



**Wisconsin State AFL-CIO** ...the voice for working families.

Phillip L. Neuenfeldt, President • Stephanie Bloomingdale, Secretary-Treasurer

## **Losses to the Working Families of Wisconsin**

**(Period Covering: January to July 15, 2011)**

This summary covers some of the major losses to the quality of life in Wisconsin for middle income and working class families during the early months of the Walker Administration. The extreme cuts made in the 2011-2013 Biennial State Budget will undermine Wisconsin's economic recovery, degrade public education and further decimate the middle class. Wisconsin has taken a giant step backwards under Governor Walker and the Republican-controlled Legislature.

Most of the losses are included in Act 32, the Wisconsin State Budget covering the period July 1, 2011 through June 30, 2013. Other losses are the result of separate legislation signed into law, and those are identified by the specific Act number. Some are the result of executive policy decisions, such as the rejection of \$810 million in federal funds for a modern high-speed passenger rail system and the resulting job loss. Unless otherwise noted, the specific item was included in Wisconsin Act 32. This summary does not include a complete list of all the losses reported by our union affiliates and community allies.

### **Attacks on Worker Freedom and Protections**

- **Loss of Freedom to Bargain.** Approximately 175,000 public employees at the state and local level have lost their fundamental freedom to collectively bargain. The democratic workplace rights that exist for private sector employees, who have the right to bargain wages, benefits and working conditions under federal law, have been stripped out of state laws governing public employees effective June 29, 2011. (Wisconsin Act 10)

- **Waiting Period for Unemployment Insurance.** Effective January 1, 2012, there will be a one-week waiting period before an unemployed worker can collect benefits. The inclusion of this change in the State Budget was made unilaterally by Republicans in the Legislature. Despite a veto request by all labor and management representatives on the Unemployment Insurance Advisory Council, Governor Walker signed this into law. For decades, the Advisory Council has made changes to UI benefits through a balanced, negotiated agreement involving employers and labor. The Department of Workforce Development estimates that workers will lose \$41 million to \$56 million in benefits due to the waiting period, depending on the unemployment rate.
- **Child Labor Law Weakened.** Young workers will be subject to more exploitation by employers because child labor law protections have been severely weakened. Minors under age 18 can be forced to work longer hours each day and more days per week. The Department of Workforce Development, which enforces child labor regulations, is actually prohibited from improving protections through the administrative rules process.
- **Loss of Opportunity for “Clean Energy” Jobs.** The Green to Gold Fund is eliminated. This was a “green jobs” initiative created by the Doyle Administration to encourage new manufacturing and technology related to the development of clean energy, so the state could gradually reduce its reliance on foreign oil. This Fund offered \$100 million in lower cost loans to manufacturers to retool and expand production related to clean energy. It required specific wage standards as a condition of the loan along with job creation and retention targets. The Office of Energy Independence is abolished as well.
- **Sick Day Benefit Prohibited.** Local communities are prohibited from passing any ordinance that will improve on the benefits of the state Family & Medical Leave Act, such as requiring employers in their local jurisdiction to provide paid sick days. The city of Milwaukee passed such an ordinance, which is now repealed by state law. (Wisconsin Act 16)
- **Apprenticeship Opportunities Limited.** The enforcement of Executive Order #108 was suspended by Governor Walker as of March. This Order was signed by Governor Doyle in 2005 to encourage the employment of apprentices on construction projects for the State of Wisconsin. In this way the state would help create opportunities for younger workers to learn the skills needed for employment in the building and construction trades. (Policy decision to suspend Executive Order #108, March 9, 2011)
- **Obstacles to Voter Participation.** New obstacles to voting have been created through more restrictive voting procedures. This includes a photo ID requirement beginning with the 2012 elections, a more difficult voter registration process, and cutting in half the time allowed for early voting. This is part of a coordinated effort

by the Republican Party nationwide to frustrate and discourage voters who tend to vote Democratic, suppress their votes and solidify Republican control. (Wisconsin Act 23)

