

TESTIMONY
Budget Adjustment Bill
(Special Session Assembly Bill 1)

Senate Finance Committee Meeting
10:00 a.m.--Wednesday, March 19, 2008
UW-Milwaukee Student Union Theater

Introduction:

Senator Miller, members of the committee, thank you for providing this public hearing today on the Governor's budget adjustment proposal. With me, is David Schmiedicke, State Budget Director.

I assume that there are meetings like this taking place across the country as state leaders grapple with the impacts of a slowing national economy on their state budgets. With over 25 states reporting budget gaps, Wisconsin is certainly not alone in facing lower than expected revenues.

Earlier this month, we reported to you that expenditures will exceed projected revenues by \$76.9 million this year and by a total of \$350.9 million over the 2007-09 biennium because of the downturn in the national economy.

Governor provides a responsible plan:

As a result of this news the Governor submitted a responsible plan to repair the state budget. It is responsible because it meets the following three goals:

- No increases in income, sales, property or corporate taxes
- Protects essential state programs like education, health care, transportation, economic development, public safety and local government
- Maintains adequate reserves and the state's long-term fiscal health
 - The Governor wisely sets aside \$100 million as a necessary safeguard.

Budget Adjustment Bill reduces state spending but still maintains our priorities like education, health care and economic development

- \$80 million from state government over the next two years
- Slowing the implementation of new or expanded programs
- Seeking further cuts in state agency operations

The Budget Adjustment bill boosts revenue.

- Hospital Assessment brings \$450 million in federal funds and closes \$120 million of the budget shortfall
 - Growing support, including the Hospital Association and WMC
 - There is no good argument against taking this step
- Ends a tax avoidance scheme
 - Prohibits an inappropriate tax shelter used to reduce Wisconsin corporate income tax liability
 - Increases revenues by \$6 million per year
- Modifies tobacco bond finances
 - Keeps the financing of the bonds sound
 - Provides \$15 million in annual savings by replacing GPR in the Medicaid program
- Ensures full funding of the state highway program by authorizing \$190 million in GPR-funded general obligation bonds for the transportation program
 - This helps us preserve state support for education, local government, health care and economic development programs while also continuing to build and maintain our roads.
- Builds in \$100 million cushion as a safeguard
 - Uncertainty in the national economy could leave us vulnerable without a substantial ending balance

The Governor's budget repair bill is a responsible way to move forward to address the impacts of a slowing national economy in Wisconsin.

The Republican plan is a sharp contrast to the Governor's plan:

Fiscally irresponsible:

- Spends reserves down to only \$29 million out of a \$14 billion budget
- Uses an accounting maneuver to balance the budget
 - Delays \$125 in school aid payments from the end of one fiscal year to the beginning of the next
 - The impact would be to add to a state deficit under the generally accepted accounting principles and increase borrowing costs for cash flow purposes

The Republican plan fails to protect our basic priorities—education, health care and economic development:

Cuts an additional \$344 million from state programs

- The impact of such an approach on the citizens of this state include:
 - Threatens public safety due to cuts in the tracking and treatment of violent sex offenders, cuts services for child protective services and cuts fund for youth offender treatment
 - Hurts education by cutting four year old kindergarten start up grants and cutting funding for services to students with special needs
 - Limits access to the University by cutting the University of Wisconsin Growth agenda, cutting student financial aid and cutting tuition remission for veterans
 - Lowers essential services to senior citizens by cutting senior care funding and cutting county health care services to seniors, the disabled and low income families
 - Impacts families by cutting child support collection assistance grants to counties

- Hurts Milwaukee (and all school districts) by cutting student achievement grants to Milwaukee Public Schools, cutting assistance to school districts with high poverty and large geographic service areas and cutting training funds for business expansion and you apprenticeship.

The Republican plan is far from responsible, it spends down our reserves, delays addressing our financial problems and it cuts our priorities like education, health care and job creation.

Encourage prompt action:

I encourage this committee to consider the Governor's Budget Adjustment Bill and to act as quickly as possible.

It's a responsible plan that cuts spending and looks for good sources of revenue.

The earlier it can be enacted, the quicker we get Wisconsin back on track and the quicker we can focus on our priorities.

We'll be happy to answer questions.