

## **Team Doyle Inches down the Road of Fiscal Responsibility**

**by George Lightbourn**

There stood Governor Doyle in the Assembly chamber, lecturing the gathered members of the Legislature on the merits of fiscal responsibility. Many in the audience had heard several budget speeches from this governor and his predecessors. The room was packed with doubters who knew what they would have to do to pass a budget. That night, this governor admonished them not to look the other way when it came to doing the right thing and passing a fiscally responsible budget.

It was a slick pitch from a governor not given to slick pitches. Standing before a Perot-like blue screen, Governor Doyle touted the fiscal responsibility Team Doyle had used as a foundation for building this budget. The fact that he used precious minutes while speaking to a statewide audience, signaled that maybe sound accounting would once again trump sound politics in Wisconsin budgeting.

In outlining his fiscal responsibility package, the governor noted how much lower the advance commitments in this budget were than had been the case in his previous budgets. As he stood before the captive audience he noted how the advance commitments in the budget were cut from \$1.5 billion in his last budget to just \$850 million this time. To the taxpayers this means that the budget includes \$850 million in ongoing spending beyond what can be supported by existing taxes. For the budget to be balanced two years from now, the governor would either have to find new sources of tax revenue or hope that the growth from existing taxes would cover the \$850 million.

While this enhancement might seem modest to those not familiar with budgeting in the Wisconsin State Capitol, the governor's initiative actually does represent a step, albeit a small step, in the direction toward a truly balanced budget. A tradition in Wisconsin budgeting, one that predates the current governor, is that new spending programs are routinely created without enough money backing them.

There are two ways the governor could lower the level of advance commitments: one would be to cut spending; the other would be to increase taxes. While the governor's budget does include some spending cuts (\$80 million savings from a new state IT system), most of the improvement is due to new taxes. The three major new taxes supporting Governor Doyle's fiscal responsibility initiative are taxes on cigarettes, hospitals and gasoline. These three new tax streams add just over \$1.2 billion to the budget, and are almost solely responsible for the improvement in cutting the advance commitments nearly in half.

The other part of the governor's fiscal responsibility package is a doubling of the amount of money in the state's reserves. Currently, every budget is required by law to set aside a reserve of \$65 million. That would double to \$130 million under the budget proposed by the governor. How much of a cushion does that provide? The short answer is, not much. The \$130 million represents less than 1% of the total budget. Yet, this baby step, if retained through the legislative process, would actually represent a noteworthy step toward fiscal responsibility.

However, the governor's budget fails to address two key aspects of true fiscal responsibility. First, there is no funding provided for a rainy day fund. The rainy day fund is the money set aside for when the state's economy enters a recession. The rainy day is off limits for spending during normal times. Governor Doyle was swept into office on the heels of Wisconsin's last recession, a recession that caught state government with its fiscal pants down. There was no rainy day fund then, and there is no rainy day fund now. Yet, given the projections of revenue growth of 4.3% this year, 3.2% next year and 3.5% the year after, history would suggest that the governor and the Legislature should be stocking money away in a rainy day fund.

Second, the governor's budget does nothing to erase state government's accumulated deficit. The state is carrying a \$2.2 billion deficit on its official financial statement. The governor's budget actually shows this deficit growing from \$2.2 billion to \$2.4 billion.

So, yes Governor Doyle has presented a budget that does take a couple of small steps toward fiscal responsibility. However, much of the progress is dependent on the Legislature acquiescing to \$1.2 billion in new taxes. It also depends on the Legislature keeping its hands off the \$130 million the governor has set aside for a budget reserve. While it is somewhat refreshing to hear the state's chief executive featuring fiscal responsibility in his budget address, the fine print in the prospectus leaves one wondering if his heart was really in it.