*Fiscal Facts by Wisconsin Policy Forum*

**A look at Gov. Tony Evers’ proposed state budget**

Gov. Tony Evers, seeking to advance goals that include addressing the impact of the COVID-19 pandemic, proposes in his 2021-23 budget bill to bolster spending on education, economic development, social services, and infrastructure.

Though many of the Democratic governor’s spending and tax proposals will likely falter in the Republican-controlled Legislature, both sides must find a way to confront many of the same financial forces.

For example, since the end of 2019, Medicaid enrollments have risen by 211,000 recipients, or more than twice as many as would be added under the governor’s proposed expansion of the program. State leaders also must grapple with the myriad ways in which COVID-19 has upended state programs, triggering sizable enrollment shifts in K-12 schools, jobless claims, and prison populations,

It is important to note the state is in far better financial position today than was expected only months ago, as two massive rounds of federal aid are on the way — the Consolidated Appropriations Act approved in December and the American Rescue Plan Act signed earlier this month. Yet the question of how to disburse the federal dollars could create challenges for policymakers, and some uncertainty remains about the rules and timelines for the use of the aid as well as the trajectory of state tax collections.

Meanwhile, budget stakeholders including businesses, health care institutions, universities, schools, and local governments are confronting their own pandemic-related challenges.

Evers’ 2021-23 budget recommends tax cuts targeted to low-income families and caregivers; a surge of state spending; and additional revenues for local governments and schools. Overall, the proposed budget would increase net spending in the state’s main fund at the fastest rate in at least a decade.

The governor seeks to pay for these initiatives with federal dollars from Medicaid expansion, and tax increases primarily on high earners and certain manufacturers that collectively would be the largest in 12 years — the tax increases would net more than $1 billion over the course of two years after accounting for the tax cuts. He also seeks what is projected to be the largest drawdown of state reserves in decades, though the state would maintain a record rainy day fund balance.

The upcoming budget debate will reflect Evers’ proposal as well as the policy objectives of the Legislature. Notably, the Evers plan was crafted and proposed before the passage of the latest federal relief act, the American Rescue Plan Act, which will provide billions in state aid that will substantially alter the budget process in Wisconsin and in other states.

Still, a solid grasp of the governor’s proposal will be crucial context for the budget debate to come in the next few months.

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