



Tony Evers

Office of the Governor | State of Wisconsin

June 7, 2022

By Electronic Mail Only

Dear Secretaries and Agency Heads:

Throughout our administration we have all met many resilient Wisconsinites from one end of the state to another who have taken the time to share their ideas with us on what we can do to make our great state an even better place to live, work, play and raise a family. As we continue to actively listen to our fellow residents, let us continue doing the right thing for those we represent by focusing on our shared values that bring us together as a people, many of whom are less concerned about who gets credit for what in Madison than they are about what gets done.

While we look forward to our 2023-25 biennial budget and all that is ahead of us, it is also essential to recognize what we have done by working together and listening to the people of Wisconsin. And I want to start by extending my thanks to you and to the state workforce at each of your agencies for their efforts to serve the people of Wisconsin during these unprecedented times. Your flexibility, responsiveness, and dedication to serving the people of Wisconsin in the face of constant change and many challenges is greatly appreciated by me and by the people of our great state.

We have continued to demonstrate our ability to get things done as I have signed hundreds of separate pieces of legislation into law this legislative session, including a state biennial budget that, when combined with my tax cuts from last session, fulfilled our promise to reduce state income taxes for the middle class by roughly 15%. By the end of the 2022-23 fiscal year our cumulative total of individual income tax cuts will reach roughly \$4.1 billion, with ongoing annual relief for Wisconsin taxpayers of approximately \$1.5 billion each year going forward. We also updated our income tax withholding tables for the first time since 2014 to reflect the multiple income tax cuts I have signed into law over the past three years to provide Wisconsinites with more money in their paychecks throughout this year.

The budget I signed last summer included many recommendations we made that we had heard time and again from people across the state. We significantly increased nursing home reimbursement rates, expanded broadband access across the state, provided another round of increased general transportation aids to continue maintaining and fixing our roads, fulfilled our two-thirds funding goal for our schools, increased sparsity aid for students in our small, rural school districts, and invested in our farmers by providing funding to promote and increase exports of our agricultural products.

We have also managed the state's finances well during these unprecedented times. After 30 consecutive years of running a Generally Accepted Accounting Principles (GAAP) deficit, we have had two consecutive years with a GAAP surplus, including a \$1.18 billion surplus at the end of the 2020-21 fiscal year. Since we took office, we have also increased the state's budget stabilization fund (our "rainy day" fund) by over five times as we currently have a record high balance of roughly \$1.73 billion.

We have also positioned our state soundly to meet the needs of Wisconsinites, as the Legislative Fiscal Bureau's most recent general fund projection estimates we will have a \$3.8 billion surplus at the end of the current 2021-23 biennium. While I am disappointed that the Legislature has failed to act on my requests to use a portion of these funds to provide relief to Wisconsinites now, this significant fund balance puts the state in a strong position to meet the needs of our state in the next biennial budget.

Our stellar financial management has also literally paid off in other ways. Last summer, we saw the State receive upgrades from two rating agencies, with one rating upgraded to a AAA level, which is our first AAA rating since 1982. The upgrades reflect the rating agencies recognition of significantly improved reserves, elimination of the negative fund balance (on a GAAP basis), and strong fiscal management. We have reduced the amount of the State's long-term obligations by an average of \$316 million per year over the past three years. In addition, the amount of State transportation revenue bonds has been reduced by \$203 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 the 2022-23 fiscal year to 2.28%, which is down from 3.40% at the end of the 2017-18 fiscal year, the last full fiscal year before we took office. Finally, over the past three plus years we have completed numerous debt refinancing transactions that have provided present value debt service savings for all borrowing programs of roughly \$383 million. Our debt management record is evident as we have done, and will continue to do, whatever it takes to save Wisconsin taxpayers every dollar we can.

However, as we all know, there is some economic uncertainty now amidst an ever-changing and unrelenting pandemic, an international crisis, and ongoing economic challenges around the globe. While I am optimistic our global and national economy will steady itself, it is appropriate that we exercise caution going forward in our current economic environment right now.

Therefore, our 2023-25 Major Budget Policies will again require most state agencies to not seek any additional GPR-funded expenditures in either year of the upcoming biennium in their budget requests that are due on September 15, 2022. These requirements also extend to SEG-funded administrative operations for the Departments of Natural Resources and Transportation and the Lottery at the Department of Revenue.

Let me be clear, there is much more for us to do, and I plan to redouble our efforts to address issues that we hear about every day from our fellow citizens. Some, but far from all, of these items include appropriately funding a quality education for our children and young adults, expanding Medicaid and reducing the costs of prescription drugs, ending the far too long freeze on shared revenues by providing our local governments with the necessary fiscal resources to keep their communities safe, building upon our current successes in fixing our roads and providing tax credits to those that need them most to continue our economy recovery, including family caregivers, first-time homebuyers, veterans and those incurring child and dependent care expenses.

Your leadership of your respective agencies continues to be exemplary throughout these challenging times and I remain steadfast in my sincere appreciation for all that you do to move this state that we love so much forward each day.

Sincerely,



Tony Evers
Governor

cc: Agency budget directors