

The Sky is Descending: An Overview of Budget Cuts in Programs for Children and Families

Chicken Little made the mistake of grossly exaggerating – or at least seriously misconstruing – the facts, and her reputation has been stained ever since. Because we do not want to suffer the same fate, we are not going to claim that the sky is falling with respect to state fiscal support for programs that are important to children and families. But it is probably safe to say the sky has gotten darker and lower, and more clouds seem to be gathering on the horizon.

In a previous budget summary we noted that in light of Wisconsin's fiscal problems, both the Legislature and the Governor did a commendable job of protecting a number of key programs for children. That said, it would be a serious mistake to think that children's programs have not been cut in some significant respects.

This paper spells out some of the many ways in which the 2003-05 budget reduces state support for programs for children and families. Another budget paper examines how the budget was balanced and sizes up the fiscal problems that the state will continue to face over the next few years.

A Review of the Positives

The Wisconsin Budget Project has noted on several occasions that this budget could have been far worse for children's programs. Considering the state's severe deficit and the fact that the Governor and legislators were boxed in by promises not to increase state taxes, the most critical programs for children and families fared reasonably well. To reiterate some of the positive aspects of the budget:

- The base appropriations for BadgerCare and Medicaid were increased – to meet

growing caseload costs without making deep cuts in services.

- School equalization aid was increased by \$72 million in 2003-04 and an additional \$44 million the next year.
- Wisconsin Shares child care subsidies are fully funded.
- Funding was increased for W-2 employment benefits and the caretaker supplement.
- The state earned income tax credit and homestead tax credits are maintained.
- State general purpose revenue (GPR) funding is maintained for community aids and youth aids.

Yet to say that the budget could have been worse is to gloss over a long list of cuts that do significant damage to a wide array of important programs for Wisconsin's children and families.

Cataloging the Damage

Table 1 lists many of the cuts contained in the final 2003-05 budget (Act 33). It shows the base funding level in 2002-03 and the cut in the first year of the current biennium, relative to the base level.

The list of cuts is not all-inclusive, and we apologize in advance for items we have omitted. In particular, we have not included the broad cuts made in state agency operations, which could affect many programs for children and families.

The table also does **not** show areas where cuts were made to reduce growth in spending that otherwise would have been necessary under prior law. Some of those cuts, including changes in school aids, Medicaid and BadgerCare, are discussed in the text below.

Table 1 – Selected Cuts in the 2003-05 Budget (Act 33)

Program area	2002-03 Base	2003-04 Cut	Percent Cut
K-12 education			
Technology block grants & technical assistance	39,000,000	39,000,000	100%
School library aid (SEG funds)	28,500,000	2,500,000	9%
DPI program operations	11,192,200	1,678,800	15%
DPI residential schools	10,110,300	1,011,000	10%
DPI pupil assessment	3,485,600	522,900	15%
Library service contracts	1,031,700	154,800	15%
Higher education			
UW System – GPR base budget	888,773,100	110,000,000	12.4%
Technical College System – total GPR	140,077,800	928,100	0.7%
Higher Education Aids Board – total GPR	70,691,000	1,389,500	2%
Health care (for BadgerCare & Medicaid, see text)			
WisconCare (GPR)	750,000	750,000	100%
Graduate medical education (GPR)	11,890,000	10,890,000	92%
County IGT funding	40,000,000	40,000,000	100%
Tobacco control and prevention (all funds)	15,345,100	5,290,700	34.5%
Northern WI Center (all funds)	29,400,600	11,432,700	39%
Child care/early education			
Pass-through grants	17,253,200	14,778,100	86%
Head Start (TANF & GPR)	7,425,000	212,500	3%
Scholarship & bonus funding	6,007,200	3,307,200	55%
Early Childhood Excellence Centers	2,750,000	250,000	9%
Child Care R & R agencies	1,355,300	135,500	10%
Racine demonstration project	1,000,000	1,000,000	100%
Technical assistance	995,300	995,300	100%
Safe Child program	580,000	580,000	100%
Other TANF and W-2 related programs			
W-2 ancillary services	76,941,900	21,335,300	28%
Local agency administration	22,279,700	1,114,000	5%
Community reinvestment	5,539,700	5,539,700	100%
Kinship care	24,852,600	730,400	3%
Job access loans	600,000	400,000	67%
State administration	21,721,000	3,236,500	15%
Partnership for Full Employment	1,756,700	1,756,700	100%
Fraud & front-end verification	661,400	661,400	100%
W-2 financial oversight	554,100	554,100	100%
Transportation	900,000	900,000	100%
Legal services	100,000	100,000	100%
Workforce Attachment & Advancement	7,842,200	7,842,200	100%
Literacy programs (TANF)	800,000	800,000	100%
Aid to Milwaukee Public Schools (TANF)	1,410,000	1,410,000	100%
Badger Challenge	1,816,500	449,400	25%
Nutrition services (TANF)	1,000,000	1,000,000	100%
Immunization (TANF)	1,000,000	1,000,000	100%
Domestic violence services (TANF)	1,000,000	250,000	25%
Dept. of Corrections			
Juvenile boot camp (program revenue - PR)	2,615,200	2,615,200	100%
Juvenile alternate care (PR)	14,309,000	2,894,400	20%
Secured juvenile corrections facilities (PR)	58,762,600	3,591,200	6%
Serious juvenile offender funding (GPR)	17,034,300	1,267,400	7%
Community Aids (all funds)	264,784,300	1,059,500	0.4%
Income maintenance administration (all funds)	57,362,600	3,461,700	6%
Utility public benefits (SEG)	67,155,100	17,600,000	26%

In a couple of instances (kinship care and juvenile corrections) the cuts in the table reflect lower estimates of program participation; however, the vast majority of the cuts represent reduced services for children and families or shifts in costs to the participants.

