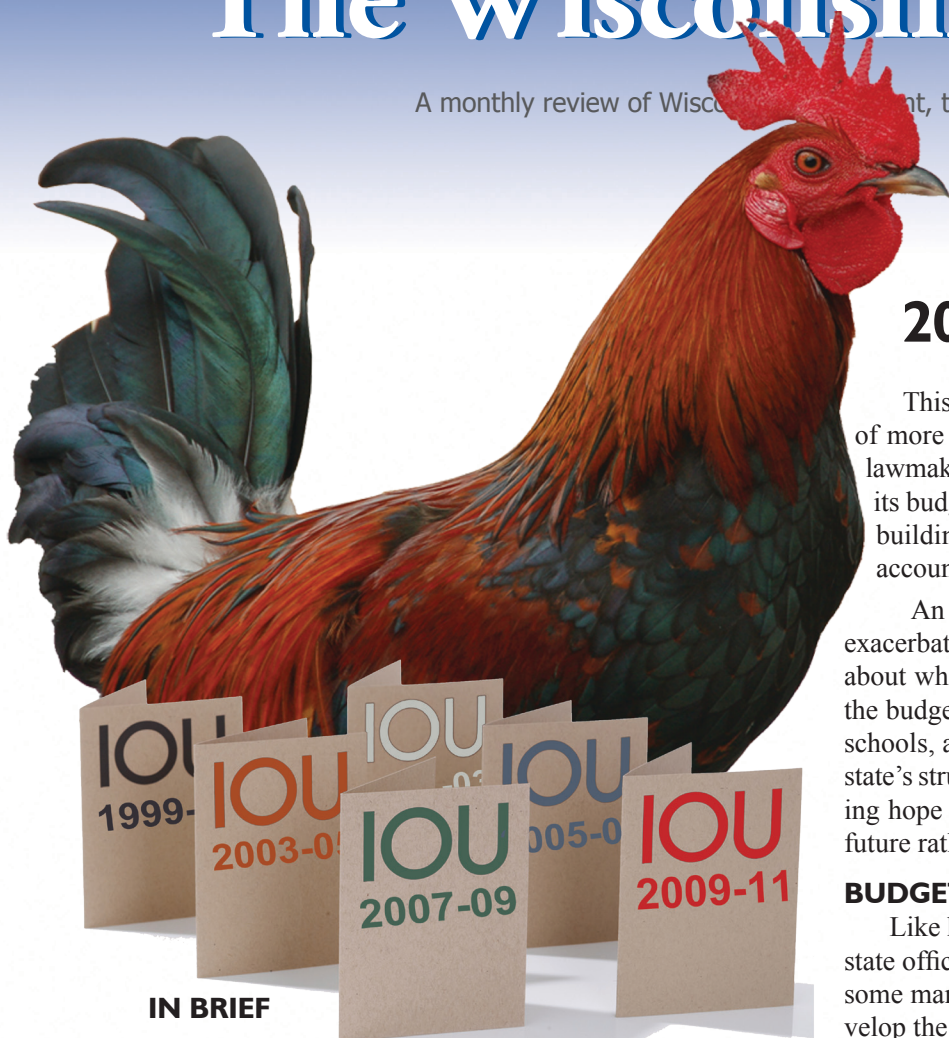


The Wisconsin Taxpayer

A monthly review of Wisconsin government, taxes, and public finance



Home to Roost? The 2011-13 State Budget

This year's state budget process was painful, the result of more than a decade of fiscal denial by governors and lawmakers of both parties. For years, the state "balanced" its budget in name only, eschewing long-term planning, building almost no financial reserves, and relying on accounting tricks and one-time monies to get by.

An economic recession and a sluggish recovery only exacerbated the problems, leading to divisive disagreement about where the state should head long term. In the end, the budget created new challenges for local governments, schools, and public employees. But it also eliminated the state's structural deficit for the first time since 1996, providing hope that Wisconsin may now be able to plan for the future rather than pay for the past.

BUDGET CHALLENGES

Like legislators and governors before them, this year's state officials faced major fiscal challenges—some recent, some many years in the making—as they struggled to develop the 2011-13 state budget. These included:

- a first-year structural imbalance of \$1.2 billion inherited from budgets dating back to 1997;
- rapidly growing demands on a Medicaid program with fewer federal dollars to fund it; and
- tax revenues projected to grow modestly during a sluggish economic recovery.

