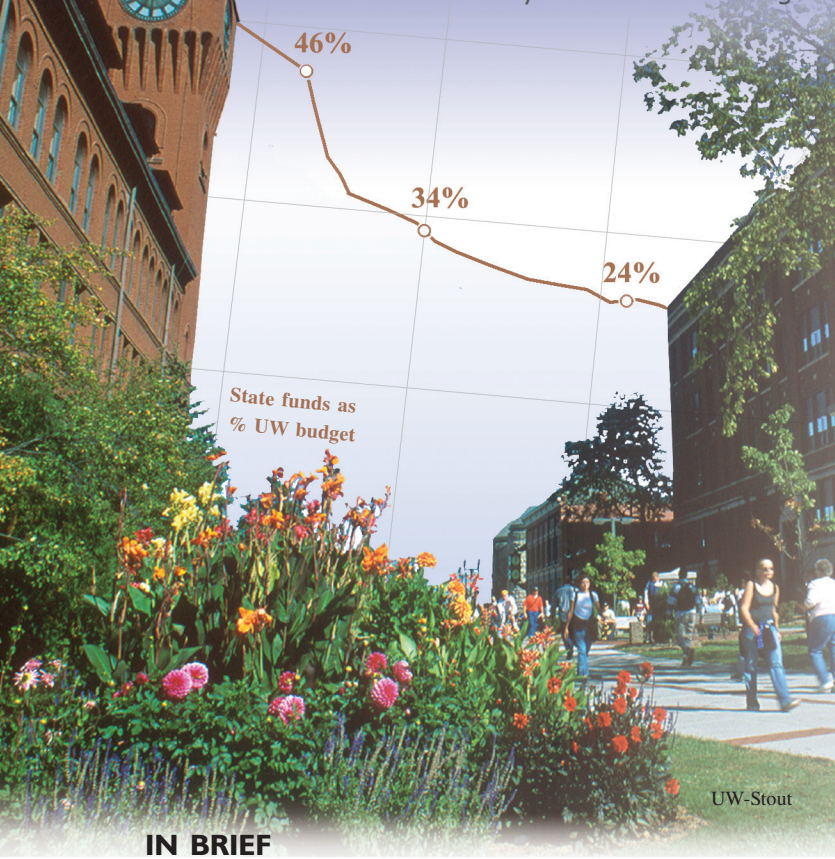
A SERVICE OF THE WISCONSIN TAXPAYERS ALLIANCE

The Wisconsin Taxpayer

A monthly review of Wisconsin government, taxes, and public finance



UW-Stout

UW in the 21st Century: Less Money, More Freedom?

Two unmistakable trends in state government finance have emerged in recent decades. First, state budgets increasingly focused on K-12 education and Medicaid at the expense of higher education. And, second, when recessions called for austerity, schools and Medicaid often escaped the largest cuts, while colleges and universities bore a disproportionate share of the reductions. This has been true in most states, including Wisconsin. In 2003-05, Governor Doyle (D) handed the University of Wisconsin System (UWS) a biennial spending reduction of $250 million. Now, Governor Walker (R) proposes a like $250 million cut for 2011-13.

As state tax dollars for higher education have stagnated and, in real terms, dropped, the need to rethink how colleges and universities are funded—and governed—has become an increasingly frequent topic of discussion around the country. In Wisconsin's case, the question is: With taxpayers funding a quarter or less of university revenues, should the UWS continue to be treated as a state agency—with state regulation of issues including bonding, building, compensation, personnel, and tuition?

With this debate now underway in Wisconsin, it is helpful to understand the history and trends that led to rethinking how Wisconsin finances and governs its university system.

IN BRIEF

The University of Wisconsin System's 2009-10 budget totalled $4.75 billion. Funding came primarily from state appropriations (24.0%) and tuition and fees (22.1%). Particularly since the 1990s, the state's contribution to the UW System has declined. As a share of the state general fund budget, the UW appropriation fell from 12% in 1990 to 8% in 2010. Still, the state's regulation of the UW System has changed little over the past forty years.

