



Ten Reasons Why This a “Robin Hood in Reverse” Budget

In an [interview](#) with the *Capital Times* about a month ago, I asserted that Wisconsin’s 2013-15 budget bill employs a “Robin Hood in reverse” strategy for allocating resources, but that article provided only a cursory explanation of that assessment. This issue brief explains ten significant examples of how the new budget shifts funding from the poor to the wealthy:

- 1) **Diverting federal block grant funds for low-income families** – The bill siphons off funding from the federal block grant known as Temporary Assistance to Needy Families (TANF) and indirectly uses those funds to build up the state’s surplus, which helped lawmakers enact larger income tax cuts that primarily benefit the wealthy. The budget almost completely eliminates a TANF balance of over \$80 million by using those funds to help pay for the state Earned Income Tax Credit (EITC) and to replace state funding that was being used for that purpose. As that sleight of hand maneuver frees up money for things like the tax cuts, it leaves inadequate funding for programs like Wisconsin Works and Wisconsin Shares that serve low-income working families, and it creates an \$80 million hole or “structural deficit” in the financing for those programs in the 2015-17 budget.
- 2) **Cutting funding for the welfare to work program, despite a sharply rising caseload** – One of the rationales for shifting TANF block grant funding and using it to build up the state’s General Fund balance (as described above) is that a lot less will be needed for the welfare to work program known as Wisconsin Works, or W-2. The funding level included in the final version of the budget assumes that W-2 participation and spending would decline by 1% every month, starting in April. But rather than decreasing by 3% over the last three months of fiscal year 2013, the number of paid W-2 placements actually climbed by 8% during that period.
- 3) **Cutting \$31 million from the funding for child care subsidies** – The budget cuts an additional \$31 million over the next two years from the Wisconsin Shares child care subsidy program for low-income working families. Although the reduced funding level reflects the best available assumptions about program costs, the bill squanders a wonderful opportunity to use the savings to make long overdue investments in the quality of early education. For example, even though the Department of Children and Families has acknowledged that it needs to increase the Wisconsin Shares reimbursement rates for child care providers, the freeze on those rates that began in 2006 will be continued until January 2015 (and the plan to provide a small increase then will be in jeopardy if W-2 participation and spending continue to be well above the low level that budget writers assumed).
- 4) **Adopting a large package of tax cuts that excludes hundreds of thousands of taxpayers** – One fourth of income tax filers in Wisconsin won’t benefit at all from the budget’s \$651 million income tax cut, whereas people making over \$100,000 per year, who comprise one seventh of tax filers, will get 55% of the tax cut. A fairer tax plan would have used at least a small portion of the \$651 million to restore all or part of the cuts made last session to the state EITC, and should have increased the Homestead Tax Credit, which provides targeted property tax relief to low-income families and seniors.
- 5) **Cutting taxes for the wealthy in a way that creates a deficit that will affect all Wisconsinites** – Because the budget bill uses a short-term surplus for an ongoing income tax cut, it creates a budget hole or “structural deficit” of about \$500 million at the outset of the 2015-17 biennium. That is likely

to cause another round of spending cuts or future increases in state and local taxes, which – in either case – are likely to adversely affect nearly all Wisconsinites.

- 6) **Removing more than 90,000 adults from BadgerCare** – The bill cuts in half the income eligibility ceiling for adults participating in BadgerCare – reducing that cap from 200% of the federal poverty level to just 100%. That change is expected to cause nearly 90,000 low-income parents and about 5,000 childless adults to lose their BadgerCare coverage, beginning in 2014. Although that sharp reduction in eligibility of parents helps the state pay for an expansion of coverage for childless adults below the poverty level, the state could have accomplished that and saved state taxpayers nearly \$150 million in the 2013-15 biennium by accepting the federal health care reform funding and expanding coverage to childless adults up to 133% of the federal poverty level.
- 7) **Resurrecting changes that could cause 29,000 children to lose BadgerCare coverage** – The budget revives proposed changes to BadgerCare that were withdrawn early in 2012 and were projected at that time to cause about 29,000 low-income children to lose their coverage if those policy changes (such as charging premiums for far more children) are approved by federal officials. (“Maintenance of effort” requirements in federal law prohibit most of those changes from taking effect until 2019, unless Congress repeals those requirements or the next president grants Wisconsin a waiver.)
- 8) **Tightening eligibility for unemployment insurance benefits for jobless workers** – The bill makes a number of changes in the rules relating to unemployment insurance (UI), despite the fact that those proposals weren’t endorsed by the state’s UI Advisory Council. Those changes include an increase in the work search requirement and other changes affecting eligibility, such as making it easier for employers to dismiss workers without having to pay them UI benefits.
- 9) **Making it more difficult to qualify for federal Food Share benefits** – The budget bill re-imposes a work requirement for many able-bodied adults participating in the food stamp program, known as Food Share. As a result, an estimated 31,350 people will lose their Food Share benefits, costing them (and the Wisconsin economy) about \$72 million per year of federally-funded benefits for food purchases.
- 10) **Shifting K-12 education increases away from equalization aid** – Relatively little of the modest amount of new funding for K-12 education will be put in the equalization aid formula. Instead, most of it will either be used to significantly increase funding for choice and charter schools or will be distributed through a new form of categorical aid for all districts. As a result of those K-12 funding choices, the state is undermining the longstanding goal and constitutional requirement to equalize opportunity for all students.

That list could go on. For example, the continued freeze of Shared Revenue and Community Aids and the restrictions on local property tax levies also serve to undercut our state’s long commitment to equalizing opportunity. On the flip side, I should also note that there are a few positive things in the budget bill, including increased funding for mental health services and for child support enforcement.

One can debate the merits of the specific measures summarized here, but there is no question that they constitute a substantial shift of revenue away from programs for Wisconsin’s poorest residents and the communities they live in, to benefit wealthier state residents and their communities. At a time of increased poverty and growing income disparities, the new budget adopts policies that will almost certainly exacerbate those trends.

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