

**A Fiscally Irresponsible Budget!**  
**By Senator Vinehout**  
**June 16, 2011**

Mr. President, last night we heard a great deal on the Assembly floor about how this bill was fiscally responsible. Well, I'd like to call on what Paul Harvey used to say in my district to talk about the rest of the story

**Debt**

This bill, Mr. President, does not pay a bill that is coming due.

This budget restructures \$337 million in payment that's due out of our General Fund. That payment is now going to be pushed off for probably about 20 years.

And that is going to cost the state \$89,899,160 in new interest costs over the next 20 years<sup>1</sup> which the Senator from the 30<sup>th</sup> mentioned at the very beginning of our debate.

And when we look at what that's going to add to the cost of government, it's going to add \$55 million in principal and interest in each year, each year, from 2013-'14 budget year to 2017-'18 budget year; each year, another \$55 million - placing increasing demand on future General Fund.

Remember the General Fund is where our tax dollars go – it's like our state's checkbook.

And our crack financial staff that deals with these issues has told our crack financial staff in the Legislative Fiscal Bureau that this additional restructuring – and I am quoting from their memo - “could be a negative factor for bond rating agencies” in addition to increasing our ongoing expenditures.<sup>2</sup>

Mr. President, this refinancing is taking place with something called ‘commercial paper’. And if I had not taken Finance Class in my graduate education, I probably wouldn't even know what ‘commercial paper’ was. But I do, Mr. President.

And in this particular case, it is very interesting, because I learned also –from that crack financial staff in the Fiscal Bureau – that the Governor doesn't have to come back to the Legislature to postpone this payment again.

---

<sup>1</sup> Al Runde. Debt Restructuring Under ASA 1 to AB 40 and Debt Service. Legislative Fiscal Bureau Memo to Senator Vinehout. June 15, 2011. p.2.

<http://legis.wisconsin.gov/senate/sen31/news/Issues/2011-12-Budget/061411%20LFB%20Runde%20Debt%20Restructuring%20and%20Debt%20Service.pdf>

<sup>2</sup> Al Runde. GPR Debt Restructuring. LFB Paper #175 #12 p. 6. <http://legis.wisconsin.gov/lfb/2011-13%20Budget/Budget%20Papers/175.pdf>

In fact, he can postpone it without Legislative oversight at all Mr. President. He can continually roll the debt forward.

### **Percentage of General Fund tax revenues used for debt service.**

Now, Mr. President, I, like many people in this room, have a background in business. I have worked in both large health care institutions and ran a small farm for twenty years. And in every business I have ever worked in, Mr. President, we had percentages that we needed to hit in order to do what was best financially for our business.

And state government, in hitting those percentages, is no different.

And when we look at the percentages, Mr. President, that our state should be able to hit, what I learned from our crack financial staff is; when you look at debt, as you compare it to the money coming in – to what we call our revenue – that our debt service should not be more than 4% of all the revenue that's coming in; because if it is, it makes it very difficult for us to pay our bills.

Our bills, like I talked about earlier, eighty percent of our General Fund goes to those five things that we all love; schools, health care, courts and corrections, local government and universities and tech colleges. All the things we've been talking about tonight.

But what happens because of this budget Mr. President, at the beginning of the next budget – when 4% is the maximum debt payment that we should have – the debt service to total revenue is 5.14% (based on a conservative estimate of 2% growth).<sup>3</sup>

Now just to compare that to the end of the last budget; the Senator from the 8<sup>th</sup> began this discussion by talking about the absolutely horrible things that happened in the last budget.

At the beginning of this coming budget year, the percentage was 3.97% (At the end of this fiscal year '10-'11)<sup>4</sup>

So those numbers again: Never go above 4%. The end of this fiscal year: 3.97%. The end of this coming budget – that will be passed tonight – at the end of that budget – will be 5.14%.

---

<sup>3</sup> Even with a generous estimate of 4% revenue growth, the percent of debt service to GPR revenue is 5.04% in '13-'14. This policy is intended to ensure that debt service does not consume an increasing share of the state budget and add to state out-year spending commitments. In developing its building program recommendations, the Building Commission considers the impact bonding authorizations would have on the GPR debt service to GPR revenues ratio.

Source: Opsite. Runde Debt Restructuring. <http://legis.wisconsin.gov/senate/sen31/news/Issues/2011-12-Budget/061411%20LFB%20Runde%20Debt%20Restructuring%20and%20Debt%20Service.pdf>

<sup>4</sup> Al Runde. GPR Supported Bonding Authorization and 2009-11 Building Program Projects. LFB Paper #182 Table 6 p. 7. <http://legis.wisconsin.gov/lfb/2011-13%20Budget/Budget%20Papers/182.pdf>

What this means, Mr. President, what this means is we're spending beyond our means.

