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### **ELLIS, COWLES: DEFICIT TOPS \$2.5 BILLION**

For at least the fourth budget in a row, the state faces a budget deficit of more than \$2.5 billion for the 2007-09 biennium, state Senators Michael G. Ellis and Rob Cowles announced today.

The numbers, which have been confirmed by the nonpartisan Legislative Fiscal Bureau, include state spending commitments and the cost to continue major programs like K-12 schools and medical assistance. Over the biennium, those spending commitments exceed this budget's base revenues by \$2.666 billion.

"Clearly, the budgeting practices of the recent past have not worked," Ellis said. "That's why we voted against those budgets. They were "balanced" by ransacking one-time funds like the tobacco settlement fund, transferring segregated funds like the transportation fund and public benefits energy funds, and excessive borrowing to cover those transfers."

"These numbers clearly show that these gimmicks haven't made things better," Cowles added. "In fact, when the increased cost of all this new borrowing is considered, we're actually making the problem worse."

The Republican senators said the next Legislature and Governor must forego the quick fixes that have simply pushed the deficit into the next biennium. It's time to make spending or revenue changes that ensure that state spending programs can be reliably sustained by ongoing revenues. Both advocate spending reductions, not tax increases.

Earlier this month, Fiscal Bureau Director Bob Lang provided Ellis and Cowles with a final analysis of spending commitments in the next biennium after considering all the law changes of the recently concluded legislative session. That analysis shows that spending commitments for the next two fiscal years exceed base revenues by \$1.537 billion -- \$691 million in 2007-08 and \$846 million in 2008-09.

While that was alarming in itself, the traditional analysis doesn't show the whole picture, Ellis noted. For example, it does not include the cost to continue funding schools at the current level of state support. Nor does it include the cost to continue state health care programs such as medical assistance, Badger care or Senior Care. Nor does it provide for any increase in state employee compensation.

“Granted, those are not specifically mandated commitments, but they are programs that state government has traditionally funded at least at cost-to-continue levels,” Ellis said. “Any responsible analysis of the problems facing us should at least begin with an understanding of that cost.”

“For example, if the state doesn’t continue its current level of support for schools under the revenue controls, property taxes will soar,” Cowles said. “Failure to cover increasing costs of health care would mean diminishing needed services to the elderly and the working poor.”

Working with the Fiscal Bureau, Ellis and Cowles have determined that:

- The cost to maintain the current level of state support of K-12 schools under state revenue controls will be \$495 million -- \$165 million in 2007-08 and \$330 million in 2008-09;
- Based on trend data from the past five years, the cost to continue medical assistance, Badger Care and Senior Care at their current levels of service is \$434 million -- \$146 million in 2007-08 and \$289 million in 2008-09.
- The cost to fully fund current state employee contracts and to provide less-than-inflation salary increases of 1.5% is \$200 million -- \$70 million in 2007-08 and \$130 million in 2008-09.

When those costs are added to the standard Fiscal Bureau analysis of the structural deficit, spending commitment exceed base revenues by \$1.07 billion in 2007-08 and \$1.6 billion in 2008-09. The most recent revenue projections by the Fiscal Bureau predict state revenues to grow by \$553 million in 2007-08 and \$610 million in 2008-09.

“That means when we open the books in the next budget, even with anticipated revenue growth, we will be \$518 million short in the first year,” said Cowles. “We need to look at spending cuts, not gimmicks, to address that problem.”

Ellis added that every aspect of state spending – including some of those commitments considered in his and Cowles’ analysis must be considered.

“Nothing should be considered untouchable,” he said. “Our goal should be to achieve fiscal stability while protecting the already overburdened taxpayer.”