



April 2021



Promoting Racial Equity

A Central and Essential Theme of the Governor's Budget

Introduction

The events of the past year have made the deep, longstanding racial disparities in our nation much more obvious. The COVID-19 pandemic and the current recession have not only shined a light on those disparities, but have also made them much worse.

On many different indicators, Wisconsin is at or very near the top in terms of the severity of the racial inequities, and those gaps are holding back our state. For our state's communities and its economy to thrive, all Wisconsinites must be allowed to thrive. That will only happen if state policymakers dismantle the systemic oppression that has harmed African Americans and other people of color for generations.

Governor Evers' budget contains a broad range of measures aimed at reducing the disparities in Wisconsin. However, legislative leaders have said they plan to scrap his budget and start fresh, and it's unclear whether they will retain much of the Governor's agenda to create a more level playing field for people of color in our state, or whether they will take actions that exacerbate the problem. This document summarizes some of the more important budget issues that relate directly or indirectly to racial equity.

Systemically tackling equity issues

The measures in the budget that are aimed at reducing racial disparities would accomplish that objective in many different ways. In some cases, combatting discrimination and improving opportunities for people of color is the primary and explicit goal of the proposal. In other cases, such as the increases in refundable tax credits and some of the initiatives to improve access to health care, the primary goal is to help a broad range of low-income Wisconsinites, but those proposals would be especially important for people of color whose income has been held down by a long history of structural racism.

Some of the Governor’s proposals that explicitly seek to make systemic changes that promote equity include the following:

- Putting equity officers in 18 state agencies and a cabinet-level chief equity officer in the Department of Administration;
- creating an equity grant program to support diversity, equity, and inclusion;
- expanding the Wisconsin Supplier Diversity Program; and
- reinstating domestic partnership benefits for state and local government employee benefit programs.

Public assistance for jobless Wisconsinites

Many Wisconsinites have faced severe financial hardship during the current recession and have fallen through gaping holes in the state’s public assistance programs. Those gaps disproportionately hurt people of color in our state.

The largest state-run program that gets cash into the hands of jobless people is the unemployment insurance (UI) system. Although the substantial increase in federal support for UI benefits has played a huge role in cushioning the effects of the recession, the pandemic has exposed many serious deficiencies in Wisconsin’s program. The most prominent problem has been the antiquated computer system that runs the program, but there are also many policy impediments that frequently deny benefits to gig economy workers and to people who have been in and out of the workforce because of barriers to employment.

Another program that was intended as a source of cash assistance is Wisconsin Works (W-2), which is funded primarily from the federal Temporary Assistance to Needy Families (TANF) block grant. However, W-2 did not increase the way it should have during the severe COVID-induced recession, and that should not come as a surprise. It didn’t work very well in the last recession, and an aid program that requires participants to work is doomed to failure during a deadly pandemic.

To help close the gaps in our assistance for jobless workers, the Governor proposed some important initiatives:

Increasing emergency assistance

Because the W-2 program is not adequately addressing the economic challenges facing many families, the Governor’s budget would significantly increase the amount of TANF funding used for emergency assistance. That appropriation, which was \$6 million per year in the last budget, would increase to \$10.8 million in fiscal year 2022 and \$9.9 million the next year.

Reforming the UI System

The Governor's budget includes \$79 million to replace Wisconsin's badly out-of-date computer system that runs the state's UI program. In addition, the Governor proposed increasing the maximum weekly benefit, eliminating the one-week waiting period, broadening eligibility benefits, repealing the drug testing requirement and the prohibition on UI benefits for recipients of Social Security Disability Insurance.

Expanding the Transitional Jobs Initiative and the Milwaukee Jobs Initiative

These closely related programs provide subsidized employment and related services for low-income individuals. The proposed budget would expand the Transitional Jobs Initiative statewide and would increase funding for the two programs from \$9.5 million in FY 2021 to \$14.7 million in FY 2023.