Structural Imbalance

Heading into each two-year budget since the late 1990s, lawmakers have faced structural imbalances (or "structural deficits") of varying sizes. These were financial holes created in the prior budget that had to be filled before any new spending could be authorized. More formally, a structural imbalance is the gap between base year (the fiscal year preceding the new biennium) revenues and spending, plus any pending spending commitments and/or tax cuts.

These imbalances were created in several ways. First, lawmakers enacted tax cuts or created new spending obligations in one budget that took effect in the next, thus creating a structural hole.

IN BRIEF

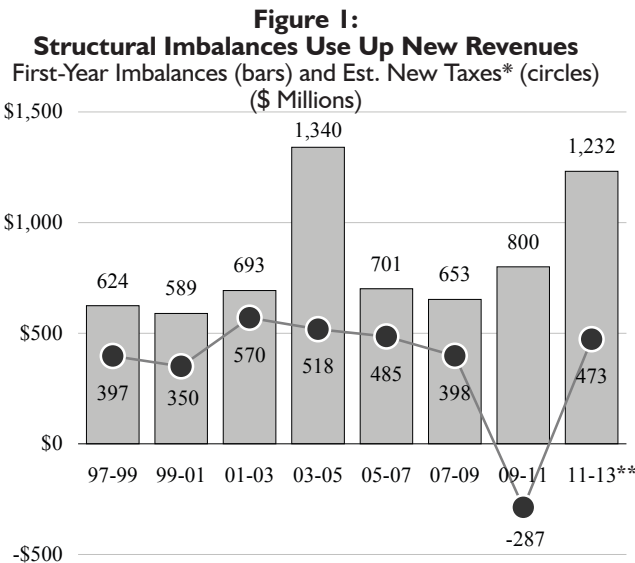
State officials began the 2011-13 budget process facing a more than \$1.2 billion first-year structural hole, a rapidly growing Medicaid program, and modest revenue increases. The result was a state budget that:

- Shifts general fund spending from education and most other programs to Medicaid, primarily.
- Has fewer federal dollars than in 2009-11, but still more than in preceding years.
- Closes a 15-year structural deficit and replaces it with a small surplus entering the 2013-15 budget season.
- Leaves the state with little fiscal breathing room should the economy—and tax collections—turn south.

Also in this issue:

Public Employment Up • Loan Repayment Time • Property Values Decline





*Estimates as of January preceding biennium.

**Does not include \$200 million owed to Injured Patients and Families Compensation Fund, or \$60 million overdue to Minnesota for income tax reciprocity.

Second, governors and lawmakers used dollars from segregated funds or other one-time monies to keep the state's general fund in the black. Since 2001, more than \$3.3 billion was shifted, including \$1.4 billion from the Transportation Fund and another \$1.3 billion from the sale of payments from a tobacco lawsuit. Another \$2.2 billion of federal stimulus dollars was also used to balance the 2007-09 and 2009-11 budgets.

These one-time monies had to be replaced in the following biennial budget with new taxes, spending cuts, or new one-time funds. This year's problem was complicated by a 2010 Wisconsin Supreme Court ruling in which the court deemed illegal the 2007-09 transfer of \$200 million from the Injured Patients and Families Compensation Fund (IPFCF). The transfer was paid back, with interest, in this budget.

Size of the Problem. For 2011-13, lawmakers faced an "official" first-year imbalance of \$1.2 billion (see Figure 1) that, if not addressed, would have grown to more than \$2.5 billion by 2013. However, these amounts underestimate the gap lawmakers faced, as they did not include the \$200 million (plus interest) owed to the IPFCF.

Over the last eight biennia, the first-year imbalance has always exceeded \$500 million, and it has gone over \$1.3 billion. This year's \$1.2 billion gap was the second largest since 1997.

Relative to New Money. Figure 1 shows the challenges these structural imbalances created for state budgeters by comparing them with initial estimates of new tax revenue (circles). Likely new tax dollars were always less than the imbalances; that is, revenue anticipated to be collected in the first year of the new biennium was always less than the IOUs coming due from the last two-year budget.

January 2011 estimates showed \$473 million in new tax revenue in the first year of the 2011-13 biennium, enough to fill less than 40% of a \$1.2 billion dollar imbalance that year. For the two years combined, new taxes to be collected (\$1.47 billion) covered about 60% of the two-year gap. In fact, all new estimated tax revenues for 2011-13 barely covered the first-year imbalance.