- The state allocated $1.03 billion to the UW System in 2010, a 9.6% decline from the prior year.
- From 1990-91 to 2010-11, tuition rose an average of 7.5% annually at UW-Madison, 7.0% at comprehensive universities, and 6.3% at UW-Colleges.
- As a share of personal income, Wisconsin's spending on higher education was 21st highest nationally.

Also in this issue:

UW SYSTEM

Premerger

Prior to 1971, Wisconsin had two university systems: the University of Wisconsin (UW) and the Wisconsin State Universities (WSU). The UW was created in 1848 in the state constitution, which required that a university be located at or near Madison, with branches elsewhere as state educational interests required. The UW had campuses at Madison, Milwaukee, Green Bay, and Parkside (Racine-Kenosha), as well as 10 two-year centers and UW-Extension.

The WSU System included campuses in Eau Claire, La Crosse, Oshkosh, Platteville, River Falls, Stevens Point, Stout, Superior, and Whitewater, in addition to four two-

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year campuses. These universities evolved from the state normal schools, created in 1857. The normal schools provided training and certification of teachers for employment within the state. After numerous curriculum changes, course additions, and renamings, the normal schools became WSU in 1964.

Current

The present UW System resulted from a 1971 law providing for merger of the UW and WSU Systems by 1973. Statutes governing the new UW System became effective in 1974. Today, the UWS includes universities, colleges, and UW-Extension. With nearly 180,000 students, Wisconsin has one of the nation's largest university systems.

Prior to merger, state policy for the two university systems and technical colleges was set by the Coordinating Council on Higher Education. With merger, the council was replaced by the Board of Regents, which remains the primary governing body of the UWS today. The board has 18 members, including 14 citizens appointed by the governor, two students, the state Superintendent of Public Instruction, and the president of the Wisconsin Technical College System Board (or his/her designee). The regents establish the mission of UW institutions, appoint the president of the system and campus chancellors, and have authority to set tuition.

Universities. The UW System now has 13 four-year campuses. Geographically, they stretch from UW-Parkside to UW-Superior. UW-Madison—the system's flagship university—and UW-Milwaukee are the state's two doctoral campuses. The other universities ("comprehensives") offer associate, bachelor's, and select graduate degrees.

Two-Year Colleges. The system also includes 13 two-year colleges (once "centers"). Students attending the colleges can receive general education associate degrees, but many transition to one of the state's 13 public universities to obtain a bachelor's degree.

Figure 1:
UW System Enrollment Rises and Falls
Total UW System Headcount and FTE Enrollment, 1972-2009

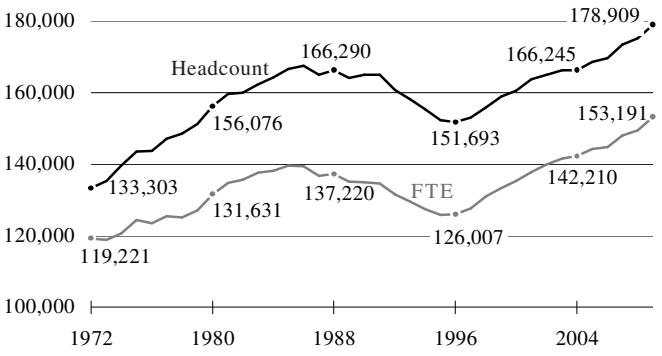
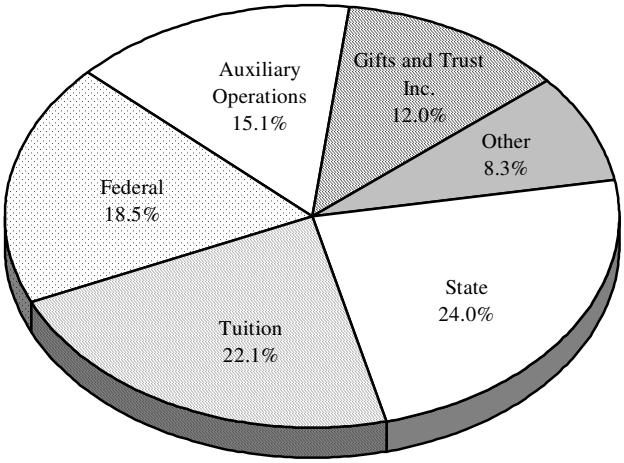


Figure 2:
State Remains Largest UW Funding Source
UW System Budget, by Area, 2009-10, $4.75 Billion Total



UW-Extension. Each of Wisconsin's 72 counties has a UW-Extension office that employs researchers specializing in agriculture, resource management, and other subjects. Staff offer continuing education courses, seminars, and instructional materials for the general public. One chancellor oversees both the two-year colleges and the extension.

