



Joint Finance Committee's Proposed 2021-2023 Budget: What you need to know and (might have missed) in the Republican budget

Executive Summary

The proposed budget approved by the Republican-controlled Joint Finance Committee (JFC) sends taxpayer money back to families and small businesses through record tax cuts while making historic investments into education and healthcare.

- Governor Evers' proposed budget ([summary](#)) includes unprecedented state spending increases – on top of a net billion-dollar tax increase – AND on top of unprecedented spending increases from the federal government through COVID relief funding. In contrast, the Republicans on Joint Finance Committee built a budget that lowers the tax burden on everyday Wisconsinites while utilizing federal COVID relief funding to increase investments in K-12, higher education, and healthcare.
- Wisconsin is receiving such an influx of federal COVID relief aid that the COVID relief aid could fund a year of the state budget by itself. The JFC budget takes this into account and appropriately uses the federal dollars to keep the state tax burden as low as possible.
- While Governor Evers proposed raising taxes by more than one billion dollars and dramatically expands both the size and reach of state government, the JFC budget cuts taxes by \$3.4 billion and spends \$2.8 billion less than Governor Evers.
- Still, the JFC budget will spend more than \$4.5 billion than existing law with significant increases in spending (compared to current law) in K-12 and healthcare.
- The JFC budget would create a deficit of only \$286 million for the 2023-2025 budget, which according to Wispolitics, “would be one of the smallest structural deficits over the past two decades.” Governor Evers' proposal would have created a structural deficit 4 times larger (\$1.3 billion).
- The JFC budget increases spending on K-12 in nearly every category, while lowering the property tax burden and rewarding school districts that made the decision to stay open during COVID-19.

1. Reminder – State Surplus and Federal COVID Relief Funding

While many analysts expected the Wisconsin state budget to face almost dire shortfalls amid an economy stifled by the pandemic, the economy and the budget have performed beyond expectations, even as the Governor and big-city mayors continued their efforts to prevent re-openings of both schools and businesses. Federal stimulus packages, combined with the resilience of Wisconsinites, gave the Governor and Legislature an opening balance of \$2.5 billion – an almost unprecedented positive fiscal foundation.

This month, the non-partisan Legislative Fiscal Bureau revised its revenue estimates to project a surplus of \$4.4 billion by 2023.

These estimations do not include a massive influx of federal COVID relief funds. All told, Wisconsin has already received \$40 Billion in federal COVID funding and more is on the way. Wisconsin is receiving federal COVID funding through a number of sources – American Rescue Plan, CARES, and Consolidated Appropriations Act. These pots of money are going directly to the governor (who has sole authority to distribute the funds and vetoes all attempts to involve the legislature), school districts, higher education, and local governments. This is in addition to the stimulus checks, paycheck protection program, and additional amounts of state and local government funding.

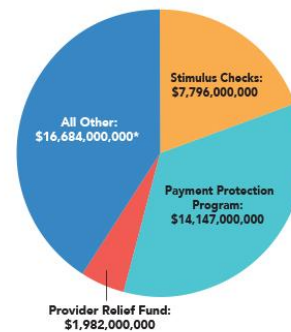
Wisconsin will receive enough federal COVID aid to fund a year of the state budget by itself. Another way to think of it, the federal government is essentially matching dollar-for-dollar what the state spends on our budget for a year.

Context:

Federal COVID funding is a 104% increase on top of the existing federal funding that Wisconsin expects to receive for the 2021-2023 biennial budget.



At Present: **\$40 billion** in Federal COVID relief already sent to Wisconsin



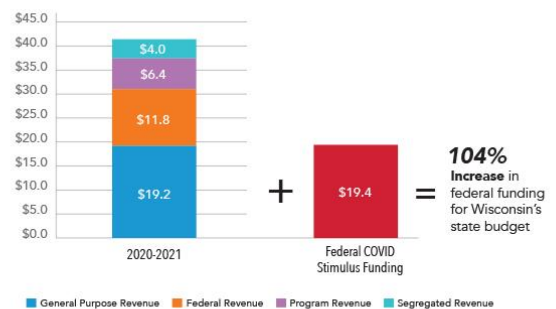
The State of Wisconsin has received **\$40.6 billion** dollars in federal COVID-related funding since the pandemic began. Of that amount, **\$21.9 billion** has been provided to Wisconsin individuals and workers through both federal stimulus checks or the paycheck protection program.

* Includes state and local government funding, unemployment assistance, Medicare accelerated payments, emergency disaster loans, among other programs.

Source: Peter G. Peterson Coronavirus Tracker



Wisconsin Budget 2020 – 2021
Compared to Wisconsin Federal Covid Funding (Billions of Dollars)



Source: USASpending.gov; Peter G. Peterson Coronavirus tracker; Wisconsin Policy Forum; Department of Treasury, Education, OMB, CBO, Wisconsin Legislative Fiscal Bureau.