- **Loss of Victims' Rights.** There are new limits on corporate liability for injury done to workers or other victims by defective products or by outright corporate negligence. It will be very difficult for victims to have their day in court due to the following changes: (1) Nursing homes and health care facilities can deny families certain reports about the neglect and abuse of patients and residents so the documents cannot be used in court. (2) The amount of punitive damages that a jury can award to victims in cases of gross negligence or egregious conduct by corporations is capped at one of the lowest amounts in the country. (3) Victims who are severely injured by defective products are allowed to sue the seller of the product only if the manufacturer cannot be found, even if the company is in a remote country. (4) Corporations are not liable for products that cause injury if the company followed current regulations in development and production, even if it is revealed that their own research indicated a serious problem, or current regulations are out of date. These are just some of the new limits to liability that will protect corporate wrongdoers and deny access to justice for workers and other victims. (Wisconsin Act 2)

## **Transfer of More Wealth to Corporations & Rich Investors**

Governor Walker insists the “state is broke” and calls for “shared sacrifice”. He justifies stripping public employees of their fundamental freedom to collectively bargain because of the need to address the state deficit. Yet, the massive new tax breaks for corporations and wealthy investors make clear that sacrifice is being required only of working families and public employees. It is not shared. And the new tax breaks for corporations and wealthy investors will only increase future deficits and be used to justify even deeper cuts.

**The loss of revenue to state government calculated over the next 10 years totals \$2.3 billion** from massive tax breaks for corporations and wealthy investors passed so far during the Walker Administration. (Legislative Fiscal Bureau Memo to Sen. Mark Miller, June 9, 2011, totaling corporate and investor tax breaks since January 2011) Some examples are listed below:

- **Re-opening a Corporate Tax Loophole.** The “Las Vegas Loophole” was closed by Governor Doyle by changing the way the corporate income tax is calculated. A system of “combined reporting” prevents multi-state firms from hiding profits in subsidiaries in states with no corporate income tax, like Nevada. Governor Walker is modifying combined reporting to partially reopen a loophole for corporations to use pre-2009 losses to offset profits for 20 years. This will **cost taxpayers \$46.4 million** in fiscal years 2011-13 alone. *This corporate tax loophole does not require that a company create a single new job, or even maintain the current level of employment, in order to qualify.*

The Department of Revenue is also prohibited from challenging certain business tax avoidance strategies.

- **Breaks for Wealthy Investors.** There is a new exclusion from the income tax for capital gains reinvested in Wisconsin businesses within 180 days. (Most capital gains tax breaks benefit those with \$200,000 or more in income.) This will **cost taxpayers \$36.3 million** in fiscal years 2011-13 alone. *This tax break does not require that a company or investor create a single new job, or even maintain the current level of employment, in order to qualify.*

Still another new capital gains tax break is created for investments in Wisconsin-based businesses that are held for at least five years, which will **cost taxpayers \$79 million** in annual loss to the state's treasury when it is fully phased in after 2017. *This break does not require any new job to be created or current employment maintained.*

- **Manufacturer & Agribusiness Income Tax Phased Out.** A new "production activities tax credit" is created that will essentially wipe out the corporate income tax on manufacturing and agribusiness in Wisconsin when it is fully phased in. It represents a **loss to taxpayers of \$359.7 million** over the years 2012-2017 and will cost **\$128.7 million each year** after that. Wisconsin already has the lowest taxes in the country for business expansion. ("Competitiveness of State and Local Business Taxes on New Investment", Ernst & Young, April 2011) *This massive give-away of taxpayer funds to corporations does not require that even one job be created, or the current level of employment be maintained, in order to qualify.*

### **Taxes Increased for Low-Income Wisconsinites**

- **Earned Income Tax Credit.** At the same time that the wealthy get more breaks, taxes are increased on 145,000 low-wage workers with children by cutting \$55.6 million from the Earned Income Tax Credit. The EITC is an anti-poverty program originally created with bipartisan support because it rewards work, supplements a minimum wage that is inadequate for survival and helps families stay off welfare. Republicans cut the credit, but oppose an increase in the minimum wage.
- **Homestead Tax Credit.** At the same time, taxes are increased on some 247,000 low-income homeowners and renters because the state Homestead Tax Credit is reduced by \$13.6 million. This credit was pioneered in Wisconsin in 1964 to target property tax relief to working class homeowners and renters.

