



An Overview of the 2009-11 Budget

August 28, 2009

Balancing the 2011-13 budget was an exceptionally challenging task. The Governor and Legislature had to strike a balance between spending priorities, such as the needs of vulnerable kids and families, and painful economic realities caused by the recession. In the end, although the budget makes many deep and worrisome cuts, it contains enough federal stimulus funding and targeted tax increases and that policymakers were able to protect key programs for vulnerable families and key services necessary for the long-run health of our state.

Budget balancing strategies

Describing precisely how the budget was balanced is also a challenging task. One complication is that the size of the deficit was a moving target, and there wasn't an agreed-upon way of measuring it. Also, although the deficit figures that are cited almost invariably focus on just the General Fund shortfall, the solutions employed tap a variety of different funding sources, and it isn't always clear which of those solutions are being used to fill the gap in General Purpose Revenue (GPR).

- More than \$3 billion in reductions in agency budget requests;
- About \$3.45 billion in federal revenue from the economic stimulus package (used in both the biennial budget and the budget repair bill), with \$2.2 billion of that amount used to replace GPR funds;
- About \$2 billion from new taxes and fees or enhanced tax collection; and
- A number of short-term measures, such as restructuring state debt, one-time lapses of revenue, and delaying a \$55 million Community Aids payment.

Several of the following articles in this newsletter elaborate on some of those aspects of the bill – particularly the federal stimulus funding, the new state tax revenue, and the structural deficit implications of the short-term budget balancing strategies. Other articles also look at specific areas of spending, such as health care and early education.

Budget highlights

Considering the fiscal challenges that legislators faced, we were very pleased that there were a number of positive aspects of the biennial budget bill (Act 28) and the budget repair bill (Act 2), including the following accomplishments:

- Maintaining the child care subsidy program for low-income workers, which required a substantial spending increase.
- Protecting the eligibility standards and cost-sharing policies for the BadgerCare Plus health insurance program for children and parents.

- Initiating annual adjustments to the Homestead Tax Credit to keep it from being eroded by inflation, and adopting a small increase in the credit for families with children.
- Protecting the eligibility standards and cost-sharing policies for the BadgerCare Plus health insurance program for children and parents.
- Maintaining the state's commitment to extend BadgerCare Plus to about 40,000 uninsured childless adults.
- Proceeding with the phase-in of the Family Care program, which provides more accessible and cost-effective services for the elderly and people with disabilities.
- Making some modest, but important policy changes in W-2.
- Improving the Milwaukee child welfare system.

Budget cuts and future challenges

On the other hand, the budget does contain very substantial cuts that will have negative consequences for Wisconsin's children and families. Some of the more significant cuts include the following:

- Cuts in aid to most school districts that will reduce programs for kids and will probably result in larger class sizes.
- Across-the-board cuts for most state agencies, which will curtail state services.
- Dramatic cuts for county governments, which will hamper their ability to deliver mandated social services, including critical services for abused children and the elderly.
- About \$600 million in cuts to Medicaid, which are likely to reduce reimbursement rates and will delay some payments.
- A cut in funding for Shared Revenue, which continues to erode the effectiveness of this aid program for municipalities and counties.
- Cuts tobacco use control grants by \$8.9 million per year.

Another concern is that state lawmakers will once again face a huge structural deficit when they craft the 2011-13 budget. As we discuss in a subsequent article, the Legislative Fiscal Bureau calculates that the state will need a little over \$2 billion in the next biennium simply to provide flat funding over the next two years.

Several other articles in this newsletter elaborate on the positive and negative aspects of the biennial budget. In addition, you can find a comprehensive summary in our [comparative matrix](#) document, which tracks budget developments in more than 100 issue areas at each stage of the budget process.

Jon Peacock
Research director