

2011-2013 State Budget Overview

How the Budget Affects Children and Families

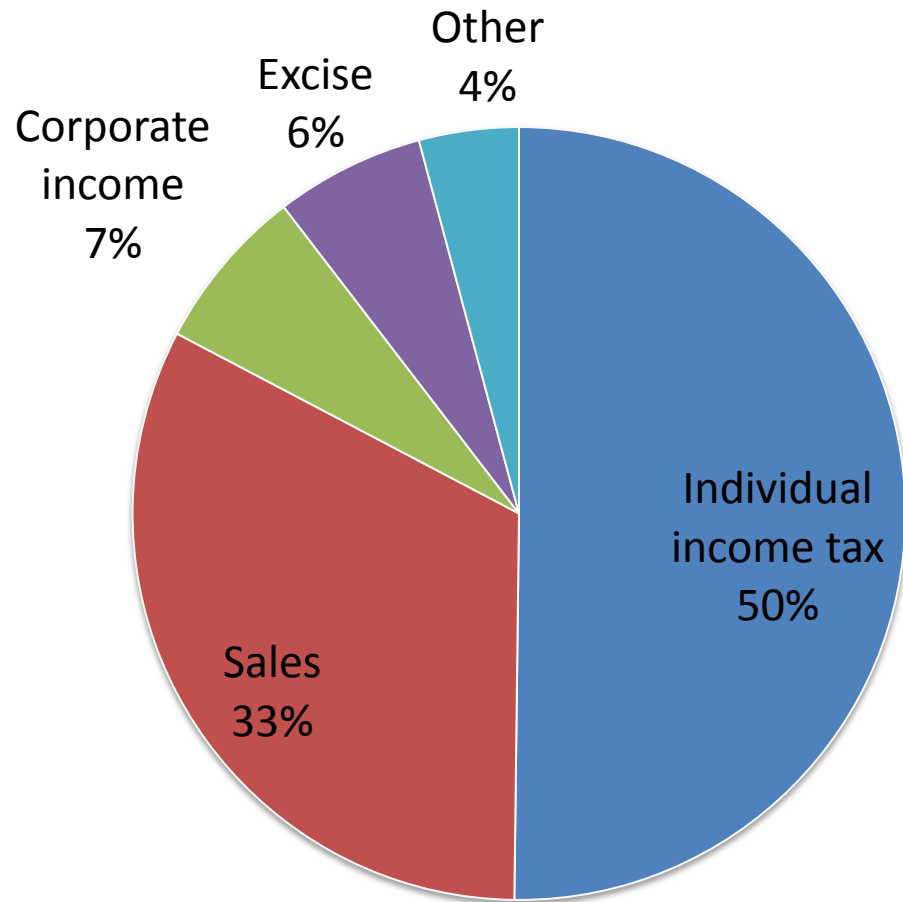


Wisconsin Council on Children and
Families (WCCF)

2011-2013 State Budget

- The proposed state budget is about \$61 billion over two years.
- A little less than half (\$28.8 billion or 47%) is funded with state General Purpose Revenue (GPR).
- Much of the rest, \$17.3 billion, is federal revenue.
- The deficit has generally been considered to be \$3.6 billion.

