



KATHLEEN VINEHOUT

STATE SENATOR

July 1, 2011

Friends,

Thank you for contacting me in the past about the state's budget. Recently the Governor signed into law the two year budget. I am writing to provide an update on the state budget and its effect on our area.

I did not support the Governor's budget. Throughout the spring I held town hall meetings across our Senate District. I heard from hundreds of citizens who expressed concern over the deep cuts to our local communities and the lack of state resources available to adequately operate local government.

In response to this concern I spent days going back over the budget to see what other options might exist. The numbers I studied showed me there is a better way to balance the budget with the same dollars.

Based on what I learned, I wrote an alternative budget that preserves most funding for education, fully funds technical colleges and veterans programs and does not raise taxes. My alternative budget funds Family Care – protecting our disabled and frail elderly. I did not buy new expansions in charter schools or private voucher programs. I did not raise taxes or lower them. The alternative I provided is not glitzy. It funds basic services without the hurt to our communities.

I offered my alternative budget to my Senate colleagues arguing we did not have to make such drastic cuts. Unfortunately during Senate debate on the budget the Republican leaders did not accept any amendments to the budget. I have now taken my alternative budget and drafted it as a separate bill.

Much of the hurt in this budget did not have to happen. Many of my colleagues said the budget was written as it was because of the financial problems facing our state. But money coming into the state is actually improving.

Our country and state are beginning to recover from a deep recession. Two years ago state revenues dropped dramatically. The state budget deficit was \$6.6 billion. Despite the challenges, the 2009-11 state budget passed by the Legislature was balanced.

As we began work on this state budget, there was talk about deficits and about what is the real fiscal state of the state.

Some talked about a deficit of \$3.6 billion but this number included about \$2 billion in agency requests – including increases over their previous budgets. Most agencies knew those increases would not be funded in this difficult environment.

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One area of concern is the state's fast growing Medicaid program. The new state budget includes an increase in Medicaid spending by about \$1.4 billion. Medicaid is the fastest growing and the largest single part of our state budget when one considers all funds (including the money from the federal government). Part of the growth in Medicaid is because more people need services because of the down turn in the economy. Part of the growth is an expansion in new state contracts.

I am concerned about the proliferation of new and expanding Medicaid contracts. In this budget there are new health contracts totaling \$57 million. There are existing contracts, which a recent audit found lack sufficient oversight and performance standards.

With so much of our state resources going to fund health and related programs it is imperative the state act as a prudent and wise manager of services. We must be vigilant in our oversight and consistent in demanding high quality performance in state contracts. To this end I sought and achieved legislative support for a comprehensive audit of the Medicaid program. This audit is expected to be completed by the end of this year.

Although this budget makes a significant investment in Medicaid and in other programs, the budget makes historic and drastic cuts in local schools, job training, universities and local government.

Along with these cuts come strict limits on local ability to raise local revenue through property taxes. I certainly support my colleagues' efforts to hold down property taxes, but the effect of the deep cuts in state aid to public education and local government will be felt by all citizens.

Particularly hard hit is education at every level.

Technical colleges and universities are raising tuition to make up for the shortfall of state dollars. For example, the University of Wisconsin Eau Claire is expected to lose over six million dollars in state funding. University officials report the 5.5 percent tuition increase allowed by the budget would cover about half of this cut.

Chippewa Valley Technical College will lose a little over two million dollars. Raising tuition by 5.5 percent, using savings and increased enrollment will help CVTC balance the budget this year, but officials expect funding problems to increase in the coming years. At this rate of increase in tuition soon families will not be able to afford to send their children to colleges and universities

Local schools face similar problems. Many schools are laying-off or cutting back teaching positions and using reserve money to pay for current bills. This approach to budgeting cannot be sustained. Schools that spend reserve dollars will eventually be forced into bankruptcy.

My Republican colleagues said they had to make tough decisions to straighten out state government. They tell me the state is in better fiscal shape than decades.

