

# **2011-13 Initial Budget Analysis**

**Compiled from analysis by AFT-Wisconsin, WEAC,  
and the Institute for Wisconsin's Future**

# UW System

## **UW-Madison and UW-Milwaukee as Public Authorities**

- The governor proposes to restructure UW-Madison as a public authority. This will remove public control over tuition increases and unclassified employee compensation.
- The governor proposes to create a 21-member board of trustees to oversee the university. A majority (11) of the trustees will be appointed by the governor.
- The proposal removes all graduate employees and classified staff from the civil service system as of June 30, 2012. Until then, the authority must adhere to the terms of any collective bargaining agreement covering the employees, and the authority would be considered an agency under the state employment relations laws for all purposes. Beginning July 1, 2012, the authority would have to implement its own personnel system, under the control of the trustees. All employees would be liable for the same retirement and health care contribution increases as other state employees.
- The proposal would give UW-Madison with control over revenues and earnings, but would require the university to deposit net cash balances, excluding gift and grant funds, in the local government investment pool.
- A 20% tuition increase at UW-Madison is anticipated to make up the shortfall caused by \$125 million in state funding (see below).
- The proposal would also require UW System Administration to allocate \$250,000 over the biennium to develop a plan to convert UW-Milwaukee to a public authority.

## **State Aid**

- The governor proposes to reduce state aid to UW System institutions by \$250 million over the biennium. This would be split equally between UW-Madison and the other UW System campuses. This represents a cut of 10.9% from FY11.
- UW-Madison would absorb a 13% cut to its GPR funding.
- UW System Administration would absorb a 25% cut, while the four-year comprehensives, the two-year centers, and the UW Extension would absorb 11% cuts.
- The budget removes the fund for recruitment and retention of high-quality faculty and academic staff.

## **Financial Aid**

- The governor proposes a reduction in funding to the Wisconsin Higher Educational Aids Board by \$12 million for FY12.
- The governor recommends maintaining FY11 funding levels for the Wisconsin Higher Education Grant and suspending its status as a sum sufficient appropriation for FY12 and FY13. This would remove the normal obligation to meet state financial aid demand beyond the amount budgeted, and would mean that financial aid resources would not increase alongside the expected 20% tuition increase at UW-Madison and the budgeted 5.5% tuition increase at other UW System schools.
- The governor proposes ending enrollment in the Wisconsin Covenant Scholars program as of Sept. 30, 2011 and eliminating the Office of the Wisconsin Covenant in the Department of Administration.
- The governor recommends suspending the Lawton Minority Retention grant appropriation formula for FY12 and FY13.

## **K-12 Education**

**Revenue controls:** Scott Walker's budget proposal will decimate funding for public education while expanding opportunities for tax payer supported private schools. With 69,353 licensed teachers and specialists in the state, each teacher would have to take more than a \$9,000 pay cut to approximate proposed cuts in school funding. Thousands will leave the profession and layoffs will ensue harming education opportunities for all our children and eroding the economic base of our communities.

**5.5% per pupil reduction in allowable revenues:** The average allowable revenue per pupil was \$10,107.42 in 2009-10. A 5.5% reduction translates into a \$551 loss per pupil. Actual dollar losses will be greater based on final 2010-11 per pupil amounts. Current law (DPI proposed budget) has a \$200 per pupil increase for this school year. This budget proposal therefore cuts \$751 per pupil from current law. With 872,436 students in the state, the total reduction amounts to a \$655,199,436 loss in funding for Wisconsin's children.

**Per pupil reductions are disequalizing:** A flat \$551 per pupil reduction harms low spending schools more than high spending districts, punishing those that have been frugal or that simply cannot afford to spend more for students.

### **Revenue control exemptions**

- The budget would repeal revenue control exemptions for nurses, school safety, transportation and security officers—meaning these essential costs will cut into educational programs.
- The budget would also repeal the guarantee that school district revenues cannot go below prior year amount.
- The governor proposes reducing the low revenue amount to \$8,900 per pupil, lowering the floor for per pupil expenditures.

**Equalized aid:** The budget would reduce by \$749.4 million (8 percent) state equalized aid for the biennium.

**Categorical aid:** Scott Walker's proposals will eliminate early childhood programs that we know work best to help children succeed, and eliminate advanced placement classes and science and engineering at a time when we need more resources to help our students compete in the global economy. The Governor recommends eliminating the following GPR-funded categorical aid programs: (a) aid for children-at-risk programs; (b) alternative education grants; (c) English for Southeast Asian children; (d) grants for advanced placement courses; (e) grants for alcohol and other drug abuse prevention and intervention programs; (f) grants for improving pupil academic achievement; (g) grants for nursing services; (h) grants for preschool to grade 5 programs; (i) grants for science, technology, engineering and mathematics programs; and (j) supplemental aid.