Increasing access to healthy food

The proposed budget contains several initiatives to address a problem that is found in many communities of color – insufficient access to healthy food. These initiatives include funding to enable more farmers' markets to accept FoodShare benefits and funds for a healthy eating incentive pilot project. The bill would also repeal the FoodShare work requirement and the drug screening requirement for the FoodShare Employment and Training program.

Proposed changes that improve tax equity

How states and local governments raise revenue can play a significant role in increasing or decreasing racial inequities. Tax policy choices in Wisconsin have contributed to the increasing concentration of income and wealth in a few hands – hands that are most likely to be white, due to a long history of racial discrimination. Since 2011, state lawmakers have cut a cumulative \$13 billion from state taxes, yet even as they did that they boosted taxes for many low-income families by cutting the Earned Income Tax Credit and the Homestead Credit.

The Governor's budget proposes reversing some of the tax increases for low-income families and closing income tax loopholes to generate revenue needed for important investments, while also improving tax equity. These are a few of the more significant changes that would create a more level playing field for Wisconsin businesses and individuals:

Limiting the manufacturing credit

The budget bill significantly reduces a tax break that allows many manufacturers to pay no state income taxes. This credit has ballooned far beyond original cost estimates and is slanted to favor a small group of multi-millionaires. In 2017, for example, tax filers with incomes of at least \$1 million claimed 76% of the credit, even though they are just 0.2% of Wisconsin's income tax filers. The Governor's budget

essentially caps this credit at \$22,500 per year, which would reduce its cost by \$487 million over the next two years. The result would be that big manufacturers and wealthy individuals would pay their fair share of taxes that are necessary to fund thriving communities, excellent schools, and modern transportation networks.

Taxing income from wealth at the same rate as income from work

Wisconsin is one of only a few states that gives preferential tax treatment to income earned from investments (also known as capital gains), taxing that income at a lower rate than income earned from working. Governor Evers wants to eliminate this preference for individuals with incomes above \$400,000, and couples above \$533,000. This limitation would generate an additional \$350 million in public revenue during the 2021-23 budget period.

Improving the Homestead Credit

This tax credit delivers targeted property tax relief to low-income households, and helps seniors with low incomes afford to stay in their homes. It is a very important tax credit in terms of equity because it provides well targeted assistance not only to low-income homeowners, but also renters, who are disproportionately people of color. However, regressive policy changes and a frozen formula for calculating the credit have cut this property tax relief in half over the past 10 years. The changes Evers proposed will cut taxes for people with low incomes by \$69 million over the next two years by making more households eligible and by increasing the credit for most households who now get it.

Expanding the Earned Income Tax Credit

The Governor proposes increasing this important tax credit, which helps address financial barriers for parents with low-wage jobs. His proposal increases the credit for families with one or two children, reducing their taxes by \$74 million per year. About 200,000 families, including many families of color, would get an increase of about \$350 per year in their credit, which they could use to make car repairs they need to get to work, pay for school supplies for their children, catch up on utility bills, and pay for other basic family needs.

Creating a State Work Opportunity Credit

This new state tax credit would reduce taxes by \$52 million over the next two years. It would provide a tax incentive to employers who hire individuals in targeted groups who otherwise may face difficulty accessing employment, including veterans, justice-involved individuals, and recipients of Temporary Assistance to Needy Families.

Promoting equity in education

The state spends more tax money on K-12 education than for any other purpose. These resources should be spent in a way that addresses systemic racism in Wisconsin schools and moves us closer to providing equitable opportunity for students of color.

The Governor's budget includes several provisions that would promote racial equity in public schools, including:

More resources for students from families with low incomes

In Wisconsin, school districts are funded through a complex stream of both local property tax revenue and state support. State resources are distributed to districts based both on the number of students in the district as well as the characteristics of the district and the student population.

The Governor is proposing a new payment to districts of \$75 for each student who is from a family with a low income. This adds up to about \$28 million a year in new resources for school districts. Due to longstanding employment discrimination, unequal opportunity in education and housing, and other factors, families of color are more likely to struggle to make ends meet, and this provision would help schools take a step towards meeting those families' needs.