Growing Medicaid Costs

Rapidly rising Medicaid (MA) costs for serving the poor and disabled were a second, and arguably more difficult, challenge. Due to program expansions and changing economic conditions, Medicaid enrollments nearly tripled from 1998 through 2010 and rose more than 35% since 2007. In 2010, about one in five state residents participated in a Medicaid program, compared to about one in 12 in 1998.

Rising MA enrollment together with health care inflation led to rapid cost increases. Total MA spending rose 20.4% in 2009 and another 12.3% in 2010. Lawmakers were able to increase total spending by these percentages due to an influx of federal money—\$990 million in 2009 followed by another \$762 million in 2010—from the federal stimulus law and the federal match on the recently enacted hospital tax.

Some of that new federal money was used to fund MA spending typically paid for with state tax dollars. While GPR (general purpose revenue) funding for Medicaid was about \$1.8 billion in both 2007 and 2008, it fell to \$1.1 billion and \$1.3 billion, respectively, in the subsequent two years. With much of the supplemental federal funding no

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longer available, lawmakers had to find ways to replace these dollars in 2011-13.

Modest Revenue Growth

Finally, state officials faced modest increases in tax revenues during 2011-13. January estimates showed tax collections rising 3.7% in 2012 and 4.0% in 2013. While an improvement over the prior two years, the gains were modest compared to increases averaging 5.0% per year during prerecession 2003-08.

May tax reestimates showed the state likely to collect an additional \$233 million in 2011 and \$402 million in the new biennium, bringing total new dollars to \$2.11 billion from \$1.47 billion estimated in January. While a positive development, the new total was still not enough to cover the two-year structural imbalance of more than \$2.5 billion.

A Bigger Deficit?

When Governor Walker (R) released his budget in February, he noted the state faced a \$3.6 billion deficit. While often confused with the structural deficit, the two are not the same. The former is projected; the latter is a “carry-over” from the prior year.

The \$3.6 billion figure is an estimate of the general fund deficit by mid-2013 given structural imbalances, expected tax revenues, and spending requests. This is the same calculation that was used to estimate the \$5.4 billion gap initially reported for the 2009-11 biennium and for budget “deficits” in earlier years.

In some ways, these deficit figures inflate the size of the fiscal problem, because agencies rarely receive all funding requested. However, including agency requests in calculating a budget deficit can be politically beneficial, because governors and lawmakers can claim reductions to requested amounts as spending cuts, even when expenditures are rising from past levels. Also, inflating the problem makes the solution—a “balanced” budget—seem more impressive to the uninformed.

THE STATE GENERAL FUND

Wisconsin’s state budget has two parts. The first is general fund spending paid mostly with taxes—individual and corporate income, sales, excise, and other miscellaneous taxes. Political and press discussions of deficits typically refer to the general fund.

However, another portion of state spending is funded with designated taxes (e.g., gas taxes

pay for roads and highways) and fees (tuition is one example), as well as with federal dollars. The all-funds budget (see page six) comprises spending from all sources—general fund taxes, designated taxes, fees, and federal dollars.

Closing the Gap: The Big Picture

To close the projected \$3.6 billion gap by mid-2013 required either tax increases, cuts to spending requests, or use of one-time funding sources, as in prior biennia.

More Revenue. The additional \$635 million in tax revenues forecasted in May helped narrow the shortfall, although tax reductions from early-session legislation reduced the amount available to about \$450 million. About \$187 million in additional departmental revenues also helped fill the hole.

Spending “Cuts.” The remainder of the deficit was addressed with spending “cuts.” About \$3.0 billion of the \$3.6 billion gap was closed by reducing expenditures from requested amounts. In some cases, though, spending is rising from 2011 despite being less than requested.

Expenditure Detail

Net GPR spending will total \$28.38 billion in 2011-13 (see Table 3, page five), or \$1.84 billion more than in the prior biennium. What may be most surprising about the new budget is that, despite \$3.0 billion in reductions from spending requests, 2011-13 general fund expenditures are 6.9% more than in 2009-11.

Part of the explanation for this seeming contradiction is that the budget uses state tax dollars to replace non-GPR, federal stimulus funds used in 2009-11. Another part is that some agencies and programs are receiving less money than requested but more than what was spent last year.

By Agency. Agency spending, one of several ways to study state spending, helps understand the latter situation. Since actual spending in 2010-11 is not available, 2011-13 appropriations are compared to base year (2011) doubled. This method tends to understate spending increases compared to actual spending. When calculated this way, total GPR spending is up \$696.8 million, or 2.5%. However, it is down more than \$3 billion (10.0%) compared to requests (see Table 1).

