

Focus

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In brief

Not since 1997 and 1999 have circumstances suggested likely state budget stalemate as they do this year. The following point to the possibility of a long, hot summer and a fall budget: a split legislature, tie votes on the budget-writing Joint Committee on Finance, intra-party differences, a conference committee, tight state finances, and major philosophical disagreements over taxes and health care.

Capitol notes

- “An overwhelming 83 percent of U.S. adults believe the current federal income tax is somewhat or very complex,” according to a Tax Foundation/Harris poll.
- With \$28.6 billion (b) sitting in “rainy day” funds and another \$29.4b in budget surpluses, the 50 states in fiscal 2006 had \$57.9b in cash. Wisconsin’s rainy-day fund has been essentially empty for 20 years, and its budget balances have been small, at best. (Source: NCSL)
- The National Conference of State Legislatures also reports that 268 lawmakers in 13 states could not run for reelection last November because of term limits.
- The State Assembly has several 2007-08 committees with similar names: Agriculture, Rural Affairs, and Rural Economic Development; also, Colleges & Universities, Education, and Education Reform.

State budget headed for summer rocks?

Students of Capitol politics, budget watchers, and even some lawmakers are starting to see parallels between the 2007 state budget and those enacted in 1997 and 1999. Budgets of the late 1990s were dogged by partisan gridlock and budget debate that dragged into fall.

Wisconsin is supposed to begin its 2007-08 fiscal year on July 1 (see timeline below). If the state is without a new budget, it operates under the old one. For some programs, this might be manageable; however, for others expecting increased state funding—schools, local governments, universities, and private vendors to name a few—budget deadlock means financial angst.

Hurdles: Party, philosophy

There are clear similarities between this year and 10 years ago. Now, as then, when the governor and legislative leaders are not of the same party, conflict can result. During the 1990s, Gov. Tommy Thompson (R) faced Senate Majority Leader Charles Chvala (D). Now, Gov. Jim Doyle (D) must get his proposals by Assembly Speaker Mike Huebsch (R-West Salem).

Likewise, split party control of the legislature can be a problem. During 1997 and 1999 budget deliberations, the senate was led by Democrat Chvala, while the assembly was run by GOP Speaker Ben Brancel and his successor, Scott Jensen. Today, Senator Judy Robson (D-Beloit) and Speaker Huebsch lead their respective houses.

Another parallel between then and now is relatively small majorities in each house. Though seats shifted due to special elections, the senate was narrowly Democratic (17-16) in 1997 and 1999. Regaining their majority last November, Democrats now control the upper house 18-15. The lower house is marginally Republican (52-47), just as it was in 1997. The GOP majority in 1999 was 55-44.

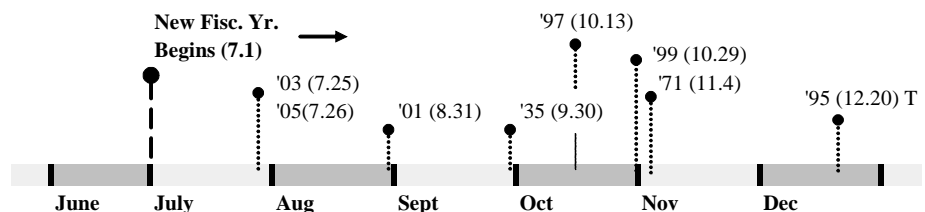
Interparty disagreements in this era of increased partisanship is to be expected. But slim legislative majorities can also lead to problems. With few seats to spare, majority leadership needs caucus unity to establish party positions and eventually to pass a budget. But geographic and philosophical differences, not to mention personality conflicts, occur in both parties. By opposing their party’s positions or holding their caucus hostage to specific demands, a few dissidents within a majority can delay a budget or, if they choose, derail it.

Process obstacles

When opposing parties control the legislature’s two houses, problems can also emerge early in the budget process. After its introduction, the governor’s budget goes to the 16-member Joint Committee on Finance (JCF). With legislative control divided, JCF has not only the customary parity between senate and assembly (eight from each) but also equal numbers of Democrats and Republicans. Any

Fall Enactment of State Budgets Is More Common Now

Publication Dates of Delayed and Recent Budgets; T = Transportation Only (Source: LRB)



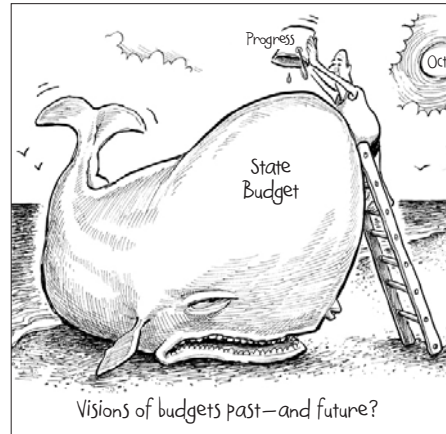
issue on which the parties disagree will result in an 8-8 vote on the committee and leave the governor's budget intact.

The implication for this spring is that the committee is likely to change the governor's budget only where issues are minor, consensus exists, or rare compromise is possible. Whether JCF can produce a budget or not, the bill would proceed to the two houses, where the majority party will call the shots.

In the senate, 18 Democrats will fashion a version of the governor's budget that meets the demands of its caucus members. In the assembly, the 52 Republicans could reject the governor's budget and build their own, or substantially rewrite it. The result of caucus action in both houses will be two budgets that are different than the governor's and, more significantly, substantially different from each other.

A conference committee consisting of senators and representatives would then have to reconcile the two bills. Even if compromise within the committee is possible, its work is inevitably complicated by two outside influences. One is the governor, whose extensive veto power means he can rewrite any conference committee bill, producing a budget more to his liking and that of the senate. The other is caucus members lobbying their leaders from the sidelines or actively opposing committee recommendations.

Just as senate Democrats knew in the late 1990s, assembly Republicans are fully aware of the governor's power and will agree to conference compromises only if the governor pledges not to veto them. As with any governor, Governor Doyle will be reluctant to negotiate away any of his authority.



Insurmountable issues

If Democrat-Republican, executive-legislative, and intraparty disagreements were not enough, the 2007 budget faces hurdles not encountered in 1997-99. Then, the state enjoyed vigorous revenue growth and healthy surpluses. In the legislature, nothing settles political disputes like money.

However, with the state's financial statements showing deficits and the governor proposing a net ending budget balance close to zero, there is no money available to "buy" compromise.

An even bigger problem, though, is key budget proposals. The governor is asking for a net 2007-09 tax-fee increase of \$1.75 billion. With colleagues sitting in competitive districts, senate Democrats are not universally comfortable with these increases. And many Republicans oppose any tax hikes. Even if, as in the late 1990s, a few GOP lawmakers are willing to accept a small, selective tax increase (e.g., in the cigarette tax), they have colleagues who support no increases.

Health care is a second "big" issue that fundamentally divides the parties. The governor and many Democrats are comfortable with the state taking the lead in expanding coverage, while Republican leaders have said that they cannot support spending new tax dollars on health care without providing for greater cost control. Rather than an expanded role for government, they prefer reforms that allow consumers to make health care choices.

Now what?

Barring the unforeseen, Wisconsin could be without a budget until fall. Some at the Capitol and in the press believe neither JCF nor the legislature can produce a complete budget. Since agreement between the governor (D) and assembly speaker (R) is ultimately necessary, they ask: Why not skip the "middlemen" and move directly to talks between the two who really matter?

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