

Sen. Marklein: Wisconsin's extraordinary surplus

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On January 25, 2022, the non-partisan Legislative Fiscal Bureau (LFB) released revised revenue projections to the legislature. As Co-Chair of the state's budget-writing committee, I anxiously awaited this news.

A decade of responsible budgeting and significant tax cuts by Republicans, combined with a deluge of federal funding, have produced extraordinary results. In the last three months, the projected revenues for Wisconsin improved by \$2.9 billion. The projected ending balance for the 2021-23 biennium in June 2023 is \$3.8 billion.

This projection is due to increased revenues of approximately \$2.5 billion more in tax collections and less state spending than anticipated. Sales tax, personal income taxes and corporate tax collections have increased exponentially. We are spending your tax dollars responsibly and funding our priorities. But this is also due, in part, to all of the federal funding and stimulus money that is pouring into our state.

The following table reflects the 2021-23 general fund condition statement, which incorporates the LFB's revenue and expenditure projections:

2021-23 General Fund Condition Statement

Revenues	2021-22	2022-23
Opening Balance, July 1	\$2,581,053,000	\$2,838,066,700
Taxes	18,943,300,000	20,884,600,000
Departmental Revenues	0	21,729,300
Tribal Gaming Revenues	481,661,900	486,219,400
Other		
Total Available	\$22,006,014,900	\$24,230,615,400

Appropriations, Transfers and Reserves		
Gross Appropriations	\$19,306,412,500	\$19,754,023,500
MA Biennial Adjustment	-360,000,000	360,000,000
Sum Sufficient Reestimates	-15,734,000	-28,898,000
Transfers To:		
Transportation Fund	178,869,600	97,289,300
Building Trust Fund	15,000,000	0
MA Trust Fund	174,665,900	527,783,700
UI Trust Fund	60,000,000	60,000,000
Compensation Reserves	41,929,200	105,951,600
Less Lapses	-233,195,000	-552,862,200
Net Appropriations	\$19,167,948,200	\$20,323,287,900
Balances		
Gross Balance	\$2,838,066,700	\$3,907,327,500
Less Required Statutory Balance	-90,000,000	-95,000,000
Net Balance, June 30	\$2,748,066,700	\$3,812,327,500

Immediately following this announcement, several politicians announced their enthusiasm to spend all of this projected money. I, on the other hand, celebrated the cushion that we will have when all of this one-time federal funding abruptly ends in the midst of tremendous inflation.

If you have visited a grocery store lately or made a major purchase like a car (if you can find one), you have likely felt the effects of inflation that is being driven by all of the cash in our economy. The costs for everything are going up. Supply cannot keep up with demand. The future fiscal condition of our state will change and we must be ready to adapt. Saving this cushion for the future will keep us in a safer fiscal position so that we will be able to fund all of our priorities like schools, roads, healthcare and broadband in the future.

We must also be very aware of the Maintenance of Effort (MOE) and Maintenance of Equity requirements we are managing in order to receive nearly \$2 billion of federal funding for our K-12 schools. To refresh your memory, Wisconsin must maintain state support for K-12 and higher education at the same ratio as an average of previous fiscal years for the next two years. This means that for every \$1 we spend for non-education-related purposes, we must spend an additional \$.79 in K-12 and higher education.

Right now, the first of year of our state budget meets the MOE. However, in 2023

we could be \$5 million short. We have options. But these options require prudence and a plan for the future. I am on it.

Our fiscal condition is unprecedented. We have funded all of our priorities. Our challenge is to be responsible with our checkbook. It is much easier to exercise restraint when the balance in our checkbook is low. It is very difficult when we have a surplus.

We must continue to be vigilant. We are well positioned for the future when all of the one-time federal funding will end. We must continue to use the massive federal funding for one-time expenses rather than create holes to fill in the future. This approach will maintain our extraordinary financial position.

As always, please do not hesitate to connect with me to provide input, ideas or to seek assistance. Send an email to sen.marklein@legis.wisconsin.gov or call 608-266-0703.