



Wisconsin Taxpayers Alliance

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NEWS

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Coming Revenue Shortfall Shows Wisconsin Budget Vulnerability

Wisconsin Less Prepared Than Most States for Economic Slowdown

MADISON—“Unlike most states, which amassed major surpluses in recent years, Wisconsin has little with which to withstand a recession,” a new report from the Wisconsin Taxpayers Alliance (WISTAX) finds. The nonpartisan public policy research group reports that, while state governments around the country have combined 2007-08 surpluses of almost \$46 billion, Wisconsin may be facing a \$400-million revenue shortfall with only \$124 million in reserve.

Drawing on figures from state budget offices around the U.S., WISTAX found that state surpluses nationwide averaged 6.7% of spending compared to just 0.9% in Wisconsin. “If Wisconsin were a typical state,” observed WISTAX President Todd A. Berry, “its reserves would approach \$1 billion, and it would be well-prepared to weather slowdowns in both the economy and state tax collections.” During 2006 and 2007, Badger State reserves were even smaller at just 0.4% of spending, compared to national averages of 11.5% and 9.6%, respectively.

WISTAX notes that Minnesota has a projected 2007-08 surplus of \$1.65 billion, or 9.6% of expenditures. Half the size of Wisconsin, Iowa sits on reserves more than five times the size of ours; the Hawkeye State’s estimated surplus is \$636 million, or 10.9% of expenditures. Illinois’ balance totals \$919 million (3.4% of spending), while Michigan’s is \$251 million (2.6%).

“The state’s likely deficit should come as no surprise,” according to WISTAX. It notes that, although the latest state budget was enacted four months ago, a national index of consumer sentiment dropped 24% over the past 13 months. Even more notable, Wisconsin’s nonfarm job growth, decelerating since early 2005, has lagged the nation for 32 consecutive months.

For a copy of WISTAX’s latest report, “States of the States,” contact: wistax@wistax.org; 608-241-9789; or WISTAX, 401 North Lawn Avenue, Madison, WI 53704. □

(Editors’ Note: An electronic version of this release is available at www.wistax.org.)