CENTER FOR RESEARCH CROWE ON THE WISCONSIN ECONOMY
UNIVERSITY OF WISCONSIN–MADISON™

Wisconsin's Next Budget

A Surplus, a Budget Constraint, and Eighteen Votes

A Politico-Economic Forecast for 2027–29

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EARLY FORECAST

2027–29 BUDGET

The budget at a glance

What I expect Wisconsin to enact, and the financing it will require.

GENERAL-FUND SPENDING, 2027–29

$54.0B

INCREASE OVER 2025–27

+$4.59B

About 9%

$2.47B Continuing costs

Includes nearly $1.8B for Medicaid and 3% annual pay raises.

$2.12B New appropriations

Mainly schools, child care and the universities.

HOW IT IS PAID FOR

After continuing costs and the required June 2029 balance, I estimate $1.30 billion is available for new commitments; my forecast adds $2.12 billion. Limiting the manufacturing credit to the first $300,000 of qualifying income would raise taxes on affected manufacturers and bring in about $841 million, enough to cover the gap and leave a small cushion.

$1.30B

Room before new taxes

$812M

Needed from the $841M credit-limit revenue

WHAT CONSTRAINS THE NEW MAJORITY

THE VOTES

18–15 Senate

Enough to pass a budget if Democrats stay united, short of the 20 senators a fiscal bill needs for a quorum. Two defections can block a party-line bill.

THE TAX RULE

Two-thirds

Ordinarily needed to raise income-tax rates; a majority can limit a credit. I expect a $300,000 limit on the manufacturing credit.

THE CALENDAR

November 2028

Every Assembly seat and half the Senate are on the ballot. Benefits and tax changes can arrive before the election; many costs continue afterward.

WHERE I EXPECT THE NEW MONEY TO GO

SPECIAL EDUCATION

$841M

Over two years, for 50% reimbursement in fiscal 2028 and 55% in 2029.

GENERAL SCHOOL AID

$600M

$300M a year. Under revenue limits, much of it replaces local property taxes rather than adding to district spending.

CHILD CARE

$180M

Payments to providers of $120M a year, beginning in January 2028.

OTHER NEW APPROPRIATIONS

UNIVERSITIES OF WISCONSIN

$300M

TECHNICAL COLLEGES

$90M

LOCAL GOVERNMENTS

$80M

ALSO EXPECTED Substantial restoration of collective bargaining. Buildings financed mainly by borrowing. A BadgerCare buy-in proposal rather than Medicaid expansion.

THE BILL AFTER THIS BUDGET

The surplus is one-time money. Most new commitments are not.

Even after raising about $409 million a year in taxes by limiting the manufacturing credit, Wisconsin would need another **$1.45 billion** in fiscal 2030 to continue current services and the programs in my forecast.

Executive Summary

It takes some nerve to forecast Wisconsin's next state budget before the new governor has even taken office and before Democrats have officially taken control of the Legislature. There is more than a touch of astrology in this exercise. But we know what the state has in the bank, what it costs to maintain existing services, and which bargains legislators have accepted in the past. Elections change who makes the decisions, not the arithmetic.

My forecast is $54.0 billion in general-fund spending for 2027–29, up $4.59 billion, or about 9 percent, from 2025–27. Much of that increase is already spoken for. Medicaid alone will require nearly $1.8 billion more to serve people already eligible. Other continuing costs and the two 3-percent state-employee raises I expect bring the increase before new initiatives to $2.47 billion.

My forecast also implies $2.12 billion in new appropriations. Wisconsin ended fiscal 2026 with $3.3 billion in general-fund cash and $2.1 billion in its separate stabilization fund. After projected revenues, continuing costs and the required June 2029 cash balance, and without drawing on the stabilization fund, I estimate $1.30 billion available for new programs. My forecast spends about $812 million more than that.

Schools will receive the largest share. Districts must provide special education regardless of state reimbursement, so higher payments help cover existing obligations; they need not buy additional services. I expect state reimbursement of 50 percent in fiscal 2028 and 55 percent in fiscal 2029, adding $841 million over two years relative to holding the fiscal 2027 appropriation fixed. The extra five percentage points in 2029 cost $127 million. Without the extra $127 million, I expect 50 percent in both years.

I also expect about $600 million in additional general school aid over two years, $300 million a year. Under existing revenue limits, much of it would replace local property taxes rather than give districts more to spend.

I expect renewed broad payments to child-care providers of about $120 million a year, beginning in January 2028. The Child Care Bridge Payments ended in June 2026. Providers make staffing and enrollment decisions months ahead. Starting payments sooner costs more in this budget; starting later at a higher annual rate costs less now but leaves a larger annual obligation for 2029–31.

The Universities of Wisconsin will receive about $300 million, well under their $730 million request, and technical colleges and local governments about $170 million together. A large building program will likely be financed mainly through borrowing, with debt service falling on later budgets. Conventional Medicaid expansion is unlikely under current federal financing rules. Crowley may propose a BadgerCare buy-in, but without a detailed proposal I cannot estimate its cost.

How will the new majority find that $812 million, and how will it pay for the commitments that follow? A higher top income-tax rate remains possible, but Wisconsin law ordinarily requires a two-thirds vote in each house to raise income-tax rates. A majority could repeal that requirement first. Limiting a credit or an exclusion requires no such step. I expect the Legislature to limit the manufacturing credit to the first $300,000 of qualifying income, as Governor Evers previously proposed. I assume the limit takes effect in tax year 2027, raising taxes on affected manufacturers. On the administration's estimates, carried forward to 2027–29, that raises about $841 million over two years and leaves the state just above the required June 2029 balance. The margin is thin, because I expect the Legislature to use most of the room the limit creates. If the limit raises 10 percent less, the budget falls short. Without the limit, the cash rule would hold spending near $53.2 billion. Changes to the capital-gains exclusion and the sales-tax exemption for data centers remain possible, but I do not include them. With only 18 Democratic senators, Crowley will have to negotiate taxes and spending together.

The harder question is what happens afterward. Even after the credit limit raises about $409 million a year in additional taxes, Wisconsin would need another $1.45 billion in fiscal 2030 to continue current services and the programs in my forecast. This is not a prediction of a future deficit. It is what the Legislature would need to finance if those programs continued.

Wisconsin can spend its accumulated cash only once. The next Legislature will have to find continuing revenue, scale back some of the commitments begun in this budget, or do both. The surplus lets Wisconsin postpone that choice. It does not make the choice disappear.

1 A New Majority, a Familiar Constraint

Democrats will control Wisconsin's governorship and both houses of the Legislature for the first time since 2010. For sixteen years, they argued for changes in school finance, labor law and public services knowing that Republican majorities stood in the way. Now they can write the legislation. But they will not have many votes to spare: 18–15 in the Senate and 53–46 in the Assembly (Johnson 2026). If Republicans vote together, just two Democratic senators can block a party-line bill, compared with four Assembly Democrats. Fiscal bills also require a three-fifths quorum in each house: 20 senators and 60 representatives must be present (Wisconsin Legislature 2026d). Democrats hold fewer seats than that in either chamber. Republicans cannot defeat a united Democratic majority by voting against it, but they can delay a fiscal bill by denying it a quorum.

Democrats have made commitments to many of the groups that helped elect them. Those groups will now expect results. School districts want more aid and a different funding formula. Child-care providers want the return of the Child Care Bridge Payments that ended in June 2026 (Wisconsin Department of Children and Families 2026a). Labor organizations want to revisit Act 10, while others seek broader health coverage and relief from household costs. Governor-elect David Crowley, Senate Majority Leader-elect Dianne Hesselbein and incoming Assembly Speaker Greta Neubauer will have to decide which demands come first. The legislators whose votes they need may have different priorities.

Scott Walker took office in 2011 with Republican majorities and used that opportunity to change Wisconsin's institutions, most notably through Act 10. He faced a large budget shortfall. Democrats inherit substantial cash. Will they use their majority with comparable ambition, but toward different ends? Restoring collective bargaining could affect public-sector compensation and local property taxes for years to come. Medicaid expansion now faces federal financing restrictions that Wisconsin cannot undo on its own. Changing the school-aid formula could redistribute existing money among districts and taxpayers, even without any increase in appropriations. The opportunity for lasting change is real and so are the economic consequences.

