For immediate release, July 26, 2011

COWS
center on wisconsin strategy

Wisconsin 2011: New Policies Put the Badger State on the Low Road

While signing a budget that cuts nearly $800 million from public schools and $1.4 billion in total from public worker wages, Governor Walker said again that the budget was about “grow[ing] our economy and creat[ing] new jobs.” And the massive cuts to education and supports for the working class were about making “tough choices” to achieve a balanced budget. But a closer examination of the budget reveals that it does neither of these things. Rather, the effect of the budget is to degrade job quality for both public- and private-sector workers in the state—shrinking working-family incomes and thereby the state economy—and to undermine public infrastructure like schools and health care that have long been the foundation for our economic growth. The losers in the budget are clear: children, seniors, students, teachers, nurses, and working families. The winners? Corporate interests and favored industries.

From the moment he kicked off his campaign for Governor with a promise to “create” 250,000 jobs in his first term, jobs have been the central theme of Scott Walker’s gubernatorial regime. But as COWS pointed out in an earlier paper, employment is largely driven by two factors—the level of total domestic demand and the exchange rate of the dollar—that a Governor has no control over. So Governor Walker’s drumbeat on job creation is largely an empty promise.

Ironically and regrettably, a number of provisions of the new budget will likely have the effect of reducing employment in the state through forced inefficiencies—e.g., requirements that force local governments to contract with private companies rather than employ public workers even when it is more costly to do so—and by stunting the prospects for growth in emerging sectors such as wind and energy efficiency. Multiple provisions of the budget reinforce the Walker administration’s moves towards strictly regulating the wind industry, which have already created an inhospitable and unstable climate for green industries and likely cost Wisconsin jobs. Similarly, local contractors have already said that they will begin shedding jobs in response to the budget’s cuts to the Focus on Energy program. And cuts to the Green to Gold Fund and the Renewable Energy Grants program are likely to severely stifle long-term growth in the state’s expanding renewable energy and energy efficiency sectors. Another provision that is relatively minor in impact but symbolically significant is the restrictions placed on small and craft brewers, which will cost jobs at those breweries and stifle growth in a small but quickly growing industry.

And let us not forget that Governor Walker—for all his “open for business” rhetoric—began his term by sending back over $800 million dollars worth of economic development in the form of high-speed rail. State estimates were that building the rail line would have supported close to 5000 construction jobs, in addition to a number of permanent jobs maintaining the system and at the Talgo plant, which relocated after the money was rejected.

About COWS

COWS (Center on Wisconsin Strategy) is a nonprofit nonpartisan think-and-do tank, based at the University of Wisconsin-Madison, dedicated to improving living standards in Wisconsin and beyond. COWS promotes “high road” development strategies. These treat equity, sustainability, and democracy as desirable and achievable complements, even in competitive markets.

Rather than being necessary to balance the budget, as the Governor has repeatedly claimed, a large portion of the massive cut to worker incomes, education, health care, and local government goes to rewarding the wealthy and corporations with large and unsustainable tax breaks. The budget increases highway spending by almost $350 million while eliminating oversight and transparency, forces localities to hire private companies to do transportation work, and gives corporations and the wealthy tax break after tax break. These include virtual elimination of corporate taxes on certain companies (primarily manufacturers) to the tune of $350 million over the next five years, reinstating the “Las Vegas loophole” that allows corporations to more easily write-off past losses, and creation of several new loopholes in the state capital gains tax that will benefit almost exclusively the wealthy. In a separate piece of legislation, the Walker administration massively deregulated the telecommunications industry, decreasing oversight and price controls in a move that many predict will result in greatly increased prices for basic phone services in the state, particularly given the consolidated state of the telecom industry in Wisconsin. Earlier in his term, the Governor rejected millions in federal broadband money for expanding high-speed Internet service in schools, libraries and government agencies because of a conflict with the state’s current contract with AT&T.

Taken together, the budget and other recent legislative moves put Wisconsin on the “low road” for economic development and job quality. The low road (and mistaken) view of the economy is that enterprising managers and owners of firms, competing in free, self-regulating, and now fully internationalized markets are the source of all wealth. Government contributes nothing except drag. It follows that the task of those with political power is to deny the government resources and authority, dissolve as much of it as possible into private markets, and get rid of anyone who might object. The latter include democratic government, unions, community organizations, and citizens with lawyers — anybody with any power who lacks enthusiasm for total business domination of our public life.

