



PRESS RELEASE

WISCONSIN DEPARTMENT of ADMINISTRATION

November 19, 2004

For Further Information Contact:

David Schmiedicke, State Budget Director

Phone: (608) 266-1035 E-mail: david.schmiedicke@doa.state.wi.us

Department of Administration Issues Revenue Estimates for 2005-2007 Biennium

Madison, Wis.—Figures released by the Department of Administration today report the State of Wisconsin will face a budget shortfall of \$1.6 billion in the 2005-2007 biennium—down from \$3.2 billion two years ago.

“The long-term fiscal problems in Wisconsin’s budget built up over many years, and no one expected they would be solved in a single budget,” said Administration Secretary Marc Marotta. “We made significant progress two years ago, and we have continued to focus on fiscal responsibility – from seemingly small things like selling state cars to big things like saving \$93 million by putting a state contract up for competitive bidding. That’s why this deficit is half the size of the last one. The Governor will balance the budget the same way he did before – not with tax increases, not with cuts that will devastate key services, but by trimming the fat and making our government more efficient.”

Despite an overall shortfall, the state’s general fund net balance for the end of fiscal year 2004-05 (FY04-05) is projected to have a positive balance of \$176.3 million.

The report cites strong economic growth throughout the state, but notes that commitments such as Medicaid continue to exert tremendous budgetary pressure and contribute to the deficit. Agency budget requests and advance commitments from the 2003-2005 budget account for \$1.4 billion of the shortfall, with current year shortfalls in Medical Assistance programs accounting for the remainder. In addition, the overall shortfall includes over \$800 million in Medicaid program cost growth, an increase similar to what other states are facing.

“An aging population combined with health care costs rising much faster than the rate of inflation continues to create fiscal problems for the state’s Medical Assistance programs such as Medicaid, BadgerCare and Senior Care,” said Secretary Marotta. “Further complicating matters, the federal government is providing diminishing support for these programs, leaving the states to shoulder a larger portion of the costs. Without leadership from Washington, D.C., Medical Assistance will continue to be a major budget obstacle for states around the country.”

(more)

Helping the state's budget outlook is continued job growth. Wisconsin led the Upper Midwest in job growth for the past seven months, and created nearly 53,000 jobs in metropolitan areas in the last year alone. Growing wages from these jobs are projected to improve tax revenues in the state and boost Wisconsin's general fund revenue projections.

In the current fiscal year (FY04-05), job growth is expected to help general fund revenues exceed earlier Legislative Fiscal Bureau estimates by \$147 million. State estimates expect payroll employment to grow between one and two percent annually, and personal income growth to keep pace with, or exceed the national average over the next two years.

"Growth in tax revenues is a positive sign and shows that Wisconsin's economy is getting back on track," Marotta said. "Governor Doyle's commitments to growing the state's economy and competing at the high-end are helping to both create family-supporting jobs and improve Wisconsin's budget."

Projecting modest economic growth, the Department of Revenue estimates used in the report expect tax revenues to grow by 4.3 percent in FY 2005-06 and 4.6 percent in FY 2006-07.

"Governor Doyle inherited the largest deficit in state history and he balanced the budget without raising taxes," said Marotta. "This fiscal year, Wisconsin will spend \$110 million less than it takes in, proving the state can be fiscally responsible with taxpayer dollars without gutting vital services."

Marotta cited the ongoing work of the Administration to bring fiscal responsibility back to state government, including:

- Putting key state contracts out for competitive bidding for the first time in many years, saving \$93 million on Medicaid administration and \$46 million on BadgerNet, the state's information technology system;
- Ordering all state agencies to identify proposals to cut 10 percent of administrative overhead;
- Ordering a reduction of 1,000 state vehicles and imposed new accountability measures;
- Reducing the number of state cell phones by 1,580, a reduction of 14 percent;
- Reducing the number of discretionary pay awards by cabinet agencies from 1,622 in 2002 to just 141 in 2004, a decrease of 92 percent;
- Selling seven state planes already, with plans underway to sell additional aircraft.

Forward-looking statements in the Department of Administration report are based upon revenue estimates prepared by the Department of Revenue. As with any economic projection, statements and numbers in the report are subject to change given economic uncertainties such as oil prices, inflation and interest rates. The state will reexamine all budgetary numbers again before the Governor introduces his budget.

###