Wisconsin ended fiscal year (FY) 2026 with $3.3 billion in general-fund cash and another $2.1 billion in its separate stabilization fund (Wisconsin Department of Administration 2026). Those are substantial balances, but most of the money is not available for new programs. After projected revenues and the cost of continuing existing services, including Medicaid and an assumed employee pay plan, I estimate that about $1.30 billion will be available for new commitments while preserving the required June 2029 cash balance. My forecast includes $2.12 billion in new appropriations, leaving about $812 million to finance. I expect a limit on the manufacturing credit to cover that amount.

The more important distinction is between accumulated cash and recurring revenue. Accumulated cash can pay for a one-time project or temporary relief. Buildings can be financed with bonds, leaving debt service to later budgets. Higher general school aid, special-education reimbursement, child-care payments and employee salaries carry into future budgets unless a Legislature changes them. Wisconsin can meet its cash-balance requirement in 2029 while creating commitments it has not yet financed for 2030. The surplus makes those commitments easier to begin, but it does not provide the recurring revenue needed to sustain them.

A recession could reduce tax collections just as demand for some services rises. Medicaid and other costs could exceed what I assume, and interest rates and much of the business cycle are outside Wisconsin's control. The stabilization fund is the cushion against those risks. It held $1.7 million in 2010 and has grown since 2011, mostly through automatic transfers of revenue that exceeded estimates, under both Governor Walker and Governor Evers with Republican legislatures (Wisconsin Legislative Fiscal Bureau 2023c). No Democratic legislative majority has previously governed with a stabilization fund of this size. I expect the new majority to preserve a large portion of it, because once general-fund cash is drawn down it will be the state's principal remaining cushion heading into the 2028 election. Money taken from it to pay recurring bills will not be there when the next recession arrives.

Campaign promises tell us what politicians want, not necessarily what they are willing to finance. Votes on actual budgets tell us more, even if a vote cannot reveal which provision mattered most. In July 2025, Hesselbein joined four other Senate Democrats in supporting a compromise budget that combined increases for schools and other services with about $1.3 billion in individual income-tax cuts (Wisconsin Examiner 2025a; Wisconsin Legislature 2025). In May 2026, all fifteen Senate Democrats joined three Republicans in defeating another negotiated package that would have increased school funding but, according to the Legislative Fiscal Bureau, left the state roughly $2.95 billion below its required cash minimum in the following budget (Johnson and Kremer 2026; Wisconsin Legislative Fiscal Bureau 2026c; van Wagtendonk 2026). Whatever moved that vote, whether the financing, the bargaining process or the timing, it shows that agreement on spending priorities does not necessarily produce agreement on how to pay for them.

The 2028 election adds another constraint. Unified control lets Democrats act on their promises, but it also makes them responsible for the results. In November 2028, voters will choose a president, a U.S. senator from Wisconsin, every Assembly member and half the state Senate. The new Democratic Assembly majority rests in part on eight seats won from Republicans in 2026 (Johnson 2026). Legislators must consider not only what they can pass in 2027 but what voters will make of that bargain sixteen months later. The

December 2027 property-tax bill arrives before the election; the December 2028 bill arrives after it. Child-care payments beginning in early 2028 reach providers before the election. Payments beginning in 2029 do not. A benefit delivered before an election, a tax enacted before it and a bill that comes due in 2030 carry very different political consequences.

Why forecast a budget before the new governor has even proposed one? Waiting would make the exercise easier, but less useful. Once Crowley submits his budget, we will know what he wants to spend, but not what the Legislature will enact. We know the state's cash position, the cost of continuing existing services and the rules under which a budget must pass. We also know which bargains legislators have accepted or rejected. I begin with the Legislative Fiscal Bureau's accounts, update revenues and continuing costs, and price the principal spending and tax choices. Those calculations cannot tell us which agreement will pass. For that, I rely on judgment informed by past votes, legislative constraints and the electoral calendar. Making the forecast now puts the choices and their costs on the table before bargaining positions harden. It also provides a benchmark against which the eventual budget can be compared. My purpose is to forecast these choices, not to argue for or against them.

The election gave Democrats the authority to choose. The budget will reveal what they are truly willing to pay for.

2 The Cash Available and the Bills Coming Due

The Legislative Fiscal Bureau estimates $49.44 billion in net general-fund appropriations for 2025–27. Continuing services already in place, including my assumed 3-percent pay raise for state employees in each year, raise spending over the next two years to approximately $51.91 billion. After removing $927 million in one-time transfers from the 2025–27 base, the underlying increase is about $3.40 billion. A separate $322 million Medicaid shortfall in 2025–27 also suggests that the underlying spending trajectory is steeper than it first appears (Wisconsin Legislative Fiscal Bureau 2026e). The accounting conventions are set out in Appendix A.

Medicaid is the largest bill: the Department of Health Services (DHS) requests approximately $688 million more in fiscal 2028 and $1.107 billion more in fiscal 2029 to care for people already eligible (Wisconsin Department of Health Services 2026a). Corrections, insurance and other operating costs are rising as well. These costs will likely take precedence over new initiatives.

Wisconsin does not have to collect as much as it spends every year. State law instead requires the general fund to retain a minimum cash balance at the end of each fiscal year. That minimum rises by $5 million annually and reaches $125 million in June 2029, which I

call the June 2029 minimum (Wisconsin Legislature 2026b). Money accumulated in earlier years can therefore help pay for spending today.

Under my projections, Wisconsin will spend about $1.5 billion more than it collects over 2027–29 simply to continue existing services and provide the assumed employee raises. Even so, it can spend another $1.30 billion on new programs and still meet the required June 2029 cash balance. New taxes would provide additional room. A separate law ordinarily restricts second-year spending to that year's revenues, but previous Legislatures have suspended it. I expect the new Legislature to do the same, for reasons discussed in Section 7.

The Legislative Fiscal Bureau's May 2026 statement puts the general fund $525 million above the required cash minimum in June 2029 (Wisconsin Legislative Fiscal Bureau 2026a). This is a current-law starting point. The Bureau carries forward the fiscal 2027 revenue base, adjusted for enacted law, without projecting growth from economic conditions or additional costs from caseloads, employee compensation and inflation. I incorporate those changes. First, updated fiscal 2026 balances and my fiscal 2027 assumptions raise the projected July 2027 opening balance by $529 million, to about $2.9 billion. Second, carrying forward the higher fiscal 2027 revenue base and assuming 3-percent annual growth in 2028 and 2029 adds $3.142 billion relative to the Bureau's baseline: $987 million from the higher base and $2.155 billion from subsequent growth. Against these gains, I subtract $1.795 billion for Medicaid, a $125 million adjustment for school-based Medicaid receipts, about $930 million for other continuing costs, including state-employee pay, and $42 million for shared revenue, which current law ties to sales-tax growth. The result is $1.304 billion above the required June 2029 cash minimum, before any new programs. Figure 1 shows the calculation.

The Health Services request nets about $125 million of federal school-based Medicaid receipts against its costs. In my central calculation, I add those receipts back to the Medicaid cost estimate to avoid double counting, reducing available cash by $125 million. Appendix A explains the accounting treatment and the alternative.

I assume that tax collections will rise 2.5 percent in fiscal 2027 and 3 percent in each subsequent year. The Department of Revenue reported a 9.2-percent increase in first-quarter fiscal 2027 collections, helped by unusually large corporate estimated payments (Wisconsin Department of Revenue 2026a), but one quarter is a poor basis for assuming a lasting increase in the tax base. My estimates are sensitive to the growth rate. If fiscal 2027 collections grow one percentage point faster than I assume and the gain persists, the June 2029 balance improves by about $693 million. If the extra receipts occur just once and collections then revert to trend, the gain is about $220 million.