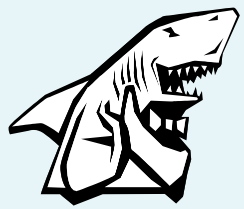
This is a preposterous view of how economies actually work. A more reasonable “high road” one recognizes that free and self-regulating markets don’t exist in the real world, that place matters economically, that elementary fairness and environmental sustainability are partially definitive of human development, that most social wealth is inherited, and that government and other non-firm institutions, especially recognizably democratic ones, have a large role in preserving and building society. Along with advancing justice, these institutions produce the public goods and regulatory guardrails that enable markets to work at all and for all, and help generate the social cooperation and shared learning that raises living standards. This is the “high road” that COWS and many others have long promoted.

The attached table summarizes some of the major changes included in the budget affecting jobs, job quality, and economic development, along with a few other Walker initiatives.

The following table is not intended as a compendium of all provisions of the recent state budget. Rather, it recaps the major changes made in the budget (and a few other recent bills) affecting jobs, job quality, and economic development. Readers interested in recent changes affecting working families and children, the environment, counties, and municipalities should look at the budget analyses done by the Wisconsin Budget Project, the League of Conservation Voters, the Institute for Wisconsin's Future, the Wisconsin Counties Association, and the League of Wisconsin Municipalities.


Job Quality Destroyer


Green Economy Killer


Corporate Giveaway


Safety Net Ripper

Economic Development Blocker


Governor's Power Grab

Passed or Executed


Proposed or Pending


It Could Have Been Worse[1]

[1] Our three-legged pig icon refers to the old joke about a farmer who, his life and farm saved by a pig, resolved not to eat such a valuable animal all at once.

Wisconsin 2011: New Policies Put the Badger State on the Low Road

Cuts to Jobs and Job Quality

Cut Public Workers' Wages	Description	Impact
Eliminate Bargaining Rights for Public Workers    	Act 10 (formerly known as the budget repair bill) strips public employees of collective bargaining rights. Negotiated wage increases cannot exceed a cap based on inflation unless approved by referendum. Contracts are limited to one year and wages are frozen until the new contract is settled. Unions must take annual votes to maintain certification. Employers may not collect union dues and union members are not required to pay dues. These changes take effect upon the expiration of existing contracts. Some law enforcement, fire fighters, and transit workers (see below) are exempt from these changes.	This policy largely eliminates the relevance of negotiations for the 380,000 public employees of the state, counties, municipalities, and schools in Wisconsin. In addition, the restrictions on dues and recertification requirement will require enormous effort and resources in a time when union resources are falling. Some unions will not be able to continue under these conditions.
Massive Wage Cut for Public Workers  	Act 10 also cuts public workers' wages by increasing their retirement and health care contributions through multiple mechanisms. First, it increases public workers' pension contributions to 50% and increases health insurance contributions to at least 12.6% of the average cost of annual health insurance premiums. Second, it prohibits local employers participating in the Public Employers Group Health insurance plan from paying over 88% of the lowest cost health insurance plan and requires that members of the Milwaukee County and City Employees Retirement Systems pay 100% of the employee-required contribution. Third, it prohibits local governments from establishing a defined benefit pension plan or paying any of public employees' "share" of the required contributions.	The Act effectively delivers a wage cut of 8% to the average worker, thereby taking hundreds of millions of dollars out of the local economy during a recession. A recent study suggests that these wage cuts will cost the state of Wisconsin about 22,000 additional jobs, because families that rely on the income from their public-sector jobs will have less to spend in their local communities.

Decrease Retirement Coverage for Public Workers   	The Governor used his veto to require that public employees work for five years before being eligible for annuities from the state retirement system. The budget also eliminates retirement coverage for part-time employees hired after July 1 of this year, which is defined as anything below 2/3 full time.	The administration said no estimate had been done on whether the five-year requirement will save the retirement system money or decrease payouts to shorter-term state employees, but the change will obviously deprive some short-term public workers of retirement benefits. As for the part-time restriction, newly-hired state employees working fewer than 1,200 hours a year or 880 hours a year for people working in schools will not get coverage.
Raise Taxes on Working Families	Description	Impact
Make Work Pay Less by Cutting the EITC   	The budget cuts the state Earned Income Tax Credit by $56.2 million in the biennium. The Governor had originally proposed cutting $74 million, but his cut was scaled back by the legislature. This cut comes on top of the $37 million already cut in FY 11 by Act 10.	For low-income working families with 3 or more kids, this means decreasing the credit from 43% of income to 34%. Families with 3 or more children will see their taxes increase by up to $518 a year. The credit also decreases for low-income working families with 2 kids, from 14% to 11%. Those families will lose up to $154 a year.
Reduce Homestead Tax Credit  	The budget repeals the 2009 inflation indexing of the Homestead Tax Credit for low-income residents, reducing the property tax credits by $143.6 million over the biennium.	Yet another tax increase on low-income and working families. The cuts will average about $12 per recipient in tax year 2011 and $42 in tax year 2012. Those amounts will grow in future years.