GPR Taxes By Source FY 2010



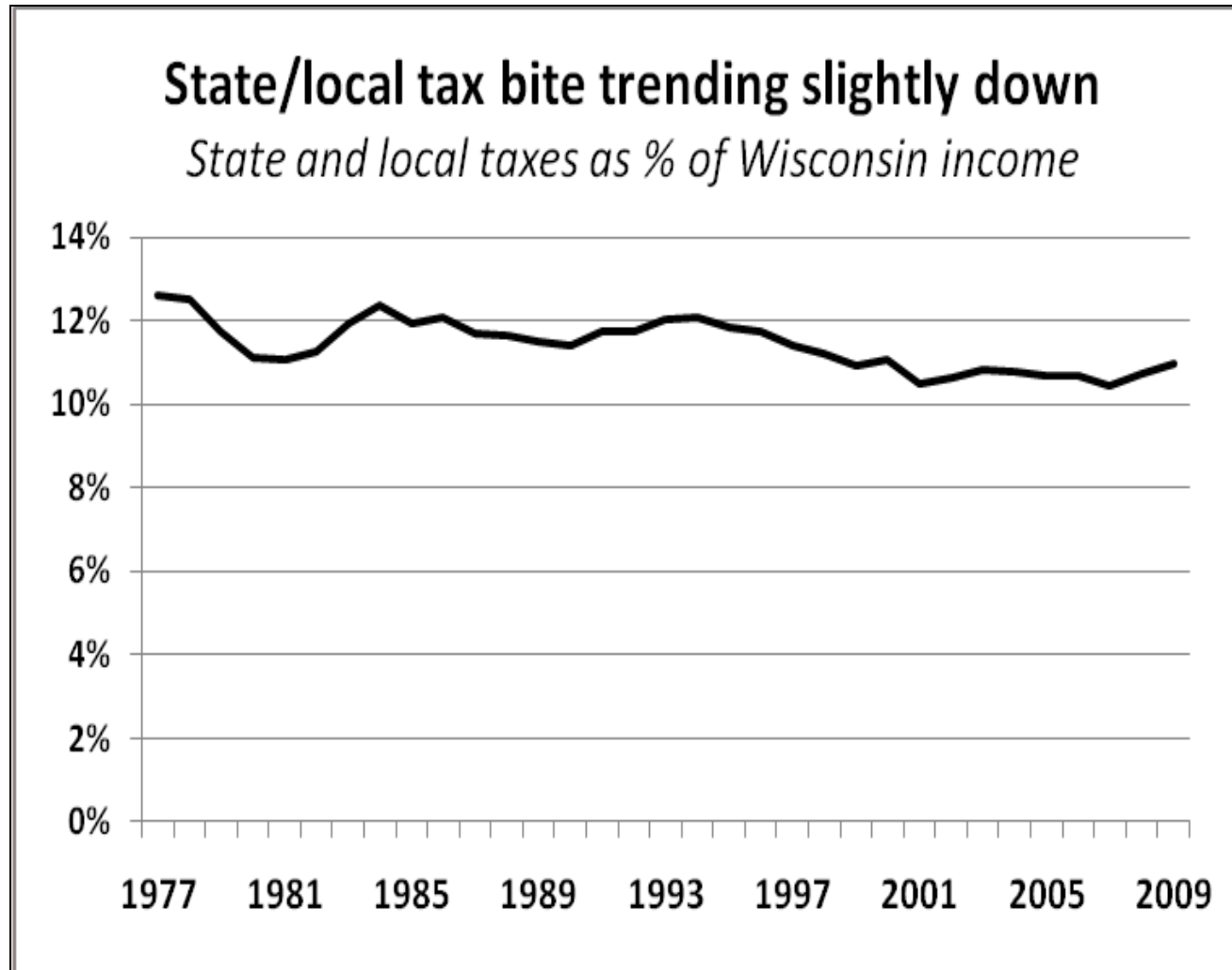
How bad is our budget problem?

- It's an extremely challenging budget, but less so than the 2009-11 biennial budget.
- WI is in better fiscal shape than most people around the US have been led to believe:
 - The size of our deficit is average nationally.
 - According to Moody's, our pension and debt liability is well below the national average, ranking 39th nationally (relative to personal income).
 - Revenue collections in the current fiscal year have been running a little ahead of prior estimates.

Other budget misconceptions

- Wisconsin is not the high tax, high spending state that many people have been led to believe:
 - Based on the most current Census Bureau data (2008), WI was 4.4% below average in total state and local spending per person and 0.9% below average in state and local taxes per capita.
 - WI ranked 43rd (8th lowest) in 2009 in the number of state employees relative to population, and 38th (13th lowest) in total state and local government employees relative to population.