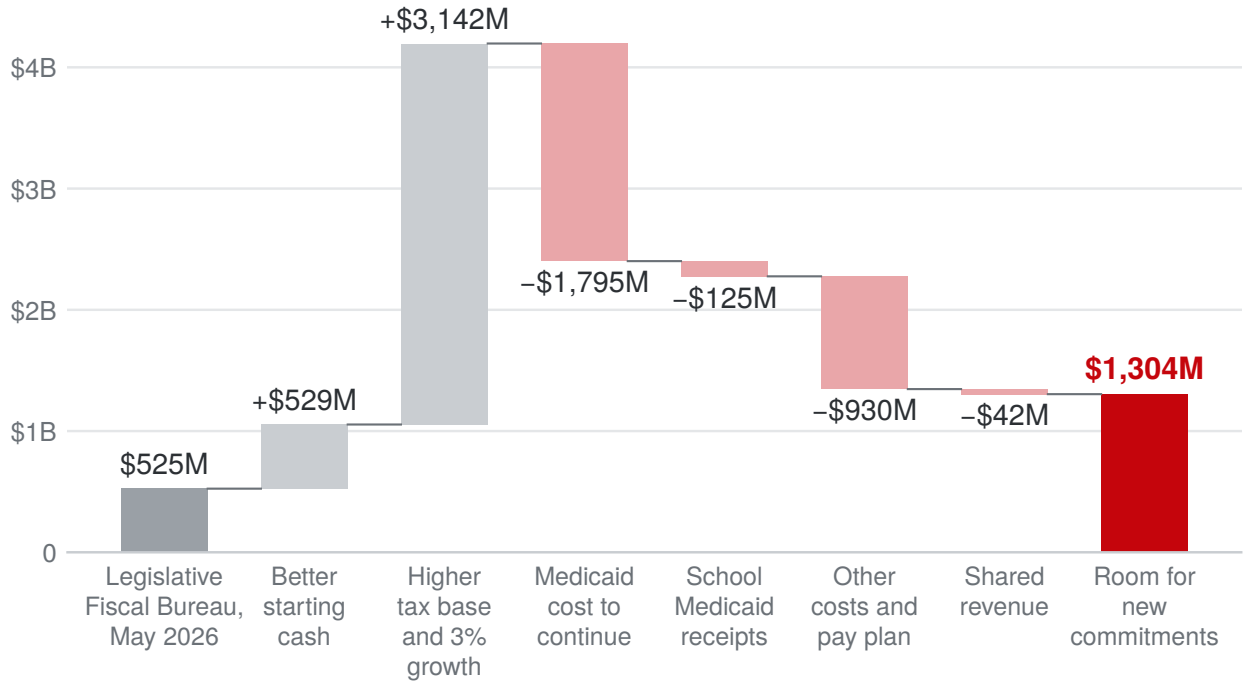


Figure 1: From the Fiscal Bureau's $525 million to $1.30 billion of room for new commitments before new taxes

Source: Legislative Fiscal Bureau statement of May 20, 2026 (Table 5); author's ledger. Millions of dollars over the 2027–29 biennium. Details in Appendix Table A1.

A modest improvement in tax collections illustrates the difference between balancing this budget and paying for the next. Suppose revenue grows 2.9 percent in fiscal 2027 rather than the 2.5 percent I assume, and the higher tax base persists. Wisconsin would collect about $93 million more in 2027, $95 million more in 2028 and $98 million more in 2029, a total of $286 million in additional collections by June 2029, or about $277 million after the larger shared-revenue transfer. That is many times the cushion my forecast leaves in June 2029. But fiscal 2030 receipts, net of shared revenue, would be only about $97 million higher than in my baseline. Three years of additional collections can help balance this budget without providing $286 million in revenue every year thereafter.

3 Schools and Property Taxes

Special education is the part of the budget I can predict most concretely. Districts must serve eligible children whatever share the state pays, so higher reimbursement relieves local budgets and need not buy additional services. As districts find it harder to cover the unreimbursed share with local referendums, the pressure on the state to pay more grows.

The failed May 2026 agreement provides a useful cost benchmark. The Legislative Fiscal Bureau estimated that an additional $230 million in fiscal 2027 would bring special-education appropriations to about $1.102 billion, covering half of eligible costs (Wisconsin Legislative Fiscal Bureau 2026b). I assume eligible costs grow 7.5 percent annually, between the average annual growth of 2.9 percent from 2015–16 to 2024–25 and the roughly 9-percent increase estimated for 2024–25 alone (Wisconsin Legislative Fiscal Bureau 2025f, 2025g). On that assumption, 50-percent reimbursement in both years of 2027–29 adds $714 million in state appropriations relative to holding the fiscal 2027 amount fixed. Paying 50 percent in 2028 and 55 percent in 2029 adds $841 million. The 55/60 schedule would cost about $1.09 billion. Figure 2 compares the schedules.

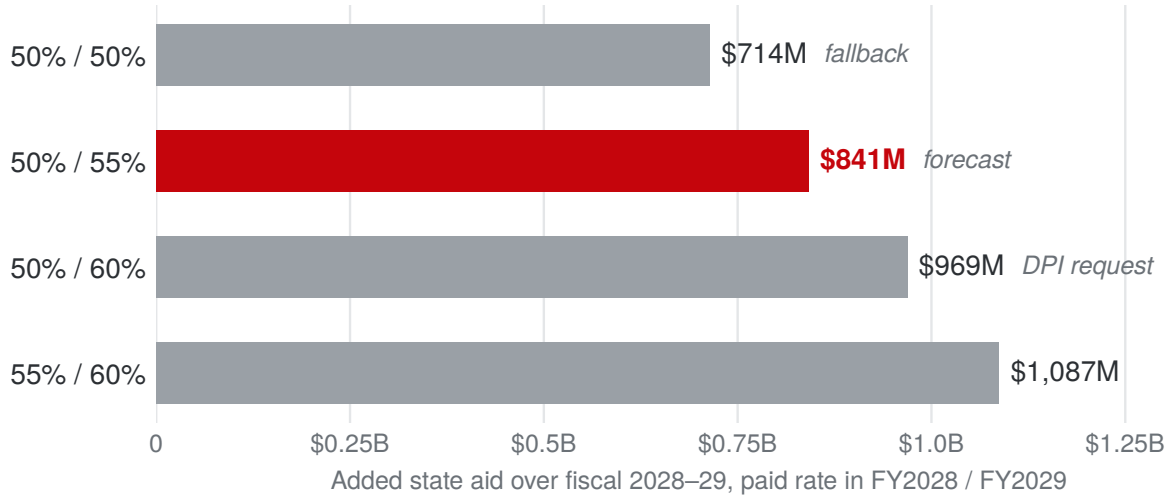


Figure 2: Reimbursement of 50 and then 55 percent adds $841 million over two years
Source: Author's calculations from the Legislative Fiscal Bureau's May 2026 estimate. Added state aid over fiscal 2028–29 relative to holding the fiscal 2027 appropriation of $872 million fixed; eligible costs grow 7.5 percent a year. Details in Appendix B.

I expect 50 percent in fiscal 2028 and 55 percent in fiscal 2029. The first step was part of the agreement Governor Evers negotiated with Republican leaders in May. The second costs another $127 million in the final year, enough to push the smaller agreement below the cash minimum (Section 7). The Legislature may find the money through offsets, taxes or stronger collections. If it finds none of them, I expect it to fall back to 50 percent in both years. Crowley has said he supports moving reimbursement toward 90 percent over several years (Wisconsin School Administrators Alliance 2026). The 50/55 schedule is my forecast for the first two years.

The Department of Public Instruction's November 13 budget request asks for reimbursement of 50 percent in fiscal 2028 and 60 percent in fiscal 2029, as part of about $2.75 billion in new aid for schools and libraries and a revised school-funding formula (Wisconsin Department of Public Instruction 2026b). Under my cost assumptions, the 50/60 schedule

would add about $969 million over two years, $127 million more than the 50/55 schedule I expect. The comparison covers reimbursement schedules only; the department's full proposal would also make the appropriation sum sufficient.

In 2025–27, the state budget was expected to cover roughly 42 percent of eligible special-education costs in its first year, but actual reimbursement was closer to 35 percent because costs exceeded estimates (Wisconsin Examiner 2025b). Raising the target rate without providing sufficient funding could produce the same result.

Wisconsin currently passes 60 percent of federal reimbursement for school-based medical services to districts and retains 40 percent in the general fund (Wisconsin School Medicaid Coalition 2026). Crowley has supported giving districts a larger share; a full pass-through would cost the state roughly $60 million annually (Wisconsin School Medicaid Coalition 2026; Wisconsin Legislative Fiscal Bureau 2025c; Wisconsin Department of Health Services 2026a). I do not include it in my forecast.

Statewide general school aid has been flat for three years, and 62 percent of districts are receiving less general aid this year than last (Wisconsin Department of Public Instruction 2026a). On November 3, voters approved 44 of 79 school referendum questions (Spears 2026). This part of the budget will be closely watched even without a large change in the revenue-limit formula.