Weaken Workers	Description	Impact
Reduce Work-Based Benefits   	The budget imposes a one-week waiting period before workers may collect Unemployment Insurance (UI).	This change forces newly unemployed workers to wait a week to receive their first UI check, which delays help just when workers' lives are being overturned. The average loss is about $300 per worker. As with many of the budget's cuts, this change not only hurts (once-) working families but pulls money out of the local economy, since people with few resources tend to spend their cash immediately.
Fail to Renew Federal UI Money 	For months, the state has failed to act to renew an estimated $89 million in federally-funded (i.e., free to the state) jobless benefits. A simple change—changing the period over which unemployment is calculated from 1 to 3 years—would provide 13 more weeks of benefits to workers without any cost to the state's unemployment insurance trust fund.	As many as 40,000 out-of-work Wisconsin residents are still missing out on federal UI money because the state has declined to secure it. Nonetheless, and despite the recommendation of the state panel overseeing UI, the change is still in legislative limbo.
Link Unemployment Insurance to Drug-Testing  	The budget also denies eligibility for a year to people who fail or refuse to take a drug test required by an employer or prospective employer as a condition of employment.	The change will reduce UI payments by $367,000 a year and will result in the total loss of UI benefits for some.

Roll Back Child Labor Laws 	The budget repeals the state law that prevents 16- and 17-year-olds from working more than six hours a day. Sixteen- and 17-year-olds may now work an unlimited number of hours per day, except during school hours.	This change, while also largely symbolic, will obviously detract from the education of (mostly poor) 16- and 17-year-olds by encouraging them to do paid work rather than homework. Moreover, it will allow employers to hire kids at minimum wage and with no benefits rather than hiring currently unemployed adults.
Weaken Prevailing Wage Law 	The budget changes the state's prevailing wage law in a variety of ways, including increasing the threshold at which prevailing wage applies, exempting most residential development, exempting publicly-funded private construction projects, prohibiting local governments from enacting their own prevailing wage laws, and repealing reporting and inspection requirements for contractors.	All of these changes have the effect of massively undermining the state's prevailing wage law. This policy harms all workers contracted by the government, union and non-union, because by allowing municipalities to hire non-unionized contractors at a lower wage rate, it effectively lowers wages across the board.
Reduce Funding for Wisconsin Shares 	The budget cuts $15 million over the biennium to Wisconsin Shares, which provides childcare assistance for low-income families, by changing eligibility requirements, increasing copays and giving the Department of Children and Families the ability to implement waiting lists.	This cut will make it more difficult for low-income parents to re-enter or advance in the labor market, precisely the opposite effect the Governor claims to be aiming for. Additionally, it erodes the quality of care by reimbursing providers who participate in the program at less than 63% of the market rate.
Reduce Payments for W-2 Recipients 	The Wisconsin Works (W-2) program serves parents whose family income is below 115% of the Federal Poverty Level. W-2 participants meet with Financial and Employment Planners (FEPs), who help them develop an employability plan. The budget reduces payments for W-2 recipients by $20 per month "to further encourage W-2 recipients that the goal of W-2 is for participants to secure unsubsidized employment." The budget also does away with the oral notice requirements which had informed W-2 recipients of termination of their payment or the reduction of the amount.	This further reduces W-2 payments, which were already frozen at 1997 levels and have lost almost 28% of their purchasing power since then. Free of oral notice requirements, W-2 agencies may reduce payments by 20% or terminate a participant's payment without oral notice, explaining the basis of the action, or providing the participant with time to rectify the failure or behavior that caused the reduction or termination.

