

### GETTING SERIOUS ON STATE FINANCES

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On current estimates, Wisconsin will enter the next biennial budget debate with about a \$700 million “structural deficit.” That means a shortfall, in ordinary economic times, between state revenues and the cost of promised programs. Absent an economic miracle, we’re going to have to cut programs or raise revenues, and we’ve pretty much exhausted painless ways of doing this — raiding the tobacco settlement, deferring obligations, Enron-like “creative accounting.” This time, somebody’s going to get hit.

Nobody disagrees with these facts. They’re true. And the bond markets keep rubbing them in our faces.

But there agreement ends, and we start deluding ourselves.

Present state finance discussion is tilted strongly toward spending cuts, not revenue increases. Some say our public services are too generous, so we can easily afford to cut them. Others say we must cut them, since their present cost to the private economy is hindering its growth. Still others say our government is so overgrown that we can escape this thicket just by increasing its efficiency — i.e., cutting public employment.

But only a tiny minority is saying we should and must raise revenues — either through tax increases, base broadening, or charging more in fees. And most politicians fear that even raising the “R” word will doom their election chances. This isn’t much of a debate at all then.

This non-debate proceeds within a framework of non-facts, tirelessly repeated by business lobbyists, politicians, and the media — that is, most of the people with power to shape public opinion in the state. These non-facts include the propositions that Wisconsin government spending and employment are both vastly above national averages, that the tax burden on business is particularly excessive, and that public spending in general is hurtful to the economy, forcing a painful tradeoff between our shared quality of life and our private incomes.

All nonsense. In fact, Wisconsin government spending is only slightly above the national state average. Annually, we spend 2 cents more per dollar of income, and \$236 more per capita. What this buys us is well above average quality in our schools, parks, roads, and other public amenities and services. Wisconsin government is also not big in comparison to other states. As a share of total employment, state and local government employment here ranks 29th nationally; state government alone ranks 39th. Nor are business taxes here exceptionally high. As a share of all taxes within the state, the Boston Federal Reserve put them at 49th among the states, 50th if you

include the District of Columbia. And any good economist can tell you that public spending, *per se*, has no determinate relation to economic performance or private income.

We can't have a good discussion of our financing options in Wisconsin based on lousy data and analysis. We can and should do better. It's to that end that our two organizations are sponsoring a conference next Tuesday, at UW-Madison, on "Financing Wisconsin's Future: Politics, Economics and Public Opinion." There we'll report results of a large poll we recently commissioned on Wisconsin attitudes toward revenue and spending options, and we'll hear from some national experts both on public spending and economic development and on comparative state political experience with reforming their finances. Panels of local notables and quotables — from both parties, business and labor, the "cut services" camp and the "raise revenue" camp in Wisconsin — will then comment on these outside speakers and debate each other. If you're reading this, consider yourself invited to join this discussion.

What we're hoping for from this conference, and what we hope generally for Wisconsin, is simple. We'd like an honest, civil, public-spirited discussion. We don't expect or even hope that people will put aside all difference. That's democracy. But we are hoping to up the tone and rationality of the present debate, which is what a functioning democracy requires.

Isn't it about time?