**Fiscal Facts: State budget proposals backtrack on state reserves**

Republican lawmakers dialed back both the spending and tax increases in Democratic Gov. Tony Evers’ budget, but left one key aspect largely unchanged: a drawdown of hundreds of millions of dollars in reserves in the state’s main fund.

The Legislature earlier sent Evers an $82 billion bill that he subsequently signed earlier this month with limited line-item vetoes. While falling short of Evers’ proposed spending levels, it provides a roughly 6% spending increase in state funds over two years, boosting K-12 education, prisons, and the University of Wisconsin System.

Yet — as was proposed by Evers in his budget plan earlier this year — the next budget leaves the state’s general fund in a weaker position despite the best economy in nearly two decades. The nonpartisan Legislative Fiscal Bureau estimates it will leave the state’s general fund with a balance of only about $114 million two years from now. Instead of using the strong economy to build up a state surplus, it leaves the state with the smallest general fund balance since 2011.

In one respect, the state is still making an important financial gain. Because of the higher than expected tax collections for the 2019 fiscal year ended on June 30, an estimated $291 million is being deposited into the state’s rainy-day fund.

However, even after accounting for that larger amount, both versions of the budget bill would leave the state with less combined reserves in the general fund and rainy-day fund — less than 4% of general fund spending in each case. That would be down from total reserves of 5.4% in June 2018 and an estimated 9.0% at the end of this year (including the latest rainy-day fund deposit). After making progress in recent years compared to other states, Wisconsin will likely return to its past status as a state with a smaller-than-average financial cushion.

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