

To: City of Madison Common Council
From: Leslie Orrantia, Deputy Mayor
Re: 2019-2021 State Budget Summary

UPDATED 7/16/19. *Newly added content will be represented in italics.*

Last week Governor Evers released the final state budget after using his veto power 78 times on the version passed by the legislature on June 26th.

Many important areas saw funding increases, some for the first time in almost a decade. A few highlights from the final budget:

- Provides more than \$465 million overall for transportation projects across the state and makes significant progress towards sustainable funding for transportation with the largest dedication of new, ongoing revenue to the transportation fund in a generation.
 - A 10% increase in general transportation aids for local governments and a \$75 million supplemental fund for county and municipal transportation projects.
 - A 10% increase in paratransit aids.
 - *A 2% increase to 2020 transit aid.*
- Funding for broadband expansion at a record \$48 million.
- Imposed liability to collect state and local sales taxes on “marketplace providers,” such as Amazon and Airbnb. This tax will be redirected toward income tax cuts for lower and middle income earners.
- \$518 million in individual income tax relief in the form of income tax rate reductions.
 - Overall, approximately 92 percent of these income tax cuts for non-married filers will go to filers with AGI below \$100,000 annually and 76 percent of tax cuts for married-joint filers will go to filers with AGI below \$150,000.
 - Typical middle class single filers will see an income tax reduction of approximately \$136 annually while middle class married-joint filers will see a reduction of \$182 annually when the tax rate reductions are fully implemented in tax year 2020.
- Significant investments in special education, the largest general school aid increase in a decade, public health and social service resources, among other important priorities.

The state transportation fund revenues were made possible by a \$10 increase to the vehicle registration fee (for a total combined state and county vehicle registration fee in the City of Madison of \$113—\$85 state, \$28 county), and an increase in vehicle title fees from \$62 at present to \$164.50.

Governor Evers also vetoed an attempt by the legislature to limit local control of quarries, which would have prohibited local regulations on water quality, blasting, and air quality while allowing non-conforming sites to expand onto new land without a public process.

While the Governor included a biennium appropriation for \$1 million for preparation and outreach activities related to the 2020 U.S. census, the provision was deleted by Joint Finance.

Similarly, while the Governor extended eligibility to receive REAL ID non-compliant driver licenses and identification cards to undocumented persons, the provision was deleted by Joint Finance.

No adjustments were made the municipal levy limit.

Below is a preliminary summary of items in the state budget that will impact our city and county. Please do not hesitate to contact me if you have any questions or need additional information about a specific item.

Land Use and Transportation

As noted above, the budget passed by the legislature provides about \$465 million in new revenue for transportation, funded with one-time fund transfers and higher vehicle registration (wheel tax) and title fees rather than the increase in the gas tax proposed by the governor.

Transportation provisions important to the City of Madison and Dane County include:

- An historic 10 percent increase (\$66 million over the biennium) in available funding for general transportation aids, paid to counties, towns, villages, and cities.
- A 10% increase in paratransit aids.
- A 2% increase in 2020 transit aid.
- The budget bill originally allocated \$3 million of the \$25 million in Volkswagen settlement funds for the replacement of school buses, with the rest toward public transit vehicle replacement. The veto eliminates the \$3 million for school buses and directs the Department of Administration to allocate up to \$10 million for electric vehicle charging stations and at least \$15 million for the transit capital assistance grant program.
- An additional \$75 million supplemental appropriation for county and municipal transportation projects through the Local Roads Improvement Program (LRIP). The governor's partial veto of this section brought the total provided by the legislature down from \$90 million and gave the WI Department of Transportation (DOT) oversight on how this funding will be spent. We are currently in the process of establishing a meeting between the Mayor and the DOT.

Unfortunately, the budget did not afford restoration of condemnation powers for bike and recreation paths.

As previously mentioned, Mayor Rhodes-Conway and County Executive Parisi sent a joint letter asking the governor to veto the entire set of provisions added to the Department of Transportation (DOT) budget by the Joint Finance Committee that would have prohibited local regulations on water quality, blasting, and air quality for quarries. Thankfully, he did veto the entire section.

Little attention was given to Landlord Tenant Protections. The Legislature did not put much forward, likely to lessen undesired changes that could have been made with the Governor's veto pen.

Environment

Governor Evers declared 2019 the "Year of Clean Drinking Water in Wisconsin" and his budget called for investing in initiatives to help communities address water quality problems. For example, the governor asked for \$10 million in bonding authority for the Soil and Water Resource Management (SWRM) program to reduce soil erosion from agricultural land, and the legislature approved \$7 million.

