



# Governor Tony Evers' Proposed 2021-2023 Budget:

*The policies you need to know and (might have) missed*

## Executive Summary

A budget written by government to grow government that bounces Wisconsin backwards:

- Total tax increases of more than \$1.3 billion on families and businesses while allowing local governments to increase the sales tax which hits low-income and middle-class families the hardest.
- Turns a projected budget surplus into a billion dollar structural deficit. On top of this, 48 hours after the budget was introduced, Gov. Evers signed a bill, which we support, into law adding hundreds of millions of dollars to his own deficit. Taken together, with the requirement to balance the budget, this is a proposed budget that lacks the seriousness needed for the state's most important governing document.
- Record state spending on K-12, on top of \$927 million (and more likely on the way)<sup>1</sup> in federal COVID aid, while doing nothing to re-open schools five days a week and slamming the doors shut on students who have sought a better educational option with a voucher, public charter, or a private school.
- Dramatic expansion of government-run healthcare by expanding Medicaid (through Obamacare) and creating a new "Public Option" that would send a shock to the individual and employer health insurance markets.
- State spending increases by more than 9% at a time when Wisconsin employment has decreased by 208,100 workers.<sup>2</sup>

<sup>1</sup> State Policy Network, State COVID Relief Guide, <https://spn.org/state-covid-relief-guide/>

<sup>2</sup> 12/20 compared to 12/19, [CROWE](#)

## Introduction

Governor Evers' proposed budget would bounce the Badger State backwards. As the economy teeters between recession and economic recovery, Gov. Evers takes from the wallets of hard-earning Wisconsinites and businesses by more than \$1 billion and irresponsibly – and unnecessarily – turns a projected budget surplus into a deficit. While families all over the state worry about their children's learning during COVID, Gov. Evers' budget would limit educational options and throw millions at schools that are not open five days a week.

Gov. Evers' full [proposed budget can be found here](#). Below is our summary of items and things you might have missed in spending, taxes, healthcare, K-12, higher education, utilities, and more:

### 1. Reminder - the state's fiscal situation is better than anticipated

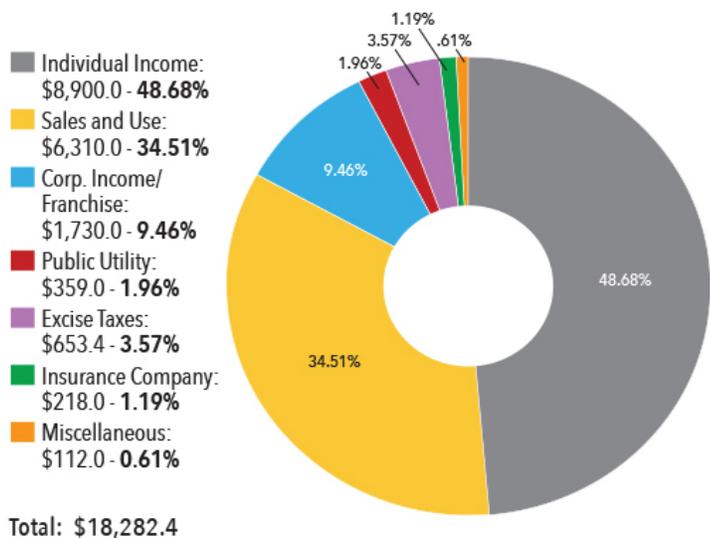
Despite the global pandemic and government-mandated shutdowns of business, state finances are not as dire as other states: new revenue estimates (January 2021) from the [non-partisan Legislative Fiscal Bureau \(LFB\)](#) predict more than \$1 billion above and beyond estimates the Evers' Administration originally projected back in November 2020.

The projected surplus at the end of the current fiscal year is \$1.8 billion.

Much of this is due to responsible budgeting including the Rainy Day Fund (formally called the "Budget Stabilization Fund"), bolstered time and time again by former Governor Scott Walker and the Republican majority legislature.

According to the [LFB](#), just prior to the governor introducing his budget, the Rainy Day Fund has an estimated, projected balance of nearly \$1 billion after fiscal year 2021.

#### 2021-22 estimates



Source: Legislative Fiscal Bureau

In addition, some state agencies are spending less than budgeted (referred to as "lapses" in the state budget world), which the Legislature will undoubtedly review during its budget deliberations.

The amount of federal dollars flowing to the state will be massive - unlike any other recent budget. COVID relief to Wisconsin is over \$6 BILLION, spread across health care, K-12 education, pandemic-specific items (such as the

Paycheck Protection Program, COVID testing, and National Guard funds), and other purposes. The Consolidated Appropriations Act of 2021, passed by Congress and signed into law in December 2020, is projected to provide Wisconsin with hundreds of millions of additional federal funding.

