

Focus

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In brief

Wisconsin does not have a budget for the fiscal year that began July 1. Two reasons are divided party control of the legislature and major disagreement over health care overhaul and the taxes needed to fund it. Also, Wisconsin is among a dozen or so states with a full-time legislature, no time limit on sessions, and no significant fiscal consequence to budget gridlock.

Capitol notes

- *The state assembly approved parts of the 2007-09 state budget that increase state aid to schools and reauthorize shared revenues for counties and municipalities. County, municipal, and technical college levies were also limited. The governor and senate Democrats object to this partial approach. Republicans say action was needed to allow local governments to budget and to limit property tax increases.*
- *David Stella is the state's new Secretary of Employee Trust Funds (ETF). He was appointed to the non-partisan position by the ETF board.*
- *The average 2008 rate increase for state-employee health insurance premiums will approach 7%. (ETF)*
- *The Wisconsin Department of Revenue (DOR) has closed its Tomah office. Nearest agency offices are in Baraboo, La Crosse, Wisconsin Rapids, and Eau Claire. Questions can be directed to 608.266.2772.*

Understanding state budget delay

About to enter its fourth month without a budget, Wisconsin is now the only state that has no tax-and-spending plan for the fiscal year that began July 1. Reasons for delay range from the obvious to the subtle and include politics, issues, process, and the overall institutional health of the legislature.

Two obvious reasons

Two of these factors were prominent in three prior budget delays—one in 1971 and two in the 1990s. First, major disagreement over creation of a university system held up the first of the three budgets. Second, in all three cases, partisan control of the legislature was split, making compromise between the two houses difficult. Wisconsin is currently one of only 12 states with divided control.

This year, both issue differences and party politics are in play. The combination makes the 2007 budget unusually difficult to pass. Waged to an unusual degree on national rather than state issues, the 2006 election led state Republicans to lose three seats and control in the upper house and eight seats in the lower house. With U.S. politics largely unchanged from two years ago, Democrats sense an opportunity to expand their senate majority and to capture the assembly. Republicans, on the other hand, fear being shut out of state government leadership for the first time in a generation.

If one number best summarizes the current deadlock, then, it is 2-0-0-8. The political stakes are unusually high, and both major parties are aggressively positioning themselves for the next election. For Democrats, health care is both the banner under which they hope to run and the weapon they plan to use against their GOP opponents.

For Republicans, tax hikes, mainly to fund expanded health care, are the issue they hope to use against Democrats. In a top-10 taxed state, they say Wisconsin taxpayers cannot bear proposed tax hikes. Whether the budget contains the tax/fee increases recommended by the governor (\$1.75 billion, b) or by senate Democrats (\$9.5b), the GOP views them as excessive.

Tools to spur work

There are also institutional factors that explain budget enactment elsewhere and delay here. First, legislators point out that this and prior gubernatorial budgets were invariably introduced late.

Second, while the typical state has either a constitutional (28), statutory (4), chamber-rule (3), or other (3) limit to session length, Wisconsin is one of 12 states with no limit on its legislature. This year, 28 state legislatures had gone home by the end of May, 38 by June, and 41 by July. California ended in early September. Only eight states, including Wisconsin, report that their legislatures are meeting continuously.

Third, if deadlines promote progress, so do consequences. Only 12 states place no restrictions on state government funding when a budget is not enacted. Wisconsin is one of those 12, permitting state operations to continue at prior budgeted levels.

The most common antidote to lack of a budget—found in 23 states—is government shutdown. Another 12 states cease operations but make exceptions for items such as debt service, special needs clients, or employee salaries. Illinois has a novel solution: After June 1, budget approval requires a three-fifths, rather than majority, vote of each house.

Budget procedures

Recent approval by the Republican assembly of a partial budget to fund state aid to schools and local governments and to limit property tax increases highlights another major difference in budgeting between Wisconsin and other states.

Wisconsin's budget process is centralized. Biennial revenue, spending, and borrowing decisions are typically addressed in a single bill whose contents are often sweeping in scope. Budget decisions in the legislature rest chiefly with the eight senators and eight representatives who make up the Joint Committee on Finance (JCF).

This one-committee, one-bill approach to budgeting is not the norm among states. Wisconsin is one of only 14 states with a joint committee that works on appropriations (JCF), one of only six with a joint revenue committee (again, JCF), and one of only three where the committee has combined revenue and expenditure authority.

In theory, Wisconsin's process has much to recommend it: All budgetary revenue and expenditure items are considered at the same time by one body. However, this year revealed some weakness in our centralized approach. As long as decisions are made, our process works well, but it

can also lead to bottlenecks. JCF worked from March through May on the governor's budget but deadlocked 8-8 on many issues relating to taxes, health care, education, and transportation. These unresolved areas are now stalling the budget.

Fundamental ills?

Past gridlock in both Minnesota and Wisconsin led observers to suggest the real cause was not rules or procedures, but flaws in state politics and institutions—the “sick legislature syndrome.”

Wisconsin is one of 11 states considered by the National Conference of State Legislatures to have a full-time, professional legislature. Like any workers, lawmakers want to keep their jobs and party leaders want to retain their power. The need to be reelected and in power means:

- Short-term decisions that mask or reduce political risk are favored over sounder long-term ones. The state's ongoing fiscal problems are the result.

- Lawmakers and party leaders seek public attention. The media respond by focusing on personalities and controversy rather than on substance. Self-preservation and promotion become paramount, while institutional health and the ability of the legislature to function smoothly suffer. The current budget deadlock is illustrative.

- Fundraising becomes a necessity, particularly given the high cost of media. The result is increased influence for contributors, lobbyists, special interests, and party leaders.

- Leaders in a full-time legislature are particularly powerful. In addition to access to campaign resources, leaders can ensure success—or failure—of individual legislators by influencing potential primary opposition, legislative redistricting, committee appointments, and bill scheduling.

- In this era of increased party and “single-issue” polarization, the influence of interest groups and issue activists is considerable, particularly in primary elections where turnout is low and a motivated few can affect results. These factors partly explain the senate Democrats' insistence on a state-sponsored, universal health plan and the GOP's opposition to the \$15.2b in new taxes the plan requires.

We have met the enemy . . .

Part of the blame for a late state budget also rests with the public and the press. The public rarely follows state affairs; few citizens even know of the state's unusually weak balance sheet. At the same time, citizens do not have access to the same level of in-depth reporting of state affairs that they had 20 or 30 years ago.

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