Unlike special-education aid, general school aid works within revenue limits. A district's revenue limit caps the amount it may raise from general state aid and property taxes combined, so the limit determines whether more state aid becomes more spending or lower property taxes. Suppose a district may collect $100 from general state aid and property taxes together. The state pays $40 and local taxpayers pay $60. Increase state aid by $10 without raising the district's revenue limit. The district still has $100 to spend; local taxpayers now pay $50. The state has lowered the property-tax levy, not added $10 for teachers or classrooms. More instruction requires additional authority to spend, along with the money to support it.

Revenue limits also keep rising: under current law, the limit rises by $325 per pupil each year (Wisconsin Legislative Fiscal Bureau 2023a). The Bureau's estimate that a $325 adjustment adds about $260 million of authority in its first year implies roughly 800,000 revenue-limit pupils; with modest enrollment decline, the additional permitted statewide revenue is about $257 million in fiscal 2028 and $510 million in fiscal 2029, or $767 million over two years. An additional $300 million of general state aid each year would replace $600 million of that potential local levy increase. Aid of $150 million in 2028 and $250 million in 2029 would replace $400 million. Actual household bills depend on district enrollment, equalization aid, referendums and whether boards use their authority (Wisconsin

Legislative Fiscal Bureau 2026b). Those calculations assume that current revenue-limit rules remain in place. A new school-finance formula could change how much additional state aid replaces local property taxes and how much permits higher district spending.

A property-tax credit works differently: it lowers the homeowner's bill without increasing district revenue. A one-time credit can be paid from accumulated cash, but recurring general aid must compete with other annual state obligations. Legislative leaders have indicated they would direct the surplus to schools and property-tax relief rather than to rebate checks, with the incoming Speaker citing "longer-term ways" to lower costs (Smith 2026). This budget will have to decide how much new money buys instruction, how much pays existing special-education bills and how much replaces property taxes.

4 Child Care: How Much, and When?

Wisconsin has supported child care in three main ways: direct operating payments to providers through the Child Care Bridge Payments, subsidies for eligible families through Wisconsin Shares, and funding for eligible four-year-olds through Get Kids Ready. The Bridge Payments ended in June 2026, while the other two programs continue (Wisconsin Department of Children and Families 2026a, 2026b, 2026c). Neither replaces the broad payments providers previously received.

I expect renewed broad payments to providers, like the Bridge Payments, of about $120 million a year, beginning in January 2028. The aid may go to wages and to keeping classrooms open rather than to an equivalent reduction in tuition.

The timing of payments matters because providers make staffing and enrollment decisions months in advance. Consider two plans that each spend $90 million before June 2029. Paying $90 million a year beginning July 2028 reaches providers in 2028 and leaves a $90 million annual obligation for fiscal 2030. Paying $180 million a year beginning January 2029 costs the same over this biennium, reaches providers six months later, and leaves twice the annual obligation in the 2029–31 budget. A third plan, paying $120 million a year beginning January 2028, costs $180 million before June 2029. Table 1 compares the three schedules.

Table 1: The cost of starting child-care payments sooner or later

Payments begin	Annual amount	Cost in 2027–29	Cost in FY2030	Paid before Nov. 2028
January 2028	$120M	$180M	$120M	Yes
July 2028	$90M	$90M	$90M	Yes
January 2029	$180M	$90M	$180M	No

Source: Author's calculations; details in Appendix B.

Legislators have an incentive to begin child-care payments and to lower homeowners' first December property-tax bill before the November 2028 election. Moving some general school aid into fiscal 2028 gets more money to districts before the election without changing the two-year school-aid total, but it leaves a larger levy increase on the December 2028 bill. Starting child-care payments in January 2028 rather than July raises their cost in this budget and reduces the June 2029 cash margin.

Crowley's campaign promised to "pass universal Pre-K and childcare" (Crowley for Wisconsin 2026a). Extending preschool to all three-year-olds requires a much larger, permanent commitment to teachers and facilities. I do not expect statewide implementation in the first budget.

5 Medicaid, Universities and Other Commitments

Medicaid presents the incoming government with a large bill to continue current coverage. The Department of Health Services seeks almost $1.8 billion over the next two years to maintain services for people already eligible (Wisconsin Department of Health Services 2026a). Conventional expansion under the Affordable Care Act (ACA) has become much less attractive under the 2025 federal financing law. Wisconsin would face restrictions on provider-tax financing that supports its existing program, and the one-time federal expansion incentive has expired (Centers for Medicare & Medicaid Services 2025; Wisconsin Department of Health Services 2025). DHS describes the federal law as making expansion "cost and policy prohibitive" for Wisconsin (Wisconsin Department of Health Services 2025). I do not expect expansion in this budget. A BadgerCare buy-in proposal is more likely, but I count no savings or spending from it until its design is known (Crowley for Wisconsin 2026b).

The cost of the current program is not certain either. DHS assumes new federal work requirements will reduce childless-adult enrollment, but its request contains no separate appropriation for the full cost of administering those requirements. That could prove optimistic. Appendix D shows a work-requirement cost sensitivity. There is also a federal audit questioning about $455 million of past school-based Medicaid claims (U.S. Department of Health and Human Services, Office of Inspector General 2026). No repayment has been established, and I do not count one.

The Universities of Wisconsin have requested $730 million in additional general-purpose revenue over the next two years (Universities of Wisconsin Board of Regents 2026a). I expect about $300 million: $140 million in fiscal 2028 and $160 million in fiscal 2029. The previous budget gave the universities more than $256 million, including more than $94 million for employee raises (Office of the Governor 2025). I count general pay increases separately, in the statewide pay plan, so my $300 million comes on top of them. A Democratic

majority has reasons to do more for the system than recent budgets have, but Medicaid, schools and state-employee pay will come first. Even an increase in systemwide appropriations may leave individual campuses with little additional money for existing operations, particularly if new funding is directed toward specific initiatives. Capital authorizations are separate and would mostly be borrowed.

Technical colleges and local governments are likely to receive additional aid, particularly for workforce programs and local services. I expect about $90 million for technical colleges and $80 million for local governments over two years. Separately, current law ties shared revenue to sales-tax collections; on my assumptions it rises about $88 million over the biennium. The Fiscal Bureau's baseline already includes $46 million of that; I count the other $42 million among continuing costs (Wisconsin Legislature 2026e). Renewing the Knowles–Nelson Stewardship program is also plausible; like many conservation and building programs, it relies primarily on borrowing rather than a large immediate operating appropriation. Universal school meals are also under discussion; the incoming Speaker listed them among possible first bills (Smith 2026). The Department of Public Instruction's 2025–27 budget request put them at nearly $294 million (Wisconsin Department of Public Instruction 2024). I do not include school meals in my forecast.

Both legislative leaders have said they will seek to repeal Act 10, and the Supreme Court has agreed to hear a union challenge to it but has not ruled (Smith 2026; Steed 2026). I expect substantial collective-bargaining rights to be restored during 2027–29, by legislation or by the Court. Restoring bargaining and changing who pays for pensions and health insurance are separate decisions. State law generally bars public employers from paying employees' required pension contributions except as provided in a collective bargaining agreement (Wisconsin Legislature 2026c), and Act 10 limits bargaining for most employees to base wages. Whether pension and health-insurance contributions become negotiable will depend on the rights restored by legislation or the Court.

In either case, restoring bargaining would not by itself require the state, school districts or local governments to resume paying employees' contributions. I do not expect the Legislature to require employers to resume paying them. Under revenue and levy limits, school districts and municipalities would have limited ability to finance such costs through property taxes, so a mandate would mean cuts elsewhere, referendums or larger requests for state aid. Costs would instead build through contracts, mostly after this budget, although some could begin sooner where unions remain certified. Restored wage bargaining is also a risk to my 3-percent pay assumption from fiscal 2029. I include no Act 10 cost in my forecast.

6 Will the Legislature Raise Taxes?

Taxes can divide the new majority even more than spending. Crowley can seek a higher top income-tax rate, restrict credits and exclusions, or combine several smaller measures. A higher rate remains possible, but it is the harder route, for procedural as well as political reasons. The 9.8-percent bracket modeled in this report is an illustration of one way the new majority may choose to finance a larger budget. With 18 Democrats in the Senate, a few members will decide both what revenue passes and what spending accompanies it.

Wisconsin's current top income-tax rate is 7.65 percent (Wisconsin Department of Revenue 2026b). Governor Evers's earlier budget proposed a 9.8-percent top bracket on taxable income above $1 million, changes to capital-gains exclusions, and limits on the manufacturing portion of the Manufacturing and Agriculture Credit. The administration estimated approximately $1.30 billion, $420 million, and $792 million, respectively, for those proposals in 2025–27 (Wisconsin Legislative Fiscal Bureau 2025a). These amounts are useful benchmarks for the scale of the debate.

