

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

Updated June 8, 2011

The budget and budget repair bills will affect Wisconsin families in countless ways. This fact sheet examines some of the effects on low-income working families.

Earned Income Tax Credit -- \$56 Million Tax Increase for 152,000 Working Families

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

Homestead Tax Credit – Ending Inflation Adjustment Costs Low-income Households \$13.6 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. However, 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 \$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.

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), according to DHS.
- The biennial budget says nothing about how the cuts will affect BadgerCare, which serves 780,000 Wisconsinites, because the budget repair bill shifts responsibility for the policy changes from the Legislature to the Department of Health Services (DHS).
- Although the budget repair bill would require DHS to use the rulemaking process to rewrite the laws relating to BadgerCare and Medicaid, an amendment to the budget bill appears to allow the changes to be made without rules or public hearings.
- The budget repair bill directs DHS to seek waivers from current federal Medicaid requirements (which are one of the only checks on the sweeping power granted to DHS).

- If DHS gets a federal Medicaid waiver from current “maintenance of effort” (MOE) requirements, DHS would be allowed to: use administrative 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 2011, it is directed to lower the income ceiling from 200 percent of the poverty level to 133 percent for parents and childless adults, effective July 1, 2012, which would eliminate coverage of about 70,000 people.
- The 133 percent income ceiling would exclude single adults from participating if they have a full-time minimum wage job, and it would exclude the adults in a two-parent family with one or two kids, if both parents are working full time and make at least the minimum wage.

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. The additional amount of savings that needs to be generated appears to be \$15 million.
- Some of the funding cut reflects changes the Governor is recommending to the new child care rating system. The bill reduces 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 the UW System and 8.5 percent each year for UW Madison.
- Funding for technical colleges is being cut by \$35.2 million each year, or by about 25 %.
- The bill curtails the options for W-2 agencies to tailor the mix of work and training to meet the needs of program participants.
- The budget repeals the current provision allowing undocumented students to pay in-state tuition rates, providing they have lived in Wisconsin for three years before graduating from high school and promise to file for permanent residency as soon as possible.

Cuts Threaten Transit Programs

- Restrictions on collective bargaining in budget adjustment bill jeopardize \$46 million in federal funds for bus systems.
- The biennial budget cuts \$9.2 million for local mass transit over the biennium (but doesn’t include the Governor’s recommendation to shift the funding source to the General Fund).

Delay in Unemployment Benefits

- The bill would create a one-week waiting period before the newly unemployed become eligible for unemployment benefits (and would make that change without using the long-established process of going through the Unemployment Insurance Advisory Council).