The percentage reductions are for the specified appropriation, not for total funding in that program area. For example, the TANF cuts shown for nutrition services, immunizations and domestic violence services are based just on the TANF appropriations and do not factor in other (often more substantial) sources of funding for those programs.

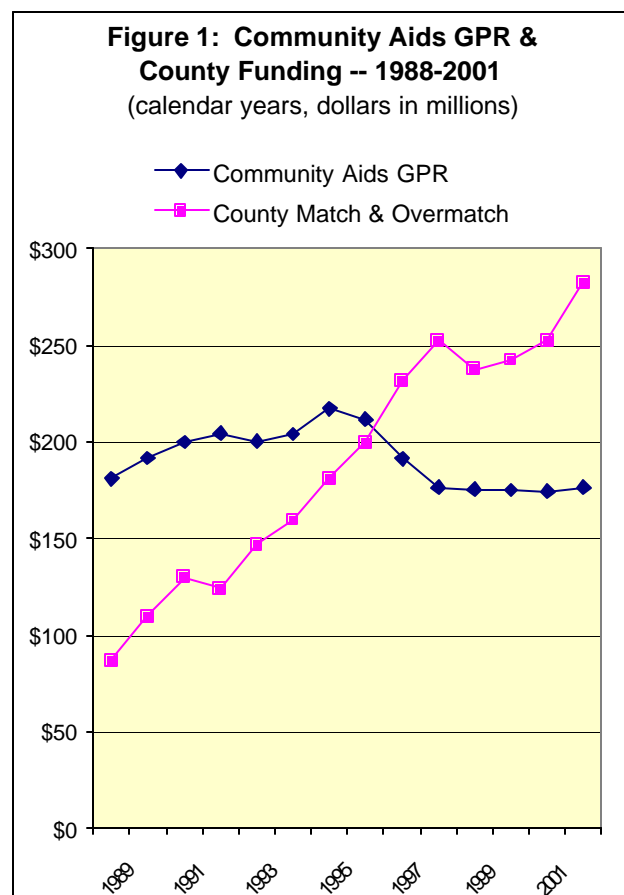
County Human Services

Many significant cuts are not reflected in the table. That is particularly true of cuts being made by county boards in human service programs. County-level services are being squeezed from many different directions, including a \$20 million cut in Shared Revenue in 2004 and the property tax freezes being adopted by many local governments. Other budget factors that put downward pressure on county funding for human services include:

- *Community Aids* – The state GPR funding for Community Aids is maintained at the 2002-03 level, but federal funding is reduced by a little over \$1 million per year. Although that only cuts Community Aids by 0.4 percent, it comes on top of a long erosion of this critical source of support for county human service programs. Figure 1 illustrates how the local share of spending for Community Aids has increased dramatically in recent years, as the state GPR share has not grown with local costs.
- *County IGT funds* – The budget eliminates the \$40 million per year in federal Medicaid funding that many counties were receiving from inter-

governmental transfers (IGTs). Although that funding was intended for county-operated nursing homes, the large hole created by the cut drains money from other parts of counties' budgets.

- *Income maintenance administration* – Funding for county administration of income maintenance programs is cut by almost \$3.5 million in 2003-04, or 6 percent.
- *Reduced W-2 funding* – The counties that administer the Wisconsin Works (W-2) program are affected by a 5 percent cut in funding for local administration of W-2 and a cut of almost 28 percent for W-2 ancillary services.



K-12 Education

Equalization aid for schools is increased by \$72 million in 2003-04 and \$116.5 million

in 2004-05. Nevertheless, the funding level in the budget is a cut relative to the amounts needed to maintain the prior statutory commitment for the state to pay two-thirds of school costs. The repeal of that law enabled the state to reduce school equalization aid by roughly \$150 million relative to the amount that otherwise would have been needed. (That figure varies depending upon what assumptions are made about cost controls and local spending decisions.)

The other major cut in the area of K-12 education is the elimination of funds for TEACH technology block grants and technical assistance, which reduces state support for schools by \$39 million per year. The combination of a reduction in the state share of funding for public schools, rapidly rising health care costs, and the increased pressure on school districts to hold down local property taxes is causing most districts across the state to make significant cuts in educational programming for Wisconsin's children.

