



Better Choices: A Summary of an Alternative Plan for the Wisconsin Budget

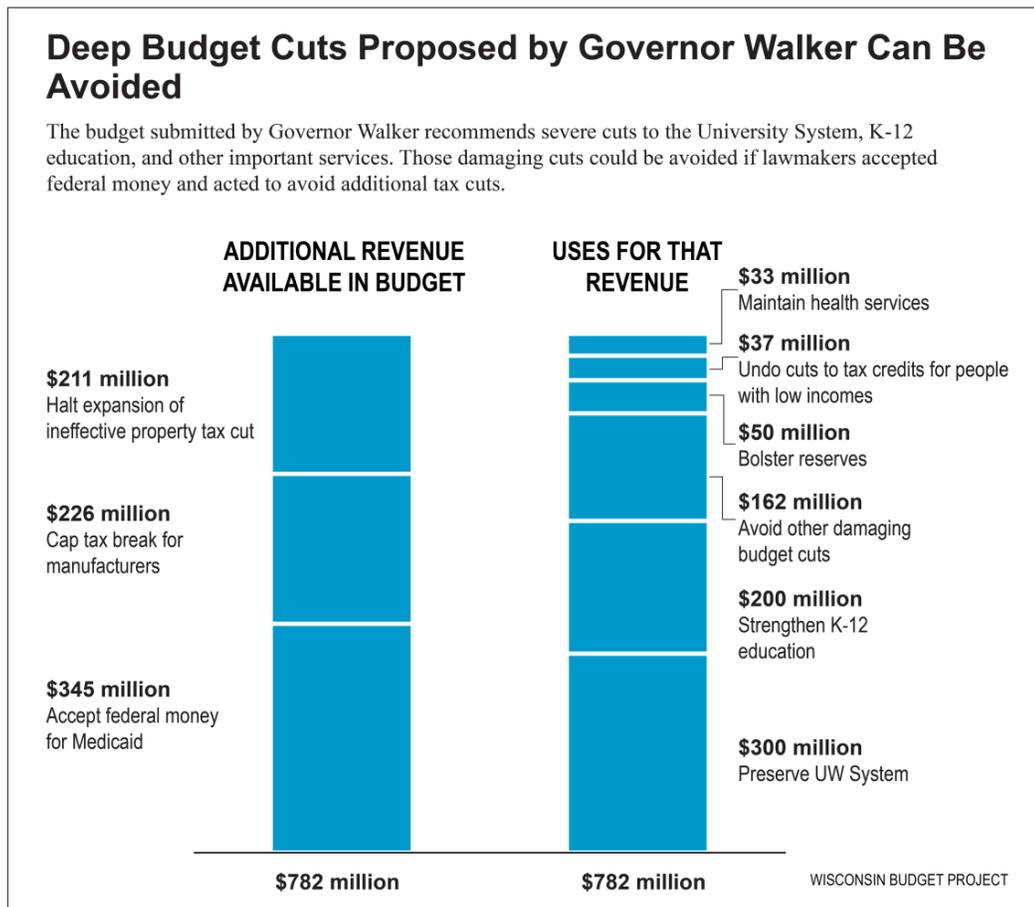
Legislators Can Avoid Deep Cuts without Raising Taxes

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Wisconsin needs a budget that invests in the building blocks of a strong economy. Healthy families, safe and stable communities, and a well-educated workforce are assets critical to helping Wisconsin remain an attractive place to live, raise families, and do business. By strengthening these resources, the state budget can lay the groundwork for broad-based prosperity and an economy that works for everyone.

Unfortunately, the budget proposed by Governor Walker makes deep and unnecessary cuts to investments vital to Wisconsin's long-term economic success. The budget proposes reducing resources for public education – a cut that would come on top of dramatic reductions in resources that have already occurred. The budget would also make deep cuts in state support for the University of Wisconsin System, giving a tremendous blow to one of the engines of Wisconsin's long-term prosperity. The proposed budget would also make it harder for people with disabilities to get the help they need to contribute to their communities.

State legislators have an opportunity to protect Wisconsin's assets by passing a budget that strengthens, not weakens, Wisconsin's public schools, public university, and health care system. Fortunately, to avoid the worst of the budget cuts proposed by the Governor, lawmakers don't have to increase taxes – they only need to stop the growth of tax cuts already in place and accept federal money for health care, as shown in the following graphic. By doing so, lawmakers can create a budget that invests in Wisconsin and its residents.



Freeing up Revenue without New Taxes

Our alternative budget plan would free up \$782 million by making three changes that reallocate state resources:

- ***Freeing up at least \$345 million by capturing federal funding for the expansion of BadgerCare*** – Wisconsin will spend much more money for BadgerCare in the next budget because state lawmakers continue to turn away funding that could pay nearly all the cost of insuring childless adults. By expanding BadgerCare eligibility to people who earn up to 138% of the federal poverty level, which would qualify the state for substantially more federal funding, Wisconsin would save at least \$345 million in the next two-year budget period.
- ***Reallocating proposed spending for a poorly targeted property tax credit*** – The Governor’s budget contains \$211 million to increase the school levy credit. This spending not only siphons funding away from other priorities, it is also a poorly targeted tax cut. Only about half of the funding for that credit goes to Wisconsin homeowners for their primary residences, and far more of it goes to owners of large homes and businesses than to owners of typical homes. The owner of a median-valued home is only expected to see a reduction of \$8 in their property taxes next year. (The bill also decreases funding for the Homestead Credit, which targets property tax relief to low-income homeowners and renters.)
- ***Capping the ballooning cost of an ineffective corporate tax break*** – The 2011-13 budget bill created a phased-in tax break that will nearly wipe out income taxes for corporations engaged in manufacturing or agriculture. The credit is now expected to cut taxes for corporations by a whopping \$285 million per year once it is fully phased in, a price tag \$156 million higher than originally expected. In addition to being extremely expensive, this ballooning tax break is also ineffective because any manufacturer that has profits in Wisconsin can qualify for the credit, regardless of whether they are adding jobs or eliminating them. Capping the credit at the 2014 level would free up about \$226 million in 2015-17.

Making Key Investments in Wisconsin’s Future

Our alternative budget would reallocate that \$782 million by using it in the following ways:

- Restoring the \$300 million that the budget bill proposes cutting from the UW System budget.
- Providing \$200 million more than the Governor proposed for public schools – to eliminate the proposed cut of \$150 per student in the 2015-16 school year and to provide \$73 million more than the Governor recommended for general school aid (and we would adjust revenue caps to allow school districts to spend the increased aid).
- Removing the significant cuts in health care services for seniors, people with disabilities, and very low-income adults, which are projected to save \$33 million in the 2015-17 biennium.
- Using \$11 million to adjust the Homestead Tax Credit and about \$26 million to undo the cut made in 2011 to the state Earned Income Tax Credit (EITC), beginning in tax year 2016.
- Increasing the projected budget balance by \$50 million in 2016-17, and eliminating the budget provision delaying a statute requiring a significantly larger balance in the 2017-19 biennium.
- Using the remaining \$162 million to mitigate many other harmful spending cuts in the Governor’s budget.

A [more thorough explanation](#) of the alternative plan can be found on the Wisconsin Budget Project’s website.

Some legislators have promised to restore budget cuts if revenue estimates improve, but regardless of the next tax projections, the legislature can and should free up the revenue needed to make investments in education, strong communities and a healthy workforce.

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