



# Children's Issues in the 2015-17 Wisconsin Budget

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Budget decisions made by lawmakers help determine whether children in Wisconsin attend high-quality public schools, have access to health care when they need it, and live in financially secure families. By making investments in children today, lawmakers can ensure that Wisconsin will have a well-educated, healthy workforce in the future, laying the foundation for broad-based prosperity and economic growth down the road.

The budget bill written by the Governor and Legislature affects children and families in significant ways. This budget summary describes many of the changes and how they were modified by the Legislature.

## K-12 EDUCATION

Wisconsin state lawmakers have approved an education budget that places tight spending constraints on public schools, lowers property taxes compared to what they would otherwise be, and devotes new resources to private schools. It's a budget that will continue to compel most school districts to make painful cuts in staff or programs.

The final budget allots \$208 million in additional public education funding over the next two years (excluding an increase of \$105.6 million per year in the school levy credit), which amounts to a biennial increase of 2.0%. Because most of the \$208 million increase is targeted for property tax relief or will go to private schools, and what's left will be well below the inflation rate, many school districts will have to keep making cuts.

The complexities of the school funding system make it difficult to pinpoint the share of new resources for education that will actually go to public schools, but much of the new money will get delivered to public schools in a way that will not allow districts to put that money to work educating public school students. The biggest chunk of the money – a \$108 million increase in general school aid – will mostly go to lower property tax bills because a freeze on the revenue caps prevents most districts from increasing their budgets to take advantage of the increased aid.

The small increase in resources for public schools included in this budget will not do much to restore state support lost in past years. In recent years, Wisconsin has dramatically reduced the amount of state support for public schools. Wisconsin cut state support for investment in schools by 15% per student between 2008 and 2015, a deeper cut than all but four other states.

The budget expands the state's parental choice program, which allows students from low and moderate income families to attend private schools using publicly-funded tuition vouchers. Wisconsin already has established voucher school programs in Milwaukee and Racine, and has a limited voucher school program in the rest of the state. Under the amended bill, the total number of students who can

participate in the voucher program outside of Milwaukee and Racine will start at 1% of a district's enrollment and climb each year until the cap is eliminated in a decade.

The expansion of the voucher program will reduce state funding for public schools by \$48 million over two years, and increase support for private schools by the same amount. The Legislative Fiscal Bureau estimates that the voucher provisions will result in \$600 to \$800 million being transferred from public schools to private schools over the next 10 years.

The revised budget also allows students with disabilities to attend private schools using publicly-funded vouchers. Students with disabilities who attend private schools do not have the same protections and rights as those who attend public schools. Intense opposition by disability-rights groups defeated previous proposals to implement a voucher program for students with disabilities.

The budget bill also includes a measure under which some of the worst-performing schools in Milwaukee Public Schools will be turned over to private school or charter school operators. In addition, the budget establishes new ways to create independent charter schools in some parts of the state, without the approval of local school boards.

Another part of the bill exempts teachers from needing to meet additional teaching license requirements in Wisconsin if they have been licensed in another state. The Department of Public Instruction recommended a veto of that change because it will dilute Wisconsin's efforts to ensure the quality of our teachers.

## HEALTH CARE

Although the budget contains a number of changes that could significantly reduce BadgerCare participation among childless adults, it does not make any negative changes to BadgerCare for children. However, children's coverage in Wisconsin could suffer if Congress eliminates the "maintenance of effort" (MOE) requirements that protect health care for children.

Repeal of the MOE requirements has been proposed by GOP leaders in Congress. If that change were approved, it would allow the Wisconsin Department of Health Services (DHS) to put in place eligibility restrictions and increased premiums for children that were enacted in the previous biennial budget. Those changes could cause more than 29,000 children to lose their BadgerCare coverage.

As we explain in our [health care budget summary](#), the biennial budget substantially increases state GPR funding for Medicaid. Most of the increase is for the much greater than anticipated enrollment of childless adults in BadgerCare and the Governor's decision not to accept the federal funding that would finance almost all of the cost of covering those adults in BadgerCare.