The tax instruments do different things. A higher top individual rate falls on wages and investment income and also on profits reported by owners of partnerships and S corporations, so it affects business decisions as well as the disposable income of high-income households. A limit on the manufacturing credit reduces the after-tax return to qualifying production in Wisconsin more directly, and a change in the capital-gains exclusion affects the timing of asset sales. Earlier CROWE work has examined the importance of business and investment income among Wisconsin's highest earners (Seshadri 2026).

I expect a negotiated limit on the manufacturing credit to be the leading source of new revenue for the 2027–29 budget. Raising a statutory income-tax rate ordinarily requires approval by two-thirds of the members present and voting in each house (Wisconsin Legislature 2026a). A majority could first amend that requirement, or the Legislature could use the advisory-referendum exception. A limit on a credit or an exclusion needs only a majority, though any tax bill still needs the three-fifths quorum described in Section 1. Hesselbein and Crowley have each backed a limit before.[1]

Governor Evers's proposal allowed the credit on only the first $300,000 of qualifying manufacturing income and left the agricultural credit intact. His administration estimated that the proposal would raise about $418 million in fiscal 2026 and $374 million in fiscal 2027,

[1] Hesselbein, then in the Assembly, coauthored 2019 Assembly Bill 968, introduced in February 2020, and cosponsored its Senate companion, SB 876. The bills would have capped manufacturing income eligible for the credit at $300,000 and paired the limit with a one-time increase in special-education aid, the same combination now under discussion (Wisconsin Legislature 2020a, 2020b). Hesselbein called for eliminating the credit in 2023 (Hesselbein 2023). Crowley, then an Assembly member, cosponsored a narrower 2017 proposal denying the credits to individual claimants with adjusted gross income of at least $30 million (Wisconsin Legislature 2017). Evers first proposed a $300,000 limit in 2019 (Office of the Governor 2019).

the $792 million cited above (Wisconsin Legislative Fiscal Bureau 2025a). Grown 3 percent a year, the same limit from tax year 2027 would raise about $444 million in fiscal 2028, $397 million in fiscal 2029 and $409 million in fiscal 2030.

Evers's limit would have first applied to tax years beginning after December 31, 2024, reaching back to January of the year the budget was enacted; I assume the same timing, and my forecast includes the limit. I apply no behavioral reduction here, unlike the 10 percent I take off the top-bracket estimate (Section 7). A narrower limit would raise less: if the limit raised 10 percent less, my forecast would end June 2029 about $55 million below the minimum. If it first applied in tax year 2028, the forecast would end about $209 million below. With no limit it would fall $812 million short, and spending near $53.2 billion would be needed to meet the minimum. I expect the Legislature to use most of the additional room the credit limit creates, so the margin left in my forecast is small. Manufacturers have reason to oppose a restriction, which would raise their tax liabilities and reduce the after-tax return to qualifying production.[2]

Restricting the credit is an alternative to raising statutory tax rates. It is not an alternative to raising taxes.

The data-center sales-tax exemption is now part of the debate. Wisconsin exempts qualifying purchases for data centers certified by the Wisconsin Economic Development Corporation from state and local sales tax. On announced projects, the Legislative Fiscal Bureau estimated approximately $1.5 billion in forgone state sales-tax revenue on construction and initial equipment over 2024–28 and $369 million a year on eligible purchases once the projects are operating (Wisconsin Legislative Fiscal Bureau 2026d).

Those figures describe the size of the exemption *under existing law*, not receipts the state could collect after a repeal: some purchases are already behind us, existing certifications and contracts matter, and a change in the exemption could alter investment decisions and where firms build. Crowley has said he would sign legislation repealing the exemption, and Hesselbein and Neubauer have discussed revisiting its terms (Wisconsin Examiner 2026; WisBusiness 2026). The exemption will be part of the negotiations, but I include no new revenue from repeal in the central cash calculation because the terms and effective date remain unknown.

Legislative leaders have also named marijuana legalization as a priority; the incoming Speaker has said they will need the revenue "so that we can make the budget work" (Smith 2026). Receipts would take time to build: under 2025 Senate Bill 1045, the Department of Revenue projected about $24 million in the first year and $258 million only in

[2]Guo and Seshadri (2026) find stronger manufacturing employment growth in Wisconsin border counties than in neighboring counties across state lines after the credit took effect. The analysis does not estimate the effects of a future restriction on the credit.

the fourth (Wisconsin Department of Revenue 2026c). I include no marijuana revenue in my forecast.

If the modeled top income-tax bracket takes effect in 2029 rather than 2027, the state collects about $1.04 billion less during the budget period, leaving the fuller agreement described in Section 7 $539 million below the required June 2029 cash minimum. Delaying the tax does not delay the spending, nor does it spare legislators from voting on the tax in 2027.

A new bracket, a manufacturing-credit limit and a capital-gains measure would each divide Democrats differently. A legislator concerned about business investment may favor a smaller spending package; another may support a tax if enough of the revenue goes to property-tax relief.

Finally, voters imposed a constraint of their own. On November 3, they approved a constitutional amendment barring partial vetoes that create or increase taxes or fees (Kjeldsen 2026). This was the same election that gave Democrats control of state government. Voters chose a new majority, but they also insisted that tax increases come from the Legislature, not the governor's partial-veto pen.

7 The Bargain in 2027 and the Bill in 2030

A budget that clears the June 2029 cash minimum can still leave a substantial annual bill in fiscal 2030. My forecast just clears the minimum, financed by the manufacturing-credit limit. Two illustrative budgets show alternatives. The smaller agreement raises special-education reimbursement to 50 percent in both years, adds $150 million of general school aid in fiscal 2028 and $250 million in fiscal 2029, pays child-care providers $90 million a year from July 2028 and enacts no new tax. It also includes about $80 million for universities, technical colleges, local governments, a preschool pilot for three-year-olds and debt service on Stewardship bonds. It only just clears the $125 million minimum in June 2029. Increasing the second-year special-education payment to 55 percent without another change puts it $107 million below the minimum.

The fuller agreement raises reimbursement to 50 and then 55 percent, provides about $300 million more general school aid each year, begins a $120 million annual child-care program in January 2028 and includes $150 million in household tax relief. With about $297 million for universities, technical colleges, local governments, the preschool pilot, a quarter of agencies' discretionary requests and Stewardship debt service, it adds $1.92 billion in new program appropriations over the biennium. Without new revenue or offsets, its larger commitments leave the state $764 million below the statutory minimum. Financed

by the modeled top-bracket tax, it leaves the state about $500 million above the minimum. Table 2 compares these and related agreements.

Table 2: Cash in June 2029 and the following year under alternative budgets

Agreement	June 2029 cash above minimum	FY2030 spending above receipts, if continued
My forecast: $54.0 billion with a $300,000 manufacturing-credit limit	**+$29M**	**$1.45B**
Smaller program, no new tax: 50/50, aid $150M/$250M	+$20M	$1.41B
Same, with special education raised to 55 percent in FY2029	–$107M	$1.55B
Fuller school and child-care program, no new tax	–$764M	$1.84B
Fuller program with a new 9.8-percent top bracket	**+$500M**	**$1.26B**
Fuller program with capital-gains and manufacturing-credit limits	+$486M	$1.25B

Source: Author's conditional calculations, detailed in Appendices C and D. All rows use the same 3%/3% state-employee pay forecast, 2.5-percent tax growth in fiscal 2027 and 3-percent growth in fiscal 2028 and 2029, school-based Medicaid receipts counted once, and no Medicaid expansion. A negative June 2029 margin fails the assumed legal cash test.

Revenue uncertainty can change this bargaining space. With fiscal 2027 tax growth at 1.5 percent rather than my 2.5-percent assumption, and the lower revenue base persisting, the smaller agreement with 55 percent in the second year falls about $800 million below the required minimum. With 3.5-percent growth it ends approximately $586 million above. A lasting one-tenth-percentage-point increase in growth is worth roughly $69 million in June 2029 cash, more than my forecast's margin. My forecast needs fiscal 2027 growth of at least 2.46 percent, just under my 2.5-percent assumption. Appendix C gives the growth each illustrative package needs.

