

WCUB-WOMT – 02/22/2021

Legislative Update: The Governor's Budget, Budget Surpluses, UI update,

1. Bi-partisan Bills Pass the Senate Last Week
 - a. TAX CODE UPDATE:
 - i. The Senate Passed (and the Governor signed – Act 1) 2021 AB 2 – the adoption of the federal tax code changes including an almost \$500 Million tax cut for struggling businesses who received PPP loans.
 - ii. The Governor's administration determined those funds would be taxable – a surprise determination that businesses had not planned for.
 - iii. The Senate led to fix this issue and provide those struggling businesses with badly-needed relief from further taxation as they fight for survival.
 - iv. The loans were designed to keep payroll up-to-date so employees could keep their jobs during period of decline revenues.
 - v. Many jobs were saved and many people were able to avoid the UI disaster.
 - vi. We couldn't let these employers (who saved employees) hit with a surprise tax.
 - vii. We're glad to have this bill pass with broad bi-partisan support and to have the Governor change his course and sign our bill.
 - viii. First bill the Governor signed since the COVID relief bill in April of 2020
 - b. UI Reform Bill – Special Session
 - i. The bill directs the Governor to use existing funds and resources to upgrades the State's trouble UI system – something he had the authority and resources to fix years ago.
 - ii. Renewal of suspension of the 1-week UI waiting period. This qualifies out state to capture over \$1 million per week in enhanced federal UI benefits.
 1. This was put in jeopardy by a recent veto by Governor Evers.
 - iii. The bill also include critical **Liability Protections** for churches, schools, non-profits, small employers – so important for safely re-opening our state.
 - iv. The Assembly will pass the bill this week and the Governor has already signaled he'd sign it.
 - c. HUGE bi-partisan wins that show our state we can work together on our shared priorities and come together to meet the needs of the people of Wisconsin.
2. The Governor's Budget
 - a. Talking Points:
 - i. Republicans spent the last 10 years passing responsible budgets
 1. No rainy day fund to \$1B in reserves
 2. Budget surplus (\$2.1B)
 3. Held the line on taxes
 - ii. Two years ago, the Governor put forward a bad budget.
 - iii. Do you know what we did? We fixed it. And he signed it.
 - iv. We funded our state's core priorities while respecting taxpayers
 - b. Fiscal numbers:
 - i. **Total spending**- All Funds: About \$8 B over the biennium
 - ii. **Percent increase** - All Funds: Nearly 10% "Double
 - iii. **Total Tax increases**: \$1B in tax increases. MAC and cap gains roll backs

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1. ***Could be over \$2 billion if municipal sales tax increase used to fullest*
- iv. **Government job** increase (new FTE): 363.95 GPR
- v. **Structural Deficit:** \$938.3M deficit at the end of FY23
- vi. **Projected \$1.338B deficit** at the end of the 2023-25 budget (next budget out).
- c. Non-Fiscal Policy
 - i. Repeals most of Act 10 (\$14 billion in saving since 2011)
 - ii. Requires Forced Unionization (repeals Right to Work)
 - iii. Raises prices on construction projects (repeals Prevailing Wage)
 - iv. Grows taxes on small employers – including farmers (MAC, Cap Gains)
 - v. Allow hikes in sales taxes (local authority to raise sales tax)
 - vi. Increases electricity bills for Biz and families (Focus on Energy)
 - vii. Move us towards government-run healthcare (MA expansion)
 - viii. Legalizes marijuana (dangerous, unstable funding source, political)
 1. Colorado did a study that showed the social costs far outweighed any supposed tax benefits.
 2. This should go through the normal legislative process.
 3. The budget is not the place to have this policy discussion.
 4. It's still illegal at the federal level.
 - ix. Expands Welfare (MA, TANF, DCF, 4K)
 - x. Keeps schools closed (doesn't open schools incentivize in-person learning)
 1. We have kids losing an entire year of education and we have a governor that has put smoking pot above getting our kids back in schools.
 2. CDC says it's safe to re-open schools.
3. Surpluses in our state
 - a. BUDGET SURPLUS: projected **\$1.76 Billion surplus** to end this fiscal year.
 - b. DHS submitted a report on the [condition of the Medicaid budget](#). DHS now predicts the fund will end 2019-21 budget with a **\$614.8M GPR surplus**. In September, DHS predicted a surplus of \$289M GPR.
 - c. Rainy Day Fund:
 - i. Projected to transfer \$231 Million in 2020-21 FY
 - ii. TOTAL in Rainy Day Fund: \$993.9 Million
 1. **Almost \$1 Billion** in the Rainy Day Fund, the largest in state history.
 - d. Reasons for surplus/strong numbers
 - i. Prudent budgeting. Republicans passed a responsible budget (that Evers signed) and that set us on strong footing. Now we've realized the benefits of responsible budgeting
 - ii. Being quick to challenge the Shutdown Orders in May
 1. If our economy had been locked down for an extended period of time like other states, we'd see much less favorable numbers.
 - iii. Thanks to nearly a decade of Republican reforms and a responsible budget passed by Legislative Republicans, we're in a much better spot than anticipated a few months ago
 - iv. People are still struggling
 - v. Our Next budget must be responsible as well
 - e. Republican know we must continue to budget responsibly to keep our state on strong fiscal footing.
 - f. Republicans will fund core priorities and respect taxpayers.

