

The Budget's Real-Life Impact on Wisconsin Families

The 2011-13 biennial budget will have detrimental effects for low-income working families in Wisconsin. A combination of cuts to health care for low-income workers, subsidized child care, and tax credits could cost low-income families hundreds or even thousands of dollars.

In this analysis, we estimate the monetary effects for low-income families based on scenarios that are likely to take place. We focus on the quantifiable out-of-pocket effects, rather than the changes that may eliminate eligibility for public benefits.

One caveat: It's difficult to get a complete picture of how the budget will affect these families, in part because the budget doesn't always spell out how cuts will be made.

Budget Changes with Big Impacts for Low-Income Workers

Three changes in the budget have the potential to have significant monetary effects for low-income families.

The first change is a \$500 million cut from Medicaid, including the BadgerCare Plus (BC+) program, which provides subsidized health insurance for low-income workers and their children. Depending on their income and the number of children covered, some workers pay a premium for BC+ coverage.

There's no information in the budget on what approaches would be used to make this sizable cut. That's because the Legislature has transferred to the Department of Health Services (DHS) the responsibility and authority to make cost-cutting changes in BC+ (even if the changes conflict with state statutes).

However, DHS Secretary Dennis Smith has said that he may require BC+ recipients whose

incomes place them above the federal poverty line to pay five percent of their income towards the cost of premiums. We used this scenario to calculate the budget's potential effect on families. This change likely would be in addition to increased copayments and deductibles.

The second cut included in our analysis is \$15 million over the biennium to Wisconsin Shares, which provides child care assistance for low-income families.

Despite the fact that spending in the child care program has dropped dramatically in the last three years, the budget funds the program at \$15 million less than required at the current level of utilization.

As jobs are created and unemployed workers head back into the workforce, the need for child care is expected to rise, and the costs may further exceed the budgeted amount.

There's no information in the budget on how the Legislature would handle a shortfall in the WI Shares program. The budget gives the Department of Children and Families a great deal of latitude to make changes to WI Shares without legislative approval, similar to the powers given to DHS to make changes to BadgerCare Plus. For our purposes, we've assumed that families are subject to a 20 percent increase in co-payments.

The third cut included in our analysis is one to the Earned Income Tax Credit (EITC), a refundable income tax credit that is intended to offset the impact of the social security tax and increase the incentive to work.

The budget cuts the state EITC by \$56.2 million over the biennium. Only filers with children are eligible for the state EITC.

Real-Life Effects

Here are some examples of how these three cuts in the budget could affect some typical low-income Wisconsin families who work in the private sector:

Family #1 consists of a married couple with two children, both in child care. The father drives a delivery van and the mother works as a nursing assistant. Their combined income is \$32,500.

This family could expect to see their income go down by an estimated **\$2,255** over a year, amounting to a seven percent decrease in income.

Among the costs:

- A \$1,560 increase in premium costs for BadgerCare Plus;
- \$614 more in annual child care copayments; and
- An \$81 reduction in the state EITC.

Family #2 consists of a single parent working at the minimum wage, with two kids, one of whom is in child care. The family's income is \$15,500.

This family's income could be decreased by an estimated **\$234**, amounting to two percent of their income.

Among the costs:

- No increase in premium costs for BC+, since the family is below 100 percent of the federal poverty line;
- An \$83 increase in annual child care copayments; and
- A \$151 decrease in the state EITC.

Family #3 consists of a married couple with one child. One parent works as a medical assistant and the other is a stay-at-home parent, so we're assuming no child care costs. The family's income is \$26,500.

This family's income could be decreased by a net of **\$1,297** (five percent of their income), an amount equivalent to more than two months of grocery costs. Among the changes:

- \$1,297 in increased annual premiums for BC+; and
- No change in their state EITC.

Family #4 is a childless adult who works in a retail store and earns \$16,000 per year (147% of the poverty level). A requirement to pay 5 percent of her income for her health coverage in the BadgerCare Plus Core Plan would cost her about **\$700** per year (above the current \$60/year fee). She could lose that coverage altogether with a reduction in the income ceiling for adult coverage in BadgerCare to 133% of the poverty level.

That's Not All the Costs

Some of the cuts in the budget are easier to tally than others. By making assumptions about likely scenarios, we were able to estimate monetary effects that cuts to three programs would have for low-income families.

Other changes in these three programs could be even more problematic for low-income workers than the changes we have analyzed here. For example, DHS is considering restricting BadgerCare eligibility for people who have an offer of employer coverage, even if they cannot afford that insurance. That change and others allowed by the budget repair bill could cause a large increase in uninsured families.

There are a number of additional programs slated for cuts that will also increase the costs born by low-income families. For example, budget includes a \$20 cut to the monthly W-2 benefit, which hasn't been increased since the program was created in 1996.

Other budget changes are harder to quantify for individual families. For example, cuts to local transit aid (\$10 million over the biennium) will likely result in increased bus fares or reduced services, and could make it more expensive for low-income workers to get to their jobs.

This budget will saddle low-income working families with higher costs and lower incomes. Many of these families are still reeling from the effects of the recession, and we should be concerned about the potential of reducing support for these families at a time when it is most needed.

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