New resources for driver's education

Before youth can get their driver's license, they are required to complete a certified driver education program, which can cost several hundred dollars. This fee may put licenses out of reach for teens whose families are struggling financially.

The lack of affordable driver education disproportionately harms Black youth. Only 17% of Black male teens ages 16 and 17 in Milwaukee have a license, compared to 64% of White male teens in Milwaukee County suburbs, research has shown. The Governor's budget includes \$3 million starting in the second year of the budget for driver's education for students from low-income families.

More funding for English-language learner services

The budget proposal provides \$28 million more over two years for English-language learners in public K-12 schools, and expands the number of school districts that can get this funding. More than nine out of ten students who receive ELL education services speak either Spanish or Hmong as their first language. The budget also includes a small grant program to help school districts get staff licensed as a teacher of English as a second language.

Expanding American Indian studies in K-12 schools

The Governor also proposes expanding teacher licensing requirements related to the knowledge of American Indian issues.

Support for districts dropping race-based mascots

The budget provides \$400,000 over two years to underwrite the cost of adopting a new team name. The money comes from tribal gaming revenue.

Extending in-state tuition eligibility to immigrants who are undocumented

The Governor's budget would allow students who graduate from Wisconsin high schools and fulfill other requirements to qualify for in-state tuition rates, regardless of their documentation status. About three-quarters of Wisconsin residents who are undocumented come from Mexico and Central America.

Making quality early education more accessible

Numerous studies have concluded that high quality early education is one of the most effective ways to counter the racial disparities that are holding back people of color and our nation as a whole. Quality early education programs enable parents to work and children to get a great start. It is a win for families, communities, and our whole state.

The following portions of the Governor's budget would improve the well-being of our young children, reduce racial disparities, help parents participate in the workforce, and boost Wisconsin's long-term prosperity:

Improving access to quality, affordable child care

The Evers budget proposes a historic investment of \$53 million per year of state funds to finance child care quality improvement programs that subsidize child care providers that are certified or licensed by the state or established by a school board. This initiative, known as Child Care Strong, is intended to assist providers located in child care deserts and those serving a significant percentage of infants and toddlers.

Investing in social-emotional training

The Governor recommends a \$3.3 million investment in social-emotional training and technical assistance. This specifically aims to reduce instances of children being removed from daycare for behavioral issues. In a broader context, it addresses the impacts of racism and systemic oppression on children and educators of color. The training and technical assistance can help establish nurturing and

consistent relationships within the context of family, community, and culture in Wisconsin's early care systems.

Expanding the 53206 early care and education initiative

Wisconsin has been at the forefront in promoting the equitable quality of our early care and education. Building on the success of the 53206 early care and education initiative from the previous 2019-21 budget, Governor Evers wants to expand the initiative to adjacent areas in Milwaukee. These are heavily African American neighborhoods suffering from disproportionate poverty, incarceration, and access to quality child care. This expansion will improve child care affordability, professional development opportunities with Milwaukee Area Technical College, and technical consultation for early care and education providers to increase the quality of the child care environment.

Investing in the REWARD program

The REWARD program provides salary supplements for child care professionals based on educational attainment and longevity in the field. Governor Evers proposes increasing the program by \$500,000 annually to help increase the pay of skilled child care teachers, which has been the lowest of any educators.

Allowing the use of family leave

Child care closures during the pandemic have exposed the challenge for working parents of choosing between working and caring for their children. The budget seeks to address this challenge by allowing working parents to take six weeks of family leave in a 12-month period if a school or child care provider that their child attends is experiencing an unexpected short-term closure.

Reforming the juvenile corrections system

Oftentimes the starkest of our racial disparities can be seen in the deep end systems like the juvenile justice system. Wisconsin is no different and we have some of the widest racial disparities in the country when it comes to youth justice involvement. There are many provisions in the Governor's budget that are important in initiating comprehensive reform to reduce racial disparities. We have selected the following to highlight:

Raise the age

Wisconsin remains only 1 of 3 states that have not raised the age of adult jurisdiction to 18. Eliminating automatic original adult court jurisdiction for youth under the age of 18 and modifying the conditions under which a youth under the age of 18 may be waived into adult court is critical to addressing and

supporting the needs of youth that are developmentally appropriate and reduce racial disparities. In addition, the budget contains a provision to increase the minimum age of delinquency from 10 to 12 years old to enable more age-appropriate, evidence-based youth justice programs. By adopting these provisions for age of jurisdiction we will begin to address grievous racial disparities in our criminal justice system.