**Privatization:** At a time when Scott Walker is dramatically cutting public school funding, he is expanding private, tax supported schools that have consistently failed to be better than public options.

**Milwaukee voucher program:** The budget phases out income eligibility criterion so high income families can now get tax vouchers for sending children to private school. It also eliminates enrollment cap on voucher program and expands the voucher program to all schools in Milwaukee County (meaning that Milwaukee residents can send their kids to voucher schools outside the city and within the county).

### **Charter schools**

- The budget allows all 4-year UW system campuses to establish charter schools.
- The budget removes the requirement that teachers at independent charter schools receive DPI certification – a bachelor’s degree would be the only requirement to teach at a charter school.
- The budget repeals the virtual charter open enrollment cap
- The budget repeals use of GPR funding for new charters and would have charter funding be first draw from state equalized aid.

**Other education programs:** At a time when we need to improve educational opportunities for our children, Scott Walker is eliminating the need for districts to hold school to help our children learn. Most experts recommend the need for more schooling, but Walker is moving us in the wrong direction. Walker proposes to eliminate the 180-day mandate for school attendance (maintains hour requirement).

**Create longitudinal data system (student information system):** This project is already underway at DPI based on federal guidelines.

### **Other items**

- The budget authorizes the DOA to establish a blue ribbon task force to start a third-grade reading initiative.
- The budget eliminates funding for mentoring program for initial educators.
- The budget moves the school levy certification date (Nov 6) until after Election Day in election years.
- The budget expands open enrollment from February to April.

## **Wisconsin Tech Colleges**

Enrollment has increased by nearly 23% over the five-year period from 2004-05 to 2009-10 as dislocated workers, veterans and others Wisconsinites seek practical, relevant skills for our rapidly evolving economy. Collectively, Wisconsin's 16 technical colleges enroll over 400,000 students or 83,000 full-time equivalents. The technical colleges are one of the state's primary engines driving economic development. Yet Governor Walker slashes state support to the colleges and freezes their levies, effectively rendering them unable to effectively respond to increasing student demand and employers' evolving workforce needs.

Governor Walker proposes a 30% reduction to technical college general state aid, a cut of over \$35 million per year. This unprecedented reduction in general state aid will do irreparable harm to the technical colleges as they seek to train Wisconsin's dislocated workers, veterans and other working adults.

Technical college state aid is allocated via a formula that seeks to equalize districts' property tax wealth and other factors. This means that Governor Walker's proposed cut to technical college support will do particular damage to Western, Fox Valley and Southwest Wisconsin technical colleges because they are more reliant on general state than other districts.

Governor Walker's proposed cut to technical college state aid is further compounded by his proposed levy freeze, which leaves the colleges no flexibility to respond to increasing enrollment demand and the needs of a 21st century skill based high skill economy. The levy freeze is particularly problematic given the state's recent history of equalized property values. In 2010, Wisconsin's property values declined by an average of 3.1% and evaluations are anticipated to stagnate or further decline in 2011.

The technical colleges are an affordable postsecondary option for middle-class Wisconsinites and those that are less well-off. Residents pay only \$106.00 per credit for technical and occupation programs (\$3,180/year for two 15-credit semesters) and \$142.20 for collegiate transfer programs (\$4,266/year for two 15-credit semesters). Tuition increases have averaged about 5.6% per year over the last 10 years. However, Governor Walker's budget imperils the technical colleges' history of low tuition.

Under Governor Walker's budget proposal, technical colleges will have little choice but eliminate skills training programs and student services. The result: the technical colleges' waiting lists will grow longer; students will have more limited access to courses and programs; and ultimately, Wisconsin manufacturers, healthcare providers, and other employers will have a more difficult time finding highly skilled workers.

Governor Walker eliminates the Wisconsin Covenant program, which broadens access to higher education by promising a place in one of Wisconsin's colleges or university if

students earn a high-school diploma, maintain at least a “B” average and meet several other requirements.

Governor Walker's budget leaves the state's primary need-based financial aid program for technical college students - the Wisconsin Higher Education Grant - woefully underfunded. Almost 25,000 technical college students did not receive WHEG awards for which they qualified in 2009-10 due to underfunding. In 2010-11 academic year, the WHEG program for technical college students ran out of financial aid resources in May of 2010. Governor Walker's budget will leave thousands of financial aid-eligible students out in the cold.

## **Taxes**

The governor proposes cutting the Earned Income Tax Credit and eliminating indexing on the Homestead Credit, an effective tax increase of \$51 million for Wisconsin's poorest families. This is in contrast with over \$200 million in tax breaks for corporations and the wealthy in the budget and the "budget repair" bill.