Medicaid and BadgerCare

A number of cuts were made to reduce costs for Medical Assistance (MA) and BadgerCare. These are not shown in the table because total funding for those programs was increased to meet the costs of growing MA and BadgerCare enrollment. Nevertheless, changes were made in both programs to slow the cost increases. Among those changes are the following:

- *BadgerCare premiums* – Act 33 increases premiums to 5 percent of income, from the current 3 percent, for families in BadgerCare with income above 150 percent of the federal poverty level. This is anticipated to cut state and federal spending for BadgerCare by about \$8.7 million over the 18-month period beginning January 1, 2004. Part of the savings result from the fact that it

is expected to reduce enrollment by 1,200 individuals in 2004-05.

- *Autism* – The bill replaces the former MA benefit for in-home services for autistic children with an MA waiver that provides more restricted services. Total spending for this benefit is nevertheless expected to increase slightly, but the changes head off very substantial growth in participation and costs.
- *Prescription drug co-payments* – Co-pays for brand name prescription drugs are increased from \$1 to \$3. This does not apply to children, but it increases out-of-pocket costs by about \$16.4 million over the next two years for parents and people with disabilities.
- *Prior authorization* – Act 33 expands the use of prior authorization for prescription drugs and allows DHFS to implement a preferred drug list to leverage supplemental rebates. These changes are expected to cut spending by about \$116 million (all funds) over the next two years.
- *Graduate medical education* – The budget cuts the enhanced hospital reimbursement for graduate medical education by about \$26.2 million (all funds) in 2003-04 and \$18.9 million in 2004-05.
- *Northern Wisconsin Center* – The bill closes the Northern Wisconsin Center and cuts spending by more than \$16 million (all funds) during the biennium. Although many advocates for people with disabilities supported the Center's closing, the bill contains little of what they sought to improve community alternatives to institutional care.

Notwithstanding the significant cuts made in Medicaid-related programs in Act 33, substantially more cutting may be necessary before the end of the biennial session. The budget bill assumes that the state will receive about \$284 million in additional

federal Medicaid funds, as a result of a federal waiver or new inter-governmental transfer (IGT) funds. That appears at this point to be rather wishful thinking. Although the Governor used his vetoes to free up \$145 million that could be used to help with a Medicaid deficit, that amount falls well short of what might be needed for Medicaid, and there could be competing demands for the very modest amount of reserves.

W-2 and TANF-funded Programs

Many of the cuts listed in the table are in programs the state has been financing for the last few years with funds from the federal welfare reform block grant, known as Temporary Assistance to Needy Families (TANF). Those cuts stem in large part from the fact that the base level of TANF spending commitments in 2002-03 was about \$94 million more than the state's annual TANF allocation.

Another significant factor in the TANF cuts is the growing caseloads. The Governor and Legislature had to increase funding for W-2 employment benefits and the caretaker supplement. Unfortunately, there still appears to be a looming shortfall in the employment benefits appropriation, but the increases that were provided exacerbated the problem of needing to cut other TANF-funded programs.

In the case of one W-2 related cut, in the kinship care appropriation, the reduced funding reflects a lower estimate of anticipated participation. All the other TANF cuts shown in the table reflect real reductions in services or administrative spending. The largest of those is a \$21.3 million per year reduction, or 27.7 percent, in the appropriation for W-2 ancillary services. The budget bill also completely eliminates at least 11 different TANF appropriations – for things such as the Workforce Attachment and Advancement program (\$7.8 million per year) and the

Partnership for Full Employment program (\$1.76 million annually).

The percentage reductions shown in Table 1 for TANF-funded programs are generally based just on the TANF appropriation for the program in question. For example, the 100 percent cuts shown for nutrition services and immunizations are based just on the TANF appropriations and do not factor in other, more substantial funding sources. One exception is Head Start, where the base level includes both the TANF and GPR portions of the state supplemental funding.

Child Care

The good news in the budget for child care was the fact that the Wisconsin Shares child care subsidy program cost substantially less than anticipated in 2002-03. The slower growth in the program's costs helped the Legislature appropriate enough funding in 2003-05 to meet the anticipated demand for Wisconsin Shares. Although 2003-04 funding is cut by about \$6.9 million relative to the base appropriation level, we did not include that cut in the table because the program was fully funded and spending growth resumed in 2004-05.

The bad news for child care advocates was the very substantial reduction in spending for the various child care programs designed to improve child care quality and access. Those cuts total about \$20.9 million per year and they amount to 59 percent of base-level spending for the various "indirect" child care appropriations.

Another paper on our website describes the child care and early education cuts in greater detail. It can be found at:

<http://www.wccf.org/pdf/2003-05earlyedfunding.pdf>

Conclusion

Although the 2003-05 budget bill maintains a number of the most critical programs for children and families, it also makes

significant cuts in a long list of important programs. Examples include:

- a significant cut in the state share of funding for public schools;
- a wide variety of other cuts for local governments;
- a 28 percent reduction in W-2 ancillary services;
- the complete elimination of at least 11 different TANF appropriations;

- deep cuts in quality improvement initiatives for child care; and
- about \$250 million GPR cut from the University System.

Even deeper cuts are likely to be necessary in the 2005-07 biennium, and perhaps even in the current biennium, as long as legislators and the Governor are unwilling to consider options to shore up the state's tax base.

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