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STATE SENATOR • 17TH SENATE DISTRICT

Capitol Update By Senator Howard Marklein July 6, 2022

Inflationary Reality

Inflation and rising costs are the most universal concerns I am hearing from residents of the 17th Senate District as I attend dairy breakfasts, picnics and community events this summer. Everyone is worried about the rising costs of gas and groceries. Farmers are concerned about the rising costs for inputs such as fertilizer and raw materials. Businesses continue to struggle with supply chain disruptions and rising costs too.

The Wisconsin Farm Bureau Federation (WFBF) recently distributed an article that perfectly illustrates the strain on our pocketbooks. In Wisconsin, it costs approximately \$69.74 to host a picnic for 10 people this summer. This is only \$.06 more than the national average.

But this cost - \$69.74 for 10 people to enjoy a summer cookout – is 17% more than it was last year! The article says that the cause of this significant increase is “a result of ongoing supply chain disruptions, inflation and the ongoing war in Ukraine.”

Inflation, or a general increase in prices and fall in the purchasing value of money, can become embedded in our minds and affect our decision-making, expectations and behavior. Many of us have already begun batching our errands and combining trips to save on gas. Some of us are eating out less or changing the groceries we buy. We are also starting to hear about employees asking for pay increases to compensate for increasing costs.

The State of Wisconsin is a major employer, as are school districts, local governments and other public entities throughout the state. With this concern in mind, I recently reached out to the Legislative Fiscal Bureau (LFB) to seek information about how inflation may affect state finances. I am concerned about the costs we will face down the road, when we are working on the next state budget in spring 2023.

One of our largest expenses is K-12 education, including teacher salaries, which are based on the rate of inflation. They have already increased 4.7% with an overall cost of \$418 million more than the prior year. We know actual inflation is even more than that already, so in the next year ahead the increased costs for teacher salaries are going to be even higher.

Transportation infrastructure and building costs are also increasing exponentially. As roads are maintained, fixed or built, we are getting less road work for the same money as last year.

Building materials and labor are increasing too. We're keeping projects on track, but our costs are significantly higher and we must manage our resources.

This is why I continue to object to sending a \$150 check to every Wisconsinite from our state's surplus. I am glad that our state is in a very positive financial position and that we have a strong surplus right now. But I also know that we are going to need that surplus to manage our finances in the future. I believe that we will be thankful for our conservative approach when we are managing our state budget next spring and are facing tremendous inflationary increases.

Again, inflation and rising costs are the number one issue I am hearing about as I visit with residents of the 17th Senate District this summer. I am staying on top of this issue, studying our options and preparing to craft a state budget that responsibly and effectively addresses inflation. We must be smart and deliberate as we plan for the future with all of these factors in mind.