Appropriations for the Department of Health Services (DHS)—the state’s Medicaid agency—are the main reason overall spending is higher. The 2011-13 GPR budget appropriates \$5.7 billion for DHS, or \$1.4 billion (32.5%) more

The \$3.6 billion deficit was closed with about \$3.0 billion of cuts to agency requests and \$600 million in additional revenues.

GPR spending is up 6.9% from 2009-11 due in part to state tax dollars replacing federal stimulus funding no longer available.

Table 1:
Spending Up from Base, Down from Requests
2011-13 Agency Spending and Change (\$ Millions)

Agency	2011-13 Amount	Ch. from Base Year Doubled		Ch. from Request	
		Amt.	%	Amt.	%
Public Instr.	\$10,238.6	-\$737.3	-6.7%	-\$1,268.6	-11.0%
Health Services	5,652.0	1,387.6	32.5	-354.0	-5.9
Shared Rev. / Tax Rel.	4,342.4	-50.6	-1.2	-144.1	-3.2
Corrections	2,250.9	-40.4	-1.8	-138.9	-5.8
UW System	2,095.3	-203.8	-8.9	-418.4	-16.6
Administration	1,035.9	263.5	34.1	-796.9	-43.5
Children / Families	702.7	8.8	1.3	-11.7	-1.6
HEAB*	276.6	-43.6	-13.6	-122.1	-30.6
WTCS**	216.5	-72.7	-25.1	-102.1	-32.1
Transportation	205.4	52.6	34.4	52.6	34.4
Subtotal	27,016.3	564.1	2.1	-3,304.4	-10.9
All Other	2,217.0	185.3	9.1	141.0	6.8
Total	29,027.9	696.8	2.5	-3,216.0	-10.0

*Higher Educational Aids Board

**Wisconsin Technical College System

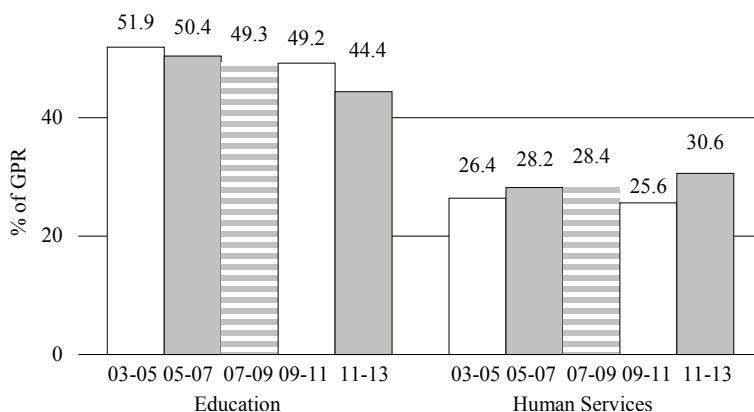
than base year doubled. The increase is largely due to replacement of federal stimulus funds in 2009-11 with GPR taxes in 2011-13. The \$5.7 billion appropriation is, however, \$354 million less than the department requested.

Similarly, spending in the departments of Administration (\$1.0 billion) and Children and Families (\$702.7 million) are higher relative to base year doubled (34.1% and 1.3%, respectively), but lower than requested amounts. Transportation is receiving more funding than its base and requests.

Combined, these four agencies comprise about one quarter of GPR spending. Together they are \$1.7 billion (29.1%) above base year doubled. At the same time, their combined \$7.6 billion appropriation is \$1.1 billion less than requested.

Figure 2:
GPR Spending Priorities Shift

% of GPR Spending by Program Area, 2003-05 Through 2011-13



For the remaining three-quarters of spending, appropriations are off \$1.0 billion (4.5%) from the base and \$2.1 billion (8.9%) from requests. The two agencies with the largest reductions are the Department of Public Instruction (DPI) and the UW System. Relative to its base, DPI (which administers state school aids) has \$737.3 million less to spend over the next two years; the UW System will have \$203.8 million less. Combined, the two education agencies requested \$14.0 billion, but are receiving nearly \$1.7 billion (12.0%) less.

By Program Area. A second way to look at state spending is by program area. This budget continues a shift away from education toward human services, particularly Medicaid (see Figure 2). In 2003-05, more than half of GPR spending was for education: various K-12 school aids, the UW system, and technical colleges. Human services, of which Medicaid is a large part, claimed just over a quarter of GPR. As a share of GPR spending, education has declined in every subsequent biennium, reaching 44.4% in 2011-13. Human services have generally moved in the opposite direction, and will claim over 30% of biennial spending.