The last column of Table 2 matters more than the first. Under my forecast, even after raising taxes by limiting the manufacturing credit, Wisconsin would need another $1.45 billion in fiscal 2030 to continue existing services and the new programs, slightly more than the $1.41 billion the smaller agreement without new taxes would need: the larger commitments absorb the limit's recurring revenue. The fuller agreement, with a larger modeled tax and less spending than my forecast, leaves about $1.26 billion. What remains for 2030 depends on what the Legislature spends as well as what it raises.

For my forecast, the gap has three parts. Continuing existing services already cost $358 million more than projected revenue in fiscal 2030. The employee raises assumed for 2027–29 add another $159 million. The new programs add $1.34 billion a year. Against these commitments, the credit limit raises about $409 million a year, less than a third of

the annual cost of the new programs. In the fuller agreement, the modeled top bracket raises about $586 million a year, after a 10-percent precautionary reduction, and leaves about $1.26 billion. Figure 3 shows the calculation for my forecast.

These calculations assume steady growth, no recession and no new pay award in 2029–31. A balanced two-year budget is not a plan for the third year.

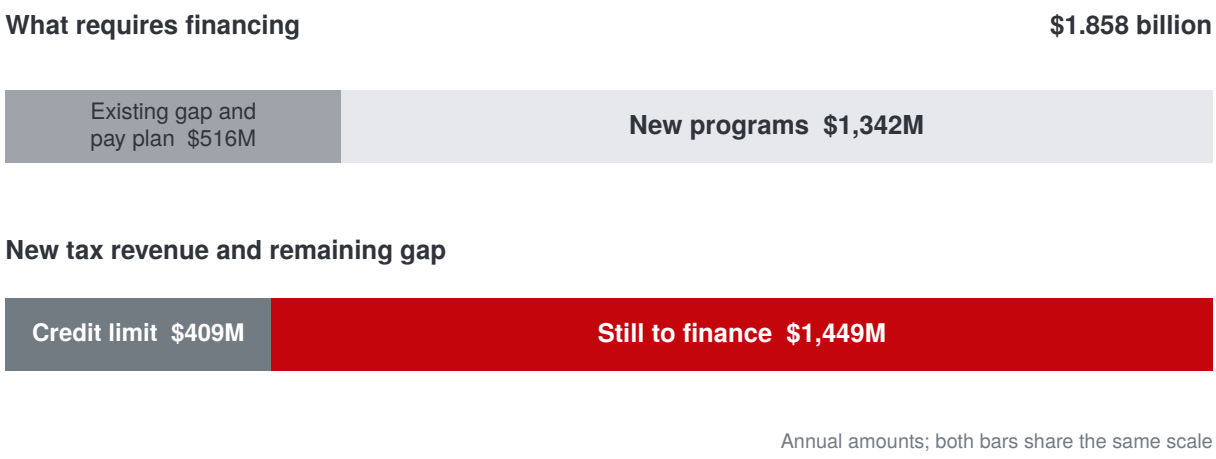


Figure 3: Even after raising taxes on manufacturers, my forecast leaves $1.45 billion to finance in fiscal 2030

Note: Annual amounts. The first bar shows a combined $516 million gap from continuing existing services and the assumed employee pay plan, alongside the new programs in my $54.0 billion forecast. The second bar compares the roughly $409 million from the $300,000 manufacturing-credit limit with the $1.45 billion still to finance. The figure excludes debt service on new building bonds; the $2 billion borrowing illustration in Section 8 would add about $62 million in fiscal 2030. The $1.45 billion is the annual amount to finance if the programs continue, not a forecast of a deficit. Source: Author's calculations; see Appendix D.

These are the costs of continuing the forecast and the modeled agreements if nothing else changes, and some of those costs are harder to avoid than others. Medicaid obligations and employee raises already built into the payroll are difficult to reverse, while school aid and child-care payments can be reduced at a cost to the districts and providers that have come to rely on them, so the $1.34 billion a year in new programs in my forecast is neither an unavoidable obligation nor money that can be cut without consequence. The Legislature elected in 2026 can begin these programs, and the one elected in 2028 will have to decide how to continue to pay for them or which ones to keep.

Every package I consider, even continuing current services, spends more in fiscal 2029 than the state collects that year, so I expect the Legislature to suspend or amend the statutory restriction on second-year spending, as previous Legislatures have done (Appendix C). That creates legal room to pass a budget. It adds no revenue.

Small shortfalls could be covered by a transfer from the state's separate stabilization fund or a change in the minimum cash balance rule. But savings can be used only once, and either step leaves the 2030 annual financing problem in place.

8 Buildings and Borrowing

The state also finances university buildings, prisons, offices and other public capital. In 2023–25 the state devoted about $1.23 billion of general-fund cash to its building program, partly in place of borrowing (Wisconsin Legislative Fiscal Bureau 2023b). In 2025–27 it relied more heavily on bonds and transferred $326.5 million in cash (Wisconsin Legislative Fiscal Bureau 2025e). For the next two years, the Universities of Wisconsin alone have requested about $2.0 billion of capital projects (Universities of Wisconsin Board of Regents 2026b).

I expect substantial new building authorizations, financed mainly with borrowing. Borrowing is politically easier because it defers the cost: authorizing a $2 billion building program does not spend $2 billion from the general fund today. As bonds are sold, however, debt service becomes another claim on future receipts.

In an illustrative $2 billion borrowing program, with gradual issuance and a 4-percent interest assumption, debt service rises from about $4 million in fiscal 2028 to $25 million in fiscal 2029 and $62 million in fiscal 2030. My central spending and cash estimates include neither general-fund cash for a new building program nor debt service from the $2 billion borrowing illustration. Borrowing changes when taxpayers pay, not whether they pay.

9 Conclusion: The Budget After This One

I expect Wisconsin's next general-fund budget to total about $54.0 billion, about $4.59 billion more than in 2025–27. Much of the increase will pay for services already in place; the largest new commitments will go to schools, child care and the universities. I expect the Legislature to finance the rest mainly by limiting the manufacturing credit, which leaves only a thin cushion in June 2029. Changes to the capital-gains exclusion and a higher top income-tax rate remain possible.

Additional general school aid can lower property taxes without giving districts more to spend. Starting child-care payments sooner costs more in this budget, while the annual obligation carries into the next. Borrowing allows construction to begin without a large immediate cash outlay, but debt service follows later on. And the new operating commitments do not end in June 2029. Even after the tax increase from limiting the manufacturing credit, my forecast leaves about $1.45 billion a year to finance in fiscal 2030.

Wisconsin has cash to begin. The next budget inherits the bill.

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AI Assistance

I used Claude (Anthropic) and ChatGPT (OpenAI) to assist with the budget calculations, source verification and editing. I checked the calculations and reviewed the final manuscript. The judgments, conclusions and any errors are mine.

A How I Constructed the Budget Accounts

This appendix records the assumptions behind my forecast. Dollar amounts are nominal general-purpose revenue (GPR), the state's principal unrestricted budget account, unless otherwise specified. The starting point is the Legislative Fiscal Bureau's May 20, 2026 statement. I update it with the reported June 2026 balance, assumed collections, and costs of continuing existing programs. The agency figures come from public fiscal documents; the forecasts of revenue growth, spending and available cash are mine.

Table A1: Reconciling the Legislative Fiscal Bureau's May 2026 statement with my estimate

$ millions over the biennium	Effect on cash above minimum
Legislative Fiscal Bureau, May 2026: cash above the June 2029 minimum	525
Updated July 2027 opening cash (fiscal 2026 actuals, fiscal 2027 at 2.5 percent)	+529
Higher fiscal 2027 tax base carried forward and 3-percent growth in fiscal 2028–29 (the Bureau holds receipts roughly flat)	+3,142
Medicaid cost to continue (DHS request)	−1,795
School-based Medicaid receipts, counted once	−125
Other continuing costs and the 3-percent state-employee pay plan	−930
Shared revenue tied to sales-tax growth	−42
My estimate: cash above the June 2029 minimum	**1,304**

Source: Legislative Fiscal Bureau (May 20, 2026), Table 5, compared with the author's ledger. Values rounded to the nearest million. The $529 million starting-cash change combines the fiscal 2026 closing balance, the 2027 tax-growth assumption and the 2025–27 Medicaid adjustment. The revenue adjustment compares modeled fiscal 2028 and 2029 receipts with the Legislative Fiscal Bureau's $23.665 billion and $23.640 billion.