This is simply not true.

First the budget does not pay bills coming due. The budget restructures hundreds of millions of dollars in debt, not to gain a lower interest rate, but to completely avoid the payments.

This postponed debt, according to the Legislative Fiscal Bureau, will cost the state nearly ninety million dollars in interest over the next 20 years. Financial analysts warn this additional debt could adversely affect the state's bond rating – meaning potentially even higher interest costs.

Second, this budget combined with other bills passed this session creates substantial long-term commitments in lost tax revenue. Changes in our tax code create new tax breaks for such odd items as junk mail and snow-making equipment. If one combines the costs of decreased revenue in other bills passed since January and this budget, the lost revenue to the state is estimated at \$93.4 million in this budget, \$239.5 million in the next budget and over \$2.3 billion over the next ten years.

At the same time this budget gives away millions in tax breaks, it hits many working families and senior citizens by cutting nearly \$70 million dollars from the Earned Income Tax Credit and the Homestead Tax Credit.

Finally, the budget moves large amounts of money from one fund to another. There are twelve separate fund raids in this budget. In all, over four hundred million dollars are raided from one fund to another. The bulk of this money comes out of the state's general checkbook leaving less for schools and local government.

One place the money ends up is to pay for roads. While local road maintenance money is cut back, much money is being sent to southeast Wisconsin to pay for new road projects. To finance new construction, a one-time transfer of money is made. One-time transfers to pay for ongoing expenses leave deficits in coming years.

Road construction projects continue for many years. But commitments to new construction were made without regard to the next budget. This was done not only with actual road construction money but also with money to pay interest on debt and needed bonding. The actions in this budget leave the next budget with a Transportation Fund deficit in cash and needed bonding of over nine hundred million dollars.

The Governor talked about not using gimmicks in this budget, but a one-time transfer of General Funds to the Transportation Fund combined with a long-term commitment to buy huge road projects without the necessary bonding and steady revenue stream seems ill-advised.

The Governor and Republican leaders say they solved the state's financial problems. But instead they spent more, postponed debt payments and left a deficit for future budget writers.

And the historic cuts to education, technical colleges, universities and local government come at a price. Future generations will ask why we didn't invest in education.

Not all of the state budget decisions were related to the financial matters of the state. This budget adds over six dozen policy items as new Wisconsin law. Policy is generally passed as a separate bill. The people of the state benefit when proposed new laws are made public through the legislative hearing process. This gives people adequate time to comment and shape new laws.

The policy items passed in the budget did not receive any type of public hearing. Many items were added at the last minute in the budget process. Some were added in an Assembly Republican amendment presented to lawmakers late in the Assembly debate the night of the final passage of the budget bill.

The lack of a thoughtful and collaborative approach created new laws that will hinder both private and public operations.

For example, new law forbids counties and local government from cooperating on most road projects. This will increase the costs to local government and cause the likely lay-off of county workers. It will not improve the timely or cost effective repair of our roads. New changes in the law will affect local small breweries. Those breweries that make contract beer will have added transportation costs. Small craft brewers will be unable to cooperate to bring their products to market.

New rules will make it harder for citizens to obtain records related to the State Investment Board that manages the \$80 billion state pension fund.

Policy included in this budget will reopen loopholes in our state's carefully crafted payday consumer protection law.

These are just a few of the examples of new laws passed as part of the state budget. Many of the documents I used as sources in this letter are posted on my legislative website. I also included my alternative budget and the details comparing this budget's spending and revenue with the last.

If you would like to see my alternative budget and read the Legislative Fiscal Bureau documents to which I refer, please visit my Senate webpage at <http://legis.wisconsin.gov/senate/sen31/news/>

I appreciate your interest in state government. Please feel free to contact me if questions arise about the impact of the budget or other legislation.

Sincerely,



Kathleen Vinehout
State Senator
31st Senate District