



WISCONSIN POLICY FORUM

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State Budget Bright Spots Abound in 2025, But Caution Also Warranted

Governor's ambitious budget includes major initiatives, but at sizable cost

As Wisconsin's next state budget debate begins, state finances appear stronger than at most points in the 21st century, buoyed by low unemployment and a balance in its main fund of more than \$4 billion.

Yet the near-term outlook suggests state finances may be nearing an inflection point, the Wisconsin Policy Forum's new state budget brief finds. The state's main fund is now spending more than it takes in, and its budget reserves, while sizable, are shrinking. Meanwhile, the Democratic governor and GOP Legislature are eyeing the state's reserves and offering tax and spending plans that would deplete it and potentially leave the state with future budget gaps.

Our budget brief focuses primarily on Evers' state budget proposal, which if enacted, would represent the largest percentage increase on record in state spending. It would boost state aid for K-12 schools and local governments, make the largest infusion of state dollars into the Universities of Wisconsin in a generation, provide state support for private child care, and address priorities such as broadband expansion and lead remediation.

To cover these commitments, the plan would spend down the state's general fund balance from nearly \$4.3 billion to \$646 million, though it would also leave roughly \$2 billion in the state's rainy day fund. The bill would also raise state taxes on net by more than \$2 billion over two years, while also including \$1 billion in measures to hold down local property taxes.

If adopted, Evers' plan would leave the state with a two-year structural deficit of roughly \$4 billion. This would make it difficult to balance the 2027-29 budget, even if the economy remains strong and does not succumb to recent drops in the stock market and consumer sentiment.

"Some further use of the state's massive surplus is expected and welcome given the state's many challenges," the brief finds. "But taxpayers have good reason to watch both sides in this process carefully to ensure the final budget does not erode too many of the state's hard-won financial gains."

Record spending

Evers' budget proposal would increase spending -- both in the state's main fund and across all funds -- by the largest percentage on record. Appropriations from general purpose revenue (GPR), the state's primary and most flexible form of revenue, would total \$25.49 billion in the 12-month fiscal year ending in June 2026, a 19.2% jump over the prior year base budget.

Proposed expenditures across all state funds would rise by \$9.92 billion over base levels in 2026 to \$59.36 billion and then rise an additional \$254.7 million to \$59.6 billion in 2027. All funds spending, when compared to the base budget, would climb 20.3% over the two years.

Most of the added spending would go to K-12 education and the Department of Public Instruction (an additional \$3.4 billion over the two years), local governments and tax relief (a combined \$1.1 billion), and the Universities of Wisconsin (\$691.6 million). Large increases also would go to the Department of Children and Families, largely for child care (\$601.2 million), and the Department of Corrections to cover rising costs from employee raises and other factors (\$522.3 million).

New and major initiatives

The governor's capital budget is expected to propose transforming and modernizing the state prison system at a total cost of \$500 million. The plan would close Green Bay Correctional Institution, convert Lincoln Hills and Copper Lake into a medium-security prison for men, convert Waupun Correctional Institution into a medium-security "vocational village" prison, and move some youth at Lincoln Hills and Copper Lake to a new facility in Dane County.

Another operating budget proposal aims to address growing concerns about the cost, access, and quality of child care. Evers' proposal would spend \$480 million over two years to fully reinstate the pandemic-era Child Care Counts program, which paid child care providers with the goal of expanding families' access to affordable care, increasing workers' pay, and improving the quality of care.

The governor's proposal includes policy shifts, as well as sizable funding for initiatives, many of which are one-time in nature. One key proposal would create a Public Intervenor Office, which the governor says would assist Wisconsinites in dealing with claims disputes with their health insurers.

The governor proposes a \$400 million one-time expenditure for grants to deploy high-speed broadband to hard-to-serve areas. His budget would provide \$100 million in one-time funding to remediate lead in schools, homes, and child care centers. It would spend \$145 million to help address the health risks of per- and polyfluoroalkyl substances, also known as PFAS. And it would provide \$140 million to continue a grant program to address workforce challenges across the state.

Tax increases, cuts

To help finance its spending, the budget would raise individual and corporate income taxes. The largest increase would be the creation of a bracket with a marginal rate of 9.8% for filers with taxable income over \$1 million, which would generate an estimated \$1.3 billion in revenue over the next two years. These changes are unlikely to be passed by the Legislature, but if approved along with some tax cuts they would amount to a net general fund revenue increase of \$2.4 billion over two years.

At the same time, the governor proposes nearly \$1.1 billion over two years in new state aid intended to slow the growth of property tax levies. That includes more than \$375 million in state general aid to K-12 districts that effectively would force districts to lower local property taxes. Another \$375 million would increase the state's school levy tax credit, thereby buying down local property taxes. The final \$339 million in state aid goes to counties and municipalities to reduce property taxes.

The state capital budget was not released at the time of our analysis; we will analyze it in our look at the final budget approved later this year. [Click here](#) to read our 2025-27 state budget brief.

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