By Recipient. A third way to examine spending is by recipient. The largest users of state GPR dollars are local governments, including K-12 schools and technical colleges. Local assistance (\$14.73 billion) accounts for 50.7% of 2011-13 GPR spending.

In terms of recipients, the 2011-13 budget shifted focus. While still accounting for more than half of the total, the percentage of GPR funds going to local governments is down from over 55% in the last budget.

The second-largest share of spending (\$6.51 billion, 22.4%) is aids to individuals and organizations. Medicaid and various public assistance and income support programs are included in this category. The emphasis in this budget on maintaining MA funding pushed to 22.4% this category's share from 17.5% in 2009-11.

Remaining GPR dollars go to the UW (\$2.10 billion, 7.2%) and to state operations (\$5.70 billion, 19.7%). With state operations only about 40% of local assistance, it is clear that local government aid—and not state operations—remains the primary focus of the state budget.

By Size. A final way to examine GPR expenditures is by size. Table 2 lists the 10 largest GPR programs for the biennium. School aids dwarf

all other programs, claiming more than one-third of all GPR dollars. That percentage approaches 40% when school-based tax credits are included. Both figures are significantly lower than in 2009-11 (37.2% and 43.3%, respectively). As a share of state spending, school aids have now dropped to near their 1996 level (32.9%). This is significant because 1996 is the year prior to the state's billion-dollar commitment to providing two-thirds of school revenues.

The only other category that accounts for more than 10% of the budget is Medicaid (13.6%). A newcomer to the top 10 in this biennium is choice and charter schools. At 1.4% of GPR spending, it ranks just below judicial and legal services.

Education for Medicaid? To continue funding Medicaid, GPR had to be found to replace federal funds used in the prior budget. In 2009-10, federal support for Medicaid totalled \$4.7 billion, and was expected to be similar or slightly higher in 2010-11. However, in the next two years, federal Medicaid dollars are only \$4.0 billion and \$4.3 billion, respectively, meaning more state tax dollars are needed just to maintain current spending.

While Medicaid spending is increasing, K-12 school aids and funding for UW are declining. Combined, these three spending areas comprise 54.4% of the GPR budget, up slightly from 2009-11 (53.7%). The difference is that Medicaid now accounts for 13.6% of spending, compared to 8.4% in 2009-11, while K-12 and the UW combined are 40.8%, compared to 45.3% in 2009-11. These percentage shifts bolster the argument that education dollars were used to replace federal Medicaid funding.

Revenues

Taxes. While the 2009-11 budget, along with the 2009 budget adjustment bill, increased taxes on businesses, high earners, smokers, and hospitals, this budget makes relatively few changes on the revenue side.

Some business taxes, as well as taxes on health savings accounts, were cut in a January special session by a two-year total of \$138 million. The 2011-13 budget leaves most of the 2009-11 tax hikes untouched, but enacts several smaller cuts totalling \$93 million over the biennium. However, changes to the earned income tax credit for the working poor and to the homestead property tax credit raise almost \$70 million.

As Table 3 shows, tax collections are expected to total \$27.1 billion over the biennium. That is

Table 2:
School Aids Remain Largest GPR Expenditure
Top 10 GPR Spending Areas, 2011-13 (\$ Millions)

Program	11-12	12-13	Total	% Tot.
School Aids	\$4,845.1	\$4,914.0	\$9,759.1	33.6%
School Tax Cr's	880.2	882.6	1,762.7	6.1
Subt. Aids/Cr's	5,725.3	5,796.5	11,521.8	39.7
Medicaid (MA)	1,988.1	1,958.8	3,946.9	13.6
UW System	985.4	1,109.8	2,095.3	7.2
Correctional Op's	977.3	1,017.4	1,994.6	6.9
Shared Revenues	974.6	902.8	1,877.4	6.5
App. Obl. Bonds	367.2	627.2*	994.4	3.4
Comm./Juv. Aids	261.1	280.7	541.8	1.9
Judic. Legal Svcs.	258.5	260.1	518.6	1.8
Choice/Chart. Sch's	202.4	216.8	419.2	1.4
Subt. "Top 10"	11,739.9	12,170.0	23,909.9	82.4
Remainder	2,455.0	2,662.9	5,118.0	17.6
Total	14,195.0	14,833.0	29,027.9	100.0

*Reflects maximum possible payment that could be made under the debt structure associated with these obligations. Actual expenditure will likely be smaller.