Enrollment. From 1972 through 2009, total headcount enrollment in the UW System rose from 133,303 to 178,909 (see Figure 1). Enrollment rose fastest in the 1970s, largely due to baby boomers attending college. Enrollment declined from 1985 to 1996, but rose considerably from the late-1990s to 2009. Enrollment gains of the past two decades reflect children of the baby boomers attending uni-

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versities and colleges as well as a larger share of the population pursuing postsecondary education. Current enrollment projections show growth slowing over the next decade and possibly declining as Wisconsin's population ages. Between 2000 and 2010, K-12 school enrollment (five-year-old kindergarten through 12th grade) here has declined 4.4%.

UW FINANCES

Although state government remains the UW System's single largest funding source, its relative contribution has declined in recent decades. The UW System's 2009-10 budget totalled $4.75 billion (see Figure 2). Funding came primarily from state appropriations (24.0%), tuition and fees (22.1%), federal grants and contracts (18.5%), and auxiliary enterprises (15.1%). The UW System's budget stands in contrast to the technical college system's, where over 50% of revenues come from state taxes (e.g., property taxes and state aid funded by income and sales taxes).

State

State funding for UWS has declined both as a share of state general fund (GPR) spending and as a share of the UW budget. The drop reflects significant growth in other areas of the state budget and a shift in priorities from higher education to K-12. Correctly or incorrectly, elected officials tend to view UW as a state agency, even though over 75% of its funding comes from elsewhere.

Total. The $1.03 billion in state GPR funds allocated to the UWS in 2010 was a $109 million, or 9.6%, decrease from the prior year. The decline followed increases of 3.4% ($35 million) and 5.7% ($61.5 million) in 2008 and 2009, respectively. Since 1990, the annual percentage change in state appropriations ranged from 9.8% in 2001 ($93 million) to -10.8% in 2004 (-$115 million). From 1985 through 2010, the UW System's GPR appropriation increased from $569 million to $1.03 billion. However, real (inflation adjusted) spending dropped $126 million during that time.

Share of Spending. Spending on the UW System has also declined as share of state GPR expenditures (see Table 1). UWS spending was 18% of the state general fund budget in 1980 and over 12% in 1985. In 1990, the UW System appropriation was the third-largest state expenditure, accounting for 12.0% of spending.

Table 1:
UW Declining Share of State Budget
Program Spending as % of GPR Budget

	1980	1985	1990	1995	2000	2005	2010
UW	18.0%	12.4%	12.0%	10.9%	8.5%	8.4%	8.0%
K-12	33.0	24.6	27.9	31.5	37.0	40.4	39.7
Medicaid	na	9.4	10.1	10.8	8.6	13.6	10.0
Corrections	na	3.2	3.1	4.3	6.3	7.6	8.4
Sh. Rev's.	na	15.8	13.9	12.5	8.9	6.3	6.3

Note: K-12 and Medicaid appropriations in 2010 reflect the use of federal funds to reduce the state's GPR commitment.

Only K-12 education and shared revenues received more GPR dollars.

A rising prison population in the 1990s and a commitment from the state legislature to provide two-thirds of K-12 revenues meant those programs required additional dollars, largely at the expense of the UWS. By 2000, the system accounted for 8.5% of spending.

Although K-12 and corrections spending slowed during the next decade, an expanding Medicaid population meant new revenues were used to provide health care services for low-income individuals. In 2007—the last year before federal funds were used to replace GPR Medicaid spending—Medicaid was 13.6% of the state budget, up from 10.1% in 1990. That same year, the UW appropriation had fallen to 7.9% of spending. Had the 2010 UWS appropriation been 12% of GPR spending—as it was in 1990—the UWS would have received 49.8% more in state dollars than it actually did ($1.54 billion vs. $1.03 billion).

