Budgets Are About Choices

Prepared by Senator Kathleen Vinehout

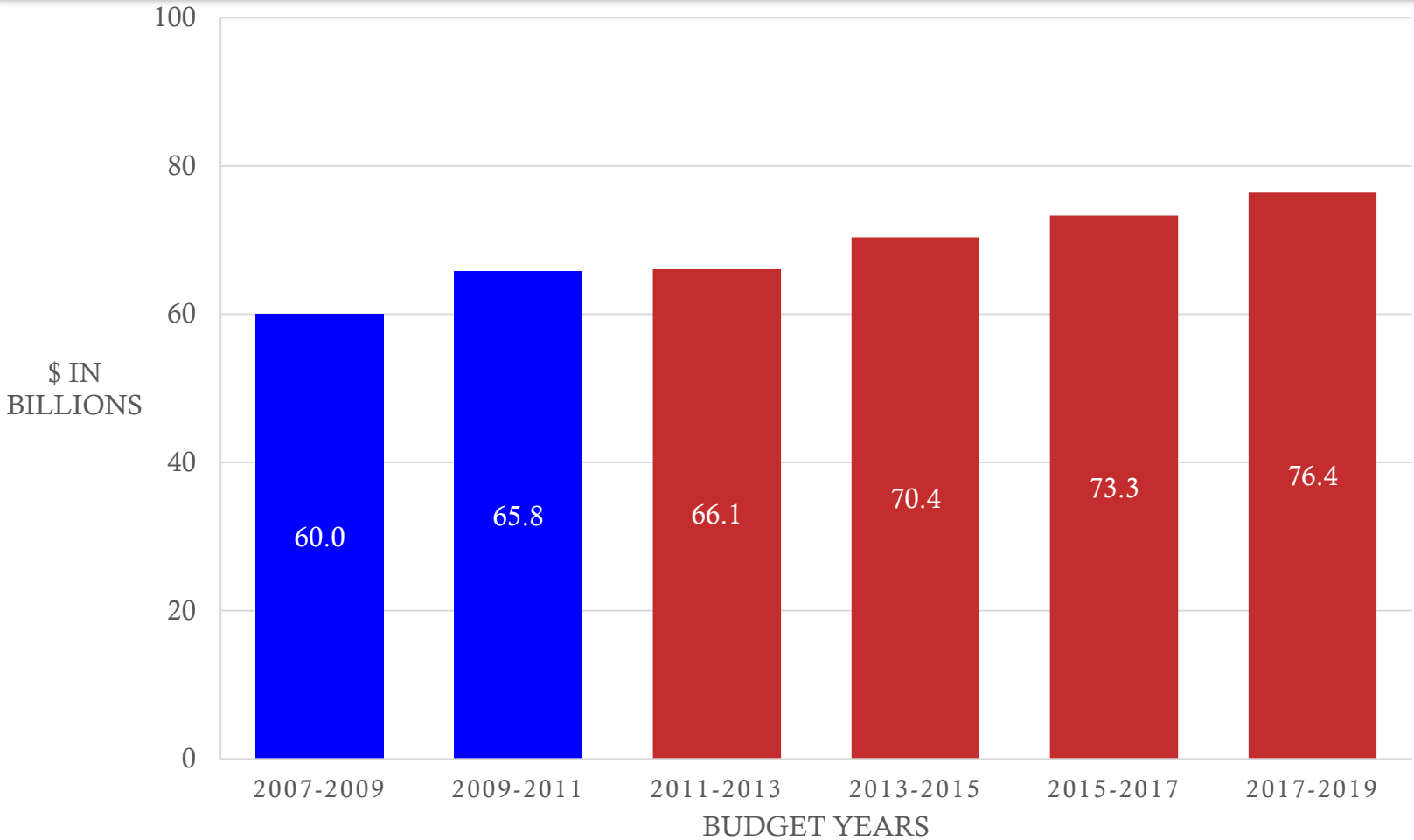
June 29, 2017

Wisconsin's State Budget Choices are Decisions About Our Common Future…

Together we can make choices that benefit our common good.

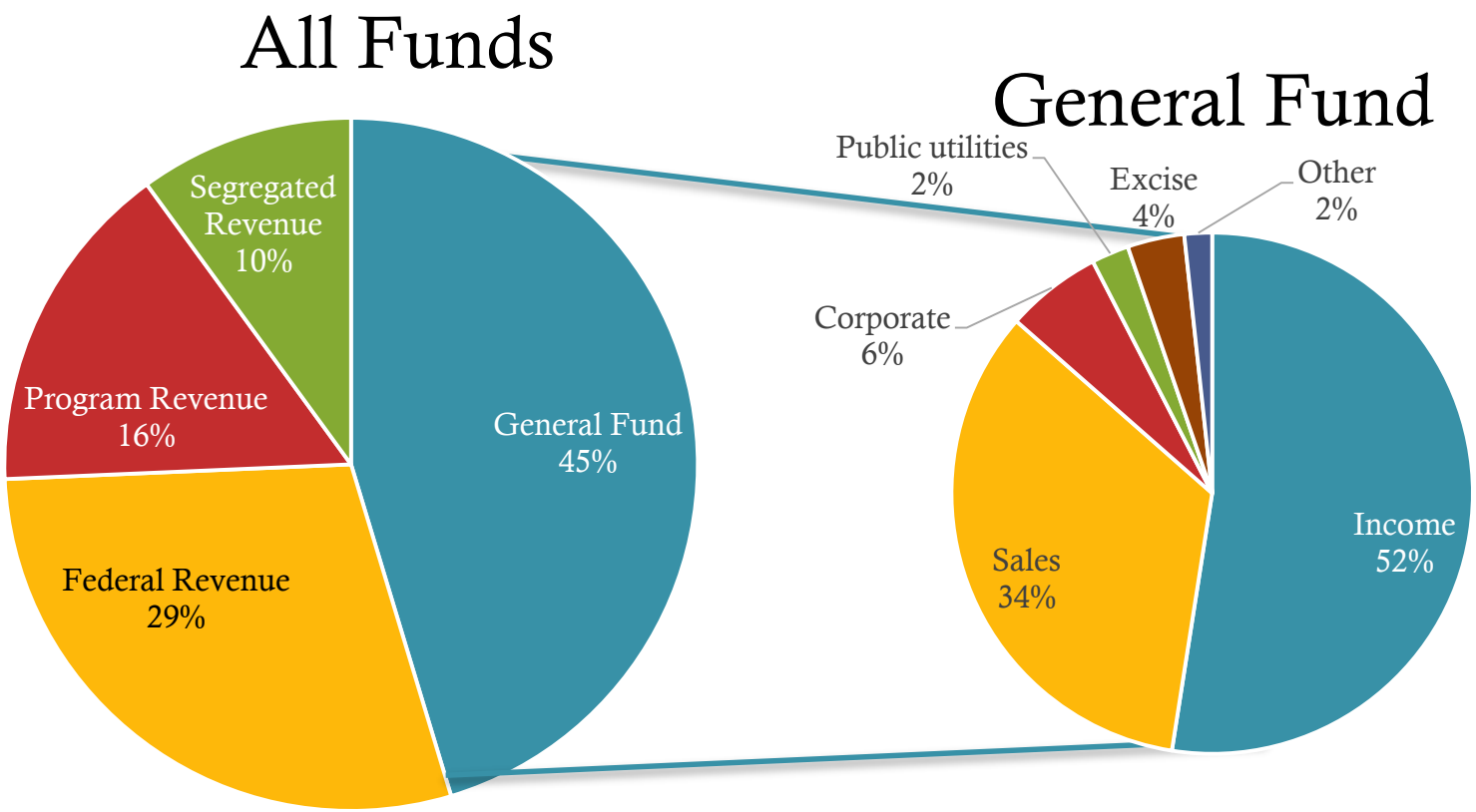
Budgeted spending grows by $3 Billion

growth is about the same as last budget



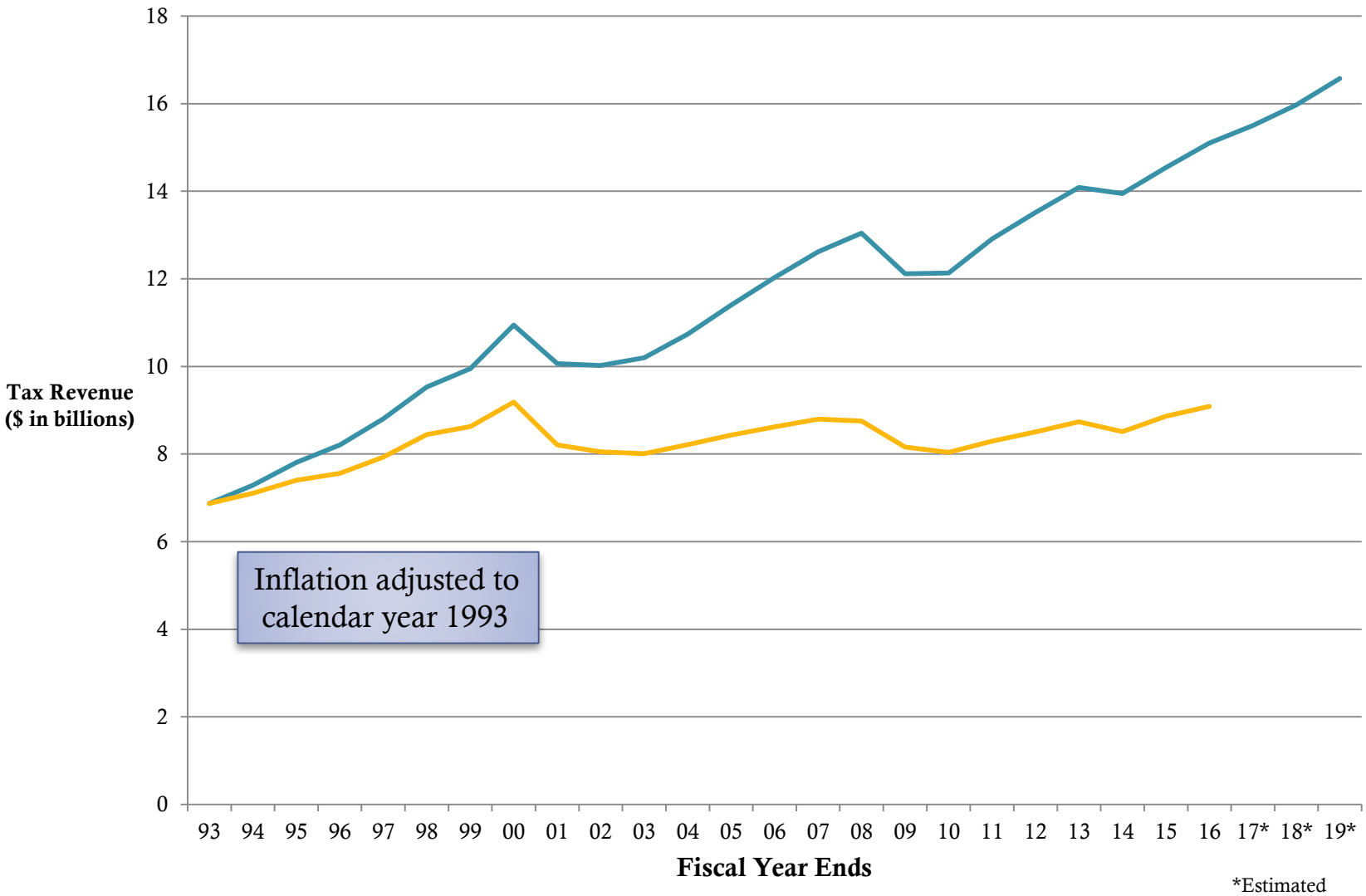
Sources: Legislative Fiscal Bureau (LFB). *2007-09 Wisconsin State Budget, Comparative Summary of Budget Recommendations 2007 Act 20.* Volume 1, March 2008, Table 1, pg. 13. LFB. *Comparative Summary of Budget Recommendations: 2009 Act 28.* August 2009, Table 1, pg 23; LRB. *Comparative Summary of Budget Recommendations: 2011 Act 32.* August 2011, Table 1, pg. 11; LRB. *Comparative Summary of Provisions: 2013 Act 20.* August 2013, Table 1, pg. 11; LRB. *Comparative Summary of Provisions: 2015 Act 55.* Sept. 2015, Table 1, pg. 15; LFB. *Summary of Governor's Budget Recommendations 2017-2019*, March 2017, Table 1, pg.7.

Where Does Money Come From?



Sources: LFB. *Summary of Governor's Budget Recommendations*. March 2017, Table 1 & Table 7.