None of this takes into account the upcoming "CARES 2" Relief, which will increase school aids, and the other areas discussed above, even further: President Biden has proposed, and Congress is currently advancing, another \$1.9 trillion, which would nearly double what the feds spent earlier in the pandemic.

## 2. Evers' proposed spending

Under Gov 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. To accomplish such a feat, Gov. Evers has actually proposed spending increases beyond what his own agencies requested.

Furthermore, under Generally Accepted Accounting Principles, Gov. Evers turns a \$1.5 million balance (the first positive balance in decades) into a nearly billion-dollar hole (\$939 million deficit).

### Context:

Gov. Evers has proposed a General Purpose Revenue spending increase of over 9% while businesses struggle to remain open and schools remain closed.

In 2011, Gov. Scott Walker inherited a \$3.6 billion deficit and turned it into a surplus. Gov. Evers has purposefully –

and unnecessarily – proposed the opposite.



Chart produced by WisconsinEye. Used by permission, WisconsinEye Public Affairs Network

## 3. Proposed tax increases

Gov. Evers' budget proposes tax increases by, at least \$1.37 billion (tax decreases are \$508 million):

- Limiting Manufacturing and Agriculture tax credit: \$487 million tax increase;
- Capital Gains Tax exclusions: \$350 million tax increase;
- "Internal Revenue Code Update": \$540 million tax increase.
- This does not account for newly allowing municipalities to increase the sales tax, which would disproportionately hurt middle-class and low-income families the most.

**Context:**

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

*“The simplest critique of Gov. Evers’ second state budget proposal is that it is irresponsibly anti-business. If enacted, this bill would severely erode our state’s business climate and economic competitiveness.*

*-Kurt Bauer, CEO of Wisconsin*

*Manufacturers and Commerce (WMC)*

*“At a time when we want to encourage saving and investment in the state, the Evers budget would sharply raise the cost of capital by increasing capital gains taxes. I also think it’s unlikely that the capital gains tax would raise the projected amount of revenue, as past episodes of capital gains increases have found that people either realize the gains before the tax takes hold or delay realization.”*

*-Noah Williams, Professor of Economics at the University of Wisconsin – Madison*

**4. Healthcare & Medical Assistance**

Establishes a “Public Option,” a new government health insurance program that goes beyond Medicaid Expansion and threatens to damage the individual and employer commercial markets.

Expands Medicaid per the Affordable Care Act (“ObamaCare”), adding nearly 91,000 people to public assistance.

Repeals common sense Medicaid reforms, such as work requirements,

health risk assessments, and small premium payments.

Reduces the length of “short term” health insurance policies from 12 months of initial duration (18 months total) to 3 months (6 months total), creating a potential loss of coverage and reducing the coverage options in the state.

Imposes new regulation of Pharmacy Benefit Managers (PBMs), and indirect price controls on insulin.

POSITIVE -> Provides over \$53 million in federal and state money for reimbursement rate increases in the mental health field broadly.

**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. Governor Evers has proposed to dismantle that model and increase dependence on government programs.

**5. Utilities & Energy**

Doubles the requirement (i.e. tax) on utilities to give to the “Focus on Energy” program – which is a \$100 million per year increase in expenses on utilities. This will be passed on to consumers.

Require the PSC to establish the social cost of carbon and requires the PSC to consider the social cost of carbon when “evaluating construction certificates.”

Allows municipalities in underserved areas to provide broadband.

**Context:**

Under the Evers executive order to go carbon-free by 2050, how does he expect people to heat their homes, especially low-income families in the cities, and who pays for this transition?

*"The private sector are already taking Wisconsin to eventually become carbon neutral and they know how to do it at a pace within the guardrails of affordability and reliability. It's unfortunate that the Evers' energy plan is not guided by science. Worse, it will result in increase costs and could have less reliability especially for low-income families who can least afford it."*

-Ellen Nowak, PSC Commissioner

**6. Higher Education**

Gives the University of Wisconsin new authority to borrow without legislative approval at a time when it is receiving record levels of federal stimulus funds and facing record levels of uncertainty. This authority would give UW a no-limit credit card.

Creates a so-called "student loan bill of rights." This is an attempt to create new burdensome regulations that will make college more expensive, reduce options for students, and put state bureaucrats between students and their college or university.

POSITIVE-> Proposes extending Gov. Walker's tuition freeze and highlights savings dating to the 2013-14 academic year.

**Context:**

[UW branch campus enrollment](#) is at its lowest enrollment since 1973.

