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FEDERAL POLICIES WORSEN WISCONSIN'S STATE AND LOCAL BUDGETS AND HURT WISCONSIN FAMILIES

Federal policies have cost Wisconsin a net \$2.4 billion since 2002, according to a report issued today by the Wisconsin Council on Children and Families and the Center on Budget and Policy Priorities, a Washington D.C.-based research and policy institute. Included in those policies are:

- Unfunded Mandates – Unfunded federal mandates have cost Wisconsin \$1.2 billion between fiscal years 2002 and 2005, most significantly in the areas of education and election reform.
- Medicare/Medicaid Dual Eligibles – The increased use of prescription drugs shifts costs of health care for low-income elderly from the federal Medicare program to state Medicaid programs, and has cost Wisconsin \$564 million during this time.
- Remote Sales – States cannot collect sales taxes on goods and services purchased over the Internet from a firm outside the state due to federal restrictions, costing Wisconsin \$975 million from 2002 to 2005.

A small portion of the \$2.74 billion in federal policy costs was offset by the temporary federal fiscal relief grants Congress enacted in 2003. Wisconsin's share of this aid was \$352 million, leaving a net cost of federal policies to Wisconsin of \$2.4 billion since 2002.

The report notes that the cost of these federal policies will continue in years beyond 2005, and will hamper efforts to recover from the fiscal crisis.

“There is a connection between federal policy and our state and local budgets that is often ignored,” noted Jon Peacock, Director of the Council's Wisconsin Budget Project. “And recently, federal policy has been particularly harsh, not only to Wisconsin, but to state and local governments across the country.”

Wisconsin Families Forced to Pay More for Less

As a result of costly federal policies and the state's fiscal crisis, Wisconsin officials have been forced to make painful budget choices that have had an effect on Wisconsin's families. For example:

- Tuition is sharply higher for the families of about 130,000 resident students attending the University of Wisconsin – \$1,400 more per year at the Madison and Milwaukee campuses and \$1,000 more per year at the other university campuses.
- Total state fee changes enacted from fiscal years 2002 through 2005 are costing Wisconsin residents an additional \$252 million this year and \$533 million over the four-year period.

- Premiums in the BadgerCare program, which provides health insurance to low- and moderate-income families, were boosted by 60 percent – from 3 percent of income to 5 percent – increasing costs by \$480 to \$720 per year for a family of four.
- The state repealed its commitment to pay two-thirds of school costs and has reduced state aid to schools by about \$375 million in 2004-05, relative to the amount required under prior law.
- State aid to counties and municipal governments under Shared Revenue and related programs, which had been effectively frozen since 1995, was cut by \$40 million in 2004.
- School districts, caught between declining state revenue and unfunded federal mandates, have been raising fees, reducing instructional staff, and cutting summer and extracurricular programming.

The report notes that federal policies will force even tougher choices on Wisconsin in the next few years. “Wisconsin’s budget writers used many short-term tools to balance the last two budgets,” said John Keckhaver, policy analyst at the Wisconsin Council on Children and Families, and co-author of the report. “Because the negative impact of federal policies is growing, and because many of the state’s tough choices were simply delayed, state and local governments in Wisconsin will have to make even deeper cuts or increase revenue in the upcoming budget cycle.”

Federal Tax Cuts Fail to Offset Negative Impacts of Cuts for Many Wisconsinites

Tax cuts aimed largely at higher income individuals and corporations have been the focus of recent federal budget policy as noted in the report. As a result, many lower and middle-income Wisconsinites have likely lost more from the fee increases and service cuts they’ve experienced than they have gained from the federal tax cuts. For example:

- The average federal tax cut in 2004 for taxpayers in the middle fifth of the income spectrum (\$971) is nearly one-third less than the increase in annual tuition costs over the last two years for students at UW-Madison and UW-Milwaukee.
- Similarly, the average federal tax cut for the poorest 60 percent of households (\$529) is less than the premium increases for some of the families participating in BadgerCare.

“The bottom line is that these federal policies are actually making it harder for local and state leaders to get their budgets balanced, and Wisconsinites end up paying the price,” added Keckhaver. “If we’re going to get our fiscal house in order, we’ve got to understand the connection between these federal policies and state and local budgeting.”

The full report can be found at: <http://www.wccf.org/pdf/connecting.pdf>.

The executive summary can be found <http://www.wccf.org/pdf/connectingsummary.pdf>.

The Wisconsin Council on Children and Families is a statewide nonpartisan, nonprofit organization that analyzes and informs the public about issues affecting children and families in Wisconsin.

The Center on Budget and Policy Priorities is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs.