2019, that GDP growth would average 2.4% a year over the next three years, all while the country experiences a growing trade deficit.

“While I hope the assumptions about the national economy come true, I am also aware of Wisconsin’s recent disappointing economic growth rate compared the U.S.” said Rep. Hintz, “Budgeting for 7% revenue growth over the current fiscal year to the 2018-19 budget may be optimistic, considering the current budget’s revenue is expected to come in well below what was passed in the original budget.”