2. JFC Proposed Spending

Under Governor Tony Evers' plan – and his own budget documentation – the projected surplus of \$1.8 billion will become a structural deficit of \$1.3 billion for the 2023-2025 biennium. Furthermore, under Generally Accepted Accounting Principles,

Governor Evers turns a \$1.5 million balance (the first positive balance in decades) into a nearly billion-dollar hole (\$939 million deficit).

The Governor's proposed budget quickly spent the opening balance, while proposing a nearly 10% increase in new spending and \$1 billion in net tax increases.

In contrast, the JFC budget will spend \$3.7 billion less than the Governor's proposal (decreasing inefficiencies with 483 less state government positions). The JFC budget will spend around \$4.5 billion more than existing law.

In addition, the JFC budget addresses concerns regarding federal "maintenance of effort" requirements in order to ensure Wisconsin receives all federal K12 assistance included in the American Rescue Plan.

In the end, the JFC budget leaves a balance of \$364 million, while transferring \$550 million to the State's "Rainy Day Fund."

3. Taxes

The JFC budget replaces the Governor's \$1 billion in net tax increases with tax cuts totaling \$3.4 billion, including:

- Complete elimination of the Personal Property Tax on business: \$202 million tax cut;
- Reducing the marginal tax rate for the so-called "3rd bracket": \$2.4 Billion tax cut;
- Update income tax withholding tables: \$331 million tax cut.
- Active-Duty Military Pay Exclusion: \$40 million tax cut;
- Rejection of the Governor's proposal to allow municipalities to increase the

sales tax, which would disproportionately hurt middle class and low-income families.

- Rejection of the Governor's proposed taxation – and legalization – of marijuana.

Context:

Wisconsin currently ranks 44th for total state and local tax burden, [according to the Tax Foundation](#).

4. Healthcare and Medical Assistance

Governor Evers proposed the establishment of a "Public Option", a new government-run and taxpayer-funded health insurance program. This would be in addition to his proposal to implement Medicaid Expansion per the Affordable Care Act ("ObamaCare"), adding over 90,000 Wisconsinites to indefinite government assistance. Both proposals would increase costs to families and employers purchasing traditional, commercial health care coverage.

In contrast, the JFC budget prevents the expansion of government-run healthcare by spending \$1.4 Billion less at the Department of Health Services (Medicaid) than the Governor proposed. Much of this reduction is achieved by maintaining the current safety net rather than implementing Medicaid Expansion.

Spending under the JFC budget increases by \$3.5 billion over the current budget, largely due to federal funding as well as strategic investments in mental health care, substance use disorder, nursing homes, dental health access, targeted public health programs, and various provider reimbursement adjustments (Medicaid typically compensates providers

poorly, driving cost shifts to the private sector). This includes:

- \$98 million increase in reimbursement rates for nursing homes (Evers’ budget: \$94.7 million)
- \$40 million increase in payments to hospitals (matching Evers’ budget)
- \$31.1 million increase in hourly rates for personal care services in order to help people on Medicaid with their daily needs while they are in their homes (Evers’ budget: \$30 million).

Context:

Former Governor Walker and the legislature fully-funded Medicaid and established 100% access to coverage in this state, with a focus on the commercial market rather than public assistance.

5. Higher Education

Governor Evers’ budget would have given the UW new authority to borrow money at a time when it is receiving record levels of stimulus. It would have also created a so-called “student loan bill of rights” which would be a backdoor to eventually creating new burdensome regulations increasing the cost of college.

Under the JFC budget, state funding for higher education remains mostly flat, which is attributable to the influx of federal funding (\$3.7 billion for K-12 and higher education).

However, the JFC budget proposes to eliminate Governor Walker’s freeze on tuition. In contrast, Governor Evers proposed extending the Walker tuition freeze. As it stands now, the JFC budget would empower UW Trustees to increase tuition as early as this year.

The legislature has much more [work to do](#) (likely outside of the budget) to ensure we don't return to the bad old days of well-above-inflation increases.

Context:

IRG has [called on](#) the legislature to consider the following guardrails if they are to “un-freeze” tuition:

- Postpone any tuition increase until at least the 2023-2024 academic year.
- Cap tuition increases to inflation.
- Ensure online education (including via UW Flex) is accessible to adult learners and priced competitively.
- Require public universities to detail where they plan to spend federal COVID-relief dollars and why a tuition hike is essential to cover those costs.

6. K-12 Education

Governor Evers’ budget for K-12 can be highlighted in two ways:

1. Rewarding schools that were closed last year with unprecedented state spending increases (on top of unprecedented federal spending increases)
2. Slamming the doors of charter and private schools shut to parents. Governor Evers’ budget proposal: eliminates the Office of Educational Opportunity, the statewide charter authorizer through the University of Wisconsin and freeze enrollment in the Milwaukee Parental Choice Program, Racine Parental Choice Program, Wisconsin Parental Choice

Program, and Special Needs Scholarship Program.

