

Policy Changes Affecting Working Families in 2012

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The biennial budget bill made numerous changes that affect Wisconsin's low- and moderate-income working families in negative ways. Some of those changes took effect on January 1, 2012, and others that apply to tax year 2011 will first be felt by Wisconsinites as they file their tax returns this year.

The following is a summary of many of the policy changes taking effect this year, as well as one policy that hasn't changed – the minimum wage.

Earned Income Tax Credit

- The biennial budget bill cuts \$56 million over 2 years in tax relief for low-wage workers with children – by cutting the earned income tax credit for families with two or more children.
- The change hits families with three or more kids the hardest. A single mom who has three children and is making the minimum wage will lose \$518 per year (21% of her current credit).
- A family with two children will lose up to \$154 per year. (Families with one child won't be affected.)

Homestead Tax Credit

- The biennial budget bill repealed the annual indexing of the Homestead Tax Credit for inflation which is expected to reduce the credits by \$13.6 million in the 2011-13 biennium.
- The cuts will average about \$12 per recipient in tax year 2011 and \$42 the next year. Those amounts will grow steadily in future years.

BadgerCare

- The budget bill grants the Department of Health Services (DHS) sweeping authority to make cuts to Medicaid and BadgerCare, and the department plans to use that power to make cuts of more than \$500 million during the current biennium.
- DHS has requested a waiver from federal maintenance of effort (MOE) requirements, which restrict the ability of states to reduce Medicaid coverage for children and adults. If the waiver is granted, the proposed changes, which DHS wants to begin on April 1, 2011, would result in more than 64,000 Wisconsinites losing their BadgerCare coverage and would increase premiums or otherwise adversely affect more than 100,000 people who remain in the program.
- Language in the budget bill says that if the state did not get the requested MOE waiver by Dec. 31, 2011, DHS shall lower the BadgerCare income ceiling from 200 percent of the poverty level to 133 percent for parents and childless adults, effective on July 1, 2012. Although the state did not get an MOE waiver by Dec. 31, the Walker Administration has said it doesn't plan to make that eligibility change, which would eliminate coverage of about 53,000 adults.
- Regardless of whether DHS gets the MOE waiver, the state is seeking federal approval for the adoption of an alternative benefits plan for children and parents over the poverty level, which could take effect early in 2012. It would adversely affect about 263,000 BadgerCare

participants by reducing the benefits covered and sharply increasing copays, and would cut the state share of BadgerCare spending by about \$17 million per year.

Increased Health Care Premiums for Public Sector Employees

- Starting on January 1, 2012, the budget repair bill required a 5% decrease in state health insurance system costs. For state employees in the standard plan, deductibles doubled and coinsurance costs increased. Health plan participants now pay 12% of their premium.

Delay in Unemployment Benefits

- The budget bill creates a one-week waiting period before the newly unemployed become eligible for unemployment benefits. This change, which began on January 1, 2012, is expected to reduce unemployment benefits by between \$41 million and \$56 million per year.

W-2 Changes – The following changes relating to the Wisconsin Works (W-2) program were approved in the biennial budget bill and took effect on January 1, 2012:

- W-2 participants caring for a newborn infant will only be able to stay home with the newborn for 8 weeks, compared to the prior 12 weeks of eligibility for Caretaker of Newborn Infant grants.
- The bill reinstates the prior "job-ready" case management services category in the W-2 program, which allows W-2 agencies to deny paid W-2 placements for unemployed workers applying for the program if the agency deems them to be "job ready."
- The budget bill significantly reduces flexibility for W-2 participants to use educational activities to meet part of their work requirement, thereby discouraging W-2 agencies from developing plans for participants that combine training and technical programs with the required work.

Transitional Jobs Program

- Effective on July 1, 2012, the budget bill eliminates the transitional jobs demonstration program, which seeks to serve up to 2,500 unemployed, non-custodial parents who are ineligible for W-2 and unemployment insurance.

Local Administration of Public Assistance Programs

- Beginning on January 1, 2012, administration of the so-called "income maintenance system" was transferred from the county level to regional consortia. Advocates hope that this will accomplish the DHS goal of yielding efficiencies and savings, but they worry that it could decrease the quality of service, especially during the transition period.

Minimum Wage – The frozen level erodes purchasing power.

- The minimum wage increased on New Year's Day in eight states, where it is adjusted each year for inflation. Wisconsin is not one of those eight states, so it remains at \$7.25 per hour, where it has been since 2009.
- Wisconsin's minimum wage workers have lost about 7 percent of their purchasing power since that time, or \$1,070 this year.

Jon Peacock
WCCF research director