



March 28, 2013

2013-2015 Wisconsin Biennial State Budget (AB 40)

Budget Attacks on Middle Class Families

Governor Walker's proposed 2013-2015 Biennial State Budget is now being reviewed by the Legislature. It will cover the fiscal period from July 2013 through June 2015. It is clear that the Governor's budget leaves Wisconsin's families behind, doing more for his corporate donors and the wealthy than for the hard-working families of Wisconsin.

Governor Walker's 2011- 2013 State Budget called for the largest cuts to public education and public services in state history and is still having a deep, devastating impact on the people of Wisconsin who were forced to absorb the cuts in the form of decreased services to their communities. The 2013-2015 State Budget continues to suffocate Wisconsin's growth potential. Wisconsin currently ranks 42nd in job creation levels among 50 states. It is time for Governor Walker to stop rewarding his campaign financiers and get straight to the work of creating good jobs for Wisconsin.

The following points outline a few of the proposals in the State Budget which threaten the economic security and well-being of working families in Wisconsin. This document will be amended as ongoing analysis of the 2013-2015 budget continues.

Tax Schemes that Favor Wealthy, Punish Working Poor

- Instead of proposing a tax cut targeted to the middle class, Governor Walker's tax proposal would give the **biggest break to those who don't need one**: the rich. An analysis released by the nonpartisan Legislative Fiscal Bureau shows under Governor Walker's tax proposal someone making more than \$250,000 would see nearly \$300 in relief, while a family making \$35,000 would see a measly extra \$35 a year. As The Milwaukee Journal Sentinel reports most of the gains from Governor Walker's tax proposal go to the top 20% of households or those making more than \$90,000 a year, and the top 5% of tax filers – those with incomes above \$162,000 – pull in 20% of Governor Walker's tax changes. Governor Walker's tax plans are misguided and risk the long-term fiscal health of our economy.

- Buried deep in 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.

Rejection of Federal Funds to Expand Medicaid

- Quality health care should not be a partisan issue. Democratic and Republican governors across the country are accepting federal funds to **expand Medicaid** because it is good for citizens and good for job creation. Under the **Affordable Care Act**, the federal government will pay 100% of additional Medicaid costs for three years and 90% thereafter. In that scenario, Wisconsin could see \$4.38 billion in federal money through 2020, according to a preliminary estimate by the state's nonpartisan Legislative Fiscal Bureau. The state would be fiscally ahead if it adopts full expansion under Obamacare and be able to expand coverage to those currently on waiting lists. Governor Walker’s refusal of \$12 billion in federal aid to **expand Wisconsin’s BadgerCare program** is pure politics. The Governor’s plan will cost taxpayers more, cover fewer Wisconsinites and unnecessarily cause confusion for providers, hospitals and residents.
- It is estimated that **87,000 people will be kicked off BadgerCare** when Governor Walker’s changes take effect. It is also estimated that the state will lose out on **10,000 additional health care jobs** that would have been created as a result of the Medicaid expansion.
- BadgerCare has long been a model program for the rest of the nation. Past Democratic and Republican administrations have agreed that affordable health care coverage for all residents is a priority. This decision undermines Wisconsin’s reputation as a health care leader. It is important to note that money Wisconsinites have paid in federal tax dollars will go to other states because of Governor Walker’s short-sighted decision to refuse funds.

Education

- Wisconsin’s public schools are still suffering from the deepest cuts in state history imposed in Governor Walker’s 2011-2013 Budget. Class sizes have increased and some community schools have been forced to close. While local schools struggle to provide resources needed to educate students, Governor Walker’s 2013-2015 **Budget flat-lines aid** to public schools and does not propose predictable or practical funding levels.

- Governor Walker promises a small increase in one-time funding for a few, select schools. This “Band-Aid approach” leaves children behind and leaves our schools without the long-term commitment necessary to teach the next generation of students.
- *Expansion of taxpayer-funded voucher schools.* At the same time Governor Walker is flat-lining funding for public schools, he is proposing using taxpayer dollars to fund unaccountable private voucher schools. A recent report from the [Public Policy Forum](#) in Milwaukee found that Milwaukee **voucher students perform slightly worse** on standardized tests in math and reading than Milwaukee Public Schools and that [one-third of private voucher schools](#) do not have specialized art, music or PE teachers.
- *Starving resources for public schools* while handing out government funding to **unaccountable private voucher schools** and independent charters devoid of oversight of a local school board goes against everything Wisconsin values – including fairness and local control. Wisconsin has a long-standing tradition of nationally recognized excellence in public education. Governor Walker is starving public schools to expand vouchers which have little oversight and accountability.
- The budget allows a new politically-appointed state board to establish charter schools in a school district and force the property taxpayers to support it without the consent of the locally-elected school board.
- *Political Payback for Campaign Donors.* It must be noted that voucher school-choice programs have a strong and sustained lobbying effort in Madison. In the June 2012 recall race, **American Federation for Children**, a pro-voucher group, was [Governor Walker's third-biggest PAC supporter, contributing \\$555,000](#). The American Federation for Children has also spent millions on issue ads to influence legislative races in Wisconsin. The group invested nearly **\$2.4 million** in Wisconsin elections during 2012 -- the largest amount for one state among its \$7 million national effort. Sixteen prominent school choice backers combined to give over half a million dollars to Wisconsin campaigns from 2010-2013 as Republicans sought to expand the private school voucher program to other districts around the state.

