



2013-2015 Wisconsin Budget Overview and Its Impact on Working Families

In 2011, Gov. Walker and the Republican controlled legislature passed one of the most controversial and crippling budgets in history. Just months after unveiling extreme attacks on collective bargaining, Gov. Walker continued his crusade on the middle class and signed a state budget that enacted the largest and most sweeping cuts to education, health care and state aid to local communities in the entire history of the state.

In 2013, Gov. Walker and the Republican controlled legislature put forth an ideologically identical budget which rewarded corporate campaign contributors at the expense of Wisconsin's working families. On June 18, 2013, in an unusually abbreviated budget debate, the state Assembly passed the budget 55-42, with all Democrats and three republicans voting against the budget. Rep. Steve Nass (R-Whitewater), Rep. Marklein (R- Spring Green), and Rep. Kestell (R-Elkhart Lake) joined Democrats in opposition to the budget.

Just two days later, the state Senate, after 12 hours of spirited debate, passed the budget 17-16, with Sen. Dale Schultz (R-Richland Center) casting the sole Republican vote against the budget. The Senate Democratic Caucus engaged in a valiant effort to improve the budget by introducing 54 unique and individual amendments. Republicans systematically tabled each and every amendment as it was offered. Senate Democrats pushed debate to the limits of time imposed by Republican leadership. Under new Republican rules, time to debate issues is predetermined and needlessly silences debate on policies that affect all Wisconsin citizens.

The 2013-2015 biennial budget is balanced on the backs of low-income and middle-class families who have already paid their fair share to fix a struggling economy recovering from the Great Recession. The budget redirects public tax dollars into a massive expansion of the unaccountable private school voucher program. The budget creates a major tax shift scheme that overwhelmingly benefits the rich and short-changes the rest of us. In an extremely partisan move based on Gov. Walker's personal ideology, the budget refuses billions of dollars in federal funds to expand BadgerCare. This is the second time that Gov. Walker has recklessly refused federal dollars that would have created good jobs for Wisconsin. In 2010, Gov. Walker turned down billions of federal high-speed rail dollars that would have improved Wisconsin's infrastructure and provided a boost to local economies across the state.

Shamelessly, in the dead of the night in a closed door session, the Joint Finance Committee tucked a host of non-fiscal policy items into the budget. In April, the Legislative Fiscal Bureau identified 58 policy items in the budget that had little or nothing to do with state finances. The Milwaukee Journal Sentinel criticized Gov. Walker and GOP legislators in an April 25 editorial.

Even Republican Senator Rob Cowles joined critics for hiding non-fiscal items in the budget to shield them from democratic debate. “This Governor campaigned on not having policy in the budget. What happened to that promise?” Sen. Cowles said.

This is an overview of some of the most egregious items proposed in the 2013-2015 Budget.

Tax Cuts for the Rich

Income Inequality in Wisconsin to Get Even Worse

- \$651 million in income tax cuts over the next two years, which will largely benefit people with six-figure incomes.
- Those with income under \$50,000 will get an average cut of \$45; incomes of \$50,000 to \$100,000—average \$151 cut; incomes of \$100,000 to \$150,000—average \$272 cut; incomes of \$150,000 to \$300,000—average \$459 cut; and incomes of \$300,000 and over—an average \$1,440 cut.
- Most people earning \$30,000 or less will not benefit at all—an estimated 763,000 filers. Lower-income households, who don’t owe income tax, do pay other taxes. In fact, they typically pay a higher percentage of their income in state and local property taxes than the richest 1%—but get no relief from this package of tax cuts.
- A tax bracket is eliminated which will put couples earning \$29,000 in the same tax bracket as people earning \$315,000. The biggest reduction (-7%) in tax rates will go to incomes between \$215,000 and \$315,000. That leaves us out.

Taxpayers to Hand Millions More Over to Private Schools

Privatization of Public Education Expanded

State spending on private school vouchers will increase by at least \$77 million over two years to expand a financially reckless education experiment that has failed after 20 years of taxpayer support. The quality of voucher schools is not academically proven and they remain truly unaccountable to the public. In fact, a report from the Public Policy Forum in Milwaukee found that Milwaukee voucher students perform slightly worse on standardized tests in math and reading than students in Milwaukee Public Schools, and that one-third of private voucher schools do not have specialized art, music or physical education teachers.

Taxpayers will provide \$7,210 for private grade school student vouchers and \$7,856 for private high school student vouchers—mostly in religious schools.

By 2014-2015, Wisconsin taxpayers will have spent an estimated \$1.8 billion sending students to private and religious schools since the voucher experiment began in 1990.

Wisconsin has always prided itself for offering an excellent public education. According to testimony by Superintendent of Public Instruction Tony Evers, our state has some of the highest graduation rates, ACT scores and Advanced Placement results in the country. This expansion of the voucher experiment is wrong for Wisconsin on so many levels, but most importantly it is an insult to the dedicated teachers in the public school system.

In addition to the voucher program, there will be a new tax deduction starting in 2014 for families who send children to any K-12 private school. This will cost taxpayers an additional \$30 million in just the first year. It will reduce taxable income by up to \$4,000 for elementary private school tuition and up to \$10,000 for high school tuition. This benefits the rich who already send their children to exclusive, private schools.

