

Forward Analytics: New study finds Wisconsin's state reserves at an all-time high

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(Madison, Wis.) – A new report titled “Flush with Cash: Wisconsin’s Growing Financial Reserves” released by Forward Analytics shows that the state of Wisconsin’s financial reserves totalled \$4.3 billion at the end of fiscal 2021 and is growing. At 22% of annual state spending, reserves are at an all-time high.

Total financial reserves are a combination of the budget stabilization fund, or rainy-day fund, and the ending balance in the state’s general fund. At the close of the 2021 fiscal year, the state had \$1.7 billion in its rainy-day fund and a \$2.6 billion general fund balance. State officials are projecting reserves to rise to \$5.6 billion by the end of the 2023 fiscal year, driven by a \$1.3 billion increase in the general fund balance.

While the improved financial position is welcome, it is tenuous. The general fund balance, which accounts for 60 percent of the current reserves, is unreliable as a long-term cushion. As enacted, 10 of the last 14 budgets drew down this balance to pay for ongoing spending.

By contrast, the state’s budget stabilization fund can serve as reliable protection against recession. State law restricts use of these fund to times when revenues lag budgeted amounts. Currently, the \$1.7 billion in that fund is 8.4 percent of spending, above the 5 percent target in state law.

However, most budget experts argue that a 5 percent target is too low, with many recommending holding at least 15 percent of spending in reserve. If Wisconsin were to augment the budget stabilization fund to this level using a portion of the general

fund balance, it would ensure the state is well prepared for the next recession, while leaving \$1.3-\$2.6 billion to use for other priorities.

The Forward Analytics study analyzes state budgets and compares these numbers to historical data over the course of past decades. The state's current financial position is in sharp contrast to its position prior to the Great Recession. Then, the state had few reserves and was less prepared than all but two states. With tax revenues declining due to recession, lawmakers were forced to raise taxes and cut spending to balance the state budget.

"With Tax Day upon us, it is important for state residents to understand the state's strong financial position, and how we can use that to be prepared for the next recession" said Forward Analytics Director and report author Dale Knapp. "We have a unique opportunity to set the state up for long-term success by taking the windfall of today and creating better footing for tomorrow."

Find the full study [HERE](#).