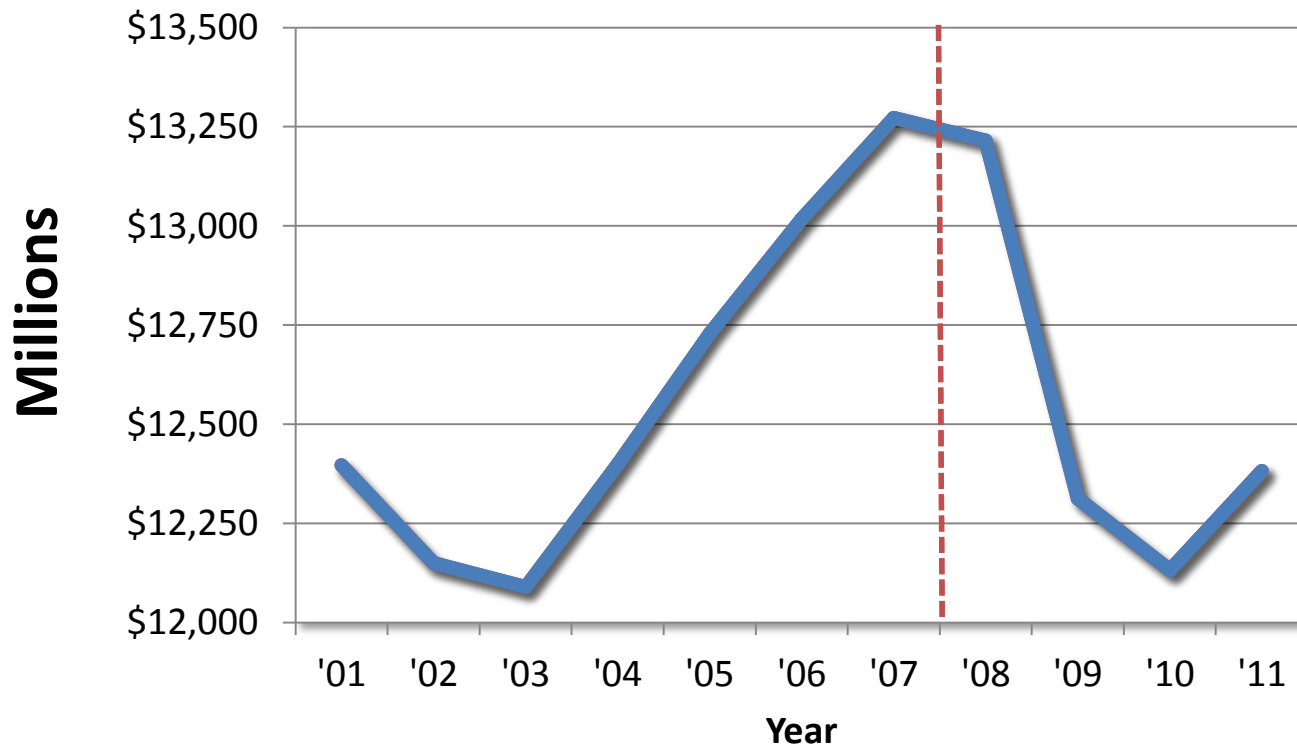
Combined state and local taxes in WI have declined gradually over the last 3 decades



Wisconsin's Revenue Problem

2011 taxes fall short of 2001 level

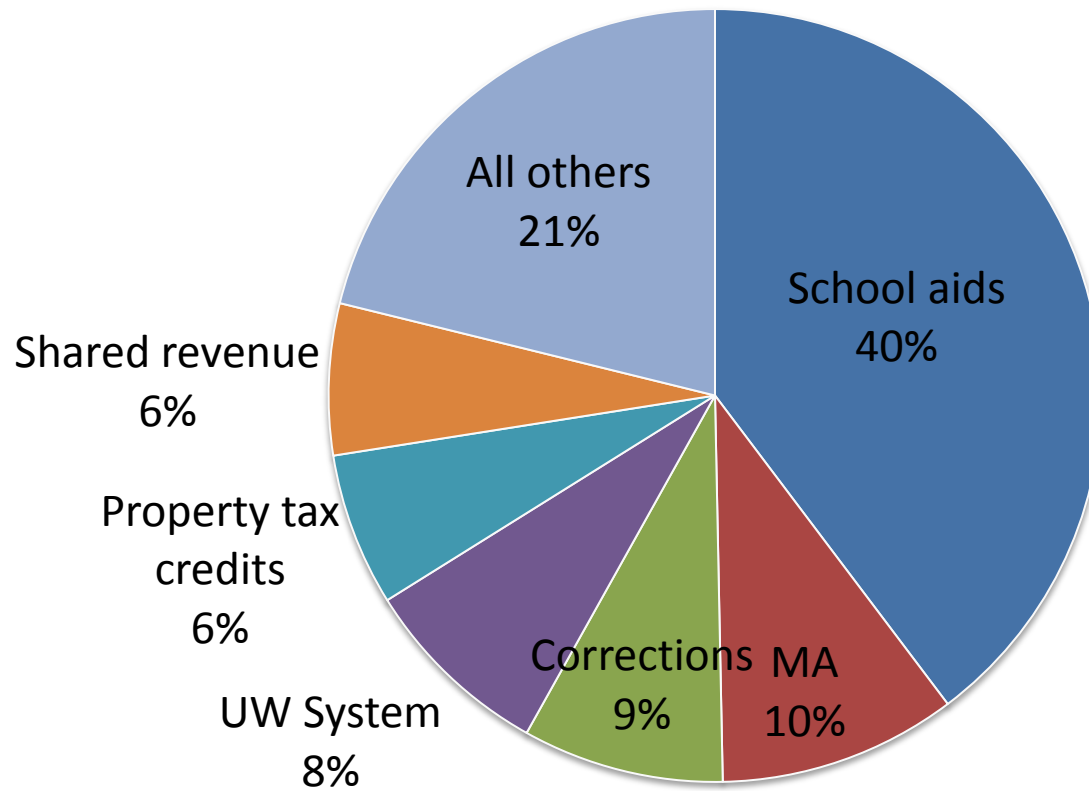
Effect of the Recession on GPR Taxes
(in 2010 Dollars)