The governor's budget reduces staffing and funding for the Department of Revenue, a department which has outperformed expectations in recent years in collecting delinquent taxes. Rather than fund positions to make sure that everyone pays their fair share in taxes, the governor is cutting within this department and lowering expectations for delinquent tax revenue collections by \$20 million from what was collected in 2010.

## **State Agencies**

### **Department of Administration**

- The governor proposes to increase the statutory threshold required for official sealed bids and official sealed proposals from \$25,000 to \$50,000 and eliminate the requirement to conduct uniform cost-benefit analyses for contractual service contracts. This will reduce transparency in state expenditures and will lead to wasteful spending on contracting out of services that government employees can perform more efficiently.
- The Governor recommends eliminating the Office of Energy Independence. The Governor also recommends transferring expenditure and position authority to the Division of Energy, which will take over many of the duties of the office.
- The Governor recommends eliminating the statutory requirement that the department contract with a child care facility in a downtown Madison location to provide child care services for state employees, effective September 1, 2011.

### **Agriculture, Trade & Consumer Protection**

- The Governor recommends providing expenditure and position authority for meat safety inspector positions.

### **Arts Board**

- This will be eliminated under the budget (with 4.0 FTEs) and consolidated into the Department of Tourism.

### **Commerce, Department of**

- The Governor recommends eliminating the department and transferring its functions to several other agencies.
- Funding related to economic development will be transferred to the Wisconsin Economic Development Corporation.
- Funding and position authority from the Division of Safety and Buildings and Division of Environmental and Regulatory Services, and funding and position authority related to certification of woman-owned, minority-owned and disabled veteran-owned businesses will be transferred to the Department of Regulation and Licensing (which the Governor is recommending be renamed the Department of Safety and Professional Services).
- The Governor recommends transferring funding related to housing to the Wisconsin Housing and Economic Development Authority.
- The Governor recommends transferring technical assistance funding for the Tribes to the Department of Administration.
- The Governor recommends transferring administration of the film production tax credit to the Department of Tourism, and transferring funding and position authority related to the administration of Dairy 20/20 program and the dairy manufacturing facility investment credit to the Department of Agriculture, Trade, and Consumer Protection.

- The Governor recommends allowing tax-option corporations that are nonoperating entities to claim angel investment credits for investments in qualified new business ventures.

### **District Attorneys**

- The Governor recommends providing funding from justice information fee revenues for compensation payments made to assistant district attorneys, as determined by a distribution plan agreed to by the department and the Office of State Employment Relations, to increase retention of experienced prosecutors.

### **Government Accountability Board**

- Rejects request for 21 federally-funded FTEs for “Administration of elections, ethics, and lobbying laws,” and a request for \$100,000 for a “Contract Sunshine Study.”

### **Health Services, Department of**

- The Governor recommends increasing efficiency in the Medical Assistance program by making the following changes: (a) limiting Medicaid reimbursement for end stage renal disease; (b) eliminating Medicaid payments for family planning services for men; (c) limiting payment of coinsurance for services under Medicare Part A; (d) eliminating supplemental payments to essential access city hospitals; and (e) requiring individuals enrolled in SeniorCare to also enroll in Medicare Part D.
- The Governor recommends refocusing the Family Care program and incorporating recommendations of a pending Legislative Audit Bureau audit.
- The Governor recommends transferring administration of income maintenance programs, including eligibility determination for Medicaid and FoodShare, from counties and tribes to the state.
- The Governor recommends reducing funding to reflect the elimination of the state-only FoodShare program, which provides FoodShare benefits to legal immigrants who do not meet federal residency requirements.

### **Insurance, Office of the Commissioner of**

- The Governor recommends eliminating the requirement that health insurance policies provide coverage for contraceptives prescribed by a health care provider and outpatient medical services related to contraceptives. This requirement is an unacceptable government mandate on employers with moral objections to these services, and increases the cost of health insurance for all payers.

### **Justice, Department of**

- The Governor recommends increasing funding and position authority to address increasing caseloads for DNA analysis in the state crime laboratories and prevent backlogs. (6 FTEs created.)
- The Governor recommends increasing funding and position authority to provide additional resources focused on investigating Internet crimes against children and protecting children from on-line predators. The Governor also recommends moving the three positions created in 2009 Wisconsin Act 28 from the Division of Management Services to the Division of Criminal Investigation to ensure all positions

dedicated to this function are aligned in the same division. (5 FTEs created, 3 FTEs moved from DoMS to DoJ.)