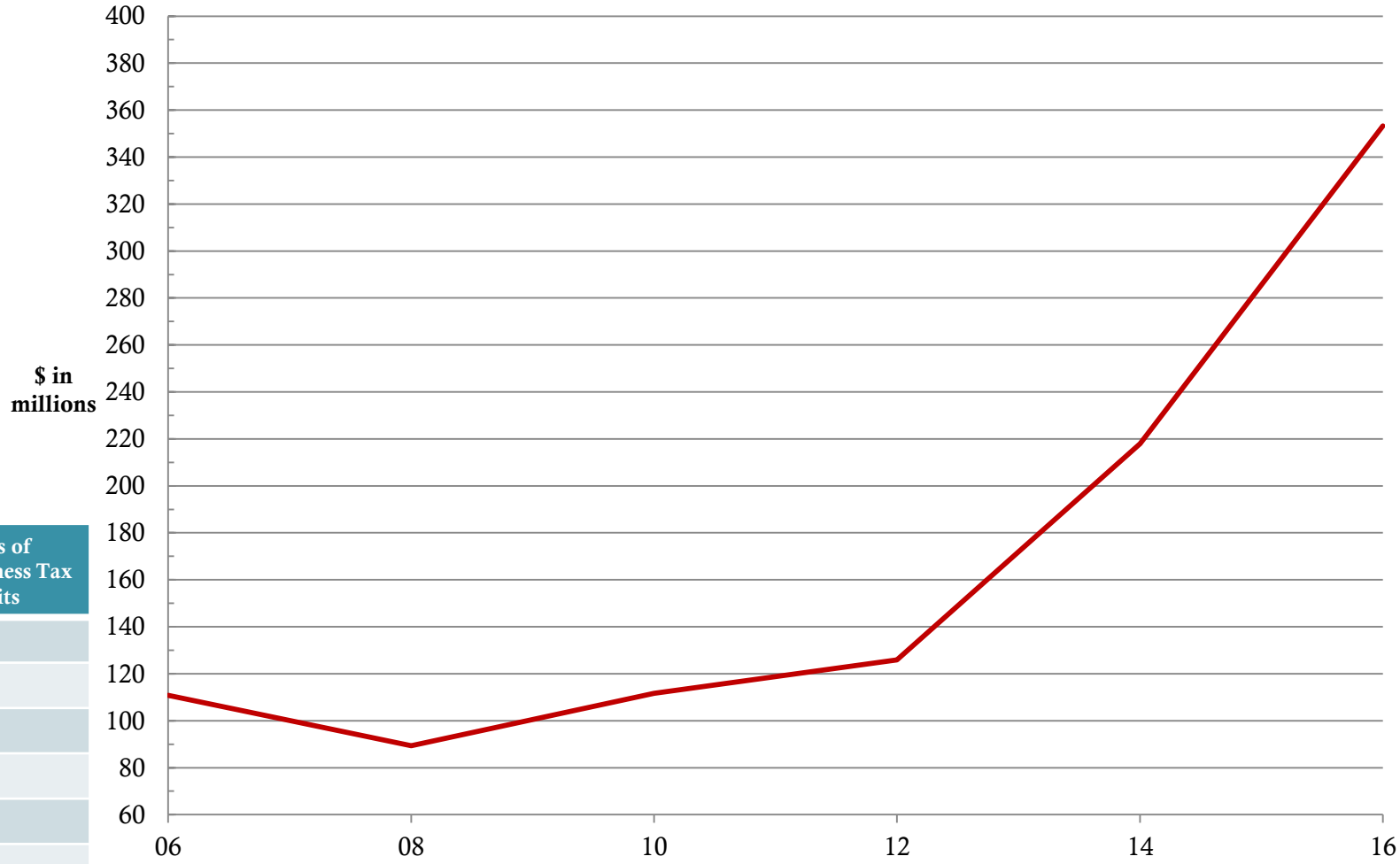
State Tax Revenue over 26 years
actual & adjusted to inflation



*Estimated

Sources: Legislative Fiscal Bureau (LRB). *General Fund Tax Collections: Informational Paper 1*. Table 1, January 2003; LRB. *General Fund Tax Collections: Informational Paper 1*. Table 1, January 2005; LRB. *General Fund Tax Collections: Informational Paper 1*. Table 1, January 2007; LRB. *Memo to Joint Finance Committee (JFC).* January 30, 2007; February 13, 2008; January 29, 2009; May, 11 2009; January 27, 2010; January 31, 2011; May 11, 2011; February 9, 2012; January 24, 2013; January 16, 2014; May 6, 2015; January 21, 2016; January 18, 2017; LRB. *Summary of Governor's Budget Recommendations*. Table 7, March 2017.

Business Tax Credits Reduce State Revenue
(Estimated Credits Claimed by Calendar Year)



Calendar Year	Types of Business Tax Credits
2006	17
2008	22
2010	30
2012	38
2014	39
2016	43

Sources: Department of Revenue (DOR). *Tax Exemption Devices 2007-09; 2009-11; 2011-13; 2013-15; 2015-2017; 2017-2019.*

- **Wisconsin Economic Development Corporation (WEDC) Awards for Just One *REFUNDABLE* Tax Credit ~**

Mercury Marine	**$65 million**
Kohl's Corporation	**$62.5 million**
Quad Graphics	**$61.7 million**
Oshkosh Corporation	**$47 million**
Fincantieri Marine Grp	**$28 million**
W Solar Group, Inc.	**$28 million**
Direct Supply	**$22 million**
Bucyrus International	**$20 million**
Uline, Inc.	**$18.6 million**
Kestel Aircraft Co.	**$18 million**
MKE Electric Tool Corp.	**$18 million**
InSinkErator	**$15.5 million**
Plexus Corp.	**$15.5 million**
Northstar Med. Radioisotopes, LLC	**$14 million**
Amazon.com	**$10.3 million**
Exact Science Corp.	**$ 9 million**
Weather Shield	**$ 8 million**
Dollar General	**$ 5.5 million**
Trane US, Inc.	**$ 5.5 million**
Total	$472.1 million

Credits can be claimed over several years. Some of credits can be claimed into 2024.

Source: LFB. *Information Paper #6, Business Tax Credits*, "Enterprise Zone Tax Credit" Januarsy, 2017, page 15.

Gov. Budget Address…

"Overall, our common-sense reforms brought us here – to the point we have a significantly better budget outlook. We call this the Reform Dividend."

Governor Walker, Budget Address to Joint Session of Legislature 02/08/17

- **New Money?**

Budget growth is about the same as the last two budgets.

Nonpartisan Fiscal Bureau revised expected revenue DOWN several times. If there was a "dividend", revenue numbers should be going UP not down.

- **More Jobs?**

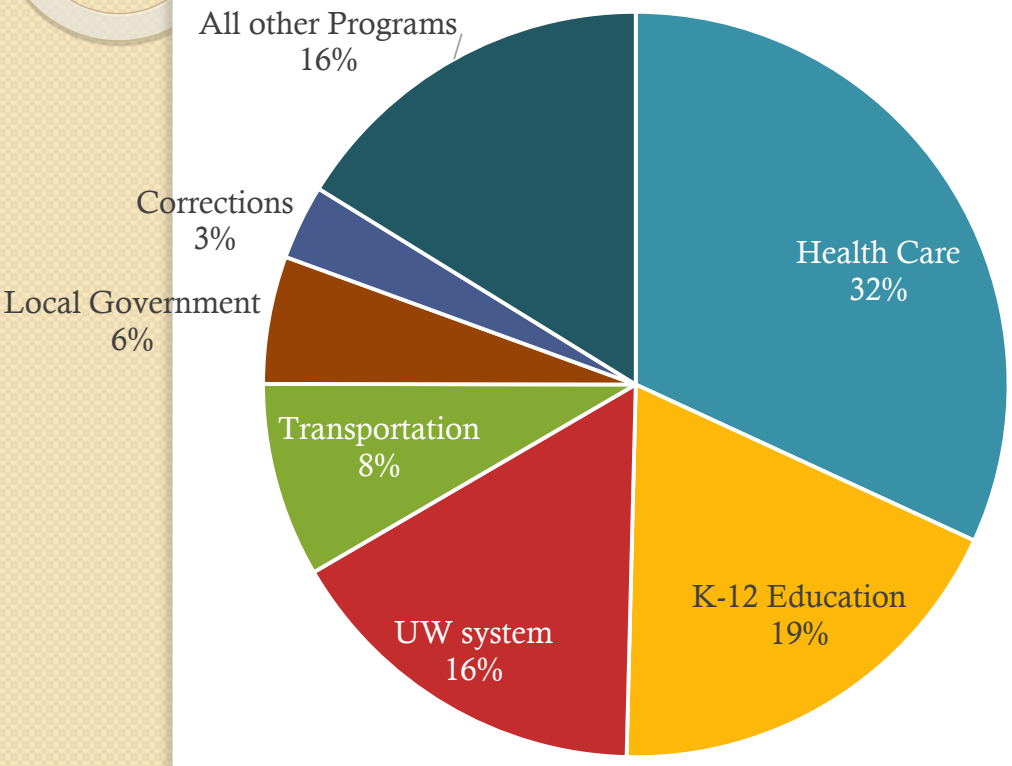
Wisconsin did not gain back jobs lost in the Recession until 2015; a full year after the nation and TWO years after Minnesota gained back lost jobs.

- **Faster Growth?**

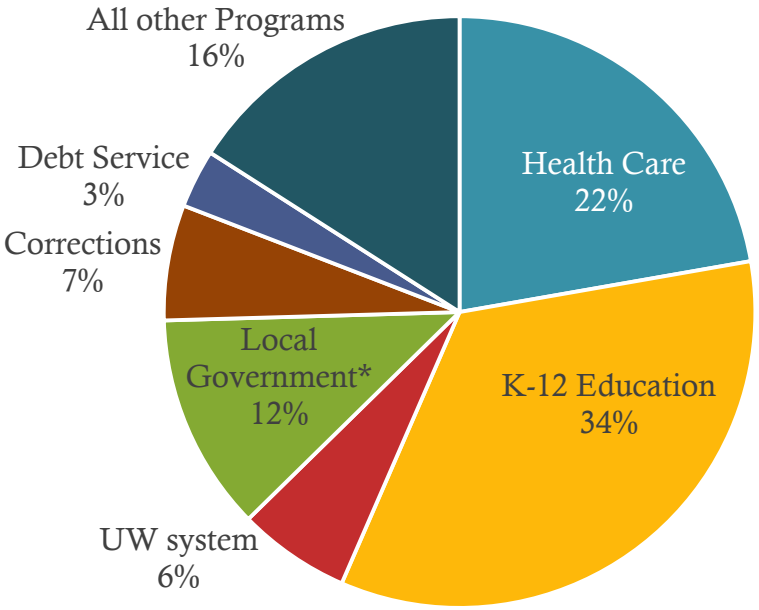
WI is ranked 23rd for real GDP growth since 2009, below Arkansas, Georgia & all Midwest neighbors except Illinois.

Where Does Money Go?