One of the consequences of rejecting the enhanced federal funding for Medicaid expansions, which would save \$360 million during the 2015-17 biennium, is that the budget bill contains a number of significant spending cuts, including a couple that could adversely affect children's access to care:

- **Reducing Medicaid reimbursement for community clinics** – The Governor proposed phasing in reduced reimbursements for Federally Qualified Health Centers (FQHCs) by using the Prospective Payment System (PPS) rate. Under the Governor's proposal, DHS anticipated reducing spending for FQHCs by a total of about \$24.8 million (all funds) over the next two

years and by \$28.8 million per year thereafter. The Joint Finance Committee (JFC) delayed implementation of the rate change by one year, which reduces the state share of the cut by \$6,477,400 GPR. FQHCs continue to express concern that the projected budget savings are based on a PPS rate that is not consistent with federal law.

- **Personal Care Services** – The Governor’s budget proposal included cutting spending for personal care services by a total of about \$19.5 million over the next two years (including \$7.5 million of state funding) by requiring an independent assessment for all fee-for-service prescriptions for personal care. According to the administration, this change is intended to help prevent fraud and abuse and make sure that members are getting the “right amount of care... at the right time and in the right setting.” The JFC approved the Governor’s proposal, but included a change that will delay by one year the start date for the state’s contract with the new independent assessor. This delay results in a \$1 million GPR reduction in state costs for the program in FY15-16. Advocates for the disabled and elderly say that the current system already includes a strong process to ensure that beneficiaries receive the correct type and amount of care and that the independent assessment will create a more burdensome and unnecessary hurdle.

The budget bill also contains a couple of positive measures relating to health care for children and adults:

- **Enhanced Dental Reimbursement Pilot Program** – The budget bill includes a pilot program to increase reimbursement rate for providers of pediatric dental care and adult emergency dental services in three counties: Brown, Polk and Racine. Assuming a federal waiver is approved, the state cost of the pilot program over the biennium is expected to be \$4.53 million GPR.
- **Narrowing the current waiting periods** – Current state statutes impose a 3-month waiting period after ending other insurance before some people can enroll in BadgerCare. The budget bill would repeal that restriction. Because the waiting period now affects very few people, DHS expects administrative savings from removing this impediment to offset the small cost of improving access to BadgerCare.

A cost-neutral proposal affecting services for children generated mixed reactions from advocates, but has been modified a little to clarify the intent and ease their concerns:

- **Children’s Community Options Program** – The budget bill repeals the Family Support Program (FSP) and creates a new Children’s Community Options Program to assist families of children with long-term care needs. It will be financed by combining funding from FSP and the children’s portion of the current Community Options Program. The changes were amended slightly to clarify that the revised program will retain the current flexibility and the focus on services for families (not just for children).

## EARLY EDUCATION

Funding for the Wisconsin Shares child care subsidy program has declined sharply since 2008-09 because of a 7-year freeze in reimbursement rates and other changes that have cut into payments to providers and limited the number of providers participating in Wisconsin Shares. The new budget begins to turn around or at least halt the long decline in spending for child care subsidies.

The funding level for Wisconsin Shares in the first year of the biennium is \$12.6 million below the 2014-15 appropriation (although it is expected to grow from the actual spending level, which has been far below the budgeted level for 2014-15). As the following table shows, spending for child care subsidies is budgeted to increase in the second year to a level \$6 million above the current appropriation.

<b>Changes in Wisconsin Shares Child Care Subsidy Amounts</b>		
In millions.		
<b>FISCAL YEAR</b>	<b>AMOUNT</b>	<b>CHANGE FROM 2014-15 BASE</b>
2015-16	\$262.1	-\$12.6
2016-17	\$280.7	+6.0

Source: Analysis of 2015-17 budget bill.

The primary reason that child care subsidy spending is expected to increase in 2015-16 (relative to the latest estimate of actual spending in 2014-15) is that the Department of Children and Families (DCF) plans to continue a gradual increase in the payment rates for providers, which the department began in November 2014. Most of the increase in estimated subsidy spending in the second year of the biennium is a temporary effect of implementing an electronic benefit transfer (EBT) Parent Pay initiative. That initiative will shift reimbursements to advance payments, which will cause a one-time \$10 million increase in subsidy payments in 2016-17.

