WISCONSIN COUNCIL ON
children & families
Raising Voices to Make Every Kid Count

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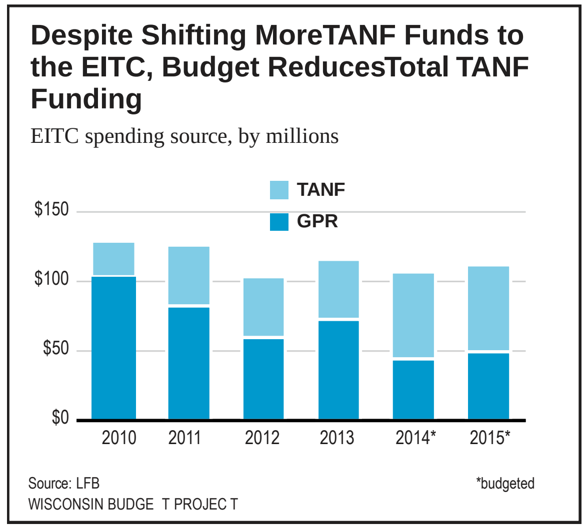
How the 2013-15 Budget Affects Children and Families

Looking at the budget through the lens of how it affects children and families we see much more harm than good. We see many missed opportunities to address the pressing needs of those hardest hit by the recession, and choices made by the Governor and Legislature that mainly benefit the wealthy few and harm Wisconsin's most precious resource, our children and families. Below is a summary of the major components of the budget that impact children and families.

Department of Children and Families budget

Temporary Assistance to Needy Families (TANF) block grant, and the EITC "switcheroo"

- The budget siphons off funding intended for low-income families by transferring almost $19 million per year more from the TANF block grant to the Dept. of Revenue, to supplant state funding for the Earned Income Tax Credit (EITC). That's on top of a $37 million per year increase in the transfer to DOR in the previous budget. These transfers reduce the amount of TANF funding available for W-2 and child care subsidies.
- As the bar graph shows, total spending for the EITC is decreasing, even though the state is taking more money from the block grant to pay for it.
- By using so much TANF funding to replace state support for the EITC, the budget spends roughly $40 million more of TANF funds each year than the state is receiving – even though the TANF spending levels for child care and Wisconsin Works are being cut sharply. If all the TANF appropriations, including the transfers to DOR, were maintained in the following budget, the state would have a deficit of about $78 million in 2015-17.



Wisconsin Works – The W-2 spending level is reduced by $13.4 million during the biennium, based on the assumption that participation will drop by 1% each month, starting in April. However, participation actually increased by 6.2% in April and May, which suggests that the committee's assumptions are very unrealistic.

Child care – The bill:

- Reduces funding for Wisconsin Shares child care subsidies by $31 million, which the department projects is nonetheless enough to meet current demand, based on decreased cost per child in recent years.
- Fails to use the savings to make overdue investments in child care quality.
- In the second year, lifts the long freeze on reimbursement rates, but the funding level doesn't seem to assume much of an adjustment to bring rates into line with costs (and the funding for the increase could disappear if W-2 spending doesn't decline as fast as anticipated).
- Creates a new electronic benefit card for the Wisconsin Shares subsidy program, which is intended to increase program integrity, but might be a significant administrative and fiscal problem for providers.

Child support

- The budget increases state GPR funding for county child support enforcement agencies by $8.5 million, which is expected to generate more than $29 million in federal matching funds and incentive payments.

- On a trial basis, the bill decreases the interest rate on child support debts from 12% to 6% per year, which is expected to improve cooperation of noncustodial parents by making their debts more manageable.

Emergency Assistance – Increased by $1.5 million in each year.

Health Care

Adults

- The bill adds to BadgerCare about 80,000 childless adults below the federal poverty level (FPL), but does so by ending coverage for nearly 90,000 parents.
- It moves those parents (over the poverty level) into the new insurance "Marketplace," where co-pays will be much higher (up to $2,100 per adult) and many are likely to become uninsured.
- A Fiscal Bureau analysis concluded that the alternative of providing BadgerCare to all adults below 133% of FPL would cover almost 85,000 more people and cost state taxpayers far less – nearly half a billion dollars less over the next seven years – by utilizing federal health care reform dollars.
- The bill authorizes the Dept. of Health Services (DHS) to adopt a more limited benefits package with higher cost-sharing for children and adults, if it is approved by the federal government.

Children

- The budget bill would end the ability of families above 300% of the federal poverty level (FPL) to buy BadgerCare coverage for their children at full cost.
- It seeks to resurrect changes DHS proposed in 2011, which were anticipated to cause 29,000 kids to lose BadgerCare coverage if federal officials had allowed those changes to be implemented.
- Parents and children now in BadgerCare will often be split into different health plans.

Mental health care – The budget includes $29 million in new state funds for mental health programs.

Navigators and assisters – The bill creates regulatory requirements for the people who will help others find and enroll in coverage through the new insurance Marketplace under the ACA. Advocates are concerned that the new rules to be developed by the Insurance Commissioner's office could make it very difficult for some people who are already providing enrollment assistance to continue doing so.