Taxpayers Need Accountability for Corporate Tax Breaks

- All grants, loans, subsidies, tax breaks and tax incentives offered to businesses or angel investors which represent an actual or potential loss to the state treasury must include accountability standards. When corporations or wealthy individuals receive financial assistance from taxpayers, it results in a loss of revenue to the state government to pay for vital services, economic support programs, public education and infrastructure. **Standards must be set** because any shortfall in revenue would need to be addressed through budget cuts

or by shifting the cost to regular taxpayers. Government has a role in aiding economic development because it is assumed that this will benefit communities by helping to create or retain jobs. It is only fair that the state requires the following accountability standards from business to justify the specific public investment, and to make certain that it is a responsible and effective strategy for job creation.

Accountability: Specific benchmarks to be established for the number of Wisconsin jobs that will be created or retained based on the public assistance provided, and whether the jobs are full-time or part-time.

Job Standards: Wages and affordable health benefits must be provided so that family-sustaining, quality jobs are promoted. Otherwise taxpayers will pay twice – once through the economic development assistance and again by economic support programs that workers need to supplement low wages and poor health benefits.

Transparency: Annual reports must be filed with the state in a centralized location that detail compliance with the above standards, are available for public review, and are accessible through the state's web-based site.

Payback Responsibilities: Specific payback responsibilities to recapture financial assistance given by taxpayers if the conditions are not met.

Good Corporate Citizen Standards: Produce a yearly report readily available to the public on the taxes paid to the state by the business receiving assistance.

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.

Authority to Sell or Lease State Properties including State-Owned Power Plants

- Governor Walker's proposal to put 37 of Wisconsin-owned power plants up for sale to private interests could cost taxpayers in the form of **higher rates for heat, cooling and power**. The Governor's budget lays the foundation for the **privatization of power plants to for-profit companies** beholden to stock holders by authorizing the state Department of Administration or the Building Commission "to sell or lease any state-owned real property unless prohibited by the state or federal constitution or federal law." The budget eliminates the requirement that certain sales of state-owned property be subject to approval from the legislative Joint Finance Committee. This move opens the door to privatization giveaways to the Governor's big-time campaign donors such as **Koch Industries**.

Fundraising Changes Create Dangerous Pay-to-Play Environment. *Note this policy change is not included in the 2013-2015 State Budget.*

- In a policy change which opens the door to pay-to-play politics, Assembly Republican lawmakers lifted a ban on fundraising during the budget period. The policy, approved on a 5-3 party-line vote by the Republican-controlled Committee on Assembly Organization in February, allows most Assembly legislators, their campaign committees and support committees to raise funds everywhere in Wisconsin except Dane County. Lawmakers raising campaign cash during the budget process allows for the **opportunity for special interests to buy budget provisions**. This policy change endangers democracy and creates a destructive pay-to-play political environment.

7 Mysterious Budget Proposals hidden in the 2013-2015 Walker Budget

1. **Earned Income Tax Credit and Homestead Tax Credit Changes:** New provision bars Wisconsinites from filing Earned Income Tax Credit or Homestead Tax Credit for ten years if a fraudulent claim is made. Definition of fraudulent not well-defined.
2. **Foreign Country Land Sale:** Budget loosens restrictions on Wisconsin land purchased by foreign buyers.
3. **Pregnancy Penalty.** As currently drafted, Gov. Walker's budget would reduce health care coverage for pregnant women. Denying Medicaid coverage to low-income pregnant women in need of quality health care puts both mother and child at serious risk.
4. **Public Worker Smoking Ban:** \$50 monetary fine per month for any public employee who smokes on their own time. This is an infringement upon individual rights of workers. Anti-smoking advocates oppose the surcharge because there is little evidence that financial incentives or disincentives cause a person to quit smoking.
5. **Tax Fraud Protection:** Allows people to escape paying back taxes if the Department of Revenue knew of the underpayment but took no action in a previous audit.
6. **Hide Interest Rates from Consumers:** Removal of Consumer Protection Act protections for rent-to-own agreements. Allows rent-to-own companies to hide interest costs from consumers.
7. **Crane Game Deregulation:** Deregulates plush toy and other crane-operated amusement games.