Prohibit Sick Days	The budget prohibits local communities from passing any ordinance that will improve on the benefits of the state Family & Medical Leave Act, including requiring employers in their local jurisdiction to provide paid sick days.	This change means that employees now run the risk of being fired if they fall sick or take time to care for a loved one. This was just one of many budgetary changes imposing rigid restrictions on the way local governments do business, contrary to the Walker administration's claims to be providing "flexibility" and "tools" to allow local governments to cope with the recession. The city of Milwaukee overwhelmingly passed such an ordinance which is now repealed by state law. (Wisconsin Act 16).

Disable Local Governments	Description	Impact
Cuts in Municipal Aid	In his budget, the Governor cut $96 million in state aid for the Shared Revenue Program, which provided funding for services and property tax relief in Wisconsin communities. Joint Finance marginally reduced the cut to $76.8 million.	This cut affects funding for all local services, from parks to police, libraries to snow removal. The Governor has blamed public employees for the budget deficit but many local government officials indicate that even while denying public employees the right to bargain via Act 10, communities will still have to absorb a significant loss of funds, which will unquestionably result in significant layoffs of municipal workers. Again, the Walker budget devolves costs onto local governments and simultaneously reduces the tools available to them to cope with the continuing effects of the recession.

Severe Property Tax Caps	The Governor vetoed the scheduled increase in the minimum valuation factor for local property taxes (1.5% for levies set in 2013 and all subsequent years).	Levy limits prevent local governments from partially compensating for the draconian cuts in state aid, guaranteeing that local communities will have to make cuts to public services like libraries and police and will have to lay off municipal workers.
Undermine Local Transit	The budget eliminates all Regional Transit Authorities (RTAs) in Wisconsin and reduces transportation aid to local governments. RTAs were designed to facilitate collaboration on finding solutions to strengthen fragile transit systems, keeping people connected to jobs, schools, and businesses they rely on. These cuts come on top of the $10 million in cuts to general transportation and reduction in state aid for mass transit services by $9.6 million.	Collectively, these cuts to general transportation and mass transit aid further reduce local governments' ability to repair and maintain the roads people use every day. The policy will force local governments to delay high priority projects and scale back improvements and maintenance of local roads, cutting construction jobs. The RTA repeal affects RTAs in four counties, and blocks the KRM Commuter Rail, a prominent RTA project that would have connected 34 cities in the Milwaukee-Chicago economic corridor. The repeal also does away with the job connections, tourism, economic development, and government revenues that the KRM line and similar projects would have spurred.
Cut Funding for Recycling	The budget cuts the mandate and funding to local recycling programs. The Governor originally proposed to eliminate all state aid to local programs, but legislators restored $19 million a year.	This means a 40% cut for local recycling programs. It will impose added costs on localities and negatively impact both private and public sector recycling jobs and harm businesses that now rely on recycled products for production.

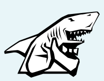
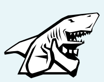
Cuts to Higher Education	Description	Impact
Make UW Unaffordable for Thousands 	The budget cuts funding for the UW System by $250 million over the biennium. The budget also freezes state funding for student financial aid and eliminates the statutory link that provided for more financial aid funding whenever tuition were increased, ends the Wisconsin Covenant program which guaranteed a spot in a Wisconsin college or university for eighth-grade students who maintain good grades, and ends in-state tuition for children of undocumented workers.	The cut to the UW System will force layoffs to faculty and staff, affect the quality of education for thousands of students (42,099 students were enrolled in 2009), and force a 5.5% tuition increase. This increase will be particularly painful to the children of middle- and lower-class families because of the accompanying freeze in financial aid and the end of the Wisconsin Covenant program. In short, the Walker budget moves higher education further out of reach for the average Wisconsin family.
Cut Tech College System 	The budget cuts $71.6 million in aid (30%) over the biennium to Wisconsin's sixteen technical colleges. It also places a 2-year freeze on the technical college operating levy.	This deep cut of 30% in aid to the technical college system is the largest ever to a system that provides education and training in the skills essential to Wisconsin's workers and employers to 460,000 students. The cuts will undoubtedly result in tuition increases across the system (increases in excess of 5% are being projected by most schools).
Undermine the State's Energy Future	Description	Impact
Send the Wind Industry Packing 	The Governor has proposed mandating a minimum distance of 1,800 feet between a wind turbine and the nearest property lines. The measure has yet to be formally introduced but has support in the legislature and has already chilled wind industry development in the state.	Some estimate these restrictions—which would be the strictest in the country—will shoot down proposed projects representing $1.8 billion. Losing the wind industry will also result in annual revenue loss. Each year, operating wind projects provide property tax payments by project owners of $870,000 and land lease payments to property owners of $1.35 million.