Other increases relating to child care spending include the following:

- A \$1.2 million per year increase in YoungStar contracts to maintain current levels for rating, training, technical assistance, and micro-grants.
- An increase in administrative costs of about \$4.5 million to begin the EBT Parent Pay initiative, which is expected to be implemented statewide in 2016-17. This increase will finance Parent Pay vendor and IT costs. This new system has raised concerns among providers about complicating the process of getting reimbursed; however, the card system will also mean that providers will no longer be penalized when children are absent, which should help stabilize child care revenue.

## **WISCONSIN WORKS (W-2) & TANF-FUNDED PROGRAMS**

The budget assumes that the Wisconsin Works caseload, which has declined significantly over the past year, will stabilize and the cost of continuing the program will be unchanged from the current fiscal year. However, the budget contains several policy changes that will reduce W-2 participation and anticipated spending. The changes include the following:

- **Reducing the time-limit on benefits** – The bill reduces the current lifetime limit on receiving W-2 benefits by 12 months, to a maximum of 48 months. This is expected to reduce spending for W-2 benefits by \$1 million in TANF in FY 2016 and \$2 million in the next year.

- **Drug screening and testing** – The budget bill will require drug screening for non-custodial parents who apply for W-2 benefits or services and for applicants for the Transitional Jobs program and Transform Milwaukee program. Eligibility will be denied for anyone who refuses to take the test or tests positive and doesn't participate in a treatment program.
- **W-2 sanctions** – The budget bill contains a number of other provisions that are likely to reduce participation, such as eliminating the requirement that W-2 participants be notified of sanctions and the reason for them, and then be given an opportunity to rectify the deficiency before the sanction is imposed.

The budget makes adjustments to the current spending for several programs funded primarily from the welfare reform block grant known as Temporary Assistance to Needy Families (TANF). Among those are several changes based simply on re-estimates of the caseloads and costs over the next two years, including \$1.1 million more for kinship care, a \$4.7 million reduction for the caretaker supplement, and a \$300,000 reduction for emergency assistance.

One of the positive portions of the DCF budget is that it adds \$3 million to expand the **Transitional Jobs program**, which provides on-the-job training to low-income people. The increased funding will allow it to be expanded beyond Milwaukee County.

## **CHILD WELFARE, JUVENILE JUSTICE, & CHILD SUPPORT**

The amended budget contains a number of other changes relating to services for children administered by the Department of Children and Families (DCF), including the following:

- **Transferring Youth Aids and juvenile justice** – The budget bill transfers from the Department of Corrections (DOC) to DCF the responsibility for overseeing community-based juvenile corrections, including the Youth Aids funding for counties. That transfer has the advantage of potentially improving coordination of community programs, but the disadvantage of dividing responsibility for community-based juvenile corrections and the state's institutional care for juveniles, which will continue to be administered by DOC.
- **Child welfare safety services** – The bill cuts the TANF portion of funding for these services by nearly \$6.4 million over the next two years. That reduction reflects savings of almost \$2.4 million annually from elimination of two contracts with the Bureau of Milwaukee Child Welfare (BMCW) and a re-estimate of payment rates for Milwaukee home safety services.
- **Milwaukee Child Welfare** – As amended by the JFC, the budget increases funding for BMCW by nearly \$13.4 million over the next two years (not counting the effect of the TANF reduction noted above), including an increase in state GPR funding of almost \$3.7 million. The bill also changes BMCW to a division within DCF.
- **Out-of-home care extension** – Legislation enacted last session phases in the extension of out-of-home care to certain youth over age 18 who would otherwise "age out" of foster care. The budget includes close to \$1.9 million GPR to fund the second and third years of the phase-in, and it makes a number of statutory changes related to the extension of out-of-home care.