## **Massive Cuts to Public Education— Yet More Taxpayer Funds for Private Schools**

- **Cut in Direct Aid for Public Schools.** Nearly \$800 million in state aid to public schools is slashed, the most ever. Additional revenue cuts to schools will strip K-12 education of \$1.6 billion total over the next two years.
- **Increased Funds for Private Schools.** At the same time that public schools are deprived of needed funds, the private school voucher program is given a blank check from taxpayers for unlimited enrollment in Milwaukee. This will increase funding by more than \$20 million. Taxpayers pay \$6,442 per voucher for a child to attend a private school, including religious schools. A family of four can earn up to \$67,937 or \$74,957 (depending on marital status) and receive taxpayer-funded vouchers. The program is also expanded to Racine (initially for a limited number of students), and that will cost taxpayers nearly \$5 million, but much more after the enrollment cap is lifted. This is part of a national movement to slowly dismantle the public education system.
- **Cut for Technical College System.** A deep 30% cut (\$71.6 million) in funding for Wisconsin's technical colleges at a time when this vital workforce training system serves 400,000 students with the occupational skills needed to survive in a difficult economy.
- **UW System Cut.** State aid to the University of Wisconsin System is cut by \$250 million and tuition increases of 5.5% in each of the next two years are authorized. Resident tuition at UW-Madison is already estimated at \$9,490 for 2011-2012, without books, lodging and other costs. The current level of financial aid is frozen.
- **Access to Education.** Youth who are the children of undocumented immigrants will no longer be allowed to pay the resident tuition rate to attend the UW System or a technical college. They had the right to pay resident tuition, if they are graduates of a Wisconsin high school, have lived in the state for at least three years and have proof they are applying for a visa to be eligible for resident rates. The right to pay at the resident level tuition rate does not cost the state anything, so this change is simply mean spirited and makes it impossible for these youth to afford a higher education. (For example: the 2011-12 resident tuition at UW-Madison is \$9,490; the non-resident tuition is \$25,240).

## Limits in Health Care Coverage

- **BadgerCare & Medicaid.** There will be additional unspecified cuts of approximately \$467 million made to the Medicaid program and BadgerCare health coverage. The Walker Administration is given the sweeping authority to make cuts to these programs with no scrutiny from the Legislature, unless a proposed cut conflicts with state statutes. There will be no opportunity for public hearings. This concentration of power in the executive branch is unprecedented. Some 775,000 Wisconsinites rely on BadgerCare for their health coverage, either because their employer does not provide insurance or their wages are too low to afford it. Nearly two-thirds of the Medicaid budget covers care for the elderly and disabled.
- **Family Care.** Enrollment in the popular Family Care program is capped, despite thousands who are on waiting lists. The program serves about 35,000 people who need long-term care in 53 counties. The cap will block an estimated 16,900 enrollments over the next two years. Family Care offers an alternative to nursing home care for seniors and younger adults with disabilities so they can receive assistance in their homes.
- **Women's Health Care.** State aid to women's healthcare centers run by Planned Parenthood is effectively prohibited. Over 12,000 uninsured women in small communities across the state receive their preventive care from these centers.

## Harm to Local Government and its Vital Services

- **Funds Cut to Communities.** Local communities will see huge cuts of \$76.8 million in state aid provided through the Shared Revenue Program. For decades this program has helped local governments provide quality community services while holding down property taxes. In addition, state aid for popular recycling programs run by local communities will be cut \$24.2 million over two years.
- **Regional Transit Authorities.** All of the Regional Transit Authorities are repealed. They were authorized under the Doyle Administration to begin to modernize Wisconsin's transit systems.
- **Transportation Aid.** General transportation aid to local government is cut by \$10 million over two years, plus a \$10 million reduction for county road improvement projects. This state aid is vital for communities to help maintain and repair local streets and roads, cover rising fuel costs and fund snow removal. Aid for local mass transit is also cut by \$9.6 million.

## **Power Grab: Loss of Balanced, Clean and Open Government**

**Concentrated Power in Governor's Office.** In just a few months, Governor Walker has concentrated more power in his executive branch than any governor before him. The system of checks and balances, on which our democratic system relies for fairness, no longer exists in Wisconsin state government.