Water Down Renewable Energy Requirements	Assembly Bill 146 (yet to be voted upon) would eliminate the four-year expiration date for renewable energy credits (RECs), that electricity providers can trade to meet state energy requirements within a given year. The measure would mean the RECs would never expire.	Without some type of limiting mechanism, utilities could bank enough credits such that they would not need to create or purchase any renewable energy in future years. This is one of a number of Walker initiatives that would cripple the growth of the local renewable energy industry.
Outsource Green Jobs to Canada	The Governor signed a bill on July 5 (AB-114), allowing large dams such as those planned for Manitoba, Canada to count toward the state's renewable energy mandate. The mandate (2005 Act 141) requires that 10% of the electricity sold in the state starting in 2015 come from renewable sources such as wind turbines, landfill gas and dairy farm digesters, as well as solar power.	The bill allows utilities—namely Wisconsin Public Service Corp., which lobbied for the bill and has a long-term power purchase agreement with Manitoba Hydro—to purchase out-of-state power to meet renewable energy quotas. Though the governor's office tweeted that the bill would "expand renewable energy options while keeping costs down 4 job creators," the only jobs created directly are in Canada. Manitoba Hydro could easily become Wisconsin's largest supplier of renewable energy in the next decade. Once again, the state renewable energy sector will suffer.
Fold the Office of Energy Independence	The budget folds the Office of Energy Independence (OEI), which had helped Wisconsin become a national leader in sustainability, into the Department of Administration.	This move greatly diminishes the influence of OEI, which had worked toward Wisconsin's goal of generating 25% of its electric power and transportation fuels from renewable resources by 2025. Deep-sixing OEI will greatly inhibit efforts to reduce state reliance on fossil fuels and will undercut development of the state's renewable energy sector, which promised to be a significant jobs-driver.

Kill Investment in Sustainable Manufacturing Part 1: Eliminate Green to Gold Fund 	The budget eliminates the Green to Gold Fund, a revolving loan program for manufacturers that had allowed Wisconsin industries to retrofit their plants for better energy efficiency, retool their existing facilities to manufacture products that support the green economy, and expand or establish domestic clean energy manufacturing operation.	Green to Gold had loaned $100 million to manufacturers for retooling and expansion of production related to clean energy, along with requiring specific wage standards for the jobs created. Eliminating the fund hurts both the state's manufacturing industry and the state's renewable energy industry, losing the opportunity to create decent jobs.
Kill Investment in Sustainable Manufacturing Part 2: Discontinue PSI 	The Governor has discontinued funding to the Wisconsin Profitable Sustainability Initiative (PSI), an innovative pilot program that had promoted sustainable manufacturing in Wisconsin through 87 high-payback projects targeting energy, logistics, product and process innovation, and environmental improvements.	PSI was projected to generate a five-year $54 million economic impact and significant environmental benefits. Most of the 45 manufacturers that participated in PSI recovered their investments in six months.
Kill Investment in Sustainable Manufacturing Part 3: Drop Green R&D 	The budget eliminates the Renewable Energy Grants and Loans research and development program and directs its $29.7 million to the Wisconsin Economic Development Corporation.	The Renewable Energy Grants and Loans program awarded state companies with funds to develop the next generation of technologies that can be used to grow green energy businesses and put Wisconsinites to work.
Kill Investment in Energy Efficiency: Cut Focus on Energy 	The budget cuts Focus on Energy, the nationally-recognized program that had worked with eligible Wisconsin residents and businesses to install cost effective energy efficiency and renewable energy projects.	Focus on Energy had supplied information, resources, and financial incentives to implement energy efficiency projects, promote in-state economic development, protect our environment, and control the state's growing demand for electricity and natural gas. Local contractors have already said that this change will force them to reduce hiring in coming years.