- **Domestic abuse services funding** – One of the positive measures of the DCF budget is a \$5 million GPR appropriation in 2016-17 to increase the grant funding that provides assistance to victims of domestic abuse and their families.
- **Services for child victims of sex trafficking** – Another welcome portion of the budget is the inclusion of \$2 million in 2016-17 for treatment services for children who are victims of sex trafficking.
- **Children and Families Aids (CFA)** – The budget contains a small increase of about \$1.1 million annually in this source of aid to counties for services related to child abuse and neglect, child welfare, and juvenile justice. Reductions of \$6.25 million in state GPR support for the CFA allocation and \$1.2 million of TANF funds are more than offset by an increase in federal funding.
- **Child support** – Thanks to the carryover of funding for an upgrade of the child support information system, total spending for the administration of child support activities will increase by \$6.7 million in the coming biennium. That's \$485,000 more than Governor Walker proposed because the budget committee rejected a cut in state support that the Governor recommended.

## FINANCIAL SECURITY

Several key sources of assistance for low-income families and unemployed workers have been squeezed by state policy choices over the last four years, and a couple of those will be further constricted or frozen by the budget:

- **Homestead tax credit** – Spending for this important source of property tax relief for low-income households has been gradually declining because the formula used to calculate the credit isn't adjusted for inflation. (A provision indexing it for inflation was repealed in 2011.) That's a major reason why spending for the credit is expected to decline by a total of \$12 million over the next two years, dropping the estimated credits in 2016-17 to 5.3% below the amount in 2014-15.
- **Earned income tax credit (EITC)** – The bill maintains the state EITC cuts enacted in 2009, but uses less state funding by transferring an even larger amount of federal welfare reform block grant funds to the Dept. of Revenue (DOR) to finance the credit. As amended by JFC, that transfer grows by a total of \$12 million over the next two years, and in the second year of the biennium shift of funds to DOR will be \$44 million above the 2009-10 level. Because the bill substantially draws down the current balance of TANF block grant funds (in order to replace state general fund support of the EITC), lawmakers are creating a large gap between anticipated TANF spending and revenue in the 2017-19 biennium. That makes it likely that the state will have to reduce spending during that biennium for programs like Wisconsin Works (W-2) or the child care subsidy.
- **Unemployment insurance** – The state has made a number of changes in the last few years to reduce spending for unemployment insurance benefits, and the Governor's budget includes new measures that will make it harder for jobless workers to receive UI benefits. The changes include requiring some applicants to pass a drug test to receive benefits, increasing the

penalties for fraud, and requiring the state to set rules about what types of jobs unemployed workers could turn down and still receive benefits.

- **Living wage** – A measure added by the Finance Committee’s final motion repeals a 102-year old statute relating to a “living wage.” This change strips from the Department of Workforce Development (DWD) the authority and responsibility to investigate complaints that an employee is not being paid a living wage, and it replaces “living wage” with “minimum wage” throughout the statutes. It ends the rule-making authority that was used by the Doyle Administration to increase the minimum wage.

## CONCLUSION

The Joint Finance Committee improved the budget bill in a number of respects, and made it worse in some other areas (such as drawing down the balance in welfare reform block grant funds, which sets up that area of the budget for potential problems in the next biennium). Although the JFC changes are mostly positive, the final budget remains a very disappointing one for children and families.

We are particularly concerned that the bill continues to erode state financial support for K-12 education. It doesn’t increase aid for public schools by enough to keep up with inflation, and it sets in motion a process to gradually cause a large shift of state funding from public schools to private voucher schools.

Those decisions and other negative changes are all the more disappointing because they could have easily been avoided by making other choices, such as expanding BadgerCare and capturing Wisconsin’s fair share of the funding that taxpayers here and elsewhere have been sending to Washington to finance coverage expansions for low-income adults. Accepting that funding and expanding BadgerCare would yield a net savings of \$360 million during the current budget period.

The decision to turn down the Medicaid funding isn’t irrevocable, and it’s a choice that legislators should reconsider as they strive to create a state with a healthy and well-educated workforce that will be a building block for Wisconsin’s future prosperity.