



Pew Report Assessed Budget Challenges, not the Budget Solutions

A report released this week by the Pew Center on the States puts Wisconsin among the 10 states facing the most fiscal peril in 2009, as state budgets were being developed. California ranked number one on the list of fiscal distress, and essentially served as the unenviable standard against which other states were judged. It was followed on that list by Arizona, Rhode Island and Michigan. Wisconsin and Illinois both made the top 10 – in a tie for ninth place.

Some of the commentary about the report has suggested that Wisconsin's ranking in the top 10 is an indictment of the 2009-11 budget bill. Any such assessment is a misreading of the report, since it measured the fiscal distress that states faced during the spring and early summer as they crafted their budgets. The ranking of states is based on six indicators of fiscal challenges earlier in the year, and none of those indicators tell us anything about whether lawmakers chose wisely in the decisions they made about how to respond to their state's budget challenges.

The Pew report evaluated each state's fiscal distress using the following indicators, all of which were weighted equally:

- The change in state tax revenue from the first quarter of 2008 to the first quarter of 2009.
- The relative size of the anticipated deficit in fiscal year 2009-10, prior to enactment of the budget bill for that year.
- A 2008 assessment of state fiscal management policies (measured by the Pew Center's Government Performance Project, which gave Wisconsin a C+).
- The change in each state's unemployment rate from the second quarter of 2008 to the second quarter of 2009.
- The foreclosure rate in each state in the first quarter of 2009.
- Whether a state requires a supermajority vote by legislators to enact budget bills or increase taxes. (The 17 states that have such requirements were graded as being in greater fiscal distress.)

One can argue about whether those are the best measures, but the Pew report provides an independent and reasonably objective assessment of the extent of fiscal distress each state faced as it crafted its 2009-10 budget. What the report does not provide is an evaluation of the recent budget choices made in each state.

One of the main factors putting Wisconsin in the top ten states is the propensity of lawmakers to shun tough fiscal decisions and to adopt short term remedies to balance the budget. That has been a longstanding practice of legislators and governors in both parties. Although lawmakers did make many tough choices in the 2009-11 budget bill – both in cutting many state programs and local assistance and in raising revenue – the magnitude of the deficit and the challenges of the recession resulted in a budget that still leaves Wisconsin with at least a \$2 billion structural deficit going into the next biennium.

Anyone who has followed Wisconsin budgeting was aware that Wisconsin faced a huge deficit and extremely difficult economic circumstances as lawmakers worked on the 2009-11 biennial

budget. Thus, the Pew report doesn't tell us very much that we didn't already know, but it provides a way of comparing the magnitude of the challenges faced by Wisconsin lawmakers as they crafted the last budget with the challenges confronted by their counterparts in other states. And if it reinforces the message that we need to redouble efforts to adopt responsible budgets that meet current needs without exacerbating future budget problems, then the Pew report will have served a very useful function.

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