Eliminating status offense detentions

Sending youth back to detention because they have violated a court order does not improve community safety. Eliminating detention as a consequence of a status violation will significantly reduce the number of youth returning to these facilities.

Eliminating secure juvenile correctional facilities

The Governor proposes to close Lincoln Hills and Copper Lake youth prison. This change could be a first step in ending incarceration that disproportionately impacts Black, Indigenous and other youth of color.

Investment in a community-based services grant program

The budget proposed a \$9 million investment in community-based services to respond to and support youth with significant needs closer to home. By investing in the front end of the system through an emphasis on diversion, mental health services and other programming over time will reduce the costs associated with incarceration by keeping youth out of the system.

Increase investment in Youth Aids

The Governor recommends a biennial increase of nearly \$19 million in Youth Aids for counties to cover the costs of implementing best practices geared toward support services for youth. By giving counties additional support, we can help them make investments in prevention and early intervention that will reduce recidivism, juvenile incarceration, and future adult criminal justice involvement and costs.

Investing in health equity

All Wisconsinites need quality, affordable health insurance coverage to be healthy and to have the economic security to know that they won't go bankrupt because of a medical emergency. Too often in Wisconsin, a person's health depends on their zip code, race and ethnicity, or income level. We need to make sure that everyone can see a doctor when they need one, regardless of where they live, the color of their skin, or how much they have in their bank account.

The COVID-19 pandemic has made the case for improving access to health care even more compelling. The inequitable impacts of the pandemic on people of color in Wisconsin have also illuminated the

importance of eliminating gaps in access to quality, affordable health care for Black, Latinx, and Native American people in Wisconsin.

Increasing the number of people who have access to affordable health care doesn't just help those who gain insurance; it also strengthens a state's economy. Governor Evers' budget contains crucial increases in access to care and coverage by expanding BadgerCare, invests in maternal and infant health, and takes important steps toward health equity.

Fully expanding BadgerCare

Governor Evers' budget expands BadgerCare eligibility to 138% of the federal poverty level, which is a little more than \$24,000 income annually for a single parent with one child. Roughly 91,000 adults are expected to gain coverage and half of them are uninsured. Historical and current policies which perpetuate institutional racism have created racial inequities in health outcomes across the lifespan. Due to the impacts of systemic racism in housing, employment, health care, and education Black, Latinx, and Native American adults are uninsured at much higher rates than their white counterparts.

Having health insurance coverage does not guarantee access, and accessing care doesn't mean someone is getting the quality of care they need. However, expanding BadgerCare and having more adults and children with steady access to adequate health insurance is one small way to begin to address these shameful inequities.

The Department of Health Services (DHS) estimates that BadgerCare expansion would save the state about \$630 million over the course of the two-year budget. The budget puts those dollars back into the Medicaid program to improve social determinants of health and invest in vital services, such as maternal and child health and community health workers.

Healthy women, healthy babies: Improving birth outcomes

Wisconsin is worst in the nation for Black infant and maternal health outcomes compared to white people, and this budget dedicates nearly \$30 million to support maternal and infant health, specifically aimed at addressing those racial disparities. Women and babies need stable and affordable access to health care and coverage after birth, but BadgerCare currently only provides 60 days of postpartum coverage, which is not even long enough to cover medically-recommended follow-up exams. The Governor's budget includes \$21 million to expand postpartum coverage for women from two months to one year to help ensure continuity of care for both mom and baby.