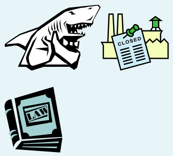
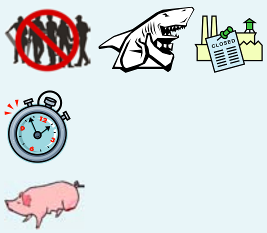
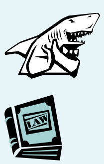
Limit Energy Efficient Construction  	The budget also includes onerous new restrictions on any rule that would increase the cost of constructing or remodeling a one- or two-family dwelling by more than $1,000.	This change greatly curtails the ability of the state to require that new single-family homes be constructed in an energy efficient way. This, along with the nomination of industry-backed nominees to the state Public Service Commission, is likely to greatly slow the retrofitting of the state's built environment and the development of an energy efficiency industry in the state.

Corporate Giveaways

Lower Taxes on Corporations and the Wealthy	Description	Impact
All But Eliminate Taxes on Manufacturers  	The budget creates a 7.5% income tax credit for business income generated by qualified production activities in Wisconsin. The tax break reduces state revenue by an astonishing total of $359.7 million from FY 12 to FY 17. Growing every fiscal year, the tax breaks start at $10 million in FY 12-13 and growing to $129 million in FY 16-17.	This represents a huge bite out of state finances and makes little sense at a time when revenues are already low because of the recession and the state budget is already pinched. According to Ernst & Young, even without these new corporate tax breaks, Wisconsin already has the 4th lowest taxes in the country for business expansion.
Reinstate the "Las Vegas Loophole"  	The budget partially reopens the "Las Vegas loophole," a corporate tax loophole related to reporting income by giving multi-state firms greater ability to use pre-2009 losses to offset profits for twenty years. The budget also prohibits the state Department of Revenue from challenging certain business tax avoidance strategies.	The loophole is estimated to cost the state $46.4 million over the next two years. Restricting the Department of Revenue will only make it easier for corporations to avoid paying their fair share of taxes.

Special Tax Break for Junk Mailers	Starting in 2013, another tax break goes to junk mail operators, the owners of an industry that wastes paper and fills up our mailboxes with advertisements.	Because of this tax break, the state loses $500,000 a year in corporate tax revenue.
Create Capital Gains Loophole	The budget creates an exclusion from Wisconsin income taxation for capital gains reinvested in Wisconsin-based businesses within 180 days of the realization of those capital gains.	Exclusion for capital gains reinvestment will cost the state about $36.3 million in tax revenue. Reducing the capital gains tax overwhelmingly favors the state's wealthiest residents. When the Legislature made changes to capital gains in the 2009-11 budget, the Legislative Fiscal Bureau found that the top two percent of Wisconsin tax filers—those with incomes of $200,000 or more—received 51 percent of the benefit from the capital gains exclusion. The bottom 67 percent—those with adjusted gross income under $50,000—got only 15 percent of the benefit.
Another Capital Gains Loophole	The budget grants exclusion equal to 100% of the capital gains realized on investments in Wisconsin-based businesses held for at least five years, starting with purchases made in 2011.	This change will not begin to have a fiscal effect until FY 17, but the cost will gradually climb to an estimated $79 million per year, the lion's share of which will go to the state's wealthiest residents.

Subsidies for Favored Industries	Description	Impact
Throw Money at Highway Contractors	The budget increases spending on highways by $335 million (13%) at a time when people are driving less and aid to local roads (for the street in front of your house) is being slashed.	To fund major deals that reward highway contractors and no public workers, the Governor has siphoned sales tax and other revenues into the highway budget. Sources include the petroleum cleanup fund, the Vehicle Environmental Impact Fee, and $125 million from the General Fund (which supports schools, human services, health care programs and more).
Reduce Legislative Oversight of Highway Projects	The budget changes the definition of a major highway project from projects that cost more than $5 million to expansion projects that cost more than $30 million and all other projects costing more than $70 million. Also, the Governor issued an executive order that suspended rules requiring contractors on state construction projects to employ workers under the state's apprenticeship program.	The spending change gives the administration significantly more ability to build highways without legislative approval, thereby enabling the Governor to more easily send money that could have been spent on education or jobs, to road-builders. The rules that the Governor suspended had been in existence since 1971, and their removal will negatively impact the ability to gain access to apprenticeships, especially for minorities and women
Deregulate the Telecom Industry	Act 22 (SB-13) signed in late May, massively deregulates the state's telecom industry. Among other things, it does the following: eliminates price regulation for AT&T Wisconsin and Frontier North (formerly Verizon); revises consumer complaint processes; deregulates intrastate access charges; eliminates alternative regulation plans; explicitly exempts voice over Internet protocol (VoIP) service from regulation; and eliminates many Public Service Commission (PSC) oversight activities.	AT&T had promoted the Act for several years, arguing it would bring Wisconsin law up-to-date in the modern internet era. Concerns have been raised that the Act's removal of price regulation and massive reduction in oversight will strip vulnerable families of basic phone service at affordable prices and runs the risk that households that rely on basic phone service may see skyrocketing costs, poor service quality, and even loss of phone service entirely.