All Funds



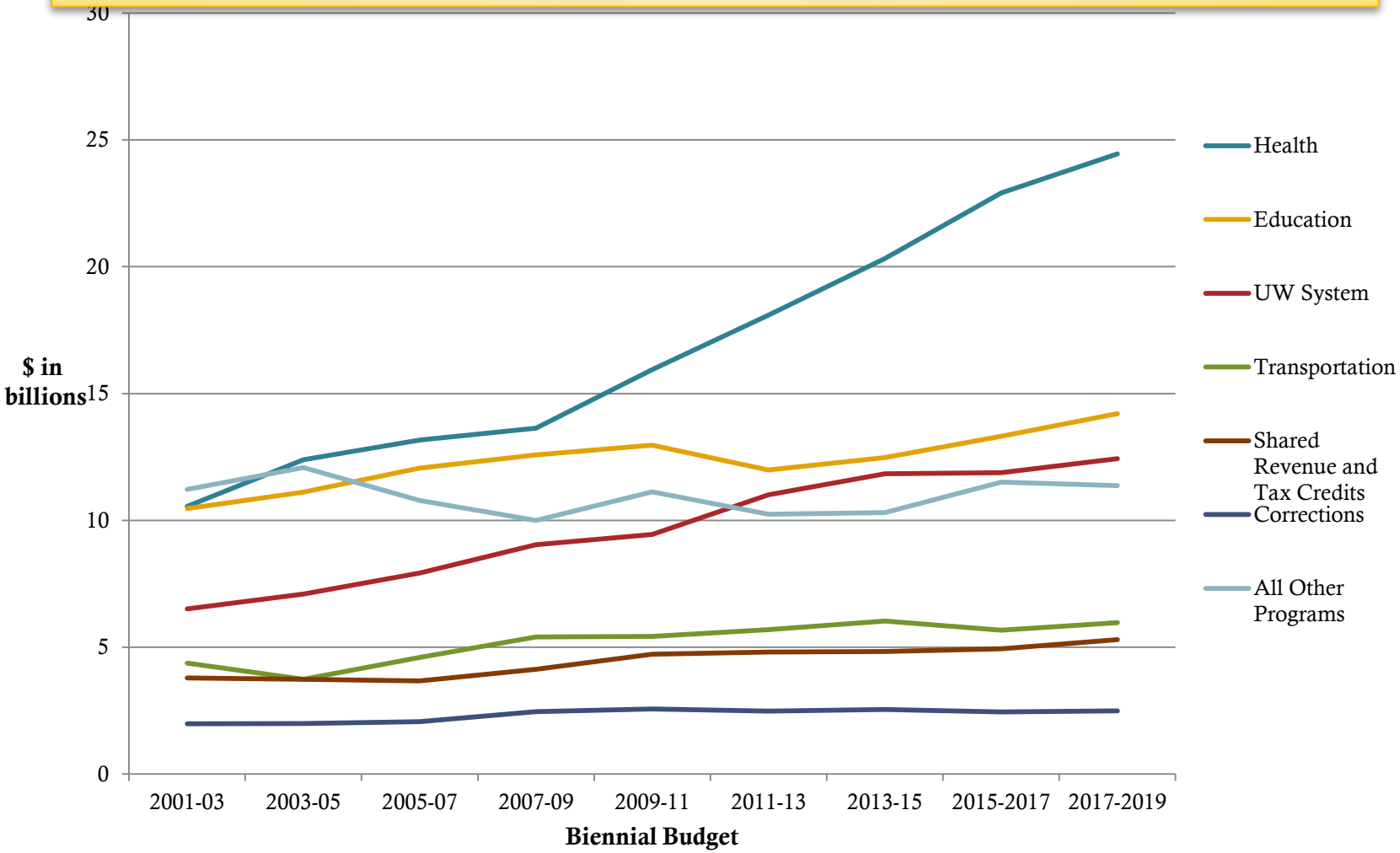
General Fund



*Direct Payment

Source: LFB. *Summary of Governor's Budget Recommendations*. March 2017; LFB. *Informational Paper 77: State Level Debt Issuance,* January 2017, pg.14.

Total Budgeted Spending: Health Grows Rapidly as Education Spending Slows



Sources: Legislative Fiscal Bureau (LRB). *Comparative Summary of Budget Provision: 2001 Act 16*. Table 3, December, 2001; LRB. *Comparative Summary of Budget Provisions: 2003 Act 33*. Table 3, September, 2003; LRB. *Comparative Summary of Budget Provisions: 2005 Act 25*. Table 3, November, 2005; LRB. *Comparative Summary of Budget Recommendations: 2007 Act 20*. Table 3, March, 2008; LRB. *Comparative Summary of Budget Recommendations: 2009 Act 28*. Table 3, August, 2009; LRB. *Comparative Summary of Budget Recommendations: 2011 Act 32*. Table 3, August, 2011; LRB. *Comparative Summary of Budget Provisions: 2013 Act 20*. Table 3, August, 2013; LRB. *Comparative Summary of Provisions: 2015 Act 55*. Table 3, September, 2015; LRB. *Summary of Governor's Budget Recommendations: 2017-2019*. Table 2, March, 2017

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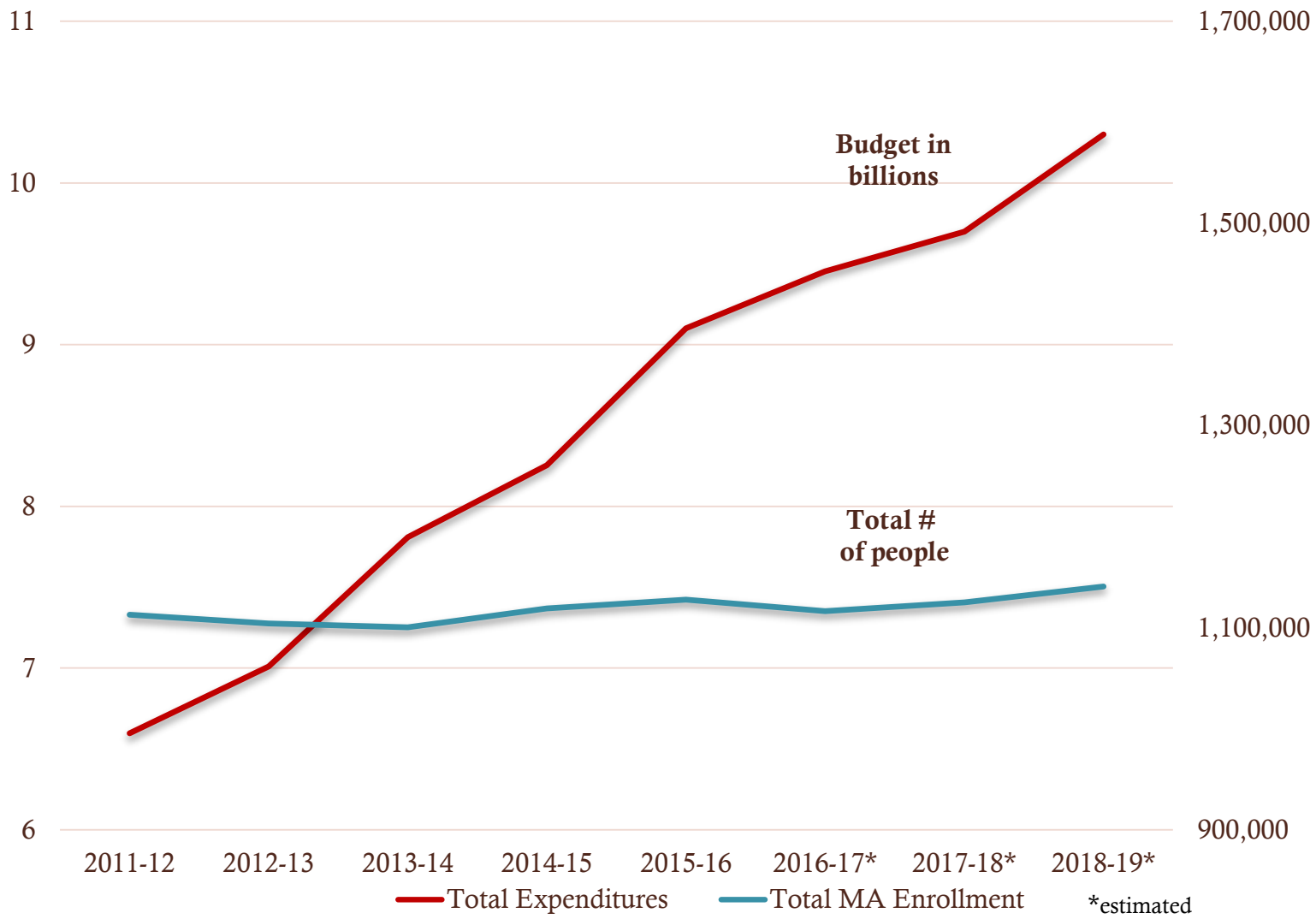
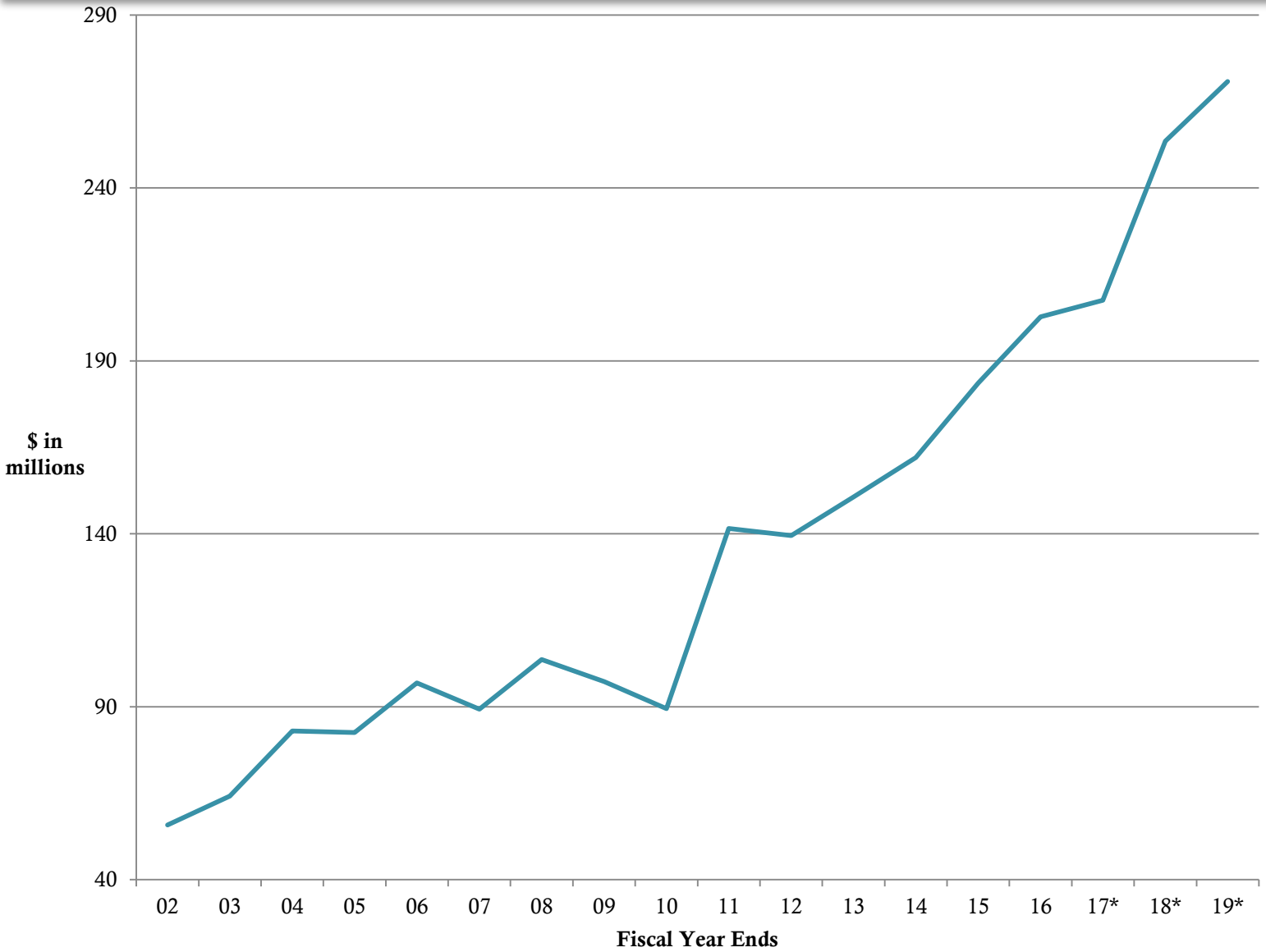
Spending for Medicaid Rises by $3.7 Billion About $1.1 million People Served



Sources: LFB. *Summary of Governor's Budget Recommendations.* March 2013; March 2015; March 2017.

Private Companies Getting Paid to Administer Medicaid

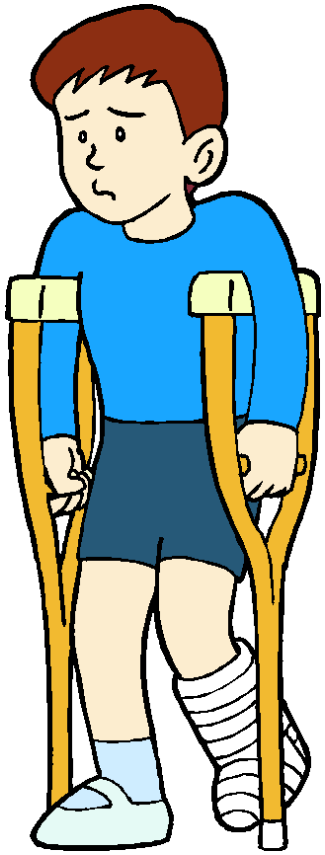


Sources: Legislative Fiscal Bureau (LRB). *Memos to Senator Vinehout*. April 2013; April 2015; April 27, 2017.