The budget also expands Medicaid coverage to pay for doula services, and provides \$8 million to community-serving organizations working to address racial health disparities. Recognizing the stark health inequities that Black women in Wisconsin face, the budget recommends some of the funding be directly allocated to Black women-led organizations working to improve Black women's health and

wellness in Dane, Milwaukee, Rock and Kenosha counties. The budget also proposes contracting with a Black woman-led organization to convene stakeholders statewide and develop an overarching strategy to advance Black women's health in Wisconsin.

Funding community health workers, community health centers, & free and charitable clinics

The Governor's budget expands Medicaid coverage and includes approximately \$15 million to integrate services provided by community health workers, with the goal of increasing access to care and improving quality and cultural responsiveness of services.

The budget recommends \$4 million in increased funding for community health centers, which are located in medically underserved areas, provide services on a sliding fee scale, and serve people regardless of their insurance status or ability to pay. The budget also includes \$4 million for free and charitable clinics across the state, which are one of few sources of care for people who are uninsured or underinsured.

Medicaid community health benefit

Everyone having affordable, quality health insurance is crucial for improving health equity, but it is not enough. Inequitable health outcomes are rooted in health care disparities, racism, and structural injustices in housing, transportation, and other social determinants of health. Year two of the Governor's budget includes \$25 million to address these factors for people who are insured through Medicaid. This pilot program would allow Medicaid to help pay for non-medical services, such as transportation, housing, nutrition, stress management, and food security.

Prevention and treatment of lead poisoning

The rate of children with lead poisoning in Wisconsin is worse than the national average, and Black children in Wisconsin are more likely to have elevated blood-lead levels than other children. Lead poisoning in children can lead to serious physical and mental health concerns. Elevated lead levels can result in developmental and growth delays, learning disabilities, and hearing and speech difficulties, and other long-term health problems.

The Governor's proposed budget continues an initiative from his last budget, which offers lead abatement services for eligible families to reduce lead found in their homes, and creates a program targeted at windows and doors, where lead exposure is most common. The proposed budget also decreases the blood-lead level children must have to receive treatment, making it more consistent with national CDC standards. This change will mean more children are eligible for treatment of lead exposure, and the Governor proposes additional funding to support treatment for more children.

Finally, the budget recommends \$40 million to safely renovate lead-based water service lines, and directs outreach funding to impacted communities, such as Milwaukee County where 10% of children tested were considered lead poisoned.

Other measures

This is not a comprehensive description of all the provisions in the Governor's budget that would promote racial equity. Other changes that would help address racial gaps in well-being include:

Removing barriers to driver's licenses

The Governor's budget would allow immigrants to get driver's licenses without regard to their documentation status. Removing obstacles to licenses would bring broad-based benefits to Wisconsin's economy and allow people to participate more fully in their communities.

Legalization of marijuana

White and Black residents use marijuana at comparable rates, but Black residents are far more likely to be arrested for marijuana-related offenses than White residents. The Governor's budget legalizes marijuana, taxes it, and reinvests part of the proceeds back into communities that have been harmed by incarceration.

Changes to the adult corrections system

The Governor's budget includes investments that would keep people out of prison, allow incarcerated people to serve more of their sentence in the community, and make it harder for the state to send people on extended supervision back to prison if they have not committed a new crime. Investments include \$4 million across two years to reduce the waitlist for adult basic education in prison, and \$3 million across two years to expand treatment capacity in a program that enables people to serve part of their sentence in the community. The Governor has also proposed ending the inhumane practice of shackling women who are in labor.

Conclusion

It is time for state lawmakers to acknowledge the many ways that state budget decisions contribute to racial inequities and for those lawmakers to demonstrate a firm commitment to end Wisconsin's shameful distinction of having some of the worst disparities in the nation. State laws and budget choices are not the only source of the severe racial disparities in Wisconsin, but they are a very important contributor to those disparities because they tend to lock into place and exacerbate the harm caused by a long history of racial discrimination.

One budget cannot undo the damage caused by many generations of systemic racism, but the broad range of measures in the Governor's budget to mitigate racial inequity are critical first steps to an equitable and inclusive Wisconsin. It remains to be seen whether Republican legislators are also willing to prioritize policies that counter the structural racism that has been holding back our state.