



---

Welcome to COWS > About COWS > Newsroom > News

## **No End in Sight to State Deficits**

**By: Joel Rogers**

**From: *Madison Capital Times***

**Date: 5/21/2002**

Well, we still don't have a state budget. But at least now we've got Andy Reschovsky's study of how much harder it's going to be to construct one in the future - at least not without some straight talk and leadership of the sort that has lately been AWOL in these parts.

Reschovsky's report - "Wisconsin's Structural Deficit: Our Fiscal Future at the Crossroads" - was earlier anticipated in this space. It's now published and available on the Web site of the La Follette School of Public Affairs. ([www.lafollette.wisc.edu/research/publications/](http://www.lafollette.wisc.edu/research/publications/)).

I think it should be required reading for every politician, candidate and voter in the state.

To paraphrase its basic message: If you think our budget woes are bad now, you ain't seen nothing yet.

It is one of the merits of Reschovsky's study that it is very simply written, with careful and clear explanations of all assumptions and terms used in the discussion of an issue that our betters often make unnecessarily complex.

The "structural deficit" of his title is simply any shortfall that might arise between the cost of state services and programs and the money available through our tax system to pay for them. Understood this way, which is the way it should be understood, Wisconsin has had a structural deficit since the mid-1990s. That is, again, we were spending more money on state services than our tax system ordinarily could generate. We just got lucky for a while. Exceptional economic growth, a moderation of Medicaid costs and, most recently, the award of a ton of money in the tobacco settlement all altered the normal course of things, allowing us to not face up to this unpleasant fact. Now normal is back.

The central goal of Reschovsky's study is to ascertain, based on our current tax system's capacity (and a series of assumptions about economic growth, inflation, population growth and so on), how far short we will soon come in meeting what he calls our "current services budget." That is the amount we currently spend out of our General Fund on various services to citizens of the state - education, health care, recreation, transportation, etc.

As every Wisconsin pupil knows, the biggest ticket items in this current services budget - together accounting for 74 percent of General Fund expenditures - are, in declining order of size, state aid for K-12 education, Medicaid, the UW System, shared revenue and corrections. In real terms, K-12 and corrections were the only areas of growth in the 1990s. The rest have essential flatlined. But this aside, Reschovsky is in the business of seeing what it will cost to maintain this current service level, and then seeing if our tax system will be able to meet that cost.

It bears emphasis that in estimating revenues and costs, Reschovsky makes quite optimistic assumptions. For example, he assumes strong economic growth, substantial increases in the efficiency of government, relatively slow growth in per person health costs, and so on. This is a pretty rosy scenario we're contemplating.

Which only makes his bottom line all the more striking. After deficits of about \$950 million a year in the current biennium - your tobacco money going up in smoke to cover them - he sees an even bigger deficit in 2003 of about \$990 million. And if we don't do something to fix that - i.e., change our tax system to get that much more revenue in, or cut services by an equal amount - there will be yet another deficit of \$770 million in 2004.

On a cumulative or biennial basis, that's then \$1.75 billion in the next biennium. Indeed, unless again we change our tax system or change our current services budget, Reschovsky sees red ink - that is, annual structural deficits of this sort - in every year through 2009-10.

So the bottom line is that, after we escape the shenanigans and posturing of this legislative session, we will be exactly where we have been since the mid-1990s - with a big structural deficit and a political system so broken that it doesn't want even to admit it.

Wisconsinites, especially politicians, are in a sort of collective denial about our state finances. Unless that changes, and we again develop an ability to face problems with some honesty, we're going to have the shock of our lives next year.

Joel Rogers is director of COWS, the Center on Wisconsin Strategy, at the UW-Madison. COWS is sponsoring "Sustaining Wisconsin," a statewide dialogue about the future of Wisconsin. Go to [www.sustainingwisconsin.org](http://www.sustainingwisconsin.org) for more information.

---

Copyright © Madison Capital Times

---