School privatization interests are major political donors in the state spending at least \$10 million in elections over the last ten years based on a review by the Wisconsin Democracy Campaign. Governor Walker alone received \$2.35 million from pro-privatization groups.

The state budget includes only modest additional state funds for the K-12 public schools over two years (an average of less than 2%), which means that Wisconsin's struggling public education system will continue to lose ground to inflation. This is in addition to the fact that in the previous 2011-2013 State Budget, the K-12 public system suffered a record \$1.6 billion in funding cuts.

In an all-night Joint Finance Committee meeting full of backroom deals, unaccountable voucher schools were expanded to the entire state. Crooked transparency standards were put in place which allows for individual voucher schools to hide test results from taxpayers, teachers, students and the community. In a technical loophole, the statewide student cap can be circumvented by allowing out-of-city students to attend current voucher schools in Milwaukee and Racine and not be counted towards the statewide cap. This may allow for the creation of satellite schools placed outside of the community in an effort to side-step cap requirements. Additionally, if the income of current voucher recipients rises above the current level of eligibility, the full-voucher money will continue to be available at the expense of taxpayers.

Make no mistake, these last-minute amendments were not thought up at 2:00 a.m. These were highly sophisticated, researched schemes packaged by ALEC, pro-voucher operators and special interests groups to undermine public schools and privatize the ability of middle-class Wisconsinites to get a decent education in the future. Fearing public debate and discussion voucher items were tucked into the budget under the cover of night.

Gov. Walker Rejects Federal Funds to Expand BadgerCare

Denies health care to Wisconsinites while costing the state jobs

Republicans rejected \$4.38 billion in federal funds under the Affordable Care Act to expand Medicaid coverage, which would be done largely through the BadgerCare program.

This loss of funds will block access to BadgerCare for tens of thousands more who could be eligible and will kick some 84,700 Wisconsinites off BadgerCare.

It will actually cost Wisconsin taxpayers approximately \$149 million more in the next two years alone, because the state will make extra payments to hospitals to reimburse them for treating the increased number of uninsured due to this irresponsible policy decision.

The Walker Administration previously rejected over \$30 million in federal funds to establish the state's Health Care Exchange which would offer health insurance options under the federal Affordable Care Act beginning in 2014. Republicans have taken an ideological position to try to sabotage the effective implementation of Affordable Care Act rather than cooperate with the federal government in providing health coverage for Wisconsinites. Many Republican governors, including Gov. Jan Brewer (R-Arizona) and Gov. Chris Christie (R-New Jersey), have made the logical and responsible decision to accept funds to expand Medicaid. Gov. Walker's decision to turn away the Medicaid money is not only foolish but will cause countless deaths.

Gov. Walker can reverse his decision and accept federal funds to expand BadgerCare at any time. We encourage him to accept the funds.

More Workers to Lose Unemployment Insurance Benefits

Abandoning workers when they are most in need

The Joint Finance Committee voted 12-4 to insert into the budget an amendment that changes unemployment benefits and employer taxes that fund the unemployment insurance benefit program. It was introduced without being fully vetted by the long-standing Unemployment Insurance Advisory Council (UIAC) which was set up decades ago to work out any changes in benefits or the unemployment insurance taxes. Until 2011, any recommendation of the Council was treated as sacred and not changed by lawmakers. The UIAC is made-up of labor and management representatives who understand the complexity of unemployment laws and procedures.

In 2011, the legislature gave its first signal that it would make unemployment insurance changes without seeking input from the UIAC when it passed a law creating a "one week waiting period" before an individual could collect benefits. In May of 2013, the Joint Finance Committee amended unemployment insurance law to require claimants to carry out four, instead of two, work searches per week to qualify for unemployment insurance.

In May 2013, the Joint Finance Committee adopted a number of major changes to the unemployment insurance program, including:

- The Joint Finance Committee implemented new changes to the unemployment insurance system that will reduce payments to the unemployed in 2013-2015 by an estimated \$37.2 million.

- The definition of “misconduct” is expanded under unemployment insurance rules so that it will be easier to deny benefits to many more workers, even when some action or oversight by the employer may have been responsible for an alleged work rule violation.
- They make it easier to deny unemployment insurance by eliminating seven of the “quit exceptions.” These exceptions are currently circumstances in which a worker could terminate his/her employment and still receive unemployment insurance benefits.
- The decades-long, reliable process of making balanced changes to the unemployment insurance law through negotiations between labor and management on the Unemployment Insurance Advisory Council is now undermined in favor of Republican legislators making changes hugely favorable to employers.
- This attack on the Unemployment Insurance System comes at a time when Wisconsin is still reeling from job loss. On June 5 of 2013, the Federal Reserve Bank of Philadelphia ranked Wisconsin as the 49th worst among 50 states in projected economic performance over the next 6 months. It reports that Wisconsin is one of only five states which are expected to see an actual decline in the months ahead.

