

Rep. Vruwink: Deficit spending in desperate times

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During debate on our last session day in February, the State Assembly debated two major issues. One: What should we do with the projected state budget surplus? Two: Should we amend the United States Constitution to require the federal government to balance its budget?

The debate on whether to use the budget surplus for an income tax cut or to invest the money in public schools for a property tax cut caused us to remain divided and the funds remained uncommitted.

Because of the coronavirus pandemic, the projected surplus will probably now turn into a deficit, and it might work out best that neither Republicans nor Democrats got their way.

I have always tried to spend my money wisely, and I would like to see government do the same. But as a history teacher, I also know we cannot hamstring federal government to balance its budget during a major crisis if we want the economy to recover quickly.

The federal government has responded with a two trillion dollar coronavirus relief package. This legislation will increase our federal deficit, but at this time needs to be done because it affects so many people and businesses. What we did wrong was to allow our deficit to rise so fast when the economy was good.

The 880-page relief package, called the CARES Act, passed the United States Senate 96-0 and the House of Representatives on a voice vote. The overwhelming majority of the money falls into four categories: Help for the health system, for people, for small businesses, and for big businesses.

There is about \$180 billion in health-related spending, including \$100 billion to help over-stretched hospitals.

According to the Wisconsin Legislative Fiscal Bureau, Wisconsin should expect about \$2.2 billion in assistance, with \$1.9 billion going to our state government. The state can use some of this federal money to help pay for what Governor Evers has procured: more than 100,000 respirators, 260,000 face masks, 48,000 face shields, 40,000 surgical gowns, and 70,000 pairs of gloves.

For people, the plan provides \$260 billion to expand and extend jobless benefits during the pandemic and that for the average worker who lost his/her job, they will receive 100 percent of their salary for up to four months.

For small businesses, the CARES Act provides federal guarantees for bank loans to businesses with fewer than 500 employees, then forgives the portions of the loan spent on payroll, rent, mortgages and utilities. This forgiveness only applies for two months, but Congress will probably have to extend it.

Big businesses get a \$500 billion bail-out fund and \$280 billion worth of business tax cuts. What kind of oversight will there be and what conditions will be imposed on bailed-out corporations? All taxpayers should be concerned. We gave big businesses a boost in 2017 when we re-did the tax code, contributing to the increasing deficit.

What we do know is that the federal government has to provide relief because Wisconsin will take a huge loss in tax collections and is required to balance its budget.

Unemployment claims are skyrocketing. Some businesses will close their doors and not re-open. Only the federal government has the ability to lift up the economy on a large scale. Our states depend on it.