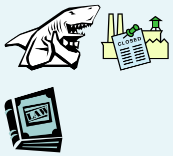
Reject Federal Stimulus Money for Broadband 	The Governor sent back $23 million of federal money intended to expand high-speed Internet service in schools, libraries, and government agencies in February.	The money would have boosted broadband connections in 380 Wisconsin communities, including 385 libraries and 82 schools. It also could have been used to improve police, fire department, and hospital communications in rural areas. In a state in which schools have increasingly turned to the Internet for classes, online tests and administrative tasks, turning away the opportunity of faster Internet will have far-reaching effects. The federal money would have installed a fiber-optic cable in public institutions that would have enabled faster Internet for many years.
End WiscNet 	In the original budget, the Governor proposed to eliminate University of Wisconsin System funding to WiscNet immediately, but public outrage—and the certain forfeit of federal grants—pushed them to delay the cut. WiscNet is a UW-supported cooperative that brings high-speed Internet to most schools and libraries across the state.	Cutting WiscNet will likely cost UW millions of dollars of grant money. It will also eliminate competition with private-sector companies, principally AT&T, resulting in higher—possibly dramatically higher—charges to local schools and libraries. The legislature had retained the possibility of extending this deadline, but the Governor used his line-item veto to make the termination of the program in 2013 definite.
Expand Use of No-Bid Contracts 	The Governor used his veto powers to expand an exemption in no-bid contracts for the state, increasing it from $25,000 to $50,000 and applying it to all state agencies.	No-bid contracts are supposedly used when only one company can provide the state with services needed but are often a means of corruption, used to reward friends and exclude competitors. Lawmakers had intended to limit the exemption to the University of Wisconsin System, but the Governor's veto allows all state agencies to spend a substantial amount of money without seeking bids.

Force Local Governments to Use Private Contractors	The budget bars local governments from collaborating on certain highway projects. In the Governor's original budget, localities would have been forced to contract with private companies to perform almost all roadwork rather than using county highway crews, even if the private contractor were more expensive. This language was watered down during the legislative budget process so that only certain kinds of collaboration are prohibited.	Despite the changes made by the legislature, this policy will still force localities to contract with private companies to perform certain work even where that is more expensive. Thus, it will reduce the opportunity for public work in communities throughout the state and increase the cost of some local transportation projects.
Reduce Trucking Company Liability	The Governor signed a bill July 5 that approved a measure that prohibits lawsuits against trucking companies for negligence or misconduct on the part of suppliers.	This change will reduce the remedies available to victims and reduce truckers' incentive to police safety. This is essentially a straight giveaway to the trucking industry.

Other Bad Policy	Description	Impact
Impose Restrictions on Craft Brewers	A change inserted into the budget places a variety of restrictions on craft brewers, primarily concerning their ability to distribute their own beer.	This policy will hurt small breweries, a small but quickly growing segment of Wisconsin's economy. The changes were in part intended to prevent large, out-of-state breweries such as Anheuser-Busch from obtaining a foothold in the state by buying local distributors, but have the added effect of restricting the growth of small brewers. Along with restricting more than 60 craft brewers across Wisconsin, it will create uncertainty among contract brewers.

