



## Wisconsin Taxpayers Alliance

401 North Lawn Avenue • Madison, WI 53704-5033  
www.wistax.org • 608.241.9789 • fax: 608.241.5807

# NEWS

Contact: Todd A. Berry or Dale J. Knapp  
608.241.9789 or [wistax@wistax.org](mailto:wistax@wistax.org)  
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### **Debt Service Emerging as Major State Expense** WISTAX Recaps 2007-09 State Finances

MADISON—After state aid to local governments, low-income health care, prisons, and the university, the largest item in the state's general fund budget is now debt service. This is one of several surprise findings in the Wisconsin Taxpayers Alliance's (WISTAX) new recap of 2007-09 state finances. Now in its 76th year, WISTAX is a nonpartisan organization dedicated to public-policy research and citizen education.

Increased debt expenses are one symptom of recurring budget problems. Another is a 14-year string of "structural deficits." According to WISTAX, Wisconsin has begun every two-year spending period with unfunded commitments since 1997. This fiscal unbalance was \$701 million at the start of the 2005-07 biennium and \$653 million as budgeting for 2007-09 began. With current projections of a \$652 million budget shortfall, the governor and legislators are now trying to reach agreement on a fiscal "fix" that will likely push the structural deficit over \$700 million by next year.

Another surprising indicator of continuing state fiscal problems is how little budget cushion the state has. WISTAX points to a national survey showing that the 50 states have \$45.8 billion in reserve this year. If Wisconsin were a typical state, it would have a surplus of almost \$1 billion, but its actual reserves are about one-eighth that amount.

The principal reason the state faces major challenges whenever it has a budget crisis rests on how it spends its money. In addition to debt service, which it legally cannot cut, it devotes 55% of general fund expenses to aiding schools and local governments, and another 12% on health care for low-income individuals (Medicaid). That means that close to 70% of what the state spends is devoted to programs whose costs are difficult to control (Medicaid) or to programs that, if trimmed, would likely result in local property tax increases.

"What is not readily understood," observes WISTAX President Todd A. Berry, "is that the cost of operating state governments accounts for only 17% of general fund expenditures. The public and press often presume that cutting state agency budgets can solve a budget problem, yet the uncomfortable truth is that more than four of every five dollars in the state budget are spent elsewhere."

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More information on these surprising facts and a complete review of the 2007-09 state budget are available in the latest monthly issue of WISTAX's *Wisconsin Taxpayer* magazine, "Walking the Line: Balancing a Shaky Budget." A free copy can be obtained by contacting WISTAX by phone at 608.241.9789, by e-mail at [wistax@wistax.org](mailto:wistax@wistax.org), or by mail at 401 North Lawn Ave., Madison, WI 53704-5033. □

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