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An Overview of Issues Affecting Children and Families in the Final Budget Compromise

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The following is an outline of some of the significant budget items relating to children and families in the budget compromise that was approved by the Conference Committee.

I. Health Care

- The bill includes the Governor's **BadgerCare Plus** plan for expansion and simplification of BadgerCare to cover all citizen kids, more pregnant women, and more farmers.
- A second phase of BadgerCare Plus would provide **coverage for childless adults** below 200% of the federal poverty level, beginning in 2009. Although no GPR funding is provided, the statutory language remains in the bill and DHFS is authorized to use GAMP and HIRSP funding for this MA expansion if a federal waiver is obtained.
- The bill includes \$20 million GPR to expand **Family Care** and fully fund aging and disability resource centers.
- It continues to provide state funding for private **family planning** health centers and Medicaid providers; preserves the Medicaid Family Planning Waiver program, and expands income eligibility slightly, to 200 % of the poverty level (but does not include the proposal to extend it to men).
- The BadgerCare Plus initiative includes almost \$6 million (all funds) to fund new and innovative ways of providing **dental care** to low-income families; but the bill does not include either the Senate or Assembly proposals to increase dental reimbursement rates.
- Funding for **community health centers** is increased by \$3 million per year, starting in 2008-09.
- The **cigarette tax** is increased by \$1 per pack (and there is a comparable increase for other tobacco products), with the revenue earmarked to offset the costs of Medicaid and BadgerCare Plus.
- Funding for **tobacco use control grants** is increase by \$5,000,000 GPR annually.
- The **income tax deduction for health insurance premiums** is expanded, on a phased-in basis, beginning in tax year 2008.
- The bill does not include the proposed **hospital assessment** or the state income tax exemption for **Health Savings Accounts**.

II. K-12 Education

- The increase in **general school aids** had to be decreased to about \$77 million (0.8%), because the DPI had already officially notified districts that general aid in 2007-08 would

be the same as in the 2006-07 school year. However, the amount that had to be cut will be delivered to districts via an increase in the School Levy Credit.

- Funding for **special education** is increased by \$53.6 million (8.1%).
- The bill adds \$27 million for smaller class sizes in elementary schools through the **SAGE** program.
- \$21 million is added for a new aid appropriation for **high poverty school districts**.
- Beginning in 2008-09, **Milwaukee Public Schools** receives \$10 million per year for grants to improve pupil academic performance.
- Also in 2008-09, a new \$3.6 million per year appropriation is created for **aid to small rural districts**.
- \$3.3 million is provided over two years to increase **school breakfast reimbursement** rates by 5 cents per breakfast to encourage more schools to offer breakfast programs.
- **School library aid** is increased by \$17 million, reflecting increased interest earnings on the segregated fund used for the libraries.

III. Early Care and Education

- **Wisconsin Shares** child care subsidy program funding is increased by \$69 million increase over the base, and \$65 million more than the Governor's original budget. The budget does not authorize waiting lists, and it does not change eligibility levels. Child care provider payment rates are frozen at 2006 levels. There are no statutory changes to the absence policy or family co-payments (but DWD retains the ability to address those issues administratively). A proposed cap on co-pay increases is removed.
- The Governor's proposal for a \$3 million start-up grant program for **four-year-old kindergarten** is included, with preference for community approaches.
- Creation of the **new Department of Children and Families** was approved, in order to improve coordination of services for children. DWD child care and DHFS child care licensing would be part of the new department.
- A state income tax deduction for a portion of **child and dependent care expenses** will be phased in over several years, starting in tax year 2009.

IV. W-2 and TANF

- General fund dollars are used to replace \$82.7 million of TANF funds for the **Earned Income Tax Credit** (EITC), in order to free up federal TANF funds that are needed to fill the shortfall in funding for the child care subsidy program.
- **Emergency assistance** funding is increased by \$1.5 million per year (over the base of \$4.5 million)
- Includes \$125,000 for the implementation of the *Real Work, Real Pay* **transitional jobs pilot program**.
- The **Youth Apprenticeship Program** gets an increase of \$800,000 per year (over the \$1.1 million annual base).
- The **Youth Summer Jobs Program** in Milwaukee would get a new appropriation of \$500,000 annually
- The proposal for **W-2 benefits for pregnant women** in at-risk pregnancies was not included.

- Provisions requiring additional **verification of citizenship** for public benefits were not included.
- Statutory language authorizing the use of a **Job Ready category** in W-2 was not included.

V. Juvenile Justice and Child Welfare

- **Youth Aids** funding is increased by \$23 million to offset the increases in the daily rates charged to the counties for juveniles in the secure institutions.
- **Daily rates** for the secure juvenile institutions rise to \$259 in 2008 and \$268 in 2009.
- The bill includes \$1 million to provide grants to programs that provide **civil legal services** to low income Wisconsin residents.
- **Foster care rates** will be increased by 5 percent in January 2008 and an additional 5 percent in January 2009.

VI. Other Property Tax Relief Issues

- The proposal to adjust the **Homestead Tax Credit** for inflation was not included, and the Assembly proposal to end eligibility for about one third of credit recipients was rejected. Funding for the credit is cut by \$13.1 million because the program continues to be eroded by inflation.
- Funding for **shared revenue** for municipalities and counties is frozen (except for a small increase in the utility aid component), which results in the continued decline in the inflation-adjusted value of this state aid.
- The bill extends the current **caps on municipal and county levy increases** at 2 percent or the value of new construction (whichever is greater), unless a higher limit is approved by referendum.
- Funding for the **School Levy Credit** is increased by almost \$327 million relative to the base, and \$75 million is authorized for a new **First Dollar Credit**, which will begin in 2009 (but does not get funded until the next biennium). Part of the increase in the School Levy Credit uses funding that had been intended to increase school aids, and accomplishes the same result by using the school aid formula to allocate that part of the credit.
- It prohibits any **technical college district** from increasing its tax levy by more than 4% annually in 2007 or 2008.

Conclusion

On balance, we think the bill is a good compromise and we appreciate the hard work of the conferees and the Governor to retain the most important provisions for children and families.

As to be expected of any compromise, there are parts of the bill that are disappointing. For example, we are sorry to see that Homestead Tax Credit funding declines by \$13 million because the proposal to adjust the credit formula for inflation was not approved. We are also disappointed that there is little relief for beleaguered county child support programs (which are suffering from deep federal cuts) or for other county human service programs, and we are concerned that local revenue caps will continue to squeeze schools and other local services. We also worry about the implications of a large structural deficit for the next biennial budget.

Despite those reservations, there are many very positive things in the budget and we commend all the parties involved for making children a high priority.