Budget challenge: Digging the hole deeper

- New tax breaks approved during the Special Session added \$117 million to the deficit
- Budget bill tax breaks (and sales tax transfer into Transportation Fund) would add \$118 million
- Debt restructuring in this year and next add \$51 million GPR in debt service costs
- Increased spending (not included in the cost to continue budget estimates) adds almost \$200 million – including \$159 million (104%) increase in GPR support for transportation spending
- Increasing the required statutory balance (to \$107 million) adds \$42 million
- Putting all of these things together means that the budget needs to make about \$4 billion of cuts.

Budget challenge: 55% of state spending goes for local aid & property tax relief



Budget Balancing Strategies: Changing collective bargaining & cutting local aid

- \$834 million cut from public schools
- About \$100 million cut in the 2nd year from Shared Revenue for counties & municipalities
- \$72 million cut to technical colleges
- \$64 million (SEG) cut in recycling aid
- \$48 million (SEG) cut from local transportation aid, and \$10 million from mass transit aid
- \$8 million for youth aids (juvenile justice)

Problems with the “tool box” solution for local governments

- There’s only one significant tool – cutting benefits for public sector workers – and many factors may hinder its ability to offset aid cuts:
 - Some public employees have longer term contracts.
 - Municipalities where police and firefighters comprise a large portion of the workforce are at a disadvantage.
 - The cuts will generally be harder on localities tht are more dependent on state aid.
 - The cuts penalize localities that have already extracted concessions from their public sector workers.
- The traditional tool of raising property levies is being taken away.

Budget Balancing Strategies:

Cutting supports for Wisconsin working families

- \$500 million (GPR) in Medicaid cuts
- \$74 million from TANF for deficit reduction (plus \$37 million more in the budget repair bill)
- Cuts in child care subsidies
- \$41.3 million from the Earned Income Tax Credit
- Reductions in W-2 benefits, and damaging policy changes
- Cuts in transit aid – directly and also probably as an indirect effect of the collective bargaining changes

Earned Income Tax Credit – many families will get less

- EITC cut = \$41.3 million
- The proposal doesn't affect all family sizes the same, smaller families would get a little more.
- About 129,000 families with just one child would get an increase of up to \$31 per year.
- The proposal falls most heavily on families with two kids. A single mom who has 2 children and is making the minimum wage would lose \$302 per year (43% of her current credit).
- A family with 3 or more children would lose up to \$170 per year.

Homestead Tax Credit

- The program provides property tax relief for about 250,000 low-income households.
- Includes both homeowners and renters
- 33% of credit recipients are 66 or older, and 45% are over 55
- Adjustment for inflation REPEALED

Homestead Inflation Adjustment Repealed

- Only major part of the state tax code that wasn't annually adjusted.
- In 2009, the credit was changed to make annual adjustments for inflation.
- As a result of indexing the maximum credit increased this year, for the first time in 20 years, and the income ceiling increased for the first time in about 10 years.

Cuts Threaten Transit Programs

- Restrictions on collective bargaining in budget adjustment bill jeopardize \$46 million in federal funds for bus systems.
- Biennial budget includes a \$12 million cut in 2012 and \$36 million in 2013 for transportation aid to local governments. Also, a \$10 million cut for local mass transit over the biennium.
- Cut in Shared Revenue and tax levy limits will impair the ability of local governments to offset the effects of the transit funding reductions.