*estimated

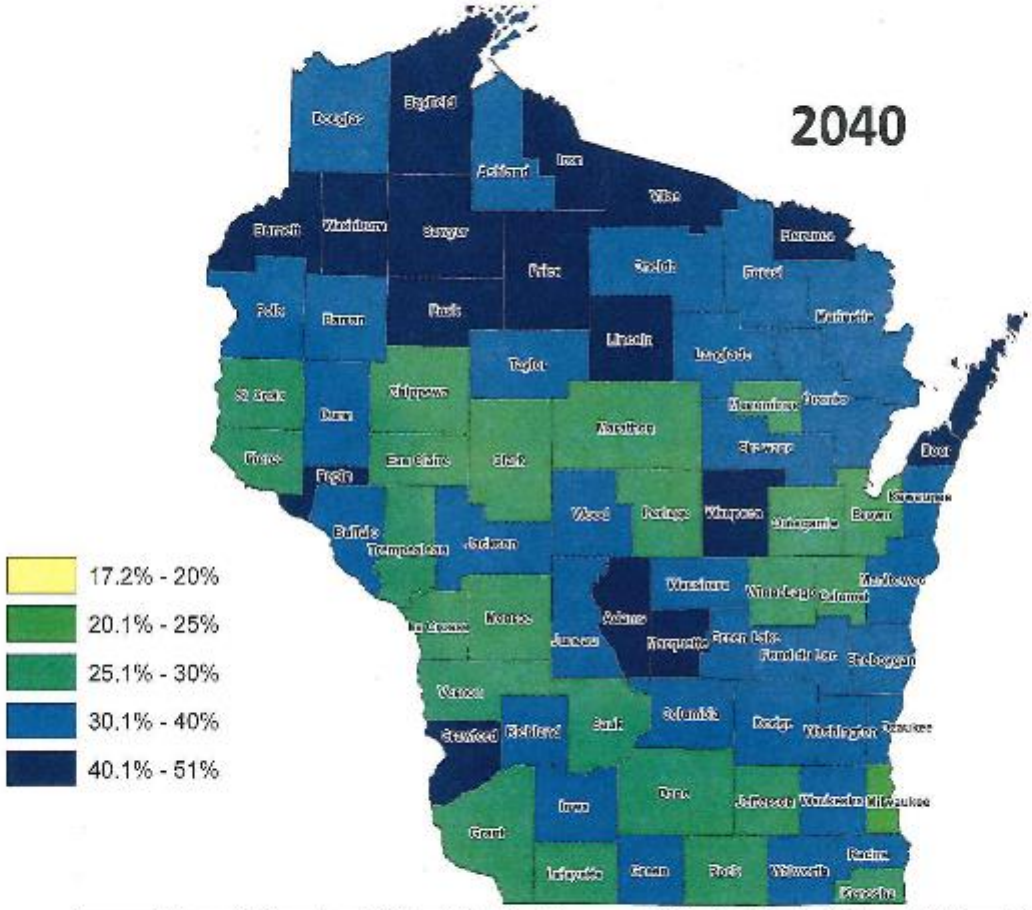
Governor Walker's Health Plan

- Proposal to drug test "childless adults" eligible for Medicaid.
- Create a work & training requirement for "childless adults" to stay on BadgerCare.
- No state has implemented either a work requirement or drug testing for Medicaid.
- Additional premiums for some Medicaid recipients.
- Limits BadgerCare to only 2 years under certain conditions.
- Opponents argue the plan adds cost & complexity; finds few actual drug abusers.



Source: LFB. Budget Paper #324, May 25, 2017.

Percent of Projected Population Ages 60 and Older



Source: Wisconsin Department of Administration, Demographic Services Center, Vintage 2013 Population Projections

Division of Public Health
Bureau of Aging and Disability Resources
P-01803 (05/2017)

Senator Vinehout's Budget: Let's invest in Health

- Up nursing home reimbursement by 4%.
- Up personal care workers pay by 4%.
- Expand Medicaid: <u>saving $286 million in state funds</u> & covering 79,000 more people.
- Invest $74 million in mental health & $20 million in alternatives to incarceration – to treat drug & alcohol abuse, mental illness.
- Add Prenatal outreach services to keep mom & baby healthy ($10 million).

Expanding Medicaid can be a significant help in healing drug addiction.

Sources: LFB memo, May 2017; RWJ State Health Reform, Issue Brief, July 2016.

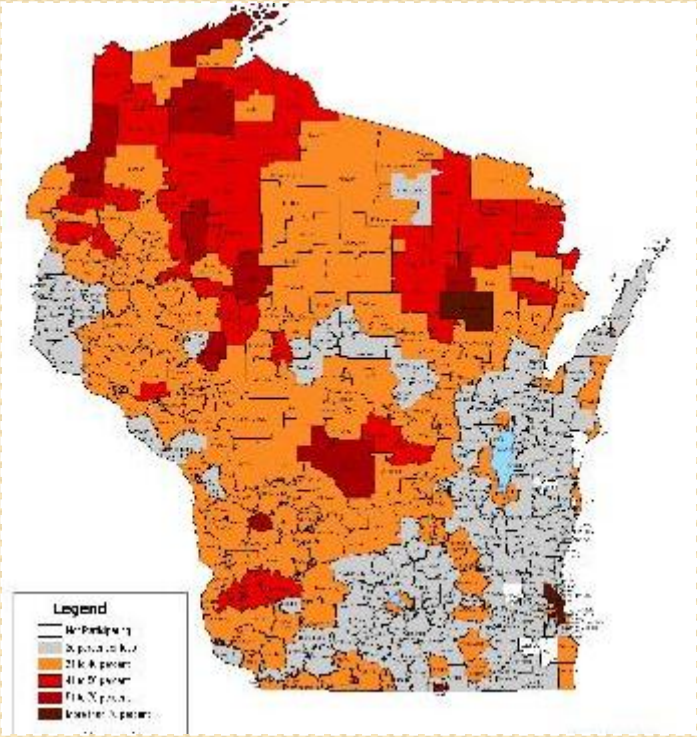
Difficulties Facing Public Schools

- Many schools have teacher shortages.
- Child poverty more than doubled in 10 years.
- Private school subsidy "vouchers" increases 90% since 2011 – a historic high level.
- While a Broken Equalized Aid Formula doesn't recognize schools' costs; ex: students in poverty, rural schools.

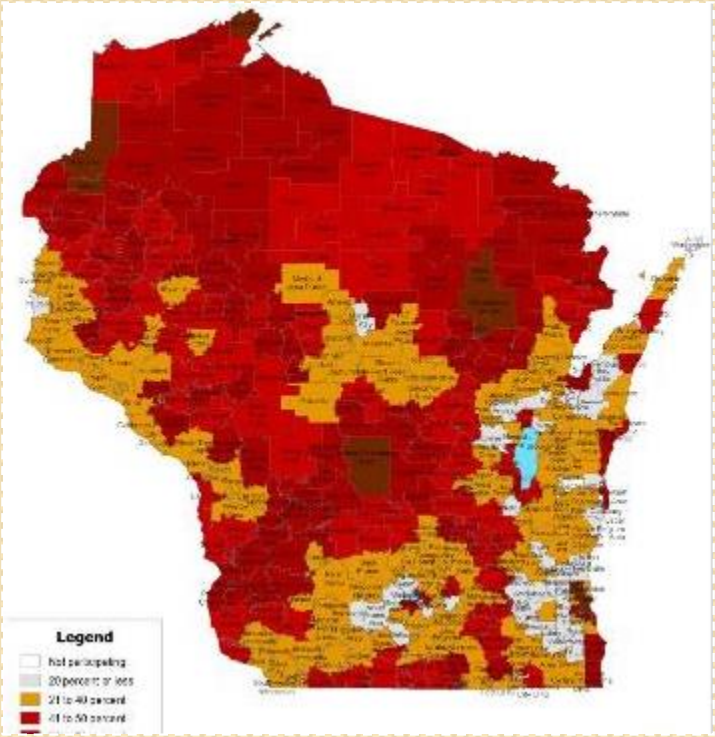
Governor adds over $500 million OUTSIDE of Equalized Aid Formula

Child Poverty Doubled in 10 years
(By School District - Darker red greater poverty)

2003-2004



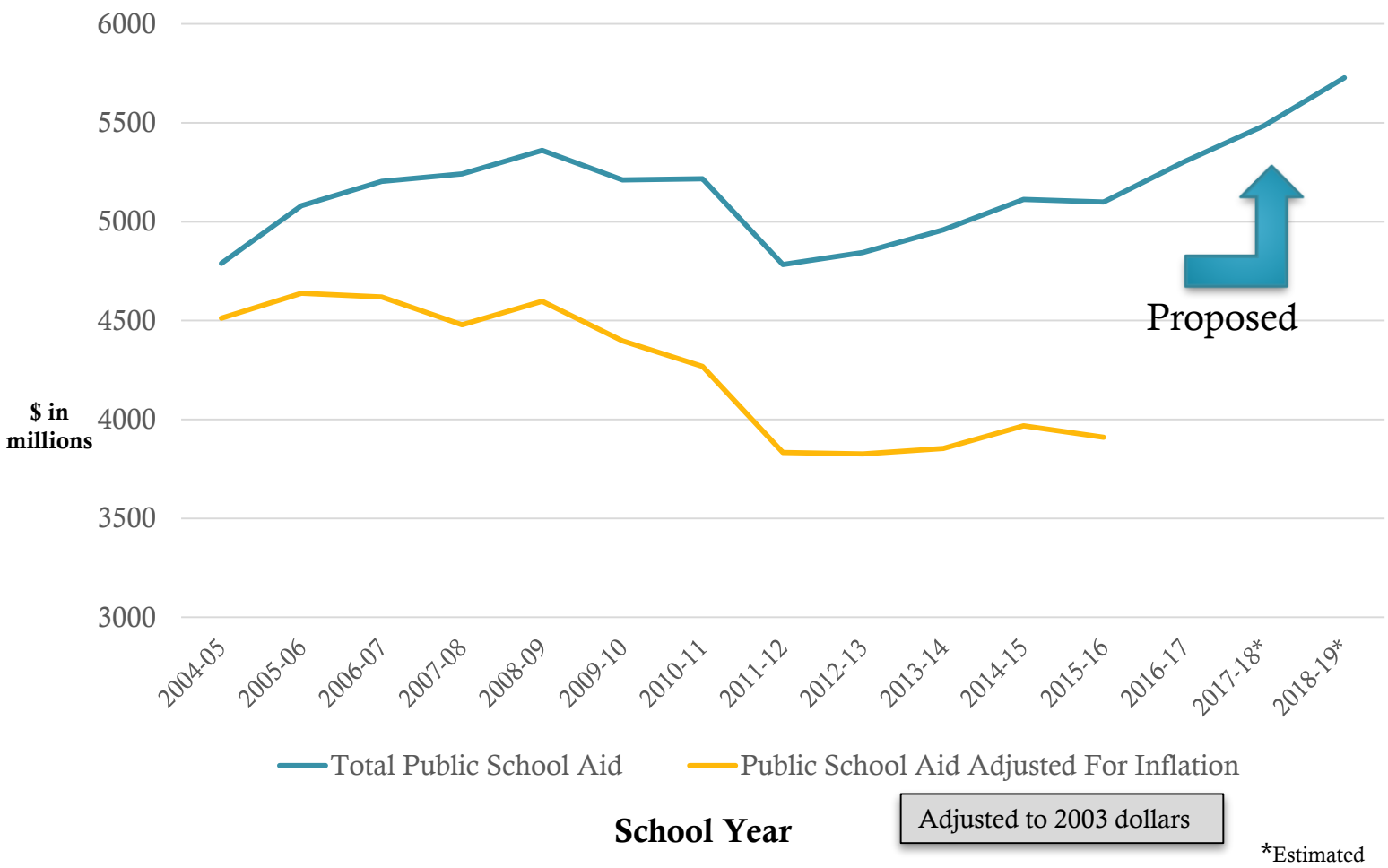
2013-2014



Source: Wisconsin Department of Public Instructions (DPI). National School Lunch Program Reimbursement claims submitted to DPI, Calculated May 2014.

