

Van Mobley: Budget sobriety in an inflationary age

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Numbers don't lie, but they sure can bamboozle you — particularly in an inflationary age. Hopefully, the numbers won't bamboozle state policymakers too much for too long and they will generate a solid budget for the next biennium.

Step One in the sound budgeting process is to acknowledge that if the state gets more revenue in terms of dollars, and much of what it buys in terms of dollars is getting more expensive at a similar or faster rate than the revenue increase, then the state isn't really faced with a rosy budget scenario. It is just "business as usual" but harder because the numbers are gyrating as a result of a disorienting inflationary surge.

Step Two is to remember that the inflationary surge will come at state policymakers in waves. Currently government labor costs are stable because much of the workforce (which is the largest chunk of the budget for many state agencies and most local governments) is under contract. So this summer government is seeing the inflation showing up in the cost of its consumables (gas, cooling bills, etc.), capital expenditures (roads, bridges, police cars, cost of university buildings, etc.), and anything that it procures from contractors. Everything will end up costing more than earlier estimates and it would be prudent to include that in calculations going forward.

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Step Three is to remember that the inflation will really kick in for state and local governments a year or two from now when labor contracts start to expire and the

labor force points at the big inflation numbers (at over 5% well over twice what we formerly viewed as appropriate) and asks for raises commensurate, at minimum, with inflation. Ouch. Remember that problem is speeding toward us like a runaway freight train.

Step Four is to realistically assess the impact of the Federal Funds we received — which are even now trickling through our state government. In Thiensville we are receiving a little over \$300,000. Does that sound like a lot of money to you? I can assure you that \$300,000 is going to evaporate as fast as water poured on a hot, cast-iron stove.

We are in a sticky spot, for sure, folks, and we should avoid becoming entranced by visions of grandeur and grand plans. Stick with the basics. If the budget for the last biennium was a good, bipartisan one why not just reproduce it? Make it \$4.4 billion larger than last time (to match with the increased revenue projections) and perhaps trim everything within it just a bit so you can shove more into the contingency fund — which will be even more useful than normal as we navigate the unexpected during this inflationary surge. We will be fine, but only if we are smart. See you on the other side!

– *Mobley is president of Thiensville.*