K-12 education

- *Total spending level* – The bill increases state support for K-12 education funding by about $411 million GPR over two years, an increase of less than 2% per year. A little over a fifth (21%) of the increase is for choice and charter schools, and 6% is for assessment of students and schools.
- *Aid increases* – Although the Finance Committee provided more funding for general and categorical aid for schools than the meager amount the Governor proposed – bringing the increase in school aid to $289 million over two years – that amounts to just 1.5% in 2013-14 and 2.8% in 2014-15, which means that schools are going to continue to lose ground to inflation.
- *Revenue cap* – The amended budget raises the revenue cap (which applies to each district's total of general aid and property taxes) by $75 in 2013-14 and another $75 in 2014-15.
- *Per pupil aid* – In contrast to the usual way of using the bulk of a school aid increase to boost equalization aid (targeted more towards districts with lower property tax bases), this budget uses most of the increased aid (64% of the net increase) for a $190 million appropriation to increase categorical aid for all districts by $75 per pupil in 2013-14 and an additional $75 ($150 total) in 2014-15.
- *Categorical aid* – Putting much of the aid increase in a categorical appropriation means that the state is diminishing its efforts to help poorer districts (with weaker property tax bases); but it has the advantage for all districts that categorical aid does not count against the revenue cap.
- *School choice* – The bill expands the school choice program statewide by allowing 500 new students in the choice program outside Milwaukee and Racine in the first year of the budget and 1,000 in the second year. It sets the income eligibility limit for the new students outside Milwaukee and Racine at 185% of the federal poverty level. The committee deleted the proposed special needs scholarship in the choice program.

- *Tax break for private schools* – The budget added an income tax deduction for tuition in private schools, which is expected to reduce state tax revenue by $30 million in 2014-15. Filers may deduct tuition expenses of up to $4,000 per year per student enrolled in kindergarten through 8th grade, and $10,000 per year for students in grades nine through twelve.

Child welfare and juvenile justice

- *Juvenile justice* – A late amendment lengthens from 180 days to 365 days the maximum length for placing juveniles in secure detention in local facilities, without any minimum quality standards.
- *Children and Families Aids* – The bill cuts the state funding for this allocation to counties by about $580,000 per year. Initially, the idea was that the cut in state support would be offset dollar for dollar by an increase in federal child welfare funds; however, that was before sequestration resulted in a cut in federal funding of nearly $1.3 million over two years. Despite that news, the Legislature didn't restore state funding the Governor proposed cutting. (The bill also freezes the Shared Revenue funding for counties and municipalities and Youth Aids funding for counties.)
- The bill increases foster care rates by 2.5% in 2013-14 and an additional 2.5% in 2014-15.
- It sets aside $1.1 million to fund extension of out-of-home care to age 21 for youth with a disability who have an individualized education program (IEP).
- Provides $232,000 GPR per year for a new program to assist youth who attain the age of 18 while residing in an out-of-home setting with their transition to independent living as adults.

Taxes and miscellaneous provisions

- *Income tax cuts* – In addition to a new $30 million per year deduction for private school tuition, the bill provides $651 million in income tax cuts – with a seventh of Wisconsin tax filers who earn over $100,000 per year enjoying 55% of the benefit, and more than a quarter of tax filers getting none of the benefit.
- *Digging a hole in the next budget* – Because much of the tax cut is funded with one-time revenue, it will cause a hole of more than $500 million in the 2015-17 budget. That will continue to put downward pressure on spending because the first half billion dollars of revenue growth will have to be used to close that hole, before addressing any increases in costs from inflation, population growth, or other spending needs.
- *Levy limits* – The bill continues strict limits on the amount of property taxes that counties, municipalities, and technical colleges are able to raise. They must limit any increase in their levy to the growth in property values due to new construction.
- *Non-fiscal policy items* (e.g., soft drink restrictions) – Among the many policy items in the bill, many of which could have benefitted from more careful review and debate outside the budget process, is an amendment banning local ordinances setting nutrition standards for food or beverages.
- *Eligibility for unemployment insurance benefits* – The bill increases the work search requirement for people claiming unemployment insurance benefits to a minimum of four searches per week (or more if required by the Dept. of Workforce Development), and the Finance Committee added numerous policy changes that tighten eligibility for benefits and change the employer taxes (raising assessments for employers who more frequently lay off workers). Since the changes were not approved by the Unemployment Insurance Advisory Council, enacting them in the budget would be a serious blow to the longstanding role of that advisory body.

In the last budget, there was a promise of job growth in exchange for painful spending cuts. But there's no escaping the fact that Wisconsin lags other states in job growth. The exchange of austerity for economic growth is not working here in Wisconsin, just as it has not worked elsewhere. Before even more children are harmed, we must re-examine our values and our strategies. Elected officials should be responsible and act in the best interests of <u>all</u> our residents, including our children, not just the few. We owe much of our high quality of life to those before us who invested in the things that make that possible: good schools, a well-trained and healthy workforce, and stable communities. We have a responsibility to our children to do the same.