Budgets Are About Choices



Prepared by Senator Kathleen Vinehout

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Wisconsin's State Budget Choices are Decisions About Our Common Future...



Together we can make choices that benefit our common good.

Budgeted spending grows by \$3 Billion growth is about the same as last budget



Sources: Legislative Fiscal Bureau (LFB). 2007-09 Wisconsin State Budget, Comparative Summary of Budget Recommendations 2007 Act 20. Volume 1, March 2008, Table 1, pg. 13. LFB. Comparative Summary of Budget Recommendations: 2009 Act 28. August 2009, Table 1, pg 23; LRB. Comparative Summary of Budget Recommendations: 2011 Act 32. August 2011, Table 1, pg. 11; LRB. Comparative Summary of Provisions: 2013 Act 20. August 2013, Table 1, pg. 11; LRB. Comparative Summary of Governor's Budget Recommendations 2017-2019, March 2017, Table 1, pg. 7.

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Sources: LFB. Summary of Governor's Budget Recommendations. March 2017, Table 1 & Table 7.

State Tax Revenue over 26 years actual & adjusted to inflation



*Estimated

Sources: Legislative Fiscal Bureau (LRB). *General Fund Tax Collections: Informational Paper 1*. Table 1, January 2003; LRB. *General Fund Tax Collections: Informational Paper 1*. Table 1, January 2007; LRB. *Memo to Joint Finance Committee (JFC)*. January 30, 2007; February 13, 2008; January 29, 2009; May, 11 2009; January 27, 2010; January 31, 2011; May 11, 2011; February 9, 2012; January 24, 2013; January 16, 2014; May 6, 2015; January 21, 2016; January 18, 2017; LRB. *Summary of Governor's Budget Recommendations*. Table 7, March 2017.

Business Tax Credits Reduce State Revenue (Estimated Credits Claimed by Calendar Year)



Sources: Department of Revenue (DOR). Tax Exemption Devices 2007-09; 2009-11; 2011-13; 2013-15; 2015-2017; 2017-2019.



\$65 million \$62.5 million \$61.7 million \$47 million \$28 million \$28 million \$22 million \$20 million \$18.6 million \$18 million \$18 million \$15.5 million \$15.5 million \$14 million \$10.3 million \$9 million \$8 million \$ 5.5 million \$5.5 million

Credits can be claimed over several years. Some of credits can be claimed into 2024.

Total 0

\$472.1 million

Source: LFB. Information Paper #6, Business Tax Credits, "Enterprise Zone Tax Credit" Januarsy, 2017, page 15.



"Overall, our commonsense reforms brought us here – to the point we have a significantly better budget outlook. We call this the Reform Dividend."

• New Money?

Budget growth is about the same as the last two budgets.

Nonpartisan Fiscal Bureau revised expected revenue DOWN several times. If there was a "dividend", revenue numbers should be going UP not down.

• More Jobs?

Wisconsin did not gain back jobs lost in the Recession until 2015; a full year after the nation and TWO years after Minnesota gained back lost jobs.

• Faster Growth?

WI is ranked 23rd for real GDP growth since 2009, below Arkansas, Georgia & all Midwest neighbors except Illinois.



Total Budgeted Spending: Health Grows Rapidly as Education Spending Slows



Sources: Legislative Fiscal Bureau (LRB). Comparative Summary of Budget Provision: 2001 Act 16. Table 3, December, 2001; LRB. Comparative Summary of Budget Provisions: 2003 Act 33. Table 3, September, 2003; LRB. Comparative Summary of Budget Provisions: 2005 Act 25. Table 3, November, 2005; LRB. Comparative Summary of Budget Recommendations: 2007 Act 20. Table 3, March, 2008; LRB. Comparative Summary of Budget Recommendations: 2009 Act 28. Table 3, August, 2009; LRB. Comparative Summary of Budget Recommendations: 2011 Act 32. Table 3, August, 2011; LRB. Comparative Summary of Budget Provisions: 2013 Act 20. Table 3, August, 2013; LRB. Comparative Summary of Budget Recommendations: 2013 Act 20. Table 3, August, 2013; LRB. Comparative Summary of Budget Recommendations: 2017 Act 32. Table 3, August, 2013; LRB. Comparative Summary of Budget Recommendations: 2017 Act 20. Table 3, August, 2013; LRB. Comparative Summary of Provisions: 2015 Act 55. Table 3, September, 2015; LRB. Summary of Governor's Budget Recommendations: 2017-2019. Table 2, March, 2017 10

Spending for Medicaid Rises by \$3.7 Billion About \$1.1 million People Served



Private Companies Getting Paid to Administer Medicaid



Sources: Legislative Fiscal Bureau (LRB). Memos to Senator Vinehout. April 2013; April 2015; April 27, 2017. *estin

*estimated 12

Governor Walker's Health Plan

- Proposal to drug test "childless adults" eligible for Medicaid.
- Create a work & training requirement for "childless adults" to stay on BadgerCare.
- No state has implemented either a work requirement or drug testing for Medicaid.
- Additional premiums for some Medicaid recipients.
- Limits BadgerCare to only 2 years under certain conditions.
- Opponents argue the plan adds cost & complexity; finds few actual drug abusers.