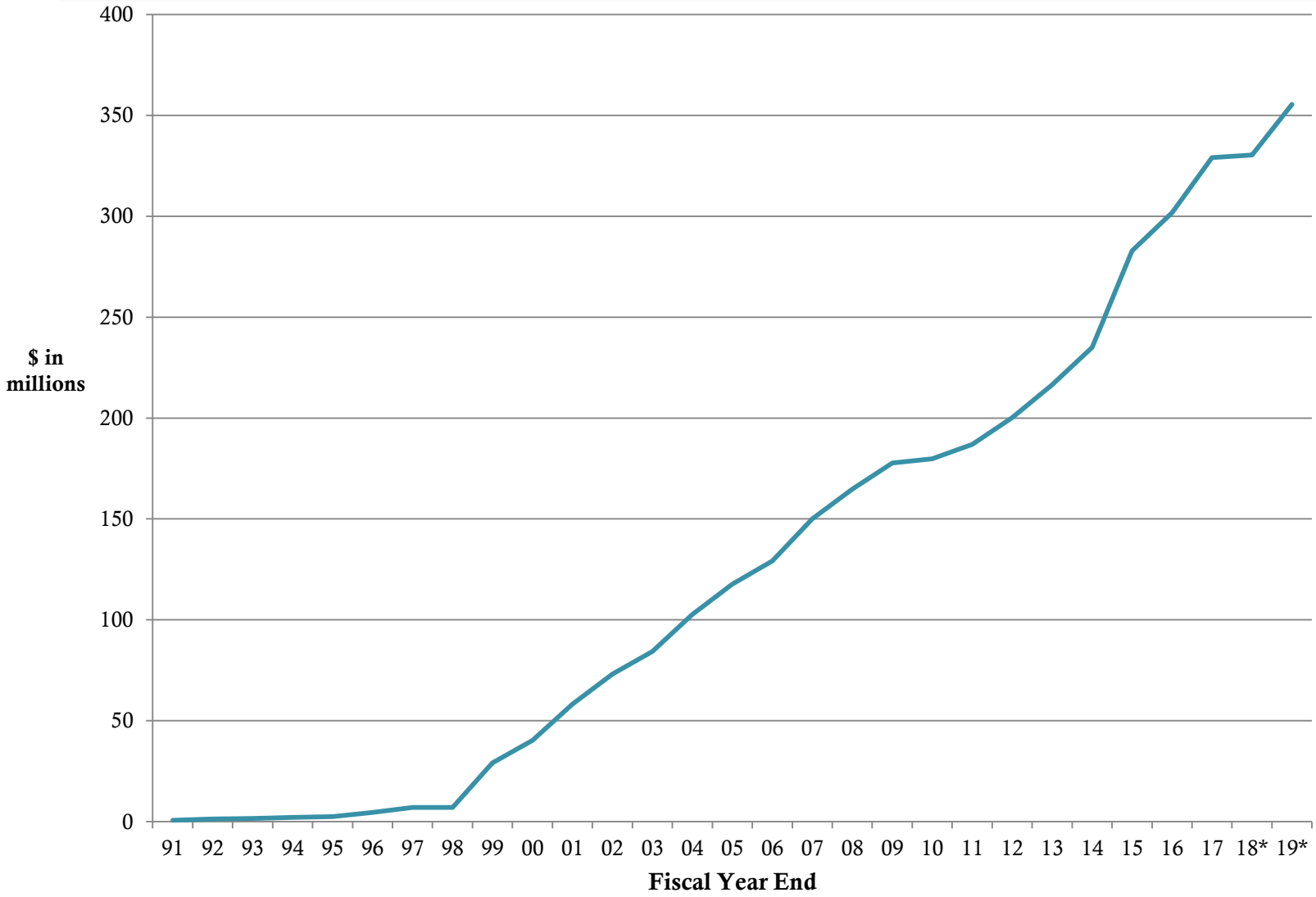
Public School State Spending

Actual & adjusted for inflation



Sources: Legislative Fiscal Bureau (LRB). *Memo to Senator Vinehout*. May 1, 2017.

State Spending for Private & Independent Charter Schools



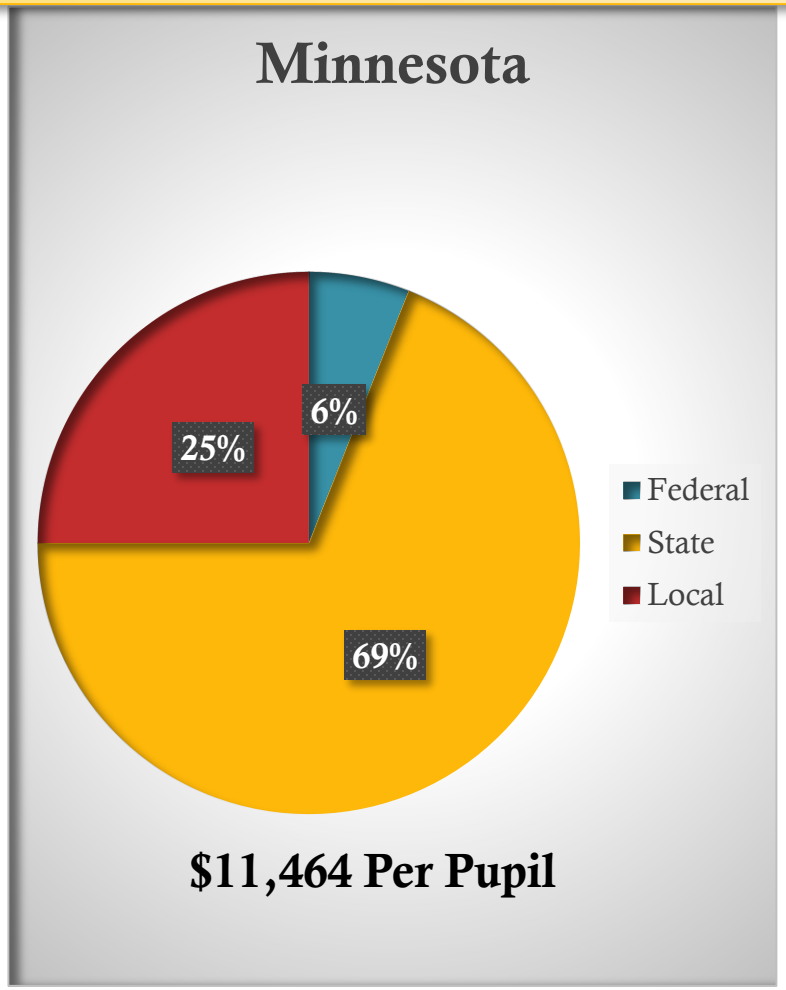
Sources: Legislative Fiscal Bureau (LRB). *Memo to Senator Vinehout*. May 1, 2017.

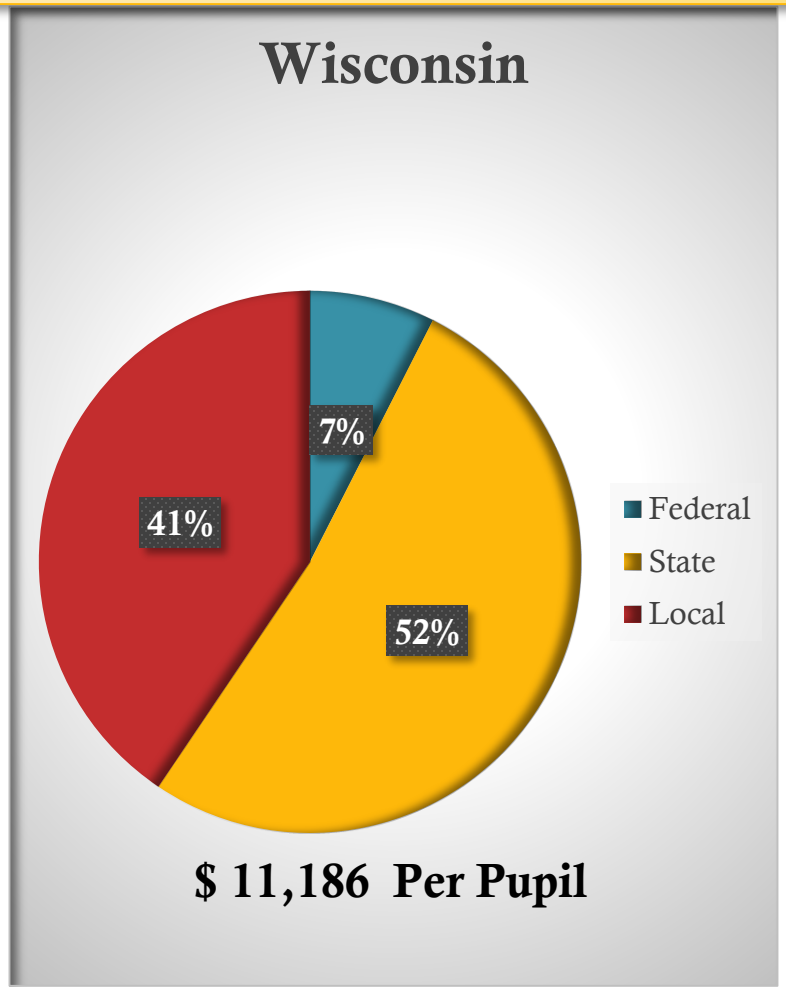
Gov. Walker Ignored Public School Changes requested by State Supt. Evers Sen. Vinehout's Budget Funds Changes.

- "Fair Funding for Schools" changing formula to help every district:
- Minimum aid of $3,000 for every student.
- Help for schools with children in poverty, and for low spending districts.
- State support for special education to 30% of district's costs (now at 26%).
- Fully fund spec. ed. costs over $30,000 per student.
- Bilingual-Bicultural Education.
- More aid to transport rural students.
- Expand tribal language programs.

Source: LFB. *Review of State Agency Major Request Items 2017-19 Wisconsin State Budget,* Dec. 2016, pgs. 136-147.

Why State Funding is So Important: Property Taxes Make Up What States Don't Fund.





Source: US Census Bureau, Educational Finance Branch. *Public Education Finances, 2014*, June 2016.

Whose pocket is the money coming out of for schools?

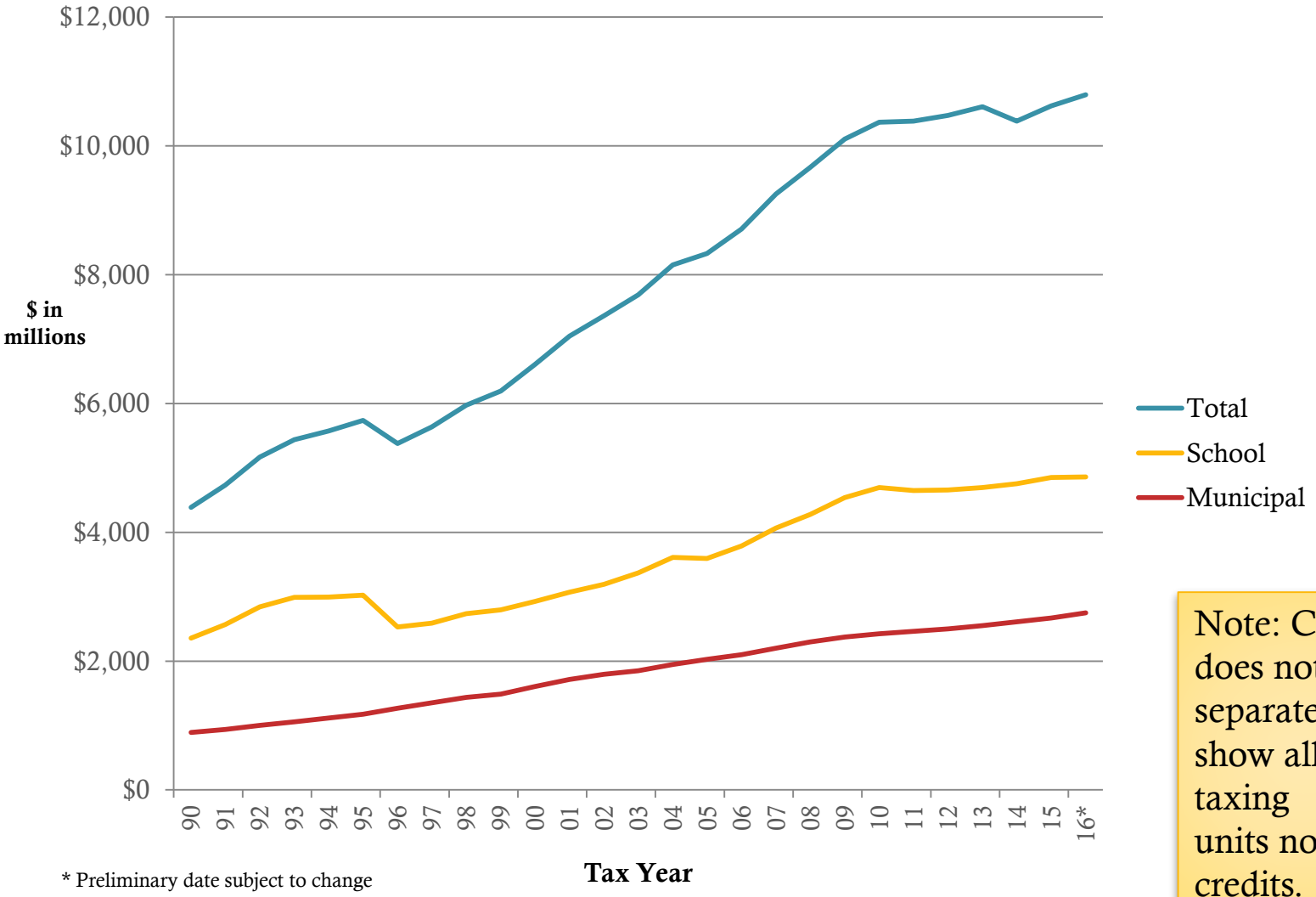
MN: State 69%
Local 25%

WI: State 52%
Local 41%

- Voters decided 154* different referenda in 2016…
  - 79% passed…A historic high pass rate.
  - Of 65 questions in April, 62% passed.