### **One Time Budget Gimmick Used to Balance the Transportation Fund Costs us Nearly One Billion in the '13-'15 Budget<sup>5</sup>**

We heard last night we don't have any one-time gimmicks in this budget. I think we also heard that from the Senator from the eighth. And yet, in this budget, Mr. President (I've got all these things footnoted. So if anybody wants to ask me details, I'll be glad to give them to you.) But what I learned in this budget, Mr. President, is that when we move money from the General Fund to the Transportation Fund. (And we have talked about this a lot, Mr. President) they are one-time transfers; \$102.5 million from the General Fund and \$19.5 million from the Petroleum Inspection Fund. And that means the next budget, Mr. President; the Transportation Fund is going to have a hole in it (from the General Fund dollars-these two transfers I mentioned) of \$122 in each of the next years of the biennium.

Now the crack staff at the Legislative Fiscal Bureau also taught me, that, in addition to that, the debt service (remember, I talked about debt service – paying that interest and principal that needs to be paid on our debt) is projected to increase in the next biennium by a total of \$319 million in the next budget. (\$150 million in '13-'14 and \$169 million in '14-'15)<sup>6</sup>

Remember we heard last night, if you listened to the Assembly debate, we heard that the state went to a \$300 million surplus. What we failed to hear in that debate was that this is only in the General Fund. It did not look at all of state government. But when we look at everything in state government; especially what happens with this one-time transfer. And we add in what has to be used for bonding for on-going activities, what we learn, Mr. President, is that the total unfunded obligations in the 2013-15 budget related to the Transportation Fund alone is \$929,000,000<sup>7</sup> - nearly one billion dollars in the next budget – that is not funded.

---

<sup>5</sup> All numbers in this section are from LFB memo from Jon Dyck to Senate Democratic Caucus Members. Structural Condition of the Transportation Fund Under the Joint Committee on Finance Substitute Amendment to the 2011-13 Biennial Budget Bill. June 15, 2011. <http://legis.wisconsin.gov/senate/sen31/news/Issues/2011-12-Budget/061511%20LFB%20Dyke%20Structural%20Condition%20of%20Transportation%20Fund.pdf>

<sup>6</sup> IBID. p.1.

<sup>7</sup> The Transportation Fund is reliant on bonds for ongoing activity. To maintain the '12-'13 base level expenditures for the transportation programs would require a combination of additional bonds and new cash revenue of \$455 million in '13-'14 and \$475 million in '14-'15. The total unfunded obligation in the '13-'15 budget to level fund the Transportation Fund would be \$929,000,000. Source: Opsite. Dyck. p.2.

You take that \$300 million that they talked about last night as being a marvelous surplus that they had and you subtract it from \$929 million Mr. President that \$300 million surplus disappears pretty darn quick.

### **Fund Raids**

We also heard, I heard from one of my Reps up in Eau Claire, that there are no fund raids in this budget.

But Mr. President, that is simply not true.

There are twelve separate fund raids in this budget. And as I mentioned earlier, not only do they raid to pay for other things, but in this budget they even raid the raids. That's how serious this is (In all \$411,046,800 is raided from one fund to another. The bulk of this money comes out of the resources of the state's general fund. (\$165,127,000)<sup>8</sup>

### **Long Term Spending Above Base**

The other problem we have in this budget, Mr. President is that there is a lot of spending in this budget that is pushed off into the next years.

Not only what I talked about earlier with the debt payment, the bill that came due that is not being paid, but also commitments that are made to the future that are not funded. Just since January, in bills that passed before the budget there are commitments of \$117.2 million in this budget, \$130.3 million in the next two year budget and \$638.4 million over the next ten years.<sup>9</sup>

In addition other bills passed including this budget will cost Wisconsin \$93.4 million in this budget, \$239.5 million in the next budget and \$1.7 billion over the next ten years.<sup>10</sup>

When you add everything together done this year and in this budget- in spending bills related to tax credits- Wisconsin is losing \$2.4 billion over the next ten years. This is spending down the road Mr. President. This is kicking the can down the road,

---

<sup>8</sup> Bob Lang, Legislative Fiscal Bureau Memo to Senator Lena Taylor. Use of Certain Funds within the Joint Committee on Finance's 2011-13 Budget Recommendations. June 14, 2011.

[http://legis.wisconsin.gov/senate/sen31/news/Issues/2011-12-Budget/2011\\_06\\_13WILeg\\_State%20Tax%20and%20Fee%20Modifications.pdf](http://legis.wisconsin.gov/senate/sen31/news/Issues/2011-12-Budget/2011_06_13WILeg_State%20Tax%20and%20Fee%20Modifications.pdf)

<sup>9</sup> This budget makes substantial long term commitments in new spending. The January Special Session bills including HSAs (Act 1), Relocating Business Credits (Act 3), Deductions for New Hires (Act 5) and the Economic Development Zone Increases (Act 4) will cost Wisconsin \$117.2 million in this budget, \$130.3 million in the next budget and \$638.4 million over the next ten years. Source: Rob Reinhardt, General Fund Taxes. Legislative Fiscal Bureau Memo to Senator Miller. June 9, 2011. p.2.