Source: LFB. Budget Paper #324, May 25, 2017. 13



Percent of Projected Population Ages 60 and Older

Source: Wisconsin Department of Administration, Demographic Services Center, Vintage 2013 Population Projections



Division of Public Health Bureau of Aging and Disability Resources P-01803 (05/2017)



Senator Vinehout's Budget: Let's invest in Health

- Up nursing home reimbursement by 4%.
- Up personal care workers pay by 4%.
- Expand Medicaid: <u>saving \$286 million in state</u> <u>funds</u> & covering 79,000 more people.
- Invest \$74 million in mental health & \$20 million in alternatives to incarceration – to treat drug & alcohol abuse, mental illness.
- Add Prenatal outreach services to keep mom & baby healthy (\$10 million).

Sources: LFB memo, May 2017; RWJ State Health Reform, Issue Brief, July 2016. Expanding Medicaid can be a significant help in healing drug addiction.

Difficulties Facing Public Schools

- Many schools have teacher shortages.
- Child poverty more than doubled in 10 years.
- Private school subsidy "vouchers" increases 90% since 2011 – a historic high level.
- While a Broken Equalized Aid Formula doesn't recognize schools' costs; ex: students in poverty, rural schools.



Child Poverty Doubled in 10 years (By School District - Darker red greater poverty)

2003-2004

2013-2014



Source: Wisconsin Department of Public Instructions (DPI). National School Lunch Program Reimbursement claims submitted to DPI, Calculated May 2014.

Public School State Spending Actual & adjusted for inflation



State Spending for Private & Independent Charter Schools



Sources: Legislative Fiscal Bureau (LRB). Memo to Senator Vinehout. May 1, 2017.

Gov. Walker Ignored Public School Changes requested by State Supt. Evers Sen. Vinehout's Budget Funds Changes.

- "Fair Funding for Schools" changing formula to help every district:
- Minimum aid of \$3,000 for every student.
- Help for schools with children in poverty, and for low spending districts.
- State support for special education to 30% of district's costs (now at 26%).
- Fully fund spec. ed. costs over \$30,000 per student.
- Bilingual-Bicultural Education.
- More aid to transport rural students.
- Expand tribal language programs.



Source: LFB. *Review of State Agency Major Request Items 2017-19 Wisconsin State Budget*, Dec. 2016, pgs. 136-147.

Why State Funding is So Important: Property Taxes Make Up What States Don't Fund.



Source: US Census Bureau, Educational Finance Branch. Public Education Finances, 2014, June 2016.

Whose pocket is the money coming out of for schools?





WI: State 52% Local 41%

Voters decided 154* different referenda in 2016...
79% passed...A historic high pass rate.
Of 65 questions in April, 62% passed.

Does not include "Energy Efficiency" referenda, allowed in 2009, which have always passed. My calculation allows a 'like to like' comparison over time. Source: Department of Public Instruction, Referenda Custom Report, https://apps4.dpi.wi.gov/Referendum/CustomReporting.aspx Accessed 9/17/16.

Property Taxes Continue to Rise: 2016 (payable in '17) Highest in WI History



SOURCE: Legislative Fiscal Bureau (LRB). Memo to Senator Vinehout. May 25, 2017.



State Share of UW Drops by Half As state support for UW drops, tuition rises



System Overview: Information Paper 36. Table 10, January 2009; LRB. University of Wisconsin System Overview: Information Paper 32. Table 11, January 2017.

Percentage of UW Budget Total

TRANSPORTATION: PAYING MORE & FALLING FURTHER BEHIND



- 73% of town road pavement needs major & expensive maintenance, not including the 35% of town roads that are gravel or dirt.
- With current funding, towns can reconstruct a road every 371 years!
- Audit: the proportion of highways in "good" condition in WI was considerably lower than 6 other Midwest states & the nation.
- In 1995, 6.5% of Transp. dollars went to paying off debt. By end of this budget, it's estimated 22% of dollars will be used to make debt payments.

SOURCES: WI Towns Assoc Report, May 2017, p.9; LAB. *State Highway Programs Report 17-2*, January 2017. 25 Former Secretary of DOT Proposed Changes to Fix Transportation Budget:

- Increase fuel tax by about \$28 a year on a midsize sedan.
- Increase diesel fuel tax by about \$.10 a gallon.
- Add a hybrid and electric car annual registration fee.
- Begin a \$10 per car load user fee for rail roads using statewide rail lines.
- Wisconsin owns 624 miles of freight rail line. Railroads pay nothing to use the line and pay 20% of the maintenance costs.



Governor DENIED all these Requests

- Governor proposed borrowing \$500,000,000 & cutting back.
- Let's fix the problem for the future – charge reasonable fees, and find efficiencies in DOT operations.