- Does not include "Energy Efficiency" referenda, allowed in 2009, which have always passed. My calculation allows a 'like to like' comparison over time.
- Source: Department of Public Instruction, Referenda Custom Report, https://apps4.dpi.wi.gov/Referendum/CustomReporting.aspx Accessed 9/17/16.

Property Taxes Continue to Rise:
2016 (payable in '17) Highest in WI History



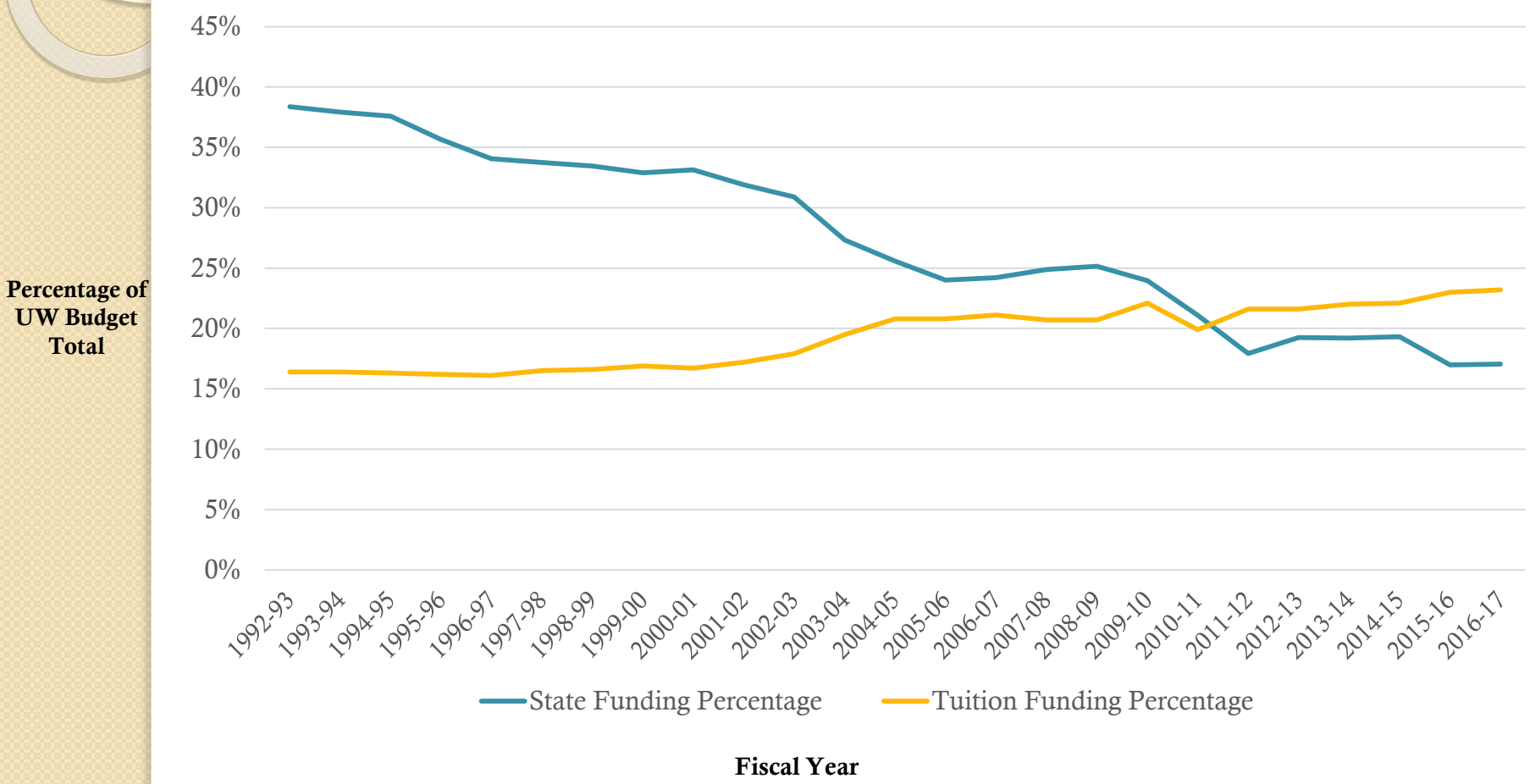
* Preliminary date subject to change

Note: Chart does not separately show all taxing units nor tax credits.

SOURCE: Legislative Fiscal Bureau (LRB). *Memo to Senator Vinehout.* May 25, 2017.

State Share of UW Drops by Half

As state support for UW drops, tuition rises



Totals do not add to 100% because not all funding sources are considered in chart.

Sources: Legislative Fiscal Bureau (LRB). *University of Wisconsin System Overview: Information Paper 36.* Table 10, January 2003; LRB. *University of Wisconsin System Overview: Information Paper 36.* Table 10, January 2009; LRB. *University of Wisconsin System Overview: Information Paper 32.* Table 11, January 2017.

TRANSPORTATION: PAYING MORE & FALLING FURTHER BEHIND

- **73% of town road pavement needs major & expensive maintenance, not including the 35% of town roads that are gravel or dirt.**
- **With current funding, towns can reconstruct a road every 371 years!**
- **Audit: the proportion of highways in "good" condition in WI was considerably lower than 6 other Midwest states & the nation.**
- **In 1995, 6.5% of Transp. dollars went to paying off debt. By end of this budget, it's estimated 22% of dollars will be used to make debt payments.**

SOURCES: WI Towns Assoc Report, May 2017, p.9; LAB. *State Highway Programs Report 17-2*, January 2017.

Former Secretary of DOT Proposed Changes to Fix Transportation Budget:

- Increase fuel tax by about $28 a year on a midsize sedan.
- Increase diesel fuel tax by about $.10 a gallon.
- Add a hybrid and electric car annual registration fee.
- Begin a $10 per car load user fee for rail roads using statewide rail lines.

- Wisconsin owns 624 miles of freight rail line. Railroads pay nothing to use the line and pay 20% of the maintenance costs.

Governor DENIED all these Requests

- **Governor proposed borrowing $500,000,000 & cutting back.**
- **Let's fix the problem for the future – charge reasonable fees, and find efficiencies in DOT operations.**

Sources: Secretary Gottlieb. *Department of Transportation Proposed Budget 2015-17,* Nov. 14, 2014.; LFB. Personal communication, May 2017.

Choices About Agriculture & Natural Resources Make a Real Difference for Our Communities

Budget Cuts Affect Extension and Ag Support

- Cuts from last budget leave UW Extension with fewer staff.
- Proposal to cut County Agriculture Agents
- UW Extension Watershed Management Grants eliminated.
- Stray Voltage Program eliminated.
- Adds a paltry sum to "rural broadband" that is neither rural nor broadband.

CHOICES: Cut 40 Scientists & add a State-Run Circus…

DECISION: Major DNR Reorganization:

- Eliminate the Div. of Science.
- Eliminate 43 additional positions (most are scientists).
- 66 positions lost in last budget.

DECISION: Spent $3.5 million on state-run Circus World including 10 new state employees.

State Parks at Risk

- Big cut in state support to parks in last budget.
- Last Budget, Governor raised fees. Despite new fees parks account has $1.4 million yearly deficit going forward.
- Governor further raised State Park fees in this budget.
- 2013-15 budget also required DNR to sell 10,000 acres of state land by July 2017.

Let's Invest in Rural Wisconsin & Our Environment

We don't inherit the earth from our ancestors, we borrow it from our children.
Native American Proverb

Sen. Vinehout's Budget adds $100 million for Broadband

Doubles Funding for Watershed Grants.

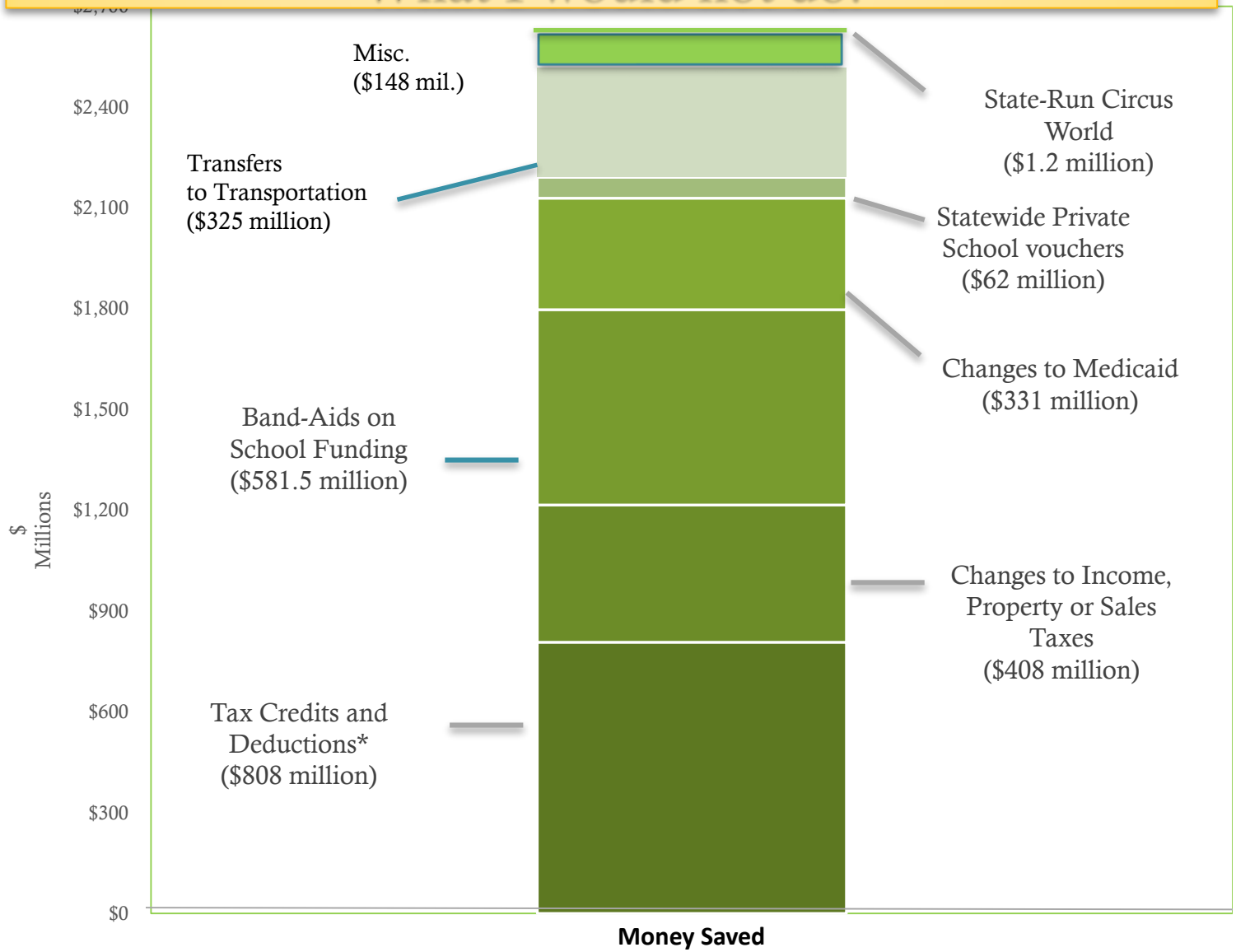
Adds State money for our State Parks.

Restores Stray Voltage Program.

Restores money to UW & Extension and Restores Scientists at DNR.