8.0% higher than during the 2009-11 biennium that was plagued by recession.

"Nontax" Revenues. When other GPR revenues, including carryover funds from the prior biennium, tribal gaming, and some departmental fees, are added to the tax total, general fund revenues are expected to total \$14.06 billion in 2011-12 and \$14.47 billion in 2012-13.

Balances

Higher budgeted balances offer lawmakers greater flexibility should the economy and tax revenues falter. As Table 3 shows, gross balances in 2011-13 are small, about 0.5% of gross appropriations and compensation reserves, combined.

Table 3:
2011-13 Budget Leaves Small Balances
General Fund Condition, 2011-13 (\$ Millions)

Item	11-12	12-13
<i>Revenues</i>		
Opening Balance	\$86.2	\$73.4
Taxes	13,297.2	13,779.2
Tribal Gaming	26.5	28.1
Other	647.9	584.6
Total Avail.	14,057.9	14,465.3
<i>Appropriations</i>		
Gross	13,996.2	14,765.5
Transfers	262.5	137.6
Comp. Reserve	28.8	81.9
Less Lapses	-303.0	-594.2
Net	13,984.5	14,390.9
<i>Balances</i>		
Gross	73.4	74.4
-Req'd Reserves	-65.0	-65.0
Net	8.4	9.4

At 0.5% of appropriations, the state's ending balances are relatively small.

Table 4:
All-Funds Revenues Go Beyond Taxes
2011-13 Biennium (\$ Billions)

Fund Source	Year		Total	% of:	
	11-12	12-13		Subt.	Total
General (GPR)	\$14.19	\$14.83	\$29.03	45.1%	43.9%
Federal (FED)	9.55	9.53	19.08	29.7	28.9
Program (PR)	4.34	4.39	8.73	13.6	13.2
Segregated (SEG)	3.68	3.81	7.49	11.6	11.3
Subtotal	31.76	32.56	64.32	100.0	97.4
Bonding			1.73		2.6
Total			66.06		100.0

Balances have not always been this low. Beginning with the 1983-85 biennium, state law required reserves to equal 1% of appropriations. The requirement was generally followed through 1999-2000. The 1999-2001 budget increased the required balance from 1.2% of appropriations in 2000-01 to 2.0% in 2005-06. However, beginning with the 2003-05 budget, governors and lawmakers have delayed implementing the requirement, setting required balances instead between \$35 million and the current \$65 million.

The 2009-11 budget continued the practice, delaying the 2% requirement to 2013-14, and the current budget delays it further to 2015-16. This leaves the state little fiscal room should the economy turn softer. Had lawmakers observed the 2% requirement, a balance of nearly \$300 million would have been required.

THE ALL-FUNDS BUDGET

Talk of large deficits and spending cuts this spring concerned the general fund. But, as mentioned earlier, the state also receives revenue from the federal government, various program charges, and from segregated taxes and fees. University tuition is an example of program revenue, while gas taxes and vehicle fees, designated for the Transportation Fund, are examples of segregated revenues. The all-funds budget is supported by all these revenue sources.

Revenues

Table 4 shows 2011-13 revenues from all sources. Despite the end of federal stimulus dollars, the revenue mix is more similar to 2009-11 than to prior budgets. GPR taxes, which typically have accounted for about half of all revenues (excluding bonding), comprise about 45% of the 2011-13 total, a percentage similar to the last budget (44.5%).

Federal funds are nearly 30% of the total (excluding bonding). They were budgeted at

29% for 2009-11, but will likely top 36% when figures are finalized. In past budgets, federal support typically was about 25% of total revenues.

The relatively high amount of federal money is somewhat surprising. As Figure 3 shows, in the six years prior to the 2009 federal stimulus, federal aid ranged from \$6 billion to \$7 billion annually. After climbing to over \$11 billion in 2010, it was estimated to exceed \$12 billion in 2011.