<http://legis.wisconsin.gov/senate/sen31/news/Issues/2011-12-Budget/6%209%2011%20Miller.pdf>

<sup>10</sup> Ibid.

## General Fund Balance

So what happens Mr. President? In our statutes, in our law, that spending can not increase more than the amount of money that is coming in. And there is a rule that says spending cannot rise faster than personal income. That's a law in this state.<sup>11</sup>

What happens in this budget, Mr. President, is that both laws are being repealed.

And why? Because when we look at the spending in the General Fund, it increases 2.5% over the previous budget. And when we look at personal income, Mr. President, it declines for the first time in 50 years in 2009<sup>12</sup>. Personal income declined 1.7%, 1.6% and 1.2% year over year in the first three quarters of 2009; in 2010 it grew 2.6% and 2.3% in the first two quarters. Clearly this budget is growing faster than the law allows. So what happened Mr. President? That's why the law was changed.

Last night the Assembly members in the Majority Party repealed the requirement that no bill may be adopted if the bill spent more money than was in the General Fund coming in that year.

## Summary

**The state is not broke. We have \$2.2 billion more than the last budget.**

**This budget DOES kick the can down the road. Nearly \$340 million bill due this budget is not paid. That costs WI nearly \$90 million in new interest costs. It adds new \$55 million payments over each year of the next five after this budget.**

---

<sup>11</sup> This budget and its amendment (AA1 to AA1 to ASA 1 to AB40) change good budgeting practices followed by this state. Our state limits the spending the General Fund can increase over the previous year to the increase in personal income. The state also required bill be passed that spent money in a fiscal year that was greater than the amount of revenue the state took in that fiscal year. Both of these provisions were changed in this year's budget.

For Repeal of General Fund Spending Limit, see Comparative Summary of Budget Recommendations Governor and Joint Finance Committee, Legislative Fiscal Bureau, June 2011. p. 94, no. 7  
<http://legis.wisconsin.gov/lfb/2011-13%20Budget/Joint%20Finance/budget%20management.pdf>

For Changes in the General Fund Balance see Bob Lange's memo to the Legislature. Legislative Fiscal Bureau Memo on Assembly Amendment 1 to AA 1 to ASA 1 to AB 40, June 15, 2011 p. 39, no. 45.  
[http://legis.wisconsin.gov/lfb/2011-13%20Budget/2011\\_06\\_15\\_WI%20Assembly.pdf](http://legis.wisconsin.gov/lfb/2011-13%20Budget/2011_06_15_WI%20Assembly.pdf)

<sup>12</sup> Romina Soria and Emily Camfield. WI Department of Revenue -Division of Research and Policy. December 2010. <http://www.revenue.wi.gov/ra/econ/2010/q3/fullrpt.pdf>

**This Budget is Fiscally Irresponsible. Our percent of debt to GPR revenue goes from 3.97% in this year to 5.14% at the beginning of the 2013-'15 budget. Financial analysts tell us this puts our bond rating in jeopardy.**

**If we pay more in debt service, this Costs Us Needed Dollars for Schools, Tech Colleges, Universities, Local Government, Health Care, Courts and Prisons.**

**This Budget has 12 separate fund raids. There are even raids of raids. The biggest raid is from the General Fund. Putting all our state spending at risk.**

**We hear the Budget Takes a \$3 billion deficit and turns it into a \$300 million surplus.**

**But both of these are simply not true.**

**What that \$3 billion deficit includes \$2 billion in new spending in agency requests that agencies knew they were not going to be able to get. (except maybe Transportation that has way more than they ever asked for). And in the end (going into this budget) we ended up with \$636 million in new revenue estimates – so that's the beginning budget. That we heard the beginning budget was so bad.**

**And then in the ending of this budget...if you are going to look at the total problems left to this state, you have to look at the whole budget, you can't just look at the General Fund budget. And when you look at the whole budget, there is a \$929 million deficit – three times the \$306 million surplus that the Majority Party in the Assembly last night claimed.**

**The surplus created in this budget does not exist. While the ending balance in the General Fund is a positive \$145 million at the end of '13-'14, the Transportation Fund has \$455 million deficit over the same time period. By the end of the two year coming budget the Transportation Fund has a \$929 million deficit – nearly three times the \$306 million surplus the Majority Party claimed.**

**Not only is the coming budget deeply in the red, the long term commitments cost us \$2.4 billion over the next ten years.**

**So what does the Majority Party do to deal with this?**

**They repeal the spending limits in the law. Which makes this, Mr. President, simply a fiscally irresponsible budget.**