State funding for the UWS also declined on a real per student basis. Between 1985 and 2009, state dollars per resident UW student fell from $10,331 to $10,154. During that same period, K-12 school aids per student nearly doubled from $3,188 to $6,351.

The UWS appropriation was 8% of the general fund budget in 2010.

Figure 3:
State Funding of UW Budget Declining
State GPR Spending as % of Total UW Budget

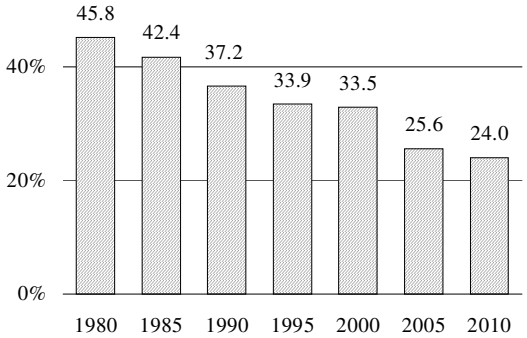


Table 2:
State-Local Expenditures on Higher Education*
Amount Per $1,000 of Personal Income

	1959-60	1969-70	1979-80	1989-90	1999-00	2007-08
Wisconsin	$9.03	$29.31	$23.84	$23.00	$21.89	$23.97
+/- U.S. Avg.	10.3%	75.1%	44.2%	42.3%	28.8%	27.5%
Illinois	$5.51	$15.66	$12.48	$13.10	$13.35	$15.54
Iowa	10.26	20.57	22.89	26.36	27.27	29.02
Michigan	11.86	21.68	19.43	21.23	24.84	27.51
Minnesota	12.89	23.18	18.30	18.54	17.55	19.16
U.S. Average	8.19	16.74	16.53	16.16	16.99	18.80

*Higher education spending includes expenditures allocated to the UW System and the state's Technical College System.

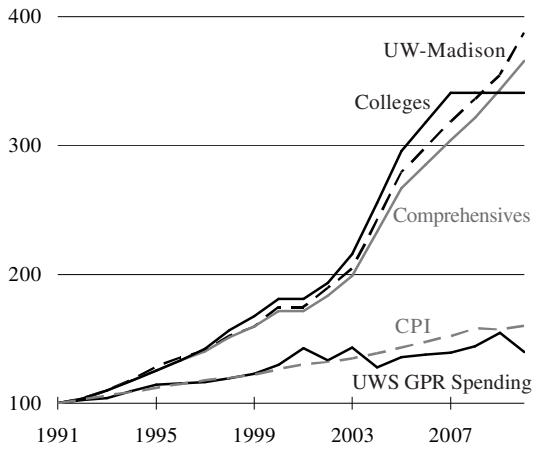
Share of UWS Budget. In 1980, state taxes covered 45.8% of annual UW System expenditures (see Figure 3). That percentage declined steadily in subsequent years, dropping to 37.2% in 1990 and 33.5% in 2000. Today, less than one-fourth of the UW System's annual budget is from state taxes.

National Comparisons. Although state funding has failed to keep pace with rising costs, Wisconsin still makes a considerable commitment to higher education compared to other states. According to most recent Census figures (2008), Wisconsin devoted $23.97 to higher education (university and technical) for each $1,000 of state personal income. That was 27.5% above the national average and 21st highest nationally.

Wisconsin's spending on higher education was 21st highest nationally.

As Table 2 shows, Wisconsin spent considerably more on higher education than most states did over the past five decades. In fact, higher education spending here was 75.1% higher than the national average in the early 1970s, largely due to more students attending college, new campus construction, and efforts associated with university merger.

Figure 4:
Tuition Rising Fastest Since 2000
Tuition, UW GPR Growth, CPI, Indexed to 100



Although the Badger State continues to spend well above average, spending relative to income here is nearly unchanged from 1979-80; higher education spending in all neighboring states and nationally has increased since then. Today, Wisconsin spends more on higher education—relative to income—than neighbors Illinois and Minnesota, but less than Michigan and Iowa.

