**Fiscal Facts:  Gov. Evers Sets Priorities in 2019-21 State Budget Proposal**

The state of Wisconsin’s main fund is projected to bring in $753 million more than expected through June 2021, new revenue estimates show. The latest projections from the nonpartisan Legislative Fiscal Bureau provide new options for state officials, who have been considering whether to lower reserve funds or raise taxes on upper-income earners as they seek to increase state aid to K-12 schools and lower middle-class taxes.

Gov. Tony Evers’ proposed 2019-21 state budget prioritizes spending on public schools, prisons, and the University of Wisconsin System, but leans on a net increase in taxes and a drawdown of reserves to help finance the cost.

As proposed before the new revenue estimates, the governor’s budget would spend substantially more in the second year than the state expected at that time to receive in revenues. The state’s general fund would start the year with $937.9 million and close the year with just $105.3 million, the lowest amount since 2011. This imbalance between spending and the previously projected tax revenues would have carried into the following two-year budget, making it harder to balance.

The governor’s budget also would include a two-year, $688.7 million net increase in collections of income, sales, and excise taxes. It proposes a 10% income tax cut for middle-income taxpayers, as well as increases in other tax credits for low-income residents. At the same time, the budget would raise corporate or individual income collections by substantially more over the next two years, largely by limiting a tax credit for manufacturing and increasing certain capital gains taxes.

The additional projected tax revenues come from higher than expected personal and corporate income taxes. The additional revenue would allow Evers and lawmakers to preserve proposed spending while avoiding most of his proposed manufacturing and capital gains tax increases or his drawdown of state reserves, but not both.

In other budget proposals, the governor would raise state aid to schools by $1.4 billion over two years and tilt the distribution formula toward districts with less wealth and more students in poverty.

For health care, the governor proposes spending $329 million more from the general fund for the state health agency and health care programs for the needy, with the overall budget providing increased hospital reimbursements, expanded dental care, and enhanced funding for counties for crisis intervention services. While the financing mechanism for those moves (expansion of the Medicaid program under the federal Affordable Care Act) is likely to receive the most attention, the policy objectives associated with the proposals also need to be considered. So far, Republicans have opposed the Medicaid expansion plan as well as key aspects of the governor’s K-12 plan.

Other key issues, such as transportation, corrections, higher education, and aids to local governments, are also shaped by the state budget. Lawmakers on the Joint Finance Committee and then the Senate and Assembly will be rewriting the budget bill and putting their own stamp on these issues over the coming weeks.

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