



Tony Evers

Office of the Governor | State of Wisconsin

June 7, 2024

Dear Secretaries and Agency Heads:

I write to you today as we embark on preparing our next biennial budget to build upon our administration's important work to respond to pressing challenges facing our state, improve the lives and well-being of Wisconsinites, strengthen and support our communities, and move Forward, as always, toward the future we know is possible for Wisconsin. Over the last five years, we have worked in earnest to right previous wrongs, make the smart, strategic investments that will prepare our state to meet the demands of the 21st Century, and deliver meaningful results for the people we serve. Our work continues today as we craft Wisconsin's 2025-27 biennial budget.

During this past legislative session, we worked hard to deliver for the people of Wisconsin, enacting over 270 pieces of legislation—many passed with broad, bipartisan support. Among these critical proposals included the 2023-25 biennial budget and several relating pieces of bipartisan legislation that will define our state's future for the next generation.

We worked hard to pass a transformational, generational, and historic increase in shared revenue aid to local governments—one of the most significant sources of funding provided by the state—under which most municipalities will see at least a 20 percent increase. We also secured one of the largest state investments in housing in state history with over \$520 million GPR in resources for affordable workforce and senior housing. We also fought for the largest increase ever in per pupil revenue limit authority for school districts, provided nearly a half a billion dollars on an all funds basis to long-term care providers through rate increases and incentive payments, and invested in public safety by providing significant wage increases for assistant district attorneys, assistant state public defenders, correctional officers, and correctional sergeants. Finally, I was proud to build upon our efforts to deliver real, meaningful tax relief for working families—something I have been proud to do throughout my time in office. I was especially glad to finally see a proposal for which I have long advocated to expand the current child and dependent care tax credit, which is projected to provide nearly \$73 million in annual tax relief under which more than 110,000 Wisconsin taxpayers will see an average benefit of \$656 per filer—a huge win in our efforts to make child care more accessible and affordable for working families. All told, our reduced taxes as a cumulative total of individual income tax cuts enacted during my time in office will reach roughly \$7 billion by the end of fiscal year 2024-25 with ongoing annual relief of approximately \$1.6 billion each year going forward. This is great news for the taxpayers of Wisconsin.

In addition, we have continued to manage our state's finances well throughout our administration. After 30 consecutive years of seeing this state run a Generally Accepted Accounting Principles (GAAP) deficit, we have had four consecutive years with a GAAP surplus, including a record-setting \$6.7 billion surplus at the end of the 2022-23 fiscal year. Since we took office, we have watched our state's budget stabilization fund (our "rainy day" fund) continuously grow as well. Recently, the Legislative Fiscal

Bureau estimated our budget stabilization fund will reach \$2.0 billion by the end of the 2023-25 biennium.

We have also positioned our state soundly to address the needs of Wisconsinites in the future, as current estimates project a \$3.1 billion surplus in our state's general fund at the end of the 2024-25 fiscal year. Further, we should be proud of what we have done regarding debt management. We have both seen rating upgrades from rating agencies and maintained a AAA level rating on our bonds now for nearly three years. Our upgrades reflect rating agencies' acknowledgment of our much larger reserves, strong liquidity, continued positive increases in our general fund balance (on a GAAP basis), and prudent fiscal management. We have reduced the amount of the state's long-term debt obligations by an average of \$368 million per year over the past five years. In addition, the amount of state transportation revenue bonds has been reduced by \$223 million since the end of calendar year 2018.

Overall, we have reduced the state's general purpose revenue debt service as a percentage of tax revenues in fiscal year 2024-25 to 2.12 percent, which is down from 3.40 percent at the end of fiscal year 2017-18—the last full fiscal year before we took office. Finally, over the past five years we have completed numerous debt refinancing transactions that have provided present value debt service savings for all borrowing programs of over \$546 million. We have reduced the state's overall outstanding debt by \$1.8 billion from \$13 billion in 2018 to \$11.2 billion in 2023 and saved hundreds of millions of dollars by using cash, instead of bonding, for the state's 2023-25 building program. Finally, we utilized the \$400 million included in 2023 Wisconsin Act 19 to pay down general fund annual appropriation bonds, which resulted in future debt service savings of \$55.4 million through fiscal year 2026-27. We will continue doing everything we can to proactively manage and reduce state debt, just as we have been proud to do over the last five years.

While the state continues to maintain a strong fiscal position, I know just as you do that, in many areas, state investments have not maintained pace with inflation, including the need for additional resources for many agencies' operating budgets, which have been constrained now for many years. In the 2025-27 biennial budget, we must again balance the important obligations of saving where we can and staying well within our means while investing in needs that have long been neglected as we continue striving toward the future we have worked hard to build together. We must continue to be efficient stewards of taxpayer dollars while also being realistic and pragmatic, including recognizing increased costs experienced by state agencies that are necessary to adequately serve the people of our state, among them new programs we have added in recent budgets that must be effectively managed. Consequently, our 2025-27 Major Budget Policies will provide some reasonable flexibility related to your supplies and services budgets and the opportunity to request non-GPR funded positions in your requests that are due on September 16, 2024.

There is much to be proud of from this most recent legislative session, yet I continue to be disheartened by the refusal of 12 members of the Joint Finance Committee to release already-appropriated funds to combat PFAS contamination statewide, respond to abrupt hospital closures in Western Wisconsin, and improve reading outcomes for our kids in K-12 schools, among other critical requests awaiting the committee's timely action.

While we have accomplished much over the past five-plus years, as always, our work is never finished—there is much ahead for us today, tomorrow, and through our next biennial budget, which will reflect solutions to address the pressing challenges that have long faced our state while continuing to build upon our progress of the last five years. We continue to be resolute in recommending the investments, resources, and support necessary to: stabilize our state's child care industry on the brink of collapse while expanding access to quality, affordable child care; ensure every Wisconsinite can access high-quality

education from early childhood to our University of Wisconsin System or Wisconsin Technical Colleges; expand Medicaid just as 40 other states—red and blue among them—have decided to do in recognizing the value for rural communities and access to affordable, quality care alike; protect our environment and conserve our natural resources as we continue moving Wisconsin into a clean economy future; continue fixing our roads, improving our infrastructure, and expanding access to high-speed internet to meet the needs of the 21st Century; enact long-overdue paid family leave; further bolster our efforts to recruit, train, and retain a talented workforce while supporting those entering it; and provide tax relief to working families, including family caregivers, first-time homebuyers, and our veterans.

While we have continued to move our state, as always, Forward, these past five years, the challenges we have faced for years in many ways remain. I am grateful as ever for your work to do what is right for the people of our state and continue to be impressed by your partnership, collaboration, and spirit of service in embracing kindness, civility, empathy, and respect in the work we do every day. As we work toward preparing our next biennial budget, together, I want you to know how much I appreciate your dedication, your perseverance, and your diligence in this work. I appreciate each of you and your continued commitment to serving the people of our state and look forward to our work together in service in the days and months ahead. There is always more work to do, and there is no one else I would rather have as partners in this important work.

Forward, as always.

Respectfully yours in service,

A handwritten signature in black ink that reads "Tony Evers". The signature is written in a cursive, flowing style.

Tony Evers
Governor

cc: Agency budget directors