Tuition and Fees

Lagging state support has meant students are picking up an increasing share of their education costs. In 1980-81, resident students paid 25% of instructional costs (faculty salaries, fringe benefits, etc.), with the state covering the remaining 75%. The student share rose to 31% in 1993-94 and to 36% in 2000-01. By 2004-05, students were paying the majority of instructional costs; and by 2009-10, that figure had reached 60%.

Tuition. From 1990-91 to 2010-11, tuition rose an average of 7.5% annually at UW-Madison, 7.0% at the comprehensives, and 6.3% at the two-years. Tuition increased considerably faster in the 2000s than it did in the 1990s, partly due to economic conditions that reduced state revenues and prolonged state budget problems.

Figure 4 compares tuition growth at UW-Madison, comprehensive universities, and two-year colleges with changes in the UW system's annual GPR appropriation and the consumer price index (CPI)—a measure of inflation. As shown, tuition tends to increase most when state funding declines or is unchanged from the prior year. The largest university tuition increases came in 2003-04 (17.2%-18.7%) and 2004-05 (14.4%-15.8%). Increases were used to partially offset significant GPR funding reductions in the 2003-05 state budget.

Although UW-Madison and comprehensives raised tuition in recent years, two-year colleges did not. Average tuition for resident students at the UW colleges is $4,268, unchanged from 2006-07. According to the Legislative Fiscal Bureau (LFB), the average annual tuition for resident undergraduate students at one of the system's comprehensive universities is $5,950 in 2010-11.

Comparisons. Tuition and fees here have historically been below peer institutions nationally, reflecting the state's "low tuition-low aid" approach. Recent tuition and fee increases,

Table 3:
UWS Faculty Salaries Below Average Among Peer Institutions Nationally
Average Annual Faculty Salaries, by Group

	Professor			Assoc. Professor			Assistant professor			Instructor		
Campus	1999-00	2009-10	Chg.	1999-00	2009-10	Chg.	1999-00	2009-10	Chg.	1999-00	2009-10	Chg.
UW-Madison	$84,500	$111,100	31.5%	$64,800	$85,800	32.4%	$55,400	$73,600	32.9%	$43,700	$55,600	27.2%
Big 10 Avg.	88,700	125,000	40.9	62,800	85,200	35.6	52,600	74,800	42.2	40,000	53,200	33.0
UW-Milw.	73,500	94,200	28.2	57,700	71,200	23.4	49,700	65,900	32.6	—	—	—
Peers	81,600	112,500	37.7	59,900	81,400	36.0	49,800	69,400	39.3	—	—	—
UW Comp.	60,700	72,200	19.0	49,500	59,400	20.0	42,900	54,400	26.8	—	—	—
Peers	66,700	88,400	32.4	53,600	69,400	29.5	44,300	59,100	33.4	—	—	—

however, have narrowed the gap between Wisconsin and other states.

In 2009-10, undergraduate tuition and fees at UW-Madison were second-lowest among public Big 10 universities, with only Iowa students paying less. However, over the past 10 years, Madison increases were third highest in the Big 10, behind only Illinois and Iowa.

Among UW comprehensives, tuition and fees were 17.6% below peer universities nationally, down from 20.4% below average in 1996-97. Although remaining well below average, tuition has increased faster here than elsewhere.

COMPETITION

The role that higher education plays in competition, both economic and otherwise, is becoming more frequently mentioned. Issues of state funding and oversight, faculty salaries, program quality, and graduate retention are all part of the discussion. In Wisconsin, pending proposals, such as the UW System's "Wisconsin Idea Partnership" and UW-Madison's "New Badger Partnership," reflect the ongoing discussion.

Faculty Salaries

Attracting and retaining quality faculty is viewed as important to universities remaining competitive. Although many factors contribute to the attractiveness of working here, including benefits, class size, and teaching load, faculty salaries are a significant driver.

Table 3 compares faculty salary levels and changes at UW-Madison with those at other public Big 10 universities. UW-Madison professor and assistant professor salaries are below the Big 10 average, while associate professors and instructors are paid more. However, regardless of rank, Madison received smaller pay increases from 1999-2000 to 2009-10 than the Big 10 average. In some cases, UW faculty received smaller increases than faculty of all other Big 10 universities.