Changes relating to Medicaid

- \$500 million GPR cut from Medicaid
- Includes \$111 million from Family Care
- \$15 million from SeniorCare
- \$96 million from centralizing, automating, and privatizing the “income maintenance” (intake and renewal) functions for Medicaid and FoodShare
- 10% cuts to 47 different health care programs – dental and mental health, AIDS/HIV, tobacco use control grants, lead poisoning services, etc. (cutting a total of \$7.7 million GPR per year)

Potential Effects on BadgerCare Plus

- The biennial budget doesn't tell us much, because the budget repair bill essentially preempts the legislature's policymaking role (for Medicaid-related programs)
- The LFB document indicates that DHS will have to find \$190.6 million GPR (\$467 million all funds) of MA and BC+ cuts.
- The cuts will depend in large part on federal waivers, and then will be decided by the DHS Secretary

Potential Effects on BadgerCare Plus

- DHS has indicated an interest in increasing premiums, co-pays and deductibles, increasing restrictions on eligibility for people with access to employer coverage, reducing services covered, and increasing verification requirements.
- One likely effect is a reduction in eligibility to 133% of the poverty level for parents and childless adults – eliminating coverage for 70,000 adults.

Effects on Family Care

- Cut of \$111 million GPR in 2011-13, and an “all funds” cut of \$284 million (according to DOA numbers)
- Imposes county-by-county caps that change the nature of Family Care, which was promoted with the promise of “no waiting lists”
- Providing services to keep people independent in their communities is cheaper than institutions.

SeniorCare

- Requiring seniors to also buy Medicare Part D changes the nature of the program from an alternative to a supplement.
- Those who already get their drugs for a \$30 annual fee will have to pay \$180 to \$1600 additional as of 1/1/2012

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SeniorCare

- It is misleading to say benefits are unchanged since seniors who choose the wrong Part D plan may lose coverage for the drugs they are getting now under SeniorCare.
- In contrast to Part D, SeniorCare generates substantial drug company rebates - \$239.6 million in the most recent year (LFB).

Children and Family Aids

- There's a next increase of almost \$4.8 million in 2011-13
- The increase is intended to fully the cost of an increase in foster care rates approved the last biennial budget, and to implement the levels of care foster care licensing system approved 2 years ago
- The increase comes from earmarking federal matching funds for targeted case management (TCM), and using that funding to offset cuts in federal Recovery Act funds of almost \$5 million per year.

Higher Education

- University tuition is expected to increase by 5.5 percent each year for UW System, and possibly 20% or more over the biennium for UW Madison.
- In contrast to past budgets with substantial tuition increases, there is no boost in financial aid.
- Funding for technical colleges is being cut by about \$36 million each year, or 25%.

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Wisconsin Works

- Reduces W-2 payments by \$20 per month. The payments have been the same since the program started in 1997.
- Eliminates the transitional jobs program, which is funded fully by federal funds and was aimed at serving non-custodial parents.
- Restores the 24-month participation time limit for Community Service Jobs and W-2 Transitional positions. That had been changed to give agencies more flexibility and less paperwork.

Early Care and Education

Wisconsin Shares Child Care Subsidy Program

- **Annual cuts of over \$112 million** - from \$402.5 m. to \$290 m. in 1st year, and \$288 m. in 2nd year
- **Expenditures down this year:** Current (FY 2011) expenditures were estimated at \$296 m. by Legislative Fiscal Bureau in Dec 2010, much less than the \$402.5 m. budgeted.
- **Issue:** Will the budgeted levels keep up with demand? Child care subsidy participation likely to grow as economy improves and jobs created.

Wisconsin Shares

- Authorizes DCF to make any of the following cuts:
 - **Increased copayments** - Now no higher than 12% of income
 - **Reduced income eligibility** - Now 185% poverty - up to 200%
 - **Cuts to payment rates** - Now frozen since 2006
 - **Establishing waiting list** – No waiting list since 1996
- Shifts authority from legislature to executive branch

Wisconsin Shares

- **TANF money shifted** from the child care/W-2 budget to EITC- to free up GPR for other purposes (\$74 m. over biennium, and \$111 million over 3 fiscal years – starting with the budget repair bill)

YoungStar

- Rates program quality on 5-star scale
- Provides automated data for consumers
- Offers training, technical assistance & grants
- Ties WI Shares payments to level of quality purchased
- Adds additional oversight to Wisconsin Shares

