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Contact: Carla Vigue, Office of the Governor, 608-261-2162

## **Governor Doyle Protects School Aid Payments, Builds Reserve Fund and Cuts Spending in Budget Repair**

### ***All Road Work Will Move forward as Scheduled; Tobacco Fund Sheltered***

MADISON – Governor Jim Doyle today issued vetoes and signed a budget repair bill that keeps the state’s commitment to pay vital school aid payments, increases cuts to state spending and builds a reserve of more than \$100 million over the biennium. Governor Doyle faulted Assembly Republicans for refusing to secure Wisconsin’s fair share of federal Medicaid revenues, which would have helped the Legislature avoid accounting tricks corrected through his vetoes.

“Despite overwhelming support of the state’s major business and hospital associations, Assembly Republicans made the shortsighted decision to stop a hospital assessment that would have brought \$450 million in federal money to the state and closed \$125 million of the deficit,” Governor Doyle said. “That left the Legislature pushing off vital school aid payments that would risk significant cuts to education in the next budget and had them rely on a tobacco refinancing scheme that went too far.”

In making his vetoes, Governor Doyle followed four principles. First, a budget deficit should not be solved by pushing off bills such as the school aid payments. Second, dramatic spending increases can not be part of the answer. Third, the budget repair should make the most of market conditions. And finally, the state must build a reserve to protect against economic downturns.

The budget repair bill proposed lapses of just \$69 million to address a budget gap of \$652 million. In the 2007-2009 biennial budget, transportation spending was up approximately \$350 million over the previous budget, and the Legislature’s budget repair bill would have increased that spending by an additional \$180 million, for a total increase of \$530 million, or 22 percent, over the last biennium.

Governor Doyle’s vetoes allow a \$24.8 million increase to address higher county highway maintenance costs brought on by one of the worst winters in Wisconsin history. And Governor Doyle retains an \$18.6 million increase to address caseload increases in the state’s child care assistance program. Overall, however, state spending is reduced by \$270 million with Governor Doyle’s vetoes.

Refinancing the tobacco settlement fund must take full advantage of market conditions, and Governor Doyle’s vetoes ensure that the bond refinancing will be structured to deliver the greatest savings to the state and avoid relying too heavily on up-front savings.

Finally, Governor Doyle used his veto to improve the state’s fiscal stability by building a general reserve fund of approximately \$100 million. The Legislature’s proposed level of \$25 million was not prudent even under good economic conditions.

Governor Doyle’s full veto message is available at: <http://www.wisgov.state.wi.us/docview.asp?docid=13749>.