

Effects of the Biennial Budget and Budget Repair Bills for Working Families

Earned Income Tax Credit -- \$41 Million Tax Increase for 145,000 Working Families

- The biennial budget bill cuts \$41 million over 2 years in tax relief for low-wage workers with children.
- The proposal hits families with two kids the hardest. 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.
- Families with just one child would get slightly more – an increase of up to \$31 per year.

Homestead Tax Credit – Ending Inflation Adjustment Costs Low-income Households \$8 Million

- The Homestead Credit provides targeted property tax relief for about 250,000 low-income households, including both owners and renters.
- One third of the credit recipients are 66 or older and 45 percent are over age 55.
- Until recently, it was the only major part of the state tax code that wasn't annually adjusted for inflation.
- In 2009 the law was changed to make annual adjustments for inflation – resulting this year in the first increase in the maximum credit in 20 years, and the first increase in the income ceiling in about 10 years.
- The Governor proposes repealing the annual adjustments, which will cut the credits by \$2 million in tax year 2011 and \$6 million in 2012
- The cuts will average about \$8 per recipient in tax year 2011 and \$24 the next year. Those amounts will grow steadily in future years.

Health Care – Deep Cuts and Sweeping Policy Changes without Legislative Approval

- The biennial budget bill cuts about \$500 million (GPR) from Medicaid (including \$111 million GPR from Family Care).
- The biennial budget says nothing about how BadgerCare, which serves 775,000 Wisconsinites, will be changed.
- The budget repair bill removes the public and nearly all of the Legislature from any meaningful involvement in policymaking relating to Medicaid programs.
- That bill directs the Department of Health Services (DHS) to seek waivers from current federal Medicaid requirements.

- If DHS gets a federal Medicaid waiver from current “maintenance of effort” (MOE) requirements, DHS would be allowed to: use emergency rules to reduce eligibility for BadgerCare and other Medicaid programs, substantially increase premiums and co-pays, apply that cost-sharing to more families, begin large deductibles, reduce benefits, and increase the frequency of reviews of eligibility.
- If DHS doesn’t get a waiver from MOE requirements by the end of the year, it is directed to lower the income ceiling from 200% of the poverty level to 133% for parents and childless adults, effective July 1, 2012.
- The 133% income ceiling would exclude single adults from participating if they have a full-time minimum wage job, and it would exclude the parents in a two-parent family with one or two kids, if both parents are working full time and making at least the minimum wage.
- The bill would cut 270 positions that are responsible for working with people who apply for Medicaid, BadgerCare or FoodShare benefits, and for helping them when issues come up regarding continuation of eligibility. An additional 900 positions are likely to be privatized under the Governor’s proposal.

Child Care Subsidies Threatened

- The biennial budget bill authorizes the Department of Children and Families (DCF) to reduce eligibility for the subsidy program (WI Shares), increase co-pays, begin waiting lists and decrease reimbursement rates. Those changes could supersede state statutes, without rulemaking or any legislative oversight.
- The bill contains large cuts in the funding level (compared to the base appropriation), but most of that reflects the very substantial drop in program spending over the last two years. How much new cutting in spending would be needed is still unclear.
- Some of the funding cut reflects changes the Governor is recommending to the new child care rating system. He proposes reducing the rates for lower tier providers by 5 percent.

Diminished Education and Training Opportunities for Low-wage Workers

- University tuition is expected to increase by 5.5 percent each year for UW System, and 20% or more over the biennium for UW Madison.
- Funding for technical colleges is being cut by \$35.2 million each year, or by about 25%.
- The Transitional Jobs program is being eliminated.
- The bill curtails ability of W-2 participants to use a portion of their required hours for education.

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. It also includes a \$10 million cut for local mass transit over biennium.