YoungStar

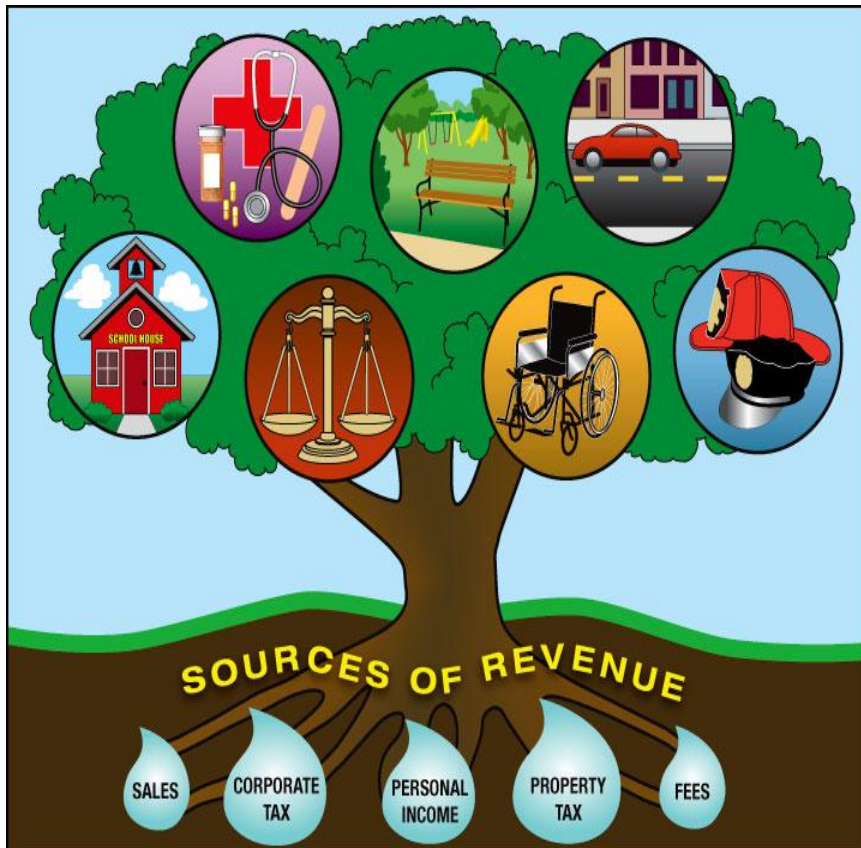
YoungStar Rating of Child Care Provider	Impact on WI Shares Payment: Initial Plan	Impact on WI Shares Payment: Governor's proposal
One Star	No reimbursement	No reimbursement
Two Stars	No change	5% reduction
Three Stars	5% increase	No change
Four Stars	10% increase	5% increase
Five Stars	25% increase	10% increase

YoungStar

Impact of tiered reimbursement system:

- Winners and losers- carrots and sticks
- The highest quality child care programs in the state (5-star) **may not get any increase**
 - they already get 10% higher rate
- Overall fiscal impact- estimated significant **reduction** in payments

There are options for raising revenue to protect communities



Polling shows that about two-thirds of the public supports a balanced approach to closing the budget deficit. Options include:

- Doing a better job of collecting taxes owed the state
- Rejecting proposals for new tax breaks.
- Collecting tax on investment profits to raise \$140 million
- A surtax on incomes over \$250,000 raises \$168 million
- A sales tax on business and professional services raises \$322 million
- Boosting sales tax by one penny would raise \$860 million a year

Lobbying Your Legislators

- Legislators are People
- Keep it Simple
- Personal Stories
- Ask for something/position
- Follow up and Follow up

Personal Stories

- Always good to hand the legislator something with name and contact info
- Why are you visiting your legislator?
- Specific examples will be remembered by a legislator

WCCF and other websites

- www.wccf.org
- <http://www.wiskids.blogspot.com/>
- <http://www.wisconsinbudgetproject.org/>
- <http://wisconsinbudgetproject.blogspot.com/>
- @wiskids - Follow us on Twitter

Budget Info Websites

- www.legis.wisconsin.gov
- www.thewheelerreport.com
- www.wispolitics.com
- <http://budget.wispolitics.com/>

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Thank You

Time for Q & A



Wisconsin Council and Children and Families (WCCF)