- The Governor recommends repealing the statutory mandate for the department to maintain a separate Bureau of Gaming Enforcement under the Division of Criminal Investigation. The department will continue its responsibilities related to gaming enforcement and the repeal allows the Attorney General to organize the division in the most effective and efficient way possible.

### **Miscellaneous Appropriations**

- The Governor recommends modifying current law to: (a) require the democracy trust fund be funded by voluntary contributions on individuals' state income tax returns; (b) limit the amount of funding available for public campaigns to the amount of money in the fund; and (c) eliminate sum sufficient matching grants paid out of the general fund.

### **Natural Resources, Department of**

- The Governor recommends eliminating the requirement that a municipality or county operate a recycling program to manage solid waste in compliance with disposal restrictions. The Governor also recommends eliminating financial assistance for the local governmental recycling program.
- The Governor recommends prohibiting the department from promulgating or enforcing a phosphorous administrative rule if the phosphorous rule establishes effluent limitations that are more stringent than the effluent limitations established by any of the states of Illinois, Indiana, Michigan, Minnesota, or Ohio.
- The Governor recommends repealing the Municipal Separate Storm Sewer Systems stormwater standard requiring communities to reduce total suspended solids by 2013.
- The Governor recommends extending the term for which a variance to water quality standards can be in effect from three years to five years. The Governor also recommends eliminating redundancies in public notice requirements for processing applications for variances to water quality standards.
- The Governor recommends transferring expenditure and position authority to align department programs with the correct appropriations.
- The Governor recommends repealing the general program operations - endangered resources appropriation due to inactivity and the atlas revenues appropriation due to lack of sufficient revenues generated in the appropriation.

### **Regulation and Licensing, Department of**

- The Governor recommends changing the name of the department to the Department of Safety and Professional Services to better reflect the broader scope of the agency. The Governor also recommends transferring certain regulatory functions from the Department of Commerce and the Department of Agriculture, Trade and Consumer Protection for the purpose of consolidating similar functions and increasing administrative efficiency.

### **Shared Revenue and Tax Relief**

- The Governor recommends reducing funding for county and municipal aid by \$96,000,000 for calendar year 2012. Aids to municipalities would be reduced by \$59,500,000 with reductions apportioned by population tier limited to valuation levels that increase with population or a maximum reduction of 50 percent, whichever is less. Aids to counties would be reduced by \$36,500,000 apportioned on a per capita basis, limited to 0.15 mills in equalized value or 50 percent, whichever is less. The Governor also recommends reducing payments for municipal services by 10 percent in each year.
- The Governor recommends extending municipal and county levy limits by two years and allowing these local government levies to be increased by the greater of 0 percent or the increase in equalized value due to net new construction. The Governor also recommends not allowing local governments to carry forward unused levy capacity. The Governor further recommends providing a negative debt service adjustment for debt issued prior to July 1, 2005, if debt service would be lower in the current year than in the prior year. In addition, the Governor recommends adjusting payments under the state aid for tax exempt property program to reflect lower rates of levy increases due to levy controls implemented for counties, municipalities, school districts and technical college districts.

#### **Wisconsin Economic Development Corporation**

- The Governor recommends providing funding to the corporation for operations and implementing economic development programs. Statutory authority related to most programs at the Department of Commerce have been eliminated and will be replaced by the by-laws of the corporation in an effort to insure maximum flexibility. Two exceptions to this are the administration of the Brownfields grant program and oversight and administration of enterprise zones. The statutory language related to all tax credit programs formerly at the Department of Commerce have been moved to the corporation, which will assume responsibility for tax credit certification. Finally, the Governor recommends transferring responsibilities for administering the state's allocation of volume cap, tax-exempt bonds.
- The Governor recommends modifying the jobs tax credit and eliminating the upper limit on wages to allow employers to claim 10 percent of wages, up to a maximum of \$10,000 per net job created. The Governor also recommends making records related to ongoing and pending negotiations exempt from open records laws for the duration of the negotiations, similar to the current exemption provided to the Wisconsin Housing and Economic Development Authority. The Governor further recommends requiring other state agencies undertaking economic development activities to cooperate and coordinate with the corporation. In addition, the Governor recommends providing annual grants to regional economic development organizations throughout the state. Finally, the Governor recommends allowing corporation employees to be eligible for the sick leave conversion programs.

#### **Workforce Development, Department of**

- The Governor recommends incorporating position changes related to budget repair legislation, and converting the department's legislative liaison position to unclassified status.

- The Governor recommends adjusting funding and position authority in the Division of Employment and Training to offset an increase of positions in the Division of Unemployment Insurance and to formalize a transfer of positions to the Department of Children and Families in the 2009-11 biennium.