The key assumption is that fiscal 2027 tax collections rise 2.5 percent over fiscal 2026 and that collections grow 3 percent in each of fiscal 2028 and 2029. Medicaid continuation follows the September 2026 Department of Health Services request, with one adjustment: the request assumes $125.4 million of school-based Medicaid receipts are kept in Medicaid rather than deposited in the general fund, as current law requires. The Fiscal Bureau's 2027–29 revenue is its 2026–27 base of taxes and departmental revenues carried forward, and under current law those departmental revenues include the school-based Medicaid receipts (Wisconsin Legislative Fiscal Bureau 2026a). I therefore add the $125.4 million back to the Medicaid cost estimate, $63.3 million in fiscal 2028 and $62.1 million in fiscal 2029, scaling the department's schedule of expected receipts ($63.5 million and $62.3 million) to its $125.4 million estimate, so the money is counted once. The same $62.1 million continues in fiscal 2030. Adding to the cost estimate lowers available cash, which is why Figure 1 and Table A1 show −$125 million. The May statement does not itemize these receipts; if its base excluded them, available cash would be $125 million higher. Other costs are based on agency requests, with adjustments for items already included in the budget base. The forecast assumes 3-percent pay raises for state employees in each year. If the fiscal 2029 raise were 1 percentage point smaller, cash

would be about $27 million higher in fiscal 2029, and the annual payroll level would be lower in later budgets. The $930 million of other continuing costs in Table A1 comes from three sources: $480.4 million in established agency obligations, $213.0 million in expected additional costs to maintain services, and $236.6 million for the assumed 3-percent pay raises. The $42 million for shared revenue is the statutory growth in the transfer to local governments beyond the Fiscal Bureau's baseline, with sales-tax growth set equal to my tax-growth assumptions (Wisconsin Legislature 2026e). The forecast includes neither Medicaid-expansion savings nor a transfer from the Budget Stabilization Fund.

Table A2: Projected budget before new policy, year by year

$ millions	**FY2028**	**FY2029**
Opening modeled cash, July 2027	2,896.1	–
General-fund receipts	24,869.8	25,577.5
Continuing appropriations, including pay plan	25,612.0	26,302.0
Receipts less appropriations	−742.2	−724.5
Ending general-fund cash	2,153.9	1,429.4
Statutory minimum, end of FY2029	–	125.0
Cash above the minimum	**–**	**1,304.4**

Source: Author's fiscal ledger, with 3-percent pay raises in each year. Figures rounded. The June 2026 actual cash balance was approximately $3,307 million; the model updates that balance through fiscal 2027 before the next biennium opens.

Table A3: Cash room under alternative tax-growth assumptions

FY2027 tax growth, assumed lasting	**Cash room, 3-percent pay plan**
1.5 percent	$612 million
2.5 percent (central)	**$1,304 million**
3.5 percent	$1,997 million

Note: Fiscal 2028 and 2029 receipts grow 3 percent from the respective preceding year. Each percentage-point change in persistent FY2027 growth moves June 2029 room approximately $693 million. If the extra collections occur only in FY2027 and do not change the FY2028–29 tax base, the effect is approximately $220 million.

Three agency costs are uncertain.

Corrections overtime. Existing overtime funding already includes the $20 million annual supplement the Legislature approved in 2025. I add the department's new $43.8 million annual overtime supplement in each year on top of it. In 2025 the Legislature approved $20 million of a $47.9 million request, so the central ledger may overstate this cost by about $50 million over the biennium (Wisconsin Legislative Fiscal Bureau 2025b).

Employee compensation. The Legislative Fiscal Bureau's May baseline carries $226 million of compensation reserves from 2026–27 into both years of the next biennium. Those reserves finance earlier pay decisions as they enter agency budgets; they are distinct from the new 3-percent increases I forecast for fiscal 2028 and 2029. The ledger includes those new raises, the Health Services and Corrections agency adjustments, and $90 million over the biennium for statewide employer health-insurance growth. It excludes the Universities of Wisconsin's $98 million fringe-benefit full-funding request and the Department of Justice's $10 million request rather than stacking them on the existing reserve and statewide allowance.

Federal Medicaid and FoodShare rules. The Health Services request estimates lower childless-adult enrollment from work requirements but no separate cost of administering them. The FoodShare benefit cost share is zero for federal fiscal 2028 because Wisconsin's fiscal 2025 error rate was 5.72 percent (U.S. Department of Agriculture 2026). From October 2028 the share depends on the fiscal 2026 rate, not yet published; at 6 to 8 percent it would cost about $68 million a year, or about $51 million in fiscal 2029 (Wisconsin Legislative Fiscal Bureau 2025d). The department has requested an open-ended appropriation for that possibility but budgeted nothing, and I follow it.

Leaving out the new Corrections overtime supplement and the residual Health Services standard budget adjustment, which covers institutional overtime and night differential, would lower my forecast by about $121 million over two years; adding the excluded Universities of Wisconsin and Justice fringe-benefit requests would raise it by about $108 million. Medicaid continuation is also tested at $200 million above and below the request, which moves June 2029 cash room by the same $200 million in either direction; the smaller 50/50 agreement would range from $180 million below to $220 million above the minimum.

Information used. The fiscal calculations use the Legislative Fiscal Bureau's May 20, 2026 statement, the fiscal 2026 annual fiscal report, the September 2026 agency budget requests and first-quarter fiscal 2027 tax collections. Later events through November 15, including the November 3 school referendums, the November 10 leadership elections, the Supreme Court's November 11 decision to hear an Act 10 case and the Department of Public Instruction's November 13 budget request, inform the forecast but add no entries to the ledger. Agency supplements and the January 2027 revenue re-estimate may change these figures.

Comparability of spending totals. The Legislative Fiscal Bureau estimates $49,442 million of general-fund net appropriations in 2025–27, including about $927 million in one-time fiscal 2026 transfers, among them $580 million to the transportation fund. Like the Fiscal Bureau's baseline, my forecast assumes no such transfer in 2027–29; a repeat would reduce the cash for new programs dollar for dollar. My 2027–29 continuing-services baseline, including the assumed employee raises, is $51,914 million. The $54.0 billion forecast ($54,030 million) is priced in the same ledger, with $2,116 million of new appropriations itemized in Table C1 and financed by the $300,000 manufacturing-credit limit. The illustrative agreements total $53,198 million (no-tax 50/50), $53,325 million (no-tax 50/55) and $53,832 million (fuller, with the modeled tax). The fuller agreement's $150 million refundable household credit is treated as a reduction in receipts; counting it as spending instead raises both reported spending and receipts without changing the cash balance. The 2025–27 total excludes a separate estimated $322 million Medicaid shortfall (Wisconsin Legislative Fiscal Bureau 2026e). All figures refer to the general fund, not the all-funds budget.

B Schools and Child Care

The Legislative Fiscal Bureau's May 12, 2026 memorandum estimated that $1,101.827 million of special-education aid in fiscal 2027 would finance approximately 50 percent of eligible costs. That proposal was not enacted, so I compare new policies with the enacted fiscal 2027 appropriation of $871.827 million, held constant in fiscal 2028 and 2029. The memorandum implies a fiscal 2027 eligible-cost base of $2,203.654 million. I increase that base by 7.5 percent each year and calculate the increment over a constant $871.827 million state appropriation in both fiscal years.

For reimbursement rates r_{28} and r_{29}, the two-year added special-education cost ΔSE, in millions of dollars, is

$$\Delta SE = [r_{28}(2{,}203.654)(1.075) - 871.827] + [r_{29}(2{,}203.654)(1.075)^2 - 871.827].$$

Table B1: Added state cost of alternative special-education schedules

Paid rate, FY2028 / FY2029	Added two-year state spending	Added spending in FY2029
50% / 50%	$714 million	$401 million
50% / 55% (forecast)	**$841 million**	**$529 million**
50% / 60% (DPI request)	$969 million	$656 million
55% / 60%	$1,087 million	$656 million

Source: Author's calculations using the Legislative Fiscal Bureau's May 2026 underlying reimbursement estimate. These are incremental amounts, not the total appropriation. The reimbursement percentages are rates actually financed, rather than targets that might not be supported by the appropriation.

For general school aid, the illustration begins with roughly 800,000 pupils counted under revenue limits and assumes a 1-percent decline in membership each year. At $325 more revenue-limit authority per pupil each year, the additional statewide amounts are $257.4 million in fiscal 2028 and $509.7 million in fiscal 2029, or $767.1 million together. The $300 million-a-year general-aid illustration provides $600 million in state aid against that authority. The $150 million and $250 million alternative provides $400 million.