Senator Vinehout's
Budget 2017-2019 Summary

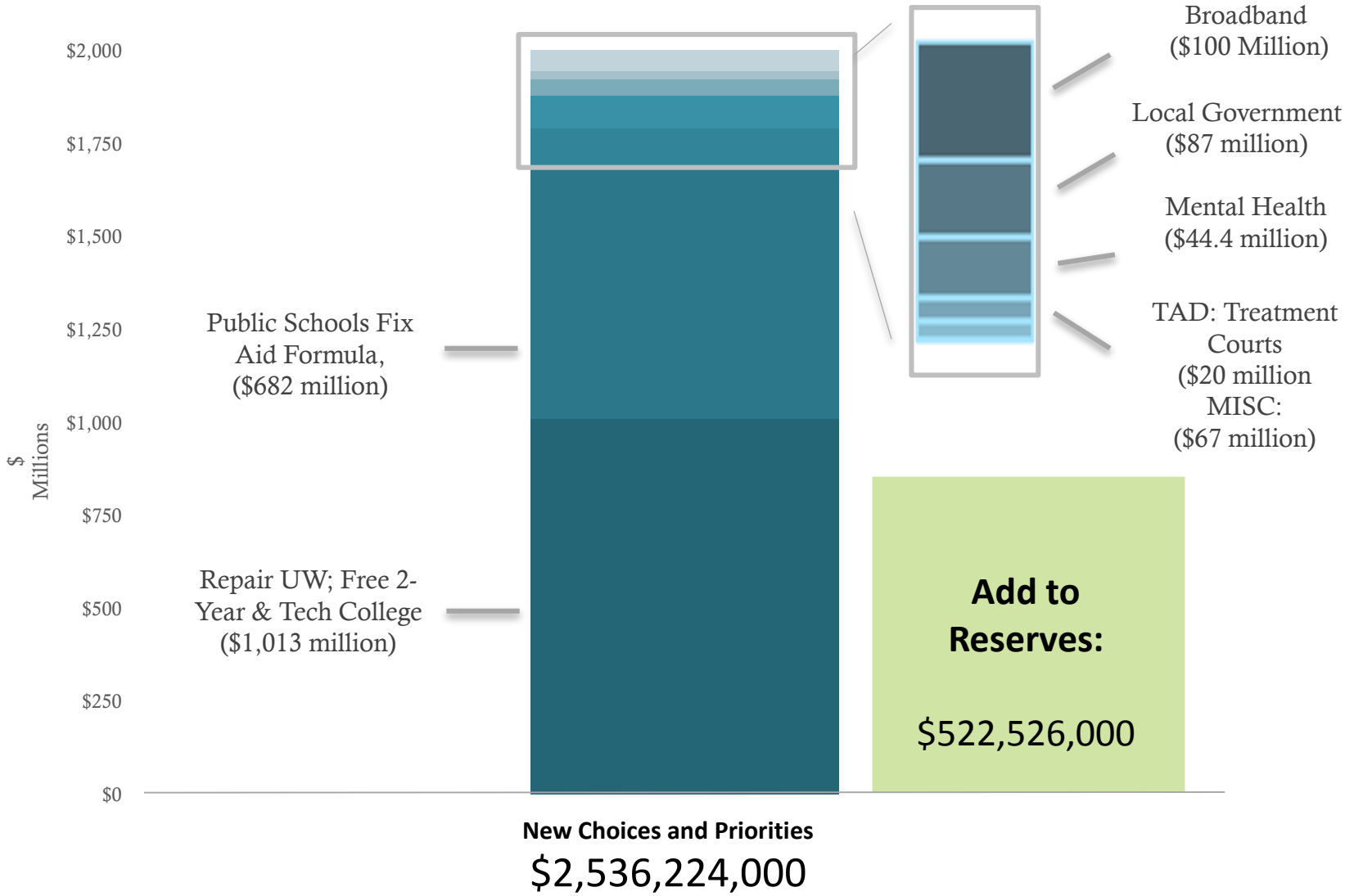
Sen. Vinehout's General Fund Budget
What I would not do:



$2,665,834,000

*No New Refundable Business Tax Credits ($37,750,000) No Deduction for Private School Tuition ($23,500,000) No School Levy Tax Credit Increase ($87,000,000), Reduce Manufacturing and Ag Tax Credits ($654,200,000) No Increase in Investment Limits for Angel & Seed Stage Investment Credits ($5,400,000).

Sen. Vinehout's General Fund Budget
What I would do:



Sources: LFB. *Governor's Budget Summary 2017-19,* March 2017. LFB. *Various Budget Papers,* May 2017.

Budgets are About Choices

THANK YOU

TO SENATOR VINEHOUT'S TEAM!

- Jacob Wipperfurth, Legis. Aide & Slide Assistant
- Linda Kleinschmidt, Chief of Staff
- Beau Stafford, Legis. Aide, Policy Development

To Reach Sen. Vinehout:

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877-763-6636 (toll free)

Sen.Vinehout@legis.wisconsin.gov

State Capitol

Room 108 South

P.O. Box 7882

Madison, WI 53707

Your Opinion Counts!

APPENDICES: Budget 101 & Debt

Budget 101: Odd Terminology

- **General Purpose Revenue** (**GPR**): Also called "General Fund". Money collected from state taxpayers to be used for any purpose. Ex: school aids.

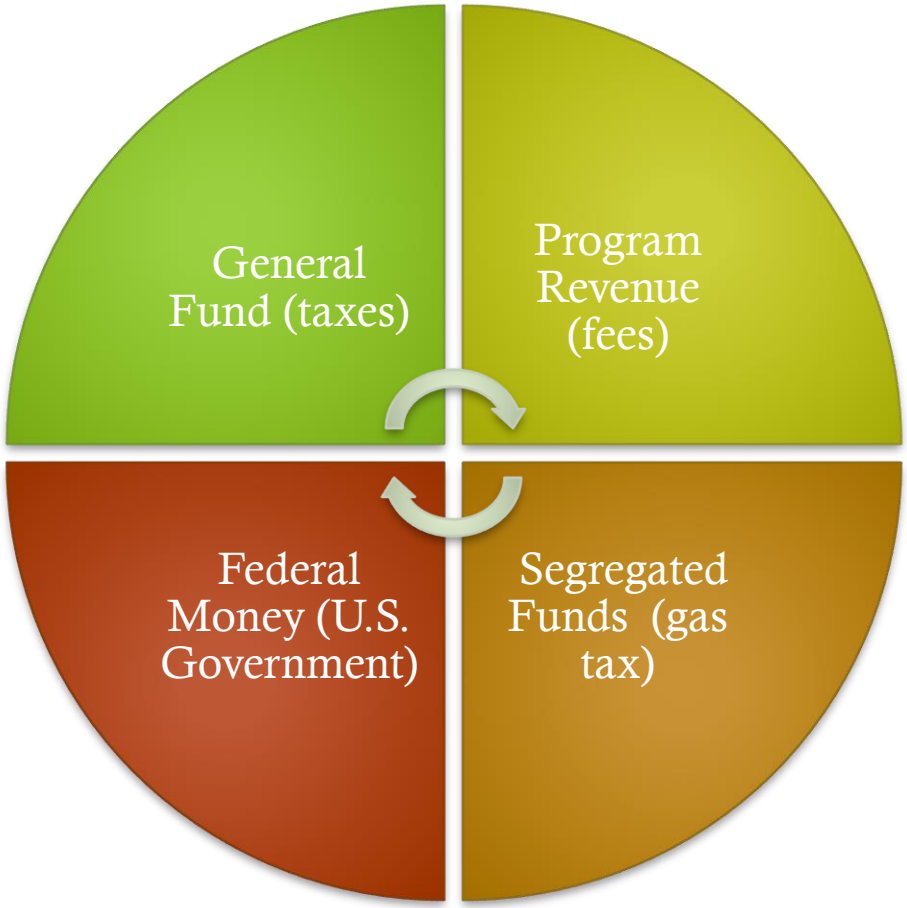
- **Program Revenue** (**PR**): Money credited to a specific account to finance a particular program. Ex: tuition, inspection fees.

- **Segregated Revenue** (**SEG**): Money by law must be held distinct- or segregated- and may only be used for this purpose. Ex: motor fuel tax for transportation.

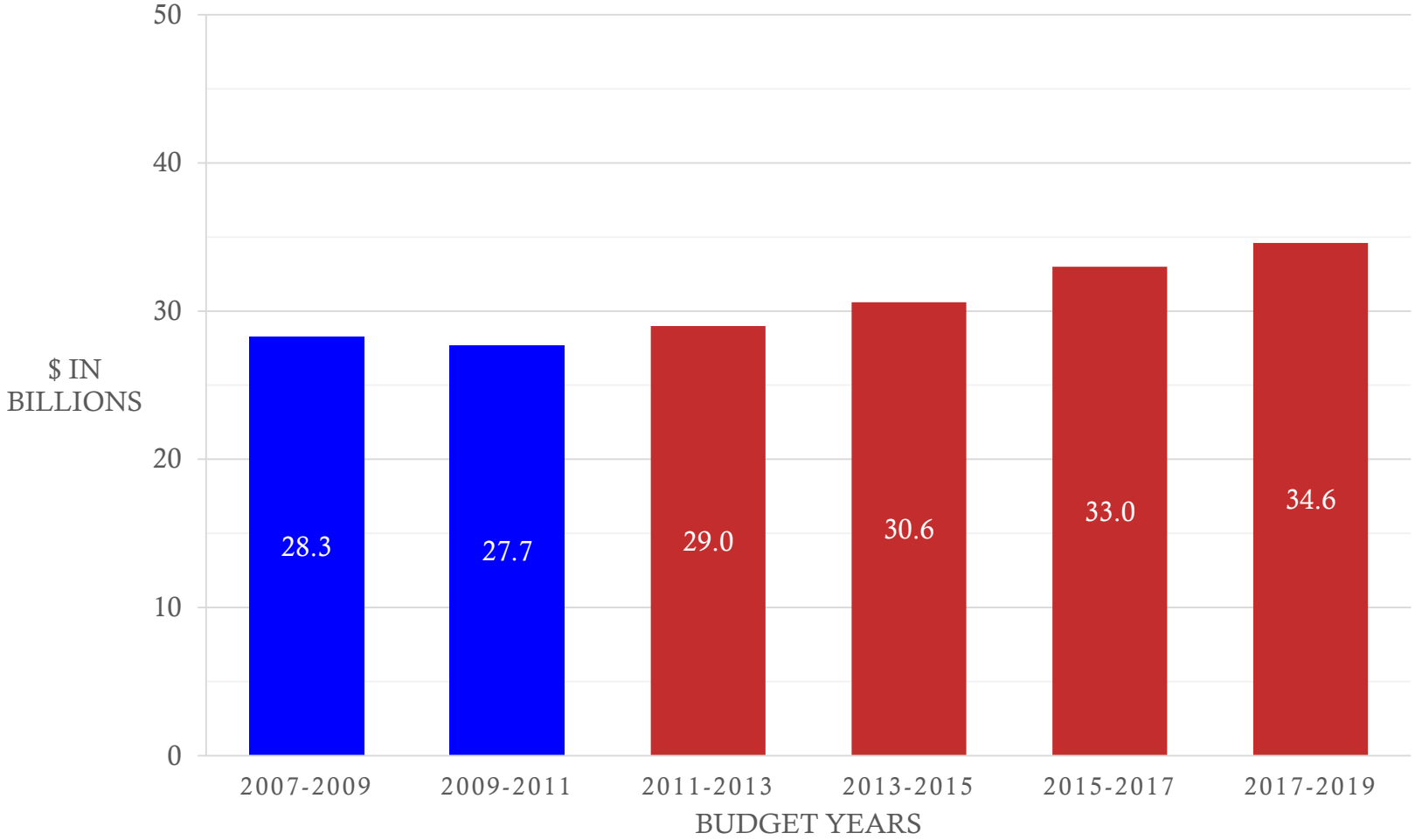
- **Federal Revenue** (**FED**): Money received by the state from a federal agency for a specific program. Ex: Medicaid matching money.

- **Bond Revenue** (**BR**): Money received by state from the issuance of bonds (debt) and deposited for specific purposes. Ex: state buildings, transportation.

