



Monday, November 20, 2006

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## **Department of Administration Issues Summary of Agency Requests, Revenue Estimates for 2007-2009 Biennium**

The State of Wisconsin's biennial budget process began anew today with the release of figures from the Department of Administration that show a \$1.6 billion gap between state agency requests and expected revenue—a gap that will now be closed by selecting priorities and establishing funding levels during the development of the Governor's budget proposal.

"Governor Doyle has shown over the course of two consecutive budgets that Wisconsin can fund its priorities, provide targeted tax relief, and create an environment for economic growth without raising taxes," Administration Secretary Steve Bablitch said. "This will continue to be our approach for the 2007-2009 budget."

The release of today's report is the first step in the budget process. The Governor will now begin working with the State Budget Office to analyze the numbers and agency requests.

"Fiscal pressures exist in every budget, but they can be managed by setting priorities, identifying opportunities for streamlining and exercising fiscal restraint," Secretary Bablitch said. "The Governor will now work through the details of the agency requests and revenue estimates to develop another budget that keeps Wisconsin moving forward."

The report projects steady economic expansion over the next two years tempered by the national economy and pressures such as a changing housing market, higher interest rates and increased energy costs. Still, the Department of Revenue estimates that general fund tax revenues will increase by 3.6 percent in fiscal year (FY) 2007-2008 and by 4 percent in FY 08-09, even after more than \$600 million in tax cuts and credits authorized by the Legislature and Governor over the past four years begin to take effect.

The DOA report also shows:

- State tax revenues are expected to increase from \$12.491 billion in FY 06-07 to \$12.941 billion in FY 07-08, an increase of \$450 million (3.6 percent), and increase again to \$13.462 billion in FY 08-09, an increase of \$522 million (4 percent).

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- Tax law changes and property tax credits in this and the prior biennia will reduce state tax revenues and increase state spending by \$600 million in the 2007-2009 biennium.
- The state is spending \$21 million less than it is taking in FY 06-07, indicating that the general fund is structurally balanced.
- The rising cost of health care, combined with increased costs at correctional institutions will present the budget's biggest challenges.

In constructing their budget requests, state agencies were directed to hold their funding steady at its current level, with exceptions made for vital services and programs such as K-12 school aids, medical assistance, correctional institutions, and debt service.

The forecasts and projections 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 energy prices, inflation and interest rates. The state will reexamine all budgetary numbers again before the Governor introduces his budget.

A copy of the report is available online at

[http://www.doa.state.wi.us/section\\_detail.asp?linkcatid=38&linkid=1&sname=Business%20in%20DOA](http://www.doa.state.wi.us/section_detail.asp?linkcatid=38&linkid=1&sname=Business%20in%20DOA).

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