Faculty salaries at UW-Milwaukee and the other comprehensives were also lower than at peer institutions nationally (see Table 3), regardless of faculty rank. Increases from 1999-2000 to 2009-10 were also below average.

When retirement and health insurance benefits are added to faculty salaries, adjusted compensation for UWS faculty remains below average. Faculty at UW-Milwaukee and comprehensives had lower compensation than peer institutions nationally, while full professors at Madison were also below average. Compensation for UW-Madison associate and assistant professors was above average, according to a UW System compensation comparison study.

Faculty at comprehensives here were paid less than their peers nationally.

Rankings

Just as researchers sometimes use tax rankings as one tool in gauging a state's economic climate, university rankings offer insight into how the UW campuses compare nationally. The rankings reviewed here are from the National Research Council (NRC)—respected by academics—and *U.S. News and World Report*—often cited by the popular press.

NRC. High-quality doctoral programs—particularly in the sciences and engineering—can attract and produce talent, and generate marketable research and spin-off companies that contribute to long-term economic growth and creation of high-paying jobs. The NRC ranks PhD programs about once every decade. The 2006 survey, released in 2010, examined over 200 doctoral universities. Unlike the 1982 and 1993 reports, which assigned specific ranks to programs, the latest NRC report used multiple methods to produce statistical averages for the

Table 4:
Ranking UW-Madison PhD Programs
Select National PhD Program Rankings

			2006*		
Ph.D. Program	**1982**	**1993**	5th Perc.	95th Perc.	**Trend**
Engineering:					
Chemical	2	4	7	29	↓
Civil	26	22	8	40	↔
Electrical	26	16	29	70	↓
Mechanical	14	20	31	76	↓
Sciences:					
Biochemistry	4	8	10	42	↓
Chemistry	8	10	16	50	↓
Computer Sci.	10	10	10	48	↓
Genetics	na	7	16	45	↓
Mathematics	10	13	6	16	↔
Physics	18	21	21	69	↓
Statistics	4	8	5	15	↔
Social Sciences:					
Economics	na	15	11	21	↔
Political Sci.	na	10	19	31	↓
Psychology	na	15	3	7	↑
Sociology	na	2	20	35	↓

*Survey rankings only.

top fifth and 95th percentiles in which ranks would likely fall.

For example, as shown in Table 4, UW-Madison's chemical engineering program ranked second nationally in 1982 and fourth in 1993. According to the most recent survey (one of two approaches used), the program is ranked between seventh (5th percentile) and 29th (95th percentile). Similarly, civil engineering—26th in 1982 and 22nd in 1993—was ranked between eighth and 40th in 2006.

UW-Madison ranked 13th nationally among public doctoral universities.

Given the change in ranking methods for 2006, it is difficult to come to firm conclusions about program improvement or decline. However, it could be argued that of the 15 programs shown, only psychology showed marked progress in quality and reputation. Civil engineering, math, statistics, and economics held their positions, while the other 10 appeared to decline in rank.

UW-Milwaukee and Marquette University also have a limited number of PhD programs. However, the only ones to clearly break into the top 50 nationally were geography (19th-39th) at Milwaukee and religion at Marquette (28th-36th). Madison's geography program, ranked second in 1993, fell to between third and ninth in 2006, raising the question whether duplication compromised quality at both Madison and Milwaukee.

U.S. News. *U.S. News and World Report* annually ranks universities and colleges. According to most recent findings, UW-Madison ranked 45th among doctoral universities, down from 39th highest in 2009. Among public universities offering doctoral degrees, Madison was considered the 13th best public university nationally.

U.S. News also ranks undergraduate universities by geographic region. In the Midwest, UW-La Crosse (14), UW-Eau Claire (24), UW-Stevens Point (43), and UW-Whitewater (49) all ranked in the top 50. When only public universities were compared, nine UW campuses made the "best universities" in the Midwest list.