The child-care comparisons concern new broad provider payments, in addition to existing assistance programs. Existing Wisconsin Shares and Get Kids Ready funding remain in the baseline. A program paying $120 million a year from January 2028 costs $60 million in fiscal 2028 and $120 million in fiscal 2029. An annual $90 million program starting July 2028 costs $90 million in the biennium and has a $90 million subsequent annual cost. An annual $180 million program beginning January 2029 costs the same $90 million during 2027–29 but has a $180 million subsequent annual cost. The immediate outlays are identical, but the date payments begin and the annual bill thereafter differ.

C Alternative Agreements and the Tax Assumptions

The following arrangements show how different legislative agreements would affect Wisconsin's accounts. They are compared using a common revenue projection, 3-percent state-employee pay raises in each year and no Medicaid expansion.

The proposed 9.8-percent tax rate in the prior governor's 2025–27 executive budget applied to taxable income above $1 million for single, head-of-household and married-joint filers, and above $500,000 for married-separate filers. In my illustration, a tax-year-2027 effective date yields roughly $1,264 million over 2027–29 before the targeted $150 million relief and after a precautionary 10-percent reduction. A tax-year-2028 start reduces the modeled biennial revenue yield to about $926 million. A tax-year-2029 start yields about $225 million, all in fiscal 2029, leaving the fuller agreement $539 million below the minimum. Under the model, no reduction gives about $1,404 million and a 20-percent reduction gives about $1,123 million for the tax-year-2027 start. These reductions are sensitivity assumptions.

My forecast uses the manufacturing-credit limit alone: the administration's estimates grown 3 percent a year give about $444 million in fiscal 2028, $397 million in fiscal 2029 and $409 million in fiscal 2030, with no further reduction. A 10-percent reduction would leave the forecast about $55 million below the minimum. The alternative financing case combines a limit on capital-gains exclusion with a cap on the manufacturing portion of the Manufacturing and Agriculture Credit. The agricultural credit is retained. The modeled two-year revenue from the combined measures is approximately $1,250 million before targeted relief under the instrument-specific assumptions. Those assumptions differ from the top-rate calculation.

Table C1: Comparable financing arrangements

Arrangement	Net tax change, FY2028–29	June 2029 margin above minimum
My forecast: 50/55; aid $300M a year; child care $120M a year from January 2028; UW $300M; manufacturing-credit limit	**+$841M**	**+$29M**
Smaller with 55 percent in FY2029, no new tax: 50/55; aid $150M/$250M; child care $90M a year from July 2028	$0	–$107M
Fuller, no new tax: 50/55; aid $300M a year; child care $120M a year from January 2028; household relief	–$150M	–$764M
Fuller, plus a 9.8-percent top bracket	+$1,114M	+$500M
Fuller, plus capital-gains and manufacturing-credit limits	+$1,100M	+$486M
Largest, tax-financed: 55/60 and additional appropriations	+$1,522M	–$121M

Note: The largest arrangement shows that about $1.5 billion of new taxes would still leave 55/60 reimbursement and the added appropriations below the minimum. The fuller program includes approximately $1,918 million of additional spending; its $150 million targeted tax relief is separately counted as a reduction in receipts. Besides special education, general aid and child care, my forecast includes $495 million (universities $300M, technical colleges $90M, local governments $80M, the preschool pilot $20M and Stewardship debt service $5M); the smaller programs include about $80 million over the biennium (universities $25M, technical colleges $15M, local governments $15M, a three-year-old preschool pilot $20M and Stewardship debt service $5M); the fuller programs include about $297 million (universities $125M, technical colleges $50M, local governments $15M, the preschool pilot $20M, one-quarter of agencies' discretionary requests $82M and Stewardship debt service $5M).

Table C2: June 2029 cash margins under alternative lasting FY2027 tax growth

Package / FY2027 tax growth	1.5%	2.5%	3.5%
My forecast, manufacturing-credit limit	–$664M	**+$29M**	+$722M
Smaller program (50/55), no new tax	–$800M	–$107M	+$586M
Fuller program, no new tax	–$1,457M	–$764M	–$71M
Fuller program, 9.8-percent bracket	–$193M	+$500M	+$1,193M

Note: Fiscal 2028/2029 receipt growth fixed at 3 percent. The FY2027 difference is assumed to persist in the receipt base.

Any bill that is eventually introduced will require its own fiscal score. Similar receipts do not imply similar costs for Wisconsin businesses or households.

The fiscal 2027 tax growth at which each package ends June 2029 exactly at the statutory minimum, if the higher or lower level lasts, is 2.46 percent for my forecast, 2.65 percent for the smaller program (50/55) with no new tax, 3.60 percent for the fuller program with no new tax and 1.78 percent for the fuller program with a new top bracket, against a central assumption of 2.5 percent.

A direct property-tax credit appearing on a December tax bill is a further instrument. It is a cost to the state in the current biennium and may not create an equivalent continuing annual obligation. It need not increase districts' revenue limits. My forecast does not assume any precise credit amount.

Structural balance. Wisconsin Statutes §20.003(4m) ordinarily requires that second-year expenditures, other than transfers to the Budget Stabilization Fund, not exceed that year's taxes and departmental revenues (Wisconsin Legislature 2026b). The 2025 budget suspended the requirement for the 2025–26 session, not automatically for the new Legislature. Every package in Table C1, and the continuing-services baseline, has fiscal 2029 appropriations above fiscal 2029 receipts. Changing the statute creates no revenue and does not remove the fiscal 2030 bill.

D Medicaid and the Fiscal 2030 Continuation

The 2025 federal reconciliation law phases down the permissible hospital provider-tax threshold for ACA expansion states. Federal fiscal years begin in October, while Wisconsin fiscal years begin in July. The relevant federal provider-tax thresholds fall from 5.5 percent in federal FY2028 to 5.0 percent in FY2029, 4.5 percent in FY2030, and 3.5 percent by FY2032 (Centers for Medicare & Medicaid Services 2025). Expansion would affect Wisconsin's hospital assessment, hospital access payments and federal matching receipts, and these effects, along with any state decision to replace lost payments, must be estimated together (Wisconsin Department of Health Services 2026b). Non-expansion states like Wisconsin keep their current provider-tax rates, so Wisconsin would become subject to tighter hospital-tax limits if it expanded Medicaid. None of the scenarios I examine includes expansion.

Table D1 shows the fiscal 2030 calculations. Tax receipts grow 3 percent from the fiscal 2029 tax base, and Medicaid and other continuing-service costs, including shared revenue, rise by about $546 million under the ledger's continuation assumptions. The two 3-percent employee raises remain in the payroll base, no new 2029–31 pay award is included, and new programs enter at their fiscal 2030 annual costs rather than their start-up costs during 2027–29. These assumptions leave an unchanged-policy gap of about $358 million before new pay and programs. The rebased government revenue estimate for the 9.8-percent bracket is $651 million before a precautionary 10-percent reduction and about $586 million after it, or $496 million net of $90 million in recurring household tax relief. The two-year net tax estimate is $1.114 billion because taxes and relief take effect at different times.

Table D1: Fiscal 2030: what is inherited and what is new

$ millions a year	My forecast, credit limit	Smaller (50/50), no new tax	Smaller (50/55), no new tax	Fuller, 9.8-percent bracket
Unchanged policy, no new pay	−358	−358	−358	−358
3-percent pay plan in each year	−159	−159	−159	−159
New programs	−1,342	−895	−1,032	−1,235
Net recurring tax changes	+409	0	0	+496
FY2030 spending above receipts	**1,449**	**1,411**	**1,548**	**1,256**

Source: Author's continuation calculation using the 3%/3% pay assumption. Excludes any compensation decision in the 2029–31 budget. Columns are computed from unrounded ledger values ($1,449.2 million, $1,411.3 million, $1,548.2 million and $1,255.6 million); rounded entries can differ slightly from totals.

Unfunded work-requirement sensitivity. DHS previously estimated employment and training services connected with federal Medicaid work requirements at $72.4 million annually. Its later cost-to-continue submission does not separately request that full amount. If Wisconsin incurred the entire earlier estimate in both fiscal 2028 and 2029, and none were already provided for in the base, the cash available for new policy would fall by approximately $145 million: from $1,304 million to about $1,160 million before any policy changes.