

# Rep. Hintz: The State Budget Reality Check

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**MADISON** - Today, Governor Walker will deliver the 2017 budget address. This annual event is an opportunity to address the citizens of Wisconsin directly, and set priorities for the state for the coming two years. The budget is introduced as the Governor faces a re-election fight and low approval ratings following years of historic cuts to cornerstone Wisconsin priorities, such as public school classrooms and universities.

## 1. Don't Call It a Surplus

*"Wisconsin has a \$362.2 million surplus heading into the next budget."*

- The projected net ending balance is not a result of revenue growth. In fact 70% of the projected net ending balance of \$362.2 million is a result of one-time savings to the Medicaid program (\$137.5 million) and additional agency savings (\$38.5 million), including the use of compensation reserves (\$10.8 million), money that was set aside to compensate state employees.
- In addition, \$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 budget balance.

## 2. Revenue has Grown Slower Than Expected Revenue for 2015-17

*“These growing revenue numbers are a sign that what we’re doing in Wisconsin is working.”*

-Governor Walker, January 19, 2017

Just 20% (\$63.4 million) of the so-called surplus is a result of higher than expected revenue than was estimated by the Department of Administration in November 2016. However 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 below 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 LFB projection of 3.2% made last January. Lower than expected income tax and corporate income tax revenue are the main drivers of the lower estimates. It is disingenuous for anyone to say revenue is growing.

### **3. The Revenue Forecast for 2017-19 is Very Optimistic**

The LFB revenue update 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 and potential increases in inflation. The estimates are based on the assumption that the Trump Administration and Congress will take on massive deficits and record levels of debt by slashing income and corporate income tax rates and add \$250 billion of federal infrastructure spending. On January 24, 2017, the Congressional Budget Office (CBO) forecasted GDP growth of 2.3% in 2017 and just 1.9% in 2018.

The same LFB memo includes a negative alternative scenario that includes

economic contraction if there are strained U.S. trade relations with Mexico and China. Declining exports, increasing value of the U.S. dollar, delay in capital investments by businesses, declining consumer confidence, decreased productivity, increased inflation and interest rates are all mentioned as consequences if this occurs.

#### **4. Despite GOP unilateral control of state government, economic growth remains stagnant**

Wisconsin has trailed the national average in 12 month job creation for the 20th consecutive quarter. That is every quarter since Republicans and Governor Walker took control. Governor Walker pledged 250,000 new jobs in his first term. He's been in office for 6 years and is still 90,000 new jobs short of that promise. Wisconsin's economy ranks 8th in job creation out of ten Midwest states over the last five years, and is **dead last** in the nation when it comes to start-up activity. Since 2011, Wisconsin private sector job growth has been 6.99%, or 1.4% a year. The U.S. rate of private sector job growth has been 12.34% or 2.47% a year. If Wisconsin had created jobs at national rate, it would have 108,454 additional private sector jobs the past five years. The governor compares Wisconsin's current economic performance to numbers from the depths of the recession to create the illusion of economic growth. In truth, state wage levels remain below pre-recession levels. The median Wisconsin income is 1.9 percent lower than in 2005. And part of the reason for Wisconsin's low unemployment is because people of working age are leaving the state.

#### **5. Digging yourself out of a budget hole you created does not equal funding public schools.**

As soon they took control of state government, Governor Walker and Republicans enacted historic funding cuts to public education totaling \$800 million. They also reduced the amount schools were able to collect from property taxes and other

revenue combined, which translated into another education cut of about \$800 million. While schools absorbed deep cuts, the same budget enacted tax giveaways to corporations and millionaires that will total \$1.4 billion by the end of this budget.

Since then, Republicans have slowly been re-filling the public school budget hole, taking five years to get Wisconsin's schools back to the funding level of 2011. That isn't a new investment, its Republicans digging themselves out of a funding hole they created. To put this in perspective, consider that an entire generation of high school kids have come and gone from the public school system while Republicans have been undoing their own damage.

## **6. Property Taxpayers Increasingly Paying For Republican School Cuts**

Since Governor Walker and Republicans have begun enacting their cuts to education, taxpayers in 139 school districts have agreed to raise their own property taxes through non-building school operating referenda by nearly \$630 million since 2011. It is a constitutional obligation in Wisconsin to adequately fund equal opportunity, public education. Our local schools should not have to go to referendum just to keep their doors open.

## **7. Funding for UW System at Record Low**

When adjusted for inflation, state funding for the UW System was the lowest it has been in state history. Excluding debt service, the UW System has lost \$795 million in state aid under Governor Walker and Republicans. The Governor's budget proposal restores just a fraction of what he cut from our universities. Governor Walker does not deserve praise for making a weak attempt to repair the damage that he himself caused.

## 8. **Transportation: Unable and unwilling to fix our transportation funding**

The Governor has had 6 years of unilateral power in state government to address the transportation infrastructure funding shortfall. But under his lack of leadership, the problem has only been made worse. The most recent Republican Transportation Budget included the highest amount of transportation debt service ever, and debt service as a percent of transportation revenue has nearly doubled since Governor Walker took office. Our roads have declined, and projects continue to be delayed. According to Walker's DOT, the state will spend an additional \$20 million per year just to maintain the deteriorating roads that are supposed to be replaced in southeast Wisconsin while funding is delayed for the Southeast Wisconsin Freeway Megaprojects Program. On top of that, misrepresentation and miscalculations by the Walker Department of Transportation were shown in an audit to cost taxpayers an additional \$3 billion more for already budgeted projects. Poor planning, a failing transportation financing structure and crumbling roads and bridges all point to lack of leadership from Governor Walker on transportation funding.

## 9. **Corrections: Unaccountable on the wide scale problems in state prisons**

Since Act 10 passed, there has been a shortage of corrections officers in Wisconsin's prisons. As a result there has been record levels of forced overtime leading to unsafe work conditions. There has also been an increase in the number of attacks by inmates on staff. Yet the Governor recently admitted he has **never even visited a single state prison** the entire time he has been Governor.

There is also currently a criminal investigation into allegations of abuse and sexual assault at the Lincoln Hills juvenile facility. The Governor's office was made aware in

February of 2012 that there were problems yet took little action until the end of 2015. Amid these ongoing troubles at his agency, Governor Walker's Corrections Secretary, Ed Wall, stepped down from his post this year.

#### **10. Veterans: Unaccountable on taking care of our veterans.**

Under Governor Walker's watch, the veterans' home at King has been plagued with complaints of resident neglect, staffing shortages and deteriorating facilities, as well as a recent reports of intentional attempts to hide and withhold information from public and regulatory oversight.

Problems at the veterans' home continue to come to light at the same time that Governor Walker's Veterans Affairs Secretary continues to siphon off surplus revenue generated by the veterans' homes in order to fill budget holes elsewhere. In November, Governor Walker's Veterans Affairs Secretary announced he would also step down from his post.