Thankfully, Evers' K-12 budget was entirely thrown out.

Instead, the JFC budget increases DPI spending by \$678.5 million (compared to current law) which is \$1 billion less than Governor Evers' plan. Highlights include:

- Providing \$408 million in general school aids. By putting more state aid into schools, many people will see their property taxes decline. This is an indirect result of the state's funding formula which establishes a set ratio of property taxes and state funding.
- Increasing state assistance to students through categorical aid, e.g. special education, transportation, and mental health.
- Depositing \$350 million to the rainy-day fund for emergency uses.
- Using federal funds to create a new reading program to help with learning loss recovery.
- Providing a \$100 per student increase for school vouchers and public charter schools. Some of these schools may also be eligible for some federal funding but private schools will receive far less than their public counterparts, even if they are serving large numbers of low-income students.
- Utilizing federal COVID relief funds to reward public schools with \$781 per student if the school offered in-person learning for the majority of the 2020-2021 school year.

JFC believes that this new package will satisfy the federal government's "maintenance of effort requirements", which previously,

according to the US Department of Education, put the state at risk of losing federal K-12 COVID relief funds.

Context:

At the start of 2021, only 20% of Wisconsin school districts were fully open for in-person learning, five days a week, according to AEI.

Without any additional state dollars, COVID relief funding will increase spending on Wisconsin's K-12 schools by 15%. This produces some jaw-dropping spending numbers for large urban districts. The chart below adds COVID relief funding to the existing state (and federal) student allocation.

School District	COVID relief per student	19-'20 per student funding	total
Milwaukee	11,242	15,844	\$ 27,086
Madison	2,720	16,608	\$ 19,328
Green Bay	3,820	14,578	\$ 18,398
Racine	5,138	14,509	\$ 19,647
Kenosha	3,805	14,071	\$ 17,876
Beloit	5,292	15,662	\$ 20,954
La Crosse	2,213	16,219	\$ 18,432
Eau Claire	1,831	13,203	\$ 15,034

"JFC Republicans voted to increase spending in general school aids to ensure that Wisconsin K-12 and higher education schools receive the \$2.2 billion from the federal COVID bills. By investing additional state dollars into general aid, Wisconsin should be in compliance with maintenance of effort requirements."

-Libby Sobic, Wisconsin Institute for Law & Liberty

7. Corrections and Criminal Justice

JFC was forced to pump more than \$34 million into corrections programs, largely to cover prison guard overtime. To many, this spending is indicative of a problem in need of significant reform. Most of Governor Evers'

suggestions are policy changes that will be left for another day and a number of them appear designed more to satisfy his political base rather than to keep Wisconsinites safe.

However, JFC added funding for educational initiatives to reduce recidivism as well as community corrections options (such as GPS tracking) that find a middle ground for some (generally non-violent) offenders between prison and unmonitored release into the community.

Context

The committee indicated bipartisan support for criminal justice reform but that will likely come outside the budget. "Other states have found solutions to that. It's time we as a state open our eyes to what is working...There are red states that are doing it, there are purple states that are doing it."
-Sen. Mary Felzkowski, R-Irma

8. Wait, There's More.....

Governor Evers' proposed budget included numerous policy items unrelated to the state budget. These were removed in the JFC budget, including:

- Repealing Act 10;
- Repealing Prevailing Wage Reform;
- Commission to study increasing the minimum wage;
- Repeal "Right to Work" laws;
- Various Diversity, Equity and Inclusion initiatives;
- Various criminal justice "reforms", including sentencing reductions and expanding "earned release" programs;
- Voter registration changes and other election modifications;

- Allowing Counties to issue debt to replace revenue lost due to the pandemic (regardless of federal aid);
- State -based Health Insurance Exchange (perhaps worthy of consideration in separate legislation);
- Various "clean energy" initiatives.

The JFC budget included the following:

- Raises for state employees, which largely matches what Governor Evers proposed
- Increases in judicial pay by 3% in January 2022 and 4% in January 2023
- Additional \$1.1 million to help people with disabilities find a job
- Requirement of DWD to require a drug test prior to receiving unemployment insurance
- Increase state-funding of broadband access by \$129 million (\$125 million of that will be funded through bonding)

9. What Comes Next?

On Tuesday, June 29, 2021, the Assembly is scheduled to vote on JFC's budget with the Senate following on Wednesday, June 30, 2021. What passes will look largely similar to JFC's budget.

After that, Governor Evers can sign the budget, veto the entire budget, or veto portions of the budget.

Context:

"There's always important changes that are made and so I'm reluctant to say whether I'm going to sign it or veto it or veto parts of it...That decision-making frankly takes a lot of time. We have to have the exact language in order to figure that out but clearly I'm not

excited about what they've done for several areas. I'd say our education system in particular is pretty weak."
-Governor Tony Evers