*"We have a lot of buildings, lot of duplication and I want to sit down, discuss it and come up with a solution," he said in an interview. "I'm not saying one (system) is better or one should be the only survivor. I'm saying let's discuss it before the problem gets any worse."*

-[Tommy Thompson on](#) possibly consolidating UW system branches and tech schools

**7. K-12 Education**

Requiring "incorporating climate change and the human effect of climate change" into model academic standards.

Eliminates the Office of Educational Opportunity, the statewide charter authorizer through the University of Wisconsin.

Freezes enrollment in the Milwaukee Parental Choice Program, Racine Parental Choice Program, and Wisconsin Parental Choice Program.

Freezes enrollment in the Special Needs Scholarship Program.

Unprecedented spending increases on K-12 schools.

Limits the K-12 tuition tax deduction. Allows districts to pick the greater of 2019 or 2020 enrollment for calculating revenue limits. This inflates enrollment, especially for schools that have lost students due to their refusal to reopen.

POSITIVE -> Expanding the School Mental Health Categorical Aid to allow reimbursements from all school districts,

independent charter schools, and private parental choice schools.

**Context:**

[State test score data](#) shows that students in the voucher program perform better on state testing and the ACT than their public school peers.

Schools in Wisconsin have received significant federal funds. At Milwaukee Public Schools, these aid packages, taken together, increase total federal per member (student) aid from just under \$2,500 (2018-2019) to approximately \$5,300 – an increase of approximately \$3,800 per student. Madison Metropolitan School District has received an increase in federal aid of around \$1,005 per student.

A reminder that these schools are receiving substantial increases in federal aid when their doors have been shut for almost 12 months.

*“Elected officials, insulated bureaucrats and public unions are all at the table making broad education decisions. Unfortunately, that table has little room for families.”*

-School Choice Wisconsin

According to research at the Wisconsin Institute for Law & Liberty, there is a weak [link](#) between increased spending on K-12 public education and academic achievement.

*“Our schools educate 10 percent of the state's school children, most of whom are middle income. Without this tax credit, there is little support for those who are not eligible for the low-income voucher programs.”*

-Sharon L. Schmeling, Executive Director at the Wisconsin Council of Religious & Independent Schools

## 8. Repeals Good Government, Taxpayer Reforms

Repeals “Act 10” by giving public unions the full ability to collectively bargain with public employees.

Repeals “Right to Work”, which prevents contracts that require private employees to pay union dues.

Repeals prevailing wage reforms, which bring down the costs of government projects.

**Context:**

According to the [Maclver Institute](#), Act 10 has saved taxpayers \$13.9 billion since 2012.

## 9. Wait, there's more.....

Creates 308 new full time state employees, even though his agencies only requested 61.

Establishes automatic voter registration and decreases residency requirements from 28 days to just 10 days.

POSITIVE -> Raises the threshold for when government can charge for the search for an open record request from \$50 to \$100.

Legalizes marijuana.

“With certain exceptions, requiring that any firearm transfers be done through federally licensed firearm dealers with background checks conducted on recipients.”

Makes it discrimination to ask for a job applicant's conviction record.

Wants to explore how to increase the minimum wage to \$15 / hour.

Requires municipalities to develop a plan to address climate change.

Provides \$500,000 for green jobs training.

Provides \$250,000 for Arts Board funding *tied to the pandemic*.

Creates 16 new full-time employees to establish the Office of Prescription Drug Affordability.

Requires every agency to hire a cabinet-level equity official and an equity officer.

Provides \$200,000 for assistance to change race-based mascots at schools.

Provides \$4 million renewable and clean energy research grant funded by the Environmental Fund (this is separate from Focus on Energy and what universities and Department of Energy is doing).

Eliminates life prison sentences for juveniles.

Eliminates the felony provision for bail jumping, making it a misdemeanor, regardless of original crime.

Provides over \$3.6 million for Bureau of Communicable Disease Staffing (23 FTE) and \$436,000 for a "Communicable Disease Harm Reduction Strike Force."

## 10. What comes next?

After Gov. Evers' budget address, the Evers Administration will work to sell its budget to the public. It will be sent to the Joint Finance Committee which – based on both history and philosophy – will work off of the previous budget rather than the proposal from Gov. Evers. This means the Legislature will essentially dismiss the Governor's overall proposal and start from the foundation built by the Legislature and Gov. Walker.

Gov. Evers' proposals will still be part of the deliberations, which typically extend into June and maybe July.

### Context:

*"We'll set Evers' bad budget aside and continue to build on our strong foundation that put our state on strong fiscal footing over the decade."*

-[Devin LeMahieu](#), Senate Majority Leader (R-Oostburg).

*"After a cursory review, we can only come to one conclusion – the legislature must reject Governor Evers' budget outright and start over."*

-[Eric Bott](#), Americans for Prosperity – Wisconsin State Director