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Revenue Matters – 2011 Issue # 7
Wisconsin Budget Project – WCCF
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1. NEW CENSUS BUREAU DATA SHOW LONG DECLINE IN WISCONSIN’S STATE & LOCAL TAXES

Wisconsinites are paying a smaller share of their income in state and local taxes than any time in the last 15 years, according to a Wisconsin Budget Project analysis of new Census Bureau figures.

The share of income that Wisconsin residents pay in various state and local taxes has dropped by 15 percent over the last 15 years. In 1994, Wisconsinites paid \$13.22 out of every \$100 in state and local taxes, dropping to \$11.21 in 2009, the most recent year for which figures are available.

Wisconsin’s rank among the states has been dropping as well. Wisconsin dropped from 4th among the states in state and local taxes as a share of income in 2000 to 9th in 2009.

The full analysis, available on the Wisconsin Budget Project website, has additional details. [NEED LINK]

2. SURVEY FINDS WIDESPREAD SPENDING CUTS IN WISCONSIN SCHOOLS

Wisconsin schools have cut staff, increased class size, and reduced academic offerings to help balance their budgets in the wake of significant cuts in state support, a new survey shows. Wisconsin schools shed 3,400 jobs between last school year and this one, and the number of experienced staff and teachers retiring was about 2.5 times greater than in prior years. The survey was published by the Wisconsin Association of School District Administrators and the Wisconsin Department of School District Administrators and the Wisconsin Department of Public Instruction.

The survey is full of alarming figures about the impact that state budget cuts have had on educational quality. Perhaps the grimmest piece of information is that many districts relied on one-time federal stimulus funding to patch this year's budget. That money won't be available next year, when most districts anticipate similar or worse cuts to the academic environment. The Wisconsin Budget Project blog has a more complete review of the survey, or you can see the actual publication here.

<http://wisconsinbudgetproject.blogspot.com/2011/11/grim-days-for-schools-with-grimmer-days.html>
<http://dpi.wi.gov/eis/pdf/wasdasureyresults.pdf>

3. BUDGET PROJECT REPORT EXAMINES EFFECTS OF TWO STIMULUS BENEFITS COMING UP FOR RENEWAL

Over the last three years, Wisconsin residents received \$4.7 billion in direct payments from the federal government in the form of extended unemployment benefits (\$3.2 billion) and payroll tax cuts (\$1.5 billion). These payments, which were aimed at stimulating the economy and helping families hit hard by the recession, will expire at the end of the year unless Congress takes action.

These two emergency federal supports put money into the pockets of struggling Wisconsin families and injected much-needed dollars into the local economy, saving thousands of jobs and reducing the severity of the recession. These benefits supported consumer spending during a critical period, when the economy was severely weakened by a major financial crisis, and helped sustained demand for business products across the country and in Wisconsin.

Wisconsinites received \$833 per person from these two forms of federal aid over this period: \$573 from unemployment benefits and \$260 from the payroll tax cut. Because a large share of this aid took the form of significant tax cuts that showed up in worker's paychecks, many Wisconsinites may not realize that they benefitted.

People in every county of the state benefited from these provisions. For example:

- Milwaukee County residents received an estimated \$675 million in additional weeks of benefits for people who lost their jobs.
- Ashland County residents received \$4 million through the payroll tax cut.
- La Crosse County residents received a total of \$77 million through both benefits combined.

The Wisconsin Budget Project website has more information on the county-by-county effects of these two important benefits, and what could happen if they are not renewed.

http://wisconsinbudgetproject.org/recovery_benefits_set-to-expire.pdf

4. FIVE THINGS YOU MIGHT NOT KNOW ABOUT PUBLIC EMPLOYEES IN WISCONSIN

Public employees in Wisconsin are in the spotlight these days – some might say they are in the cross hairs. Here are five little-known facts about public employees in Wisconsin:

1. Compared to other states, Wisconsin has a lean public sector. Wisconsin has six percent fewer state and local government employees per capita than the national average, ranking us leaner than all but 11 other states.

2. Between 2000 and 2010, the number of state and local government employees in Wisconsin relative to population declined by 4 percent.
3. Public sector workers in WI earn 4.2 percent less than their private sector counterparts in salary and benefits.
4. WI has nearly three times as many local government employees than state employees.
5. More than half of public sector workers in Wisconsin work in education.

If you're looking for more information on these points, the Wisconsin Budget Project blog has more.

<http://wisconsinbudgetproject.blogspot.com/2011/11/five-things-you-might-not-know-about.html#more>

5. JFC APPROVES NEARLY \$300 MILLION IN BADGERCARE CUTS

The Joint Finance Committee (JFC) took up several issues last week, including recommendations made by the Department of Health Services (DHS) to make changes to BadgerCare that are expected to reduce participation in the program by more than 64,000 people, including over 29,000 children. On a party-line vote, the committee endorsed the DHS recommendations, many of which were submitted later that day to federal officials, because the state is seeking waivers of the "maintenance of effort" (MOE) provisions in the federal health care reform law that require states to continue their current levels of coverage for children until 2019 and their current coverage of parents below 133% of the poverty level (until 2014).