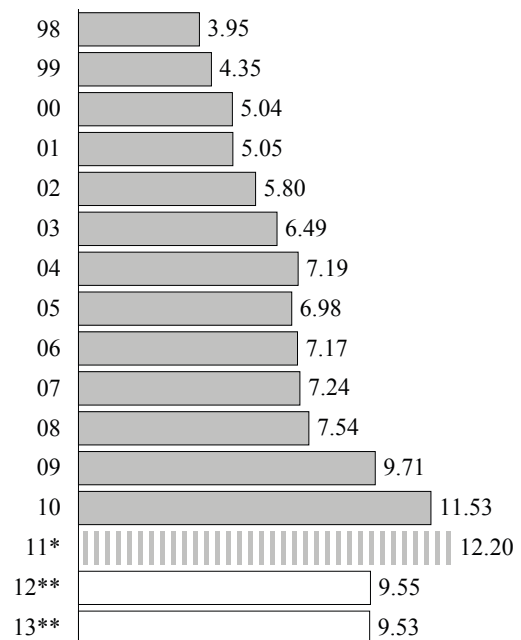
At more than \$9.5 billion for each of the next two years, federal dollars remain high compared to prerecession years, but they are well below 2009-11. Federal Medicaid dollars remain high due to increased participation and a hospital assessment, enacted in 2009 to leverage additional federal money. Additionally, the UW System is expected to receive \$1.2 billion more than the 2009-11 budgeted amount.

Spending

The state is planning to spend \$64.32 billion in 2011-13 (which could be reduced by any general fund lapses), 3.5% more than estimated 2009-11 spending. When bonding is added, the two-year total rises to \$66.06 billion (see Table 4).

Education and Health Care. State all-source spending is primarily about education and health care. As Table 5 shows, three agencies top \$10 billion in total spending over the biennium:

Figure 3:
Federal Revenues Rise
1998-2013 (\$ Billions)



*Estimated.
**Budgeted.

At more than \$9.5 billion for each of the next two years, federal dollars remain high compared to prerecession years.

Health Services, Public Instruction, and the UW System. Combined, they account for almost 64% of state expenditures. In programmatic terms, the skew of total state expenditures toward human services (\$24.14 billion, 37.5% of the total) and education (\$23.67 billion, 36.8%) is even more pronounced.

By Employees. A final budget perspective is employee-driven. Just as there is a major difference between all-funds and general fund budgets, the number of employee positions each supports also varies. Total full-time equivalent (FTE) positions authorized from all funds by mid-2013 is 67,466, or 1,033 fewer than the 2010-11 base. Positions supported by GPR total 35,775, 13 more than in 2010-11.

CHALLENGES AND OPPORTUNITIES

The 2011-13 state budget and its companion budget adjustment bill present challenges for local governments and public sector workers. It may also create opportunities in future budgets.

Local Governments

As mentioned, this budget shifts resources from local governments and schools toward health care.

Aid. School aids are reduced \$432 million (8.1%) in 2012 but rise \$71 million (1.4%) in 2013. For cities, villages, towns, and counties, shared revenues rise slightly (1.1%) in fiscal 2012, but fall 8.5% in 2013.

Revenue Limits. In addition to aid reductions, local governments and schools face tighter limits on allowable revenues. School revenue caps, a combination of state aids and local property taxes, are reduced 5.5% on a per pupil basis in 2012, and then increased \$50 in 2013.

Counties and municipalities remain under levy limits originally created in the 2005-07 state budget. The limits peg property tax increases to the rate of new construction.

Relief? To help local governments meet these challenges, the budget repair bill requires state and local government workers to pay 5.8% of salary to fund their pensions. This amount was previously funded by the employer. It also removed benefits from collective bargaining, allowing local governments, contracts permitting, to make employees pay part of their health insurance costs. Because these provisions may reduce local government costs, they cushion some of the aid cuts.

Public Employees

The pension and bargaining provisions create challenges for affected public sector workers.

Table 5:
Education and Health Services Top Spending
2011-13 Biennium (\$ Billions)

Fund Source	All Funds		Gen'l Fund	
	\$ Bill.	% Tot.	\$ Bill.	% Tot.
Health Services	\$18.09	28.1%	\$5.65	19.5%
Public Instruction	11.99	18.6	10.24	35.3
UW System	11.01	17.1	2.10	7.2
Transportation	5.69	8.8	0.21	0.7
Shared Rev's +	4.81	7.5	4.34	15.0
Corrections	2.48	3.9	2.25	7.8
Children & Fam.	2.19	3.4	0.70	2.4
Administration	2.18	3.4	1.04	3.6
Natural Resources	1.08	1.7	0.22	0.7
Subtotal	59.52	92.5	26.74	92.1
All Other	4.80	7.5	2.29	7.9
Total	64.32	100.0	29.03	100.0

The pension provision means a 5.8% reduction in take-home pay. For some employees, the health insurance change will also be a cut. While these provisions can provide relief to local governments and property taxpayers, they may be a financial burden for public employees.