Reject High Speed Rail Money	The Governor gave up the $810 million awarded to Wisconsin by the federal Department of Transportation in December 2010 for a high-speed rail system that would have connected Madison to Milwaukee, and eventually Minneapolis. The line was expected to have resulted in $23 billion of economic activity in the Midwest.	State projections are that directly rail-related employment would have reached 4,732 jobs in 2012, including those in supply companies and in government, as well as construction. In addition, the line would have indirectly sustained an estimated 9,570 new permanent jobs that would have been created by the rail line's economic impact. Most notably, Talgo, a rail car company had a factory in Milwaukee closed down after the Governor turned away the rail money, taking 125 well-paying jobs with it. Moreover, the state is still on the hook for costs incurred under the assumption that high-speed rail would be built: the state has already had to borrow more than $20 million that would have come out of federal money, and will now have to pay for rail upgrades that would have been covered as well.
Jeopardize Federal Transit Aid	The Governor nearly lost the state millions in federal aid by stripping bargaining rights from public transit workers—under federal law, federal transit aid is contingent on the maintenance of collective bargaining rights. The funding was restored via a last-minute legislative change, which established a new category of "transit employees" for whom collective bargaining was maintained. The category was defined entirely in terms of federal funding: "a transit employee remaining under current law collective bargaining provisions would be determined by the Wisconsin Employment Relations Commission (WERC). The Commission would be required to determine that any municipal employee is a transit employee if WERC determines that the municipal employer who employs the municipal employee would lose federal transit funding available under 49 USC 5333 (b), if the municipal employee is not a transit employee." (see Assembly Amendment 1 to AA1)	The Wisconsin Legislative Fiscal Bureau estimated that $46 million of the $74 million received this year in federal aid for transit would have been forfeited by the Governor absent the Legislature's last-minute intervention. The resulting fix creates yet another irrational distinction between identically-situated public workers, a select few of whom will get to maintain collective bargaining rights, while they are stripped from the vast majority of the 380,000 public workers.

Undermine Family Farms	The budget eliminates funding for a vital provision of the Working Lands Initiative, the Purchase of Agricultural Conservation Easements (PACE) program for 2011-2012, which provided $12 million in general bonding authority to allow the Department of Agriculture, Trade, and Consumer Protection to enter into voluntary easements with owners of agricultural land to preserve the land for future agricultural production. The budget also repeals the conversion fee paid by persons requesting to develop farmland zoned for protection from development.	With the PACE program, Wisconsin converted an average of 22,000 acres of farmland per year to development, the fourth most of all states 2002-2007. These changes will hasten that conversion, amounting to a giveaway to big commercial developers, and resulting in the long-term loss of agricultural jobs in the state (not to mention giving up a source of revenue since the fee brought in $2.225 million).
Leave Brownfields Fallow	The budget eliminates funding for the Brownfields Site Assessment and Green Space grants by renaming the $9 Vehicle Environmental Impact Fee that was deposited into the environmental management account the "Vehicle Title Fee" and transferring the revenue to the transportation fund. The fee amounts to $21 million over the biennium.	The Department of Natural Resources provides the Brownfield Site Assessment and Green Space grants to help local governments conduct initial activities and investigations at properties with known or suspected environmental contamination. By eliminating its funding, the budget blocks this key initial step in redeveloping those parcels for productive use.
Decrease Access to FoodShare and Medicaid	The Governor's original budget proposed privatization of the operations of the food assistance, or FoodShare program (run by DHS), and Medicaid programs in Wisconsin. This would have meant closing down county-level centers, eliminating the ability of applicants to apply in-person, and hiring an unknown number of private workers who are usually non-unionized and work for lower wages. The plan was scuttled in the JFC after pushback from local officials and after a state audit found that earlier privatization efforts begun under former Governor Jim Doyle had violated federal rules. The audit resulted in a letter from the U.S. Department of Agriculture saying that Wisconsin must return to its January 2010 private employee staffing levels or run the risk of losing roughly $42 million in federal funding annually to administer the FoodShare program.	The provision would have resulted in an estimated 270 county workers losing their jobs. Similar efforts haven't worked in other states and taking public workers completely out of the equation violates federal law. Only two other states had tried what the Governor is proposing according to the U.S. Department of Agriculture, with disastrous results. Despite averting privatization, two smaller but still pernicious changes were made to the FoodShare program. The budget requires DHS to study implementing a photo ID requirement for Medicaid and FoodShare and report their findings by December 31 of this year. It also bars legal immigrants from accessing the program.

Privatize Credit Unions 	A little-noticed non-fiscal provision in the budget makes it easier to convert member-owned credit unions to shareholder-owned banks. The provision was inserted without public debate or expert input.	A change that the Wisconsin Bankers Association has sought for years, in an extreme case this would allow a couple dozen members and directors to transform an 80,000-member or 100,000-member credit union to a shareholder-owned bank. The directors would then be free to be compensated rather than volunteer, as is customary at credit unions. The provision includes few meaningful notice requirements, no protections of members' voting rights, and no requirement that any equity in the converted institution be returned to members. Only one other state allows for direct conversion of credit unions and none have as few protections for customers. This change is likely to impede access to capital for average citizens.