Rankings, particularly those in the popular press, should be "taken with a grain of salt." However, evidence presented here suggests overall erosion of UW-Madison's standing among large research universities. Increasingly, the competition Madison faces is from private universities with substantial endowments and the capacity to "buy" faculty (e.g., Harvard, Chicago, Stanford). Campus leaders argue that Madison needs more flexibility in its management and finance if it is to compete successfully for talent in this market.

College Grads

Although the number of college degrees granted is often cited, less attention is paid to Wisconsin students after they graduate. Neither Wisconsin's universities nor its economy can be considered successful if the state educates, but exports, college graduates.

According to a 2010 UWS report on students receiving bachelor's degrees in 2003-04 or 2004-05, 81% of UW alumni who were Wisconsin residents when they enrolled in the system remained here after graduation. The report notes that 67% of all UW System students (residents and nonresidents) remained in Wisconsin following graduation.

Although reports from the UW System show high retention of graduates, Census figures paint a more mixed picture: Wisconsin lags the nation in college graduates. In 2009, 25.7% of Wisconsinites 25 years or older had at least a bachelor's degree vs. 27.9% nationally. The state has historically had a smaller share of college graduates than the national average, even though it has one of the nation's largest university systems.

GOVERNANCE

How universities are governed varies among and within states. While some states offer autonomy to individual institutions, others—including Wisconsin—govern all universities under a single board.

Wisconsin

State. The Board of Regents is charged with overseeing the UWS, but the state also maintains some degree of control. On the revenue front, the state allocates UWS appropriations for specific purposes, not leaving such decisions entirely to the UWS or the campuses. The state is also responsible for purchasing, not allowing universities to do all their own contracting.

The state also has authority over construction, requiring legislative approval for university building projects that exceed $500,000, even if the project is funded by grants or gifts. With respect to system employees, most are subject to the same salary increases, decreases, or freezes as employees in other agencies.

Board of Regents. Duties of the regents include governing the UWS and planning for its future; determining campus missions and educational programs; appointing a UWS president and system chancellors; reviewing and approving budgets; and establishing salaries for certain employees.

The board has broad statutory powers that allow the UWS to operate with somewhat greater autonomy than other state agencies. In developing academic programs, the UWS is exempt from normal monitoring by the legislature. The board has final discretion over the allocation of unrestricted funds, including state funds, among the system's institutions and programs.

UWS Administrators. The UWS president and support staff implement regent policies, but also assist the regents in policy making, budget planning, fiscal control, and educational program review and approval. University chancellors report to the UWS president, however; the president cannot directly hire or fire them.

Chancellors. Chancellors oversee curriculum design, degree requirements, grading systems, faculty evaluation, and budgeting. They are charged with administration of their respective campuses, subject to regent policy and faculty consultation.

Faculty/Students. Responsibility for immediate governance of each institution, academic and educational activities, and faculty personnel matters are, by state law, shared with the faculty, subject to the power of the regents, the presidents, and the chancellor. State law recognizes that, within limits, academic staff and students also have a role in decision making at each institution.

An Alternative Approach

The University of Virginia's approach to governance is often cited as an alternative to the traditional model. Enacted in 2005, the Virginia Restructuring Act gave state universities greater autonomy and flexibility in exchange for more accountability and less state funding.

Wisconsin has fewer residents with at least a bachelor's degree than the national average.

The degree of autonomy given to each institution was based on meeting conditions laid out by the state, which included maintaining high academic standards and increasing affordability. As more conditions were met, more flexibility was given in the areas of purchasing, spending, human resources, and tuition pricing.

Supporters of less state regulation and greater university autonomy often point to the success of the Virginia model. However, opponents cite Virginia's above-average tuition and fee increases. Between 2005 and 2010, tuition and fees at the University of Virginia rose 36.4%, compared to 30.9% at UW-Madison.

QUESTIONS TO CONSIDER

Proposals are now pending that would significantly alter the UW System and its governance. One involves splitting UW-Madison from the UWS by giving it "authority status." Another provides greater autonomy and flexibility to all UWS campuses, with Madison remaining under the system umbrella. Among the questions the proposals raise are:

Although the regents are charged with UWS oversight, the state maintains control in a number of financial areas.

1. Can the UW System be governed today the same way it was when state taxes provided over half of the system's revenues?

2. Would separating UW-Madison from the UWS enhance its ability to compete with major "privates"; would it negatively impact the remaining UW campuses?

3. Would greater autonomy and flexibility for all UWS campuses result in increased tuition? If so, would state officials respond by appropriating more need-based financial aid? □

DATA SOURCES:

Association for the Study of Higher Education; National Research Council; *The Chronicle of Higher Education*; U.S. Census Bureau; University of Wisconsin System; Wisconsin Legislative Fiscal Bureau, Historical Society, Legislative Reference Bureau; WISTAX calculations.

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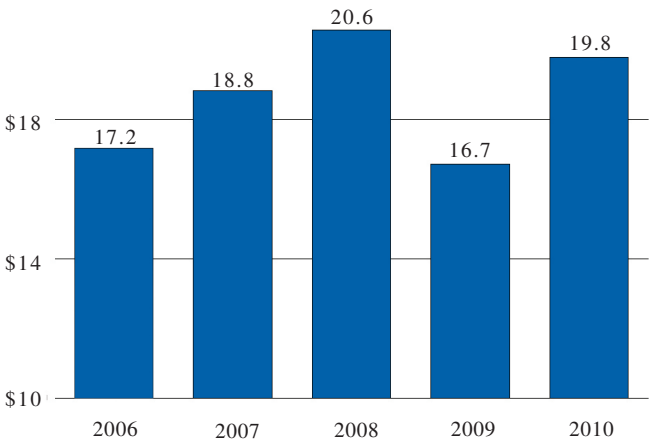
WISTAX NOTES

■ **Exports Rise.** After falling nearly 19% in 2009, Wisconsin's export sector rebounded in 2010. Wisconsin's goods exported totalled $19.8 billion, up 18.3% from the prior year, according to the Wisconsin Department of Revenue (DOR). Although state exports grew in 2010, they remained below their 2008 peak (see graph, right). Exports here accounted for 1.5% of total U.S. exports, 19th highest. Nationally, exports were up 21% in 2010 and totalled $1.3 trillion

The largest importers of Wisconsin goods were Canada, Mexico, China, and Germany. The state's top export products were machinery, computers and electronics, transportation equipment, processed food, and chemicals. The main machinery exports were agriculture and construction machinery, general purpose machinery, and engines, turbines, and power transmission equipment. DOR expects Wisconsin's exports to rise for a second consecutive year in 2011.

Wisconsin's Export Sector Recovered in 2010
Total Wisconsin Exports ($ Billions)



WISTAX FOCUS

■ **Making Progress?** Does the proposed 2011-13 state budget improve the state's long-term fiscal health? According to "2011-13 Budget: Making progress?" (*Focus* #4-11), the answer is yes and no. Adjusted all-funds spending (including state taxes, user fees, and federal funds) proposed for the next biennium is up only slightly over 2009-11, yet progress is still needed in reducing state debt and the GAAP deficit.

Estimated all-funds spending would drop 7.8% in 2011-12 and rise 2.5% in 2012-13. However, ending the Commerce department and giving UW-Madison "authority status" moves substantial sums "off budget." If both are removed from totals, spending from one biennium to the next would be 1.5% higher in 2011-13 than it was during the 2009-11 biennium. Although all-funds spending is proposed to rise only slightly, the 2011-13 budget proposal relies on $438.5 million in debt restructuring to balance the budget. After budget balancing tricks of the past decade, Wisconsin state debt more than doubled during 2002-10 and now approaches $10 billion.

■ **Income Taxes.** Who pays state income taxes? How do the amounts vary, and why? These questions are answered in "Income taxes show effects of tax hikes, recession" (*Focus* #5-11). Tax returns for 2009 (most recent year available) are unusual due to two tax increases retroactive to January 1 of that year. That said, the average amount of tax paid by low- and middle-income filers declined. A main reason for the drop in tax was that tax brackets and the standard deduction are adjusted annually for inflation. At higher incomes (over $1 million), the average tax paid was up 13.5%. That reflected a new top tax rate of 7.75% (up from 6.75%). The amount of capital gain excluded from sale of investments, such as stock, that could be excluded from income was also halved. □