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GOV CALLS FOR SPENDING CUTS ALSO WANTS HOSPITAL TAX TO FIX DEFICIT

By [DAVID CALLENDER](#) [The Capital Times](#)

In a bid to fix the state's looming budget deficit, Gov. Jim Doyle on Monday called for more than \$330 million in new spending cuts to state agencies as well as a controversial plan to leverage more federal Medicaid money by imposing a new tax on state hospitals.

Doyle's proposal would fill about \$527 million of the roughly \$650 million deficit that state officials projected last month. Doyle said recent cost-saving measures and state debt refinancing had already saved about \$125 million of the initial \$650 million.

During a Capitol press conference Monday afternoon, Doyle called the proposal a "good, responsible plan" and urged lawmakers to take quick action to avoid a budget crisis that could lead to across-the-board cuts to state programs.

But the Legislature's two top leaders - Senate Majority Leader Russ Decker, D-Weston, and Assembly Speaker Mike Huebsch, R-West Salem, were notably absent from the event. Doyle said his office was continuing to work with the leaders in both houses to develop a final compromise measure.

The only leader joining Doyle was Assembly Minority Leader Jim Kreuser, D-Kenosha, who promised 25 Democratic votes in the Assembly for Doyle's plan. Assembly Democrats were key to passage of the state budget last year; about half of the 52 Republicans in the Assembly refused to vote for the measure.

Central to Doyle's new plan is a revised bid to impose a new surcharge on hospitals in Wisconsin. Under the Medicaid program, the cost of the surcharge would be reimbursed by the federal government, which Doyle said would produce about \$125 million annually in money that could help fill the budget deficit.

Doyle had proposed the measure as part of his budget last year, but the state Hospital Association and Assembly Republicans opposed the measure. The Hospital Association later reversed its position, but Republicans continue to resist the plan, labeling it a tax on the sick.

In a statement, Huebsch said Assembly Republicans would not accept any new taxes, but he did not specifically refer to the hospital surcharge.

Doyle aides said details of the plan will be released later this week. Under a typical scenario, the proposal would be approved by the Joint Finance Committee before going to each house for consideration. Doyle has called both houses into special session to consider the measure on Thursday, but leaders have not yet indicated whether they will act on it then.

Doyle sidestepped a plan by Senate Democrats to raise about \$90 million a year by closing a tax loophole that allows firms doing business in Wisconsin to officially register their headquarters in other states, thereby avoiding state corporate taxes.

Doyle said he chose not to address the issue because "I'm a realist. I'm trying to make sure we get something done here."

Instead, Doyle is seeking to close a tax loophole on in-state real estate investment trusts, which he estimated would raise about \$6 million next year.

Doyle estimated he would seek about \$330 million in cuts to state agencies. That comes on top of another \$200 million in cuts to state agencies approved as part of the current budget.

Doyle said he hoped to make the reductions through attrition, such as by leaving vacant jobs unfilled, and other cost-saving measures, rather than through actual reductions to services or job layoffs.

He estimated that about \$30 million would come from delaying the start-up of programs set to begin later this year, such as the expansion of the Badger Care Plus health care program to cover uninsured adults without children.

As part of the reductions, the state would substitute about \$293 million in borrowed funds to take the place of tax-supported programs in the transportation budget, state budget director Dave Schmiedicke said. He added that he was unsure how much it would cost for the state to borrow the funds, but estimated the state would pay about 4 to 5 percent interest on a 20-year bond.

dcallender@madison.com