Opportunities?

Short-term challenges aside, the budget might create opportunities by mid-2013. Though based on assumptions that are likely to change, initial Legislative Fiscal Bureau estimates show a structural surplus of almost \$300 million heading into the 2013-15 budget. If this holds, it will be the first time in over a decade that state officials will not have had to cover prior IOUs (which structural deficits represent). That means the governor and legislature might, for the first time in a long time, plan for the future rather than cover prior budget obligations.

While a positive development, there are some caveats with the surplus. First, it is assumed that Wisconsin's estate tax—which is tied to the federal one—will return in 2013. This tax's return was scheduled for 2011, but delayed last year. If the state tax remains shelved, the anticipated surplus drops by about \$220 million.

A second assumption is that the economy will perform according to May estimates. The economic volatility means uncertainty in state tax collections. Lower revenues will adversely affect budget balances. □

While the budget creates challenges for local governments and public workers, it may create opportunities in future budgets.

DATA SOURCES:

Wisconsin Department of Administration; Wisconsin Legislative Fiscal Bureau; WISTAX calculations.



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WISTAX NOTES

■ **Public Employment Up.** Wisconsin state and local governments added 1,353 full-time equivalent (FTE) employees from 2009 to 2010. Among only full-time employees, local governments added over 1,000 staff, while the state shed 572 full-timers.

Wisconsin has historically had fewer FTE employees per 1,000 residents than the nation, and the gap has grown in recent years (see chart, right). In 2010, the Badger State had 50.35 public employees per 1,000 residents vs. 53.73 nationally.

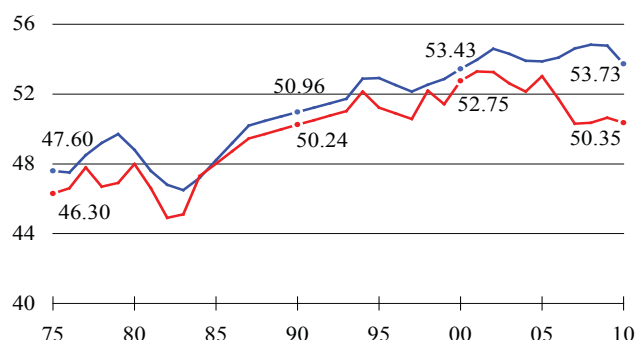
State government added 1,971 FTE employees from 2009-10, with nearly all the gains coming from higher education. Over 90% of the higher-ed increase was from noninstructional employees. At the local level, the largest FTE employment gains were also in education. However, while local governments had 514 fewer noninstructional employees, there were 1,380 more instructional staff.

■ **Loan Repayment Time.** With over \$1.1 billion in outstanding loans from the federal government to fund unemployment benefits, Wisconsin employers are now being charged a special assessment to fund interest payments. The assessment is between 0.20% and 0.15% of an employer's 2010 taxable payroll (\$12,000 per employee). Read more about the new assessment on the WISTAX blog at www.wistax.org.

WISTAX FOCUS

■ **State Budget.** An omnibus bill, the Wisconsin state budget is about much more than taxes and spending. According to "The surprising uses of a state budget" (*Focus* #13-11), the budget is often used to make major state policy changes, alter state rules and processes, and mandate local government practices. Because the budget is one bill that must pass, legislators often see it as a way to legislate

FTE State and Local Employment
Per 1,000 residents, Wis. (red) and U.S. (blue), 1975-2010



outside the usual legislative process—and sometimes with less public oversight.

The 2011-13 state budget did a reshuffling of state priorities to favor transportation. Over \$300 million is moved from other funds to the transportation fund, with the largest item being a one-time \$125 million transfer from the general fund. The budget also includes a permanent earmark of 0.25% of general fund taxes to the transportation fund beginning in fiscal year 2013.

■ **Property Values Decline.** Wisconsin property values fell for the third consecutive year, according to "Property value decline continues" (*Focus* #15-11). The value of all taxable properties in the state, as of January 1, 2011, fell 1.8% to \$486.9 billion.

While residential property values fell 1.6%, the drop was outpaced by declines in commercial (-2.3%), agricultural (-3.4%), ag forest (-2.6%), and forest properties (-5.4%). Only manufacturing (0.0%) and undeveloped lands (1.2%) showed gains.

Among the state's 72 counties, 16 had values increases in 2011, up from just nine the year prior. The largest gains were in Pepin (3.1%) and Monroe (1.7%) counties. □