The BadgerCare changes approved by the JFC last week will save an estimated \$298 million in combined state and federal funding. That includes \$225 million from the MOE-related changes, with the rest coming from the implementation of an "alternative benchmark plan" that has much higher copayments and covers fewer services. The \$298 million figure is part of [\\$554 million in total "unspecified" cuts](#) that DHS must make in Medicaid-related programs during the current biennium (on top of the specified cuts in the budget bill); however, the other cuts don't need to be approved by the JFC because they don't conflict with current statutes or rules. <http://www.dhs.wisconsin.gov/mareform/PackageJFC9.30.11.pdf>

Under the language of the budget repair and budget bills, DHS was directed to seek an MOE waiver, and the department is required to reduce the income ceiling for adults to 133% of the poverty level (from 200% now) if the state doesn't get such a waiver by Dec. 31, 2011. [A short WCCF paper](#) compares the components and effects of the waiver-related measures to change BadgerCare with the changes that will result if the waiver is rejected. It includes a comparison of the number of adults and children affected under each option, as well as the projected savings. http://www.wccf.org/pdf/MOE_fallback_comparison.pdf

6. AMERICA'S 280 MOST PROFITABLE CORPORATIONS GET \$223 MILLION IN TAX SUBSIDIES

A comprehensive new study that profiles 280 of America's most profitable companies finds that 78 of them paid no federal income tax in at least one of the last three years. Thirty companies enjoyed a negative income tax rate over the three year period, despite combined pre-tax profits of \$160 billion. These are among the findings in "[Corporate Taxpayers and Corporate Tax Dodgers, 2008-2010](#)," released in early Nov. by Citizens for Tax Justice and the Institute on Taxation and Economic Policy.

The study focuses on 280 corporations from the Fortune 500 list that met the criteria of being profitable in each of the last three years and providing sufficient and reliable information in their financial reports about

their pretax U.S. profits and their U.S. federal income taxes.

The report notes that corporations are lobbying for lower corporate rates and an exemption for profits they shift offshore. Robert McIntyre, Director at Citizens for Tax Justice, says "Our study provides proof that too many corporations are already being coddled by our tax system."

7. GOVERNMENT POLICIES CONTRIBUTE TO WIDENING INCOME INEQUALITY

Income inequality is growing and government is doing less about it, according to a new report released by the Congressional Budget Office.

Thirty years ago, income inequality in the U.S. was much less dramatic. In 1979, the top 1 percent of the population earned just under eight percent of after-tax household income, compared to 17 percent in 2007. Income inequality is returning to levels not seen since before the Great Depression.

Shifts in the distribution of government benefit payments and changes in federal tax policies have contributed to the increase in income inequality. In 1977, more than half of federal government transfer payments were made to people in the bottom 20 percentile of earners, but by 2007 that share had dropped to 35 percent. This is primarily due to the growth in Social Security and Medicare, which benefit both high and low earners. Over this period, increases in revenue from the regressive payroll tax reduced the progressivity of federal taxes and increased income inequality.

Proposals made by Republican candidates, such as Herman Cain's 9-9-9 plan, would have the potential to further reduce the progressivity of the federal income tax and increase income disparities.

<http://cbo.gov/ftpdocs/124xx/doc12485/10-25-HouseholdIncome.pdf>

<http://wisconsinbudgetproject.blogspot.com/2011/10/top-1-more-than-doubled-their-share-of.html>

8. MOST STATE SPENDING SUPPORTS SERVICES CLOSE TO HOME

More than half of state GPR spending goes to support local services, according to [new spending figures released](#) by the state Department of Administration. Support for public K-12 education makes up the biggest chunk of state spending for local services -- \$5.3 billion in 2011. Other significant amounts include \$874 million in unrestricted aid sent to municipalities and counties, and another \$172 million distributed to counties to provide human services.

After local services, the next largest category of state spending is aid to individuals, including the \$1.5 billion spent on Medicaid and BadgerCare Plus in fiscal year 2011.

This leaves about \$3.2 billion of state spending that is actually spent on state agencies, including the UW System. That figure may seem like a lot, but it makes up less than a quarter of state General Fund spending.

9. PLEASE SUPPORT THE WISCONSIN BUDGET PROJECT

If you value this newsletter and the work the Wisconsin Budget Project and WCCF are doing to help shed light on what's in the state budget and how it could be improved, we could really use your help in filling a hole in the WCCF budget. [You can contribute through our website.](#)