Choices About Agriculture & Natural Resources Make a Real Difference for Our Communities



Budget Cuts Affect Extension and Ag Support



- Cuts from last budget leave UW Extension with fewer staff.
- Proposal to cut County Agriculture Agents
- UW Extension Watershed Management Grants eliminated.
- Stray Voltage Program eliminated.
- Adds a paltry sum to "rural broadband" that is neither rural nor broadband.

CHOICES: Cut 40 Scientists & add a State-Run Circus...

DECISION: Major **DNR Reorganization:**

- Eliminate the Bureau of Science.
- Transferring 43 additional positions (most are scientists).
- 66 positions lost in last budget.







State Parks at Risk



- Big cut in state support to parks in last budget.
- Last Budget, Governor raised fees. Despite new fees parks account has \$1.4 million yearly deficit going forward.
- Governor further raised State Park fees in this budget.
- 2013-15 budget also required DNR to sell 10,000 acres of state land by July 2017.

Let's Invest in Rural Wisconsin & Our Environment



We don't inherit the earth from our ancestors, we borrow it from our children. Native American Proverb Sen. Vinehout's Budget adds \$100 million for Broadband

Doubles Funding for Watershed Grants.

Adds State money for our State Parks.

Restores Stray Voltage Program.

Restores money to UW & Extension and Restores Scientists at DNR.

Senator Vinehout's Budget 2017-2019 Summary

Choices & Priorities

Sen. Vinehout's General Fund Budget What I would not do:



*No New Refundable Business Tax Credits (\$37,750,000) No Deduction for Private School Tuition (\$23,500,000) No School Levy Tax Credit Increase (\$87,000,000), Reduce Manufacturing and Ag Tax Credits (\$654,200,000) No Increase in Investment Limits for Angel & Seed Stage Investment Credits (\$5,400,000).

Sen. Vinehout's General Fund Budget What I would do:



Budgets are About Choices



THANK YOU TO SENATOR VINEHOUT'S TEAM!

- Jacob Wipperfurth, Legis. Aide & Slide Assistant
- Linda Kleinschmidt, Chief of Staff
- Beau Stafford, Legis. Aide, Policy Development

To Reach Sen. Vinehout:

Senator Vinehout 877-763-6636 (toll free) Sen.Vinehout@legis.wisconsin.gov

State Capitol

Room 108 South

P.O. Box 7882

Madison, WI 53707

Your Opinion Counts!

APPENDICES: Budget 101 & Debt



Budget 101: Odd Terminology

- **General Purpose Revenue (GPR)**: Also called "General Fund". Money collected from state taxpayers to be used for any purpose. Ex: school aids.
- **Program Revenue (PR):** Money credited to a specific account to finance a particular program. Ex: tuition, inspection fees.
- **Segregated Revenue (SEG)**: Money by law must be held distinctor segregated- and may only be used for this purpose. Ex: motor fuel tax for transportation.
- Federal Revenue (FED): Money received by the state from a federal agency for a specific program. Ex: Medicaid matching money.
- **Bond Revenue (BR):** Money received by state from the issuance of bonds (debt) and deposited for specific purposes. Ex: state buildings, transportation.

Unlike some states, Wisconsin's budget includes money from several sources:



General Fund Spending has Increased almost \$7B Since Great Recession



Sources: Legislative Fiscal Bureau (LRB). Comparative Summary of Budget Recommendations: 2007 Act 20. Table 1, March, 2008; LRB. Comparative Summary of Budget Recommendations: 2011 Act 32. Table 1, August 2009; LRB. Comparative Summary of Budget Recommendations: 2011 Act 32. Table 2, August 2011; LRB. Comparative Summary of Provisions: 2013 Act 20. Table 1, August, 2013; LRB. Comparative Summary of Provisions: 2015 Act 55. LRB. Summary of Governor's Budget Recommendations. Table 1. March 2017



Source: Legislative Fiscal Bureau (LRB). Comparative Summary of Budget Provision: 2001 Act 16. Table 10, December, 2001; LRB. Comparative Summary of Budget Provisions: 2003 Act 33. Table 9, September, 2003; LRB. Comparative Summary of Budget Provisions: 2005 Act 25. Table 9, November, 2005; LRB. Comparative Summary of Budget Recommendations: 2007 Act 20. Table 9, March, 2008; LRB. Comparative Summary of Budget Recommendations: 2009 Act 28. Table 9, August, 2009; LRB. Comparative Summary of Budget Recommendations: 2009 Act 28. Table 9, August, 2009; LRB. Comparative Summary of Budget Recommendations: 2013 Act 20. Table 9, August, 2001; LRB. Comparative Summary of Budget Recommendations: 2013 Act 20. Table 10, August, 2013; LRB. Comparative Summary of Budget Recommendations: 2015 Act 55. Table 10, September, 2015; LRB. Summary of Governor's Budget Recommendations: 2017-2019. Table 4, March, 2017

State Debt Remains High



billions

\$ in



Doyle

Doyle

Walker

Walker

Walker

Sources: Legislative Fiscal Bureau (LRB). Memo to Senator Vinehout. June 23, 2016

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Doyle

McCallum