- The Governor has removed at least 37 key state agency positions from civil service protection and will fill them with his political appointees. Some of these individuals respond to requests by the public under the Open Records Law for information on how certain government decisions were made. All are sensitive positions. This gives Governor Walker the ability to fire the individuals at will. Wisconsin's civil service system was created to protect against just such arbitrary, unaccountable power and help ensure open government.

The general counsel to the Wisconsin Employment Relations Commission has been removed from civil service protection and made a political appointment. This agency oversees state labor laws and decides on labor disputes in public employment. Now this position will not be insulated from political influence.

- Governor Walker and his appointed head of the Department of Health Services, Dennis Smith, will have the sweeping authority to rewrite all the Medicaid health programs and BadgerCare, without a single public hearing and minimal legislative oversight.

**A Return to Government for Sale.** All support for the public financing of elections for Supreme Court justices and other state offices is eliminated. The Wisconsin Election Campaign Fund and Democracy Trust Fund, which helped reduce the influence of corporate special interests on Wisconsin elections and encouraged ordinary people who are not wealthy to be able to afford to run for office, are repealed.

## **Job Loss Due to Rejection of Federal Rail Funds**

Governor Walker rejected \$810 million in federal funds for construction of a passenger rail system between Milwaukee and Madison, with expectation that it would be expanded to other cities in the future. The Wisconsin DOT estimated that the following number of construction and engineering workers would be employed to build the high-speed rail network: (2011) 2,792; (2012) 3,794; and (2013) 1,231. ("High-Speed Rail Project on Fast Track", The Business Journal, 1/15/10).

In addition, Governor Doyle recruited the Spanish firm Talgo Inc. to establish a manufacturing plant in Milwaukee to produce passenger cars for the new Wisconsin rail service, as well as other states. Talgo announced that it will now shut down its Milwaukee train manufacturing operations in 2012, leaving only a maintenance facility, laying off more than half of the 125 workers it expects to have on the payroll at that time. All of this job loss does not include the additional jobs that would have been created in the vendor supply chain, by the operation of the rail service, and from the economic development that would have resulted along the rail line.

## **New Legislative District Maps Rigged to Benefit Republicans**

States are required to redraw legislative district maps every 10 years based on new figures from the Census, to ensure that districts are of equal population. This process is called redistricting. How the boundaries are drawn for Wisconsin's 99 Assembly districts and 33 Senate districts will determine the candidates we can vote for in the elections to be held from 2012 to 2020.

Consultants hired by Republicans have drawn legislative boundaries for the districts to ensure that GOP candidates will have a huge advantage in future elections. So far these consultants have been paid at least \$300,000 in taxpayer funds and more costs are expected. The district maps do not provide fair and balanced representation between the parties. "It's rare to see such overt disregard for bipartisanship and such a blatant power grab," stated a Milwaukee Journal Sentinel editorial (7/13/11). Rep. Cory Mason (D-Racine) will keep only about 10% of the people he currently represents. Nancy Nusbaum (D), who is challenging Republican Senator Rob Cowles of Green Bay in the recall elections, will have her house removed from Senate District 2 by a half a block based on the new map. Current Senator Bob Wirch (D-Kenosha), who the Republicans have targeted for recall, has his home and neighborhood removed from the Senate district he currently represents. And there are many more examples.

In record time, Republicans have scheduled an extraordinary session of the Legislature for July 19 to approve their redistricting maps before they could lose control of the Senate in the August recall elections. The new district maps would be in effect for elections in 2012 when Republicans hope to regain and solidify their control. A lawsuit against the rigged Republican redistricting maps has been filed in federal court.

---

For further information contact: Stephanie Bloomingdale, Secretary-Treasurer, Wisconsin State AFL-CIO at 414.771.0700, ext. 12 (sbloomingdale@wisafclcio.org) or Joanne Ricca, Legislative Research & Policy Director, 414.771.0700, ext. 24 (jricca@wisafclcio.org).

July 15, 2011

*JR/ls:opeiu#9,afl-cio*