Unlike some states, Wisconsin's budget includes money from several sources:



General Fund Spending has Increased almost $7B Since Great Recession



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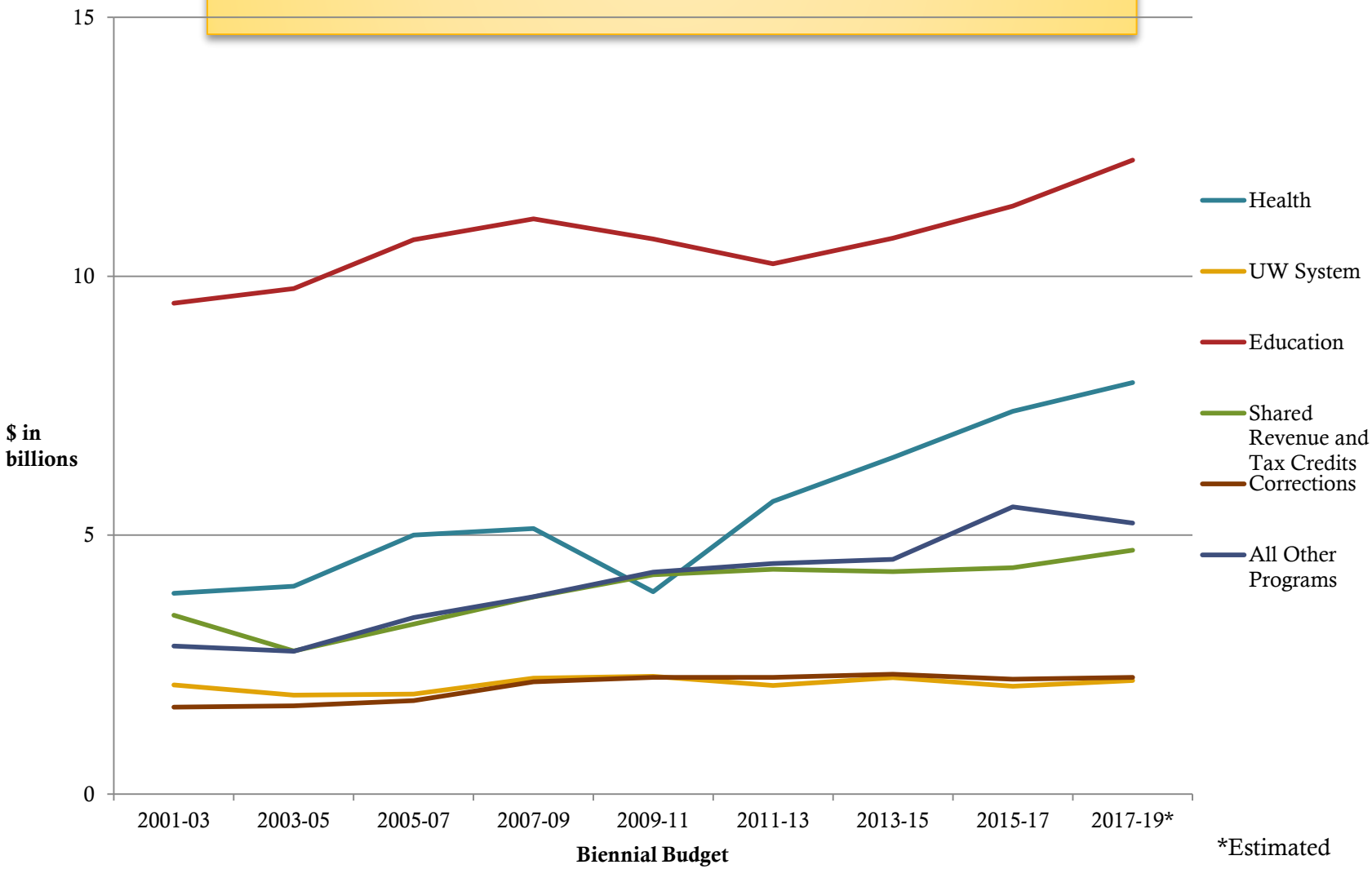
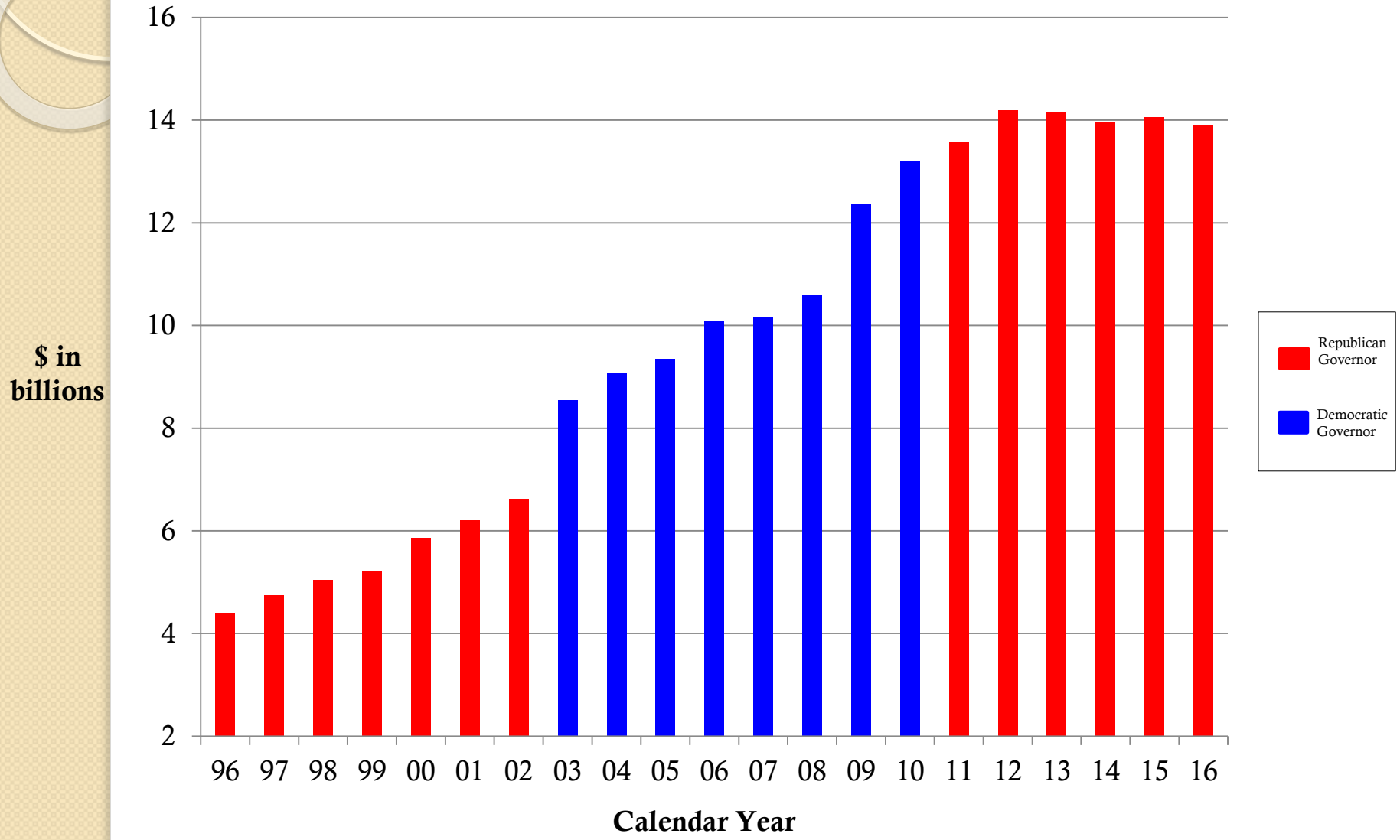
WI General Fund Spending



*Estimated

Source: Legislative Fiscal Bureau (LRB). *Comparative Summary of Budget Provision: 2001 Act 16*. Table 10, December, 2001; LRB. *Comparative Summary of Budget Provisions: 2003 Act 33*. Table 9, September, 2003; LRB. *Comparative Summary of Budget Provisions: 2005 Act 25*. Table 9, November, 2005; LRB. *Comparative Summary of Budget Recommendations: 2007 Act 20*. Table 9, March, 2008; LRB. *Comparative Summary of Budget Recommendations: 2009 Act 28*. Table 9, August, 2009; LRB. *Comparative Summary of Budget Recommendations: 2011 Act 32*. Table 9, August, 2011; LRB. *Comparative Summary of Budget Provisions: 2013 Act 20*. Table 10, August, 2013; LRB. *Comparative Summary of Provisions: 2015 Act 55.* Table 10, September, 2015; LRB. *Summary of Governor's Budget Recommendations: 2017-2019.* Table 4, March, 2017

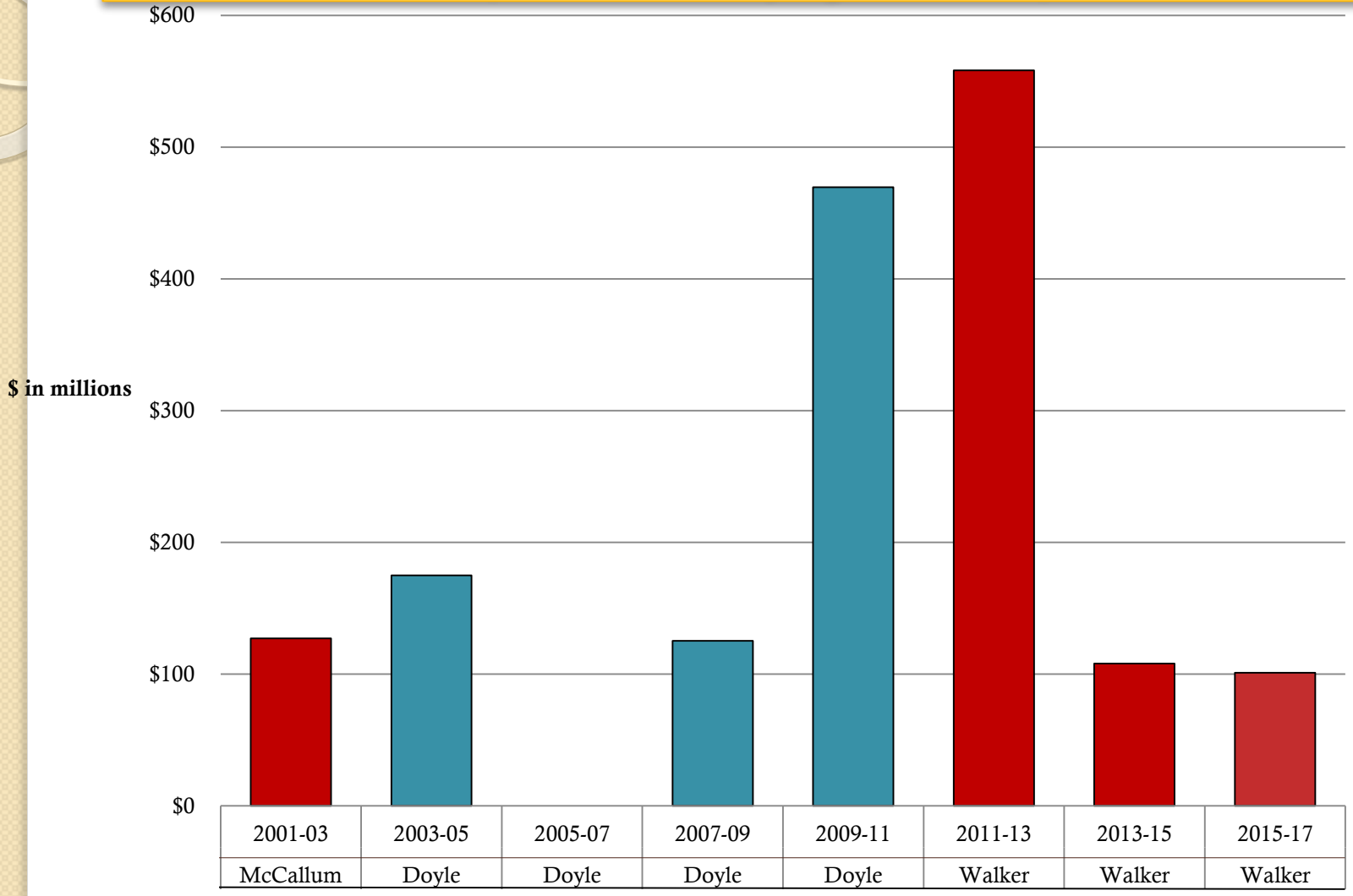
State Debt Remains High



Source: Legislative Fiscal Bureau (LRB). *Memo to Senator Vinehout*. January 3, 2017.

Not Paying Debt Bills is Kicking the Can Down the Road

(Debt Restructured by Legislative Session)



Sources: Legislative Fiscal Bureau (LRB). *Memo to Senator Vinehout*. June 23, 2016