Auditing the Government Accountability Board (GAB)

Sen. Mary Lazich (R-New Berlin) persuaded the committee to approve an amendment requiring the nonpartisan Legislative Audit Bureau to conduct a full audit of the Government Accountability Board. The GOP has been dogging the GAB since the recalls of 2011 and 2012 and has accused the Board of wrongdoing. The audit is part of a larger effort to challenge Wisconsin’s electoral process and voting rights.

JOBS

Wisconsin Economic Development Corporation (WEDC) gets funding in spite of mismanagement of taxpayer dollars, losing track of millions of dollars in loans and possible illegal activity.

WEDC is the partially privatized entity created by Gov. Walker intended to be the engine for economic development in Wisconsin. In spite of terrible press and a damaging independent audit of the WEDC, the Joint Finance Committee approved an increase in funding by at least \$7.5 million for WEDC operations and marketing. The Legislative Audit Bureau issued a scathing audit on May 1, 2013, saying that WEDC’s reporting and management were so inadequate that it is not possible to “assess the effectiveness of WEDC’s economic development programs.” There are still no reliable accountability standards to show that taxpayer’s dollars are truly spent to create jobs.

The audit revealed that WEDC employees were using taxpayer money on alcohol, iTunes gift cards and Badger Football tickets. Further showing their incompetence and lack of due-diligence to the people of Wisconsin, WEDC hired a top-level spokesperson but failed to do even a basic background check. He was forced to leave days after being hired when it was discovered he owed thousands in back taxes to the state of Wisconsin.

State Owned Property Repair, Maintenance and Construction Budget (Capital Budget)

The construction sector is a key component of the Wisconsin economy. It generates a significant amount of the state's Gross Domestic Product (GDP) and employs a large number of workers in relatively high-paying jobs. It also affects the economy in more indirect yet far-reaching ways through ripple effects that occur as the economic benefits of construction activity work their way through the broader economy.

Unfortunately, the Joint Finance Committee cut \$250 million in bonding, which would have helped create and protect good family-supporting jobs in the construction industry.

Authority to Sell or Lease State Properties

Governor Walker's budget authorizes the sale or lease of nearly all state-owned property including power plants, UW-buildings, highways and rest-stops. The ambiguity of the budget language allows for these transactions to be conducted through a no-bid process. Gov. Walker is literally putting Wisconsin up for sale and is opening the flood-gates for potential political payback on a large scale.

Punishing Poor with Strict Filing Standards

Buried deep in Gov. Walker's budget is a provision that inflicts severe punishment for working families and the elderly who file an **Earned Income Tax Credit** or **Homestead Tax Credit** claim "fraudulently" or "recklessly." The definitions of "fraudulent" and "reckless" are vague and arbitrary. This punishment is severe and misguided. If there is a mistake or an honest error in their claim a person is barred from filing another claim for 10 years. A new report by U.S. Public Interest Research Group shows that Wisconsin loses \$814 million in individual and corporate income tax every year due to tax havens set up by corporations and the very wealthy. Governor Walker should be working to close tax havens and loopholes for corporations and the rich, not punish the working poor.

Aid to Municipalities

Governor Walker continues to starve local cities and municipalities of appropriate resources. Funding levels are **held flat** in the 2013-2015 State Budget and all levy limits remain in place. Wisconsin municipalities are still struggling to make ends meet from deep cuts enforced in

the last budget. A freeze in aid will lead to a decrease in essential public services that members of the community rely on.

Deregulation of Crane Games

Relaxation of rules regulating crane game operation.

The Joint Finance Committee's final omnibus budget motion on June 6, 2013 - - a mixed bag of bad ideas

In the middle of the night on June 5, 2013, the final day of the six weeks of intensive budget deliberations, the Joint Finance Committee passed a “wrap-up” amendment. Here is a list of some proposals included in the omnibus “wrap-up” budget motion.

- A tax break for parents who send their children to private schools, costing state taxpayers \$30 million in 2014.
- Barring “The Center for Investigative Journalism” from leasing or using UW facilities and UW employees would be barred from working for the Center.
- Legalizing bail bonds (bounty hunters), which have been illegal in Wisconsin since 1979, in Dane, Kenosha, Milwaukee, Racine and Waukesha counties and then statewide after five years.
- Ordering the elimination of 450 state employee positions. The amendment offered little information about how this would be carried out.
- Earmarking \$2 million of WEDC funds for an aircraft maintenance and repair company grant. (More political payback)
- Creating a new definition for “default” for a payday loan that would allow payday lenders to collect after a debt is outstanding for 10 days, rather than the 40 days under current law.
- Repealing the law that prohibits cable companies from disconnecting a subscriber’s service for failure to pay a bill until the bill is at least 45 days old. This means there will be no restriction on when cable companies can cut-off service.
- Lead Paint: Retroactively changes state liability laws to toss out lawsuits filed by those poisoned by lead paint, raising significant constitutional concerns.

This document is a review of the extreme decisions put forth by Gov. Walker and passed by all but three GOP Republicans. It is meant to give a clear understanding of the extreme lengths Gov. Walker and his Republican allies will go to undermine the great tradition of Wisconsin.

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