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4. Record low income taxes:
 - a. Last year, we passed bipartisan legislation ([2019 Act 10](#)) that ensured that new online sales tax collections are used to lower income taxes for the bottom two income tax brackets.
 - b. As a result, the bottom two income tax dropped to their lowest levels in 35 year (since 1985):
 - i. Bottom rate: 4.0% → 3.54%
 - ii. Second lowest rate: 5.21% → 4.65%
 - c. The average household will saw [an income tax cut of \\$137](#).

Steady Unemployment News:

5. December unemployment rates (BLS) were recently announced. Wisconsin's rate is holding steady and is currently at 5.5%
 - a. While other states saw a measurable dip, Wisconsin held steady over the end of the year.
 - b. We're still ahead of the Federal rate – 6.7%
 - c. Neighboring states: Iowa – 3.1%; Minnesota – 4.4%; Michigan – 7.5%; Illinois – 7.6%
6. [Local rates](#) rose slightly as well:
 - a. Manitowoc County: 4.3% → 4.9%
 - b. Sheboygan County: 3.9% → 4.2%
 - c. Calumet County: 3.3% → 3.7%
7. UI Backlog
 - a. Over 10 thousand are still stuck in the adjudication process.
 - b. We're working to prod the Evers Administration to focus more resources on addressing this important issue facing so many of our friends and neighbors.
 - c. If you're dealing with delays with your DWD claim, please email my office at Sen.LeMahieu@legis.wi.gov. My office will assist you with expediting your contact with the agency.
8. Election Integrity
 - a. The Senate caucus is committed to addressing election integrity issues this spring – that includes exploring the possibility of a comprehensive package of bills to strengthen the integrity of our elections.
 - b. There are 2 important components necessary in regards to our elections:
 - i. **1.** That our election laws are followed to the letter.
 - ii. **And 2.** Voters have full faith and confidence in our state's voting integrity.
 - iii. **Unfortunately, I don't think we accomplished either in this most recent election.**
 1. There were several guidance opinions issued by WEC that appears to be inconsistent with our clear state election laws.
 2. Also, it's clear that the electorate wants an audit and further investigation into election integrity issues.
 3. We plan to further clarify our laws to prevent them from being misinterpreted in the future and audit the past election so we don't repeat any mistakes in future elections.

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- c. There's evidence of clear violations of statute that we brought to light in our joint election hearing.
- d. We authorized an audit of our election system.
 - i. We have done audits of our election systems in the past
 - ii. We conduct routine audits of state programs all the time to ensure both process and fiscal soundness. An audit of our election system would help to identify problems and possible reform opportunities.
 - iii. We can use this audit to restore the electorate's faith in the process.

Reminder: Support Local Businesses

- Please remember to support your local businesses during this challenging time. Observe CDC guidelines, be respectful of others, and make the extra effort to safely shop local whenever possible.

Reminder: If you'd like to receive a vaccine, please check the DHS website and search "COVID-19 vaccine" to get information or call your primary health care provider. If you're still having trouble, please feel free to contact my office for assistance.

Thank you for having me!

Contact Me

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