Unfortunately, the legislature removed the governor's provision to require the Department of Natural Resources to award grants to both counties and municipalities for pollution control infrastructure projects and his call to create the Office of Sustainability and Clean Energy. This office would have provided funding for clean energy production and recycling programs. The budget does include other important provisions to protect the environment including:

- Effort to address PFAS by providing \$150,000 to develop a model to identify and prioritize sites with likely PFAS contamination and adding positions to the Department of Natural Resources.
- \$750,000 annually for farmers to engage in best management practices under the producer led watershed protection grant program.
- Funding to continue the Private Onsite Wastewater Treatment program at current level until the sunset date of 6/30/21.
- Continuation of the Farmland Preservation Tax Credit.
- Extension of the Stewardship Program, which provides funding for some county land purchases, at the current rate for two more years. However, this is the first time the program hasn't been reauthorized for a ten-year time period.

Public Health

Governor Evers made improving access to health care a top priority in his budget. The legislature did not approve his call to expand Medicaid in our state, but they did agree to make important investments in some critical areas of health care services. This includes a county priority - improving access to mental health services. The legislature adopted his recommendation that the state pay for a portion of crisis intervention services for those receiving Medical Assistance and funded other mental health access points. They also boosted funding above the governor's budget request to fund pay increases for health care workers. Some health services budget provisions important to Dane County include:

- An increase of \$13.5 million for the clean water fund.
- An increase of \$3.55 million for the safe drinking water loan program.
- \$14.2 million in lead testing and abatement and begins to address the issue of childhood lead poisoning.
- A \$1.125 million annual increase for the Birth to 3 program.
- An increase in base funding of \$3 million in FY 20 and \$10.4 million in FY 21 for crisis intervention services for those receiving Medical Assistance with the Department of Health Services.
- Expansion of the Dementia Care Specialist program by funding an additional eight dementia care specialists.
- Funding to continue the SeniorCare prescription drug assistance program.
- \$2.5 million to increase the Medicaid reimbursement rates for dental services to individuals with intellectual or physical disabilities.
- A \$27 million increase in state funding for Family Care Managed Care Organizations to address workforce shortages. Federal matching funds for this will result in an additional \$66.5 million for Family Care workforce wage and benefits increases.

Public Safety & Municipal Services

Public safety funding got a boost in the state budget as well, though with no increase in municipal services funding, much of the direct benefit is to Dane County. Budget provisions important to the County include:

- *Additional \$19.7 million for Next Generation 911.*
- Additional assistant district attorney positions, an increase in pay for state public defenders, and a raise in the private bar rate.
- Provision of grants for training in county jails through the Fast Forward program in the Department of Workforce Development.
- \$1 million annually in new one-time funding for the Treatment Alternatives and Diversion (TAD) program. In 2019 Dane County was awarded \$214,931 for the Dane County Drug Court Diversion Program under the TAD program.

The Governor has also used his veto pen to direct the Division of Capitol Police to review and update, if necessary, its existing plans for the security and safety of the State Capitol, including input from the Madison Police Department.

Children and Families

Investments in Wisconsin children and families were also a priority in this budget. Substantial increases in areas like county child welfare services and the Wisconsin Shares child care program could help improve outcomes around the state. Budget provisions important to Dane County, with implications on city residents, include:

- An additional \$25.5 million annually for county child welfare services.
- A \$250,000 annual increase in grant funding to programs that provide services for runaway and homeless youths.

Community Investment

The governor included a 2% increase in Shared Revenue payments for all counties and municipalities in 2020, the first proposed increase in over a decade. Unfortunately, the JFC deleted this funding so payment levels will remain 20.7% lower in 2019 than the amount provided in 2003. Other budget provisions important to Dane County include:

- \$7.5 million to support programs to reduce homelessness.
- Making the Veteran Outreach and Recovery Program permanent, which connects veterans to community services.
- \$1.8 million in funding for a peer-run respite center for veterans struggling with mental health or substance abuse.
- A \$200,000 increase for Buy Local, Buy Wisconsin grant program that promotes Wisconsin foods to local buyers.
- Provision of almost \$80 million in state funds to fund 2 percent annual general wage adjustments for most state employees. Given the concentration of state employees in the Madison region, we anticipate this having an impact on our local economy.

Education

The final budget had significant gains over past years pertaining to K-12 and higher education across the state. While education operates independently of the City budget, we know it is of critical importance to the overall wellbeing of our city's residents and has great implications for our local economy. The budget includes:

- The largest general school aid increase in a decade with an additional resources dedicated to special education.
 - *Through the Governor's veto, more funding was added to Per Pupil Aid, which will help increase allowable spending in school districts by \$66 per student in the 2019-2020 school year compared to the Legislature's budget.*
 - *Special education funding to MMSD is expected to increase by \$3.1 million in the 2020-2021 school year compared with the 2019-2020 school year.*
- Doubling of state support for K-12 school mental health programs over the biennium to provide increased access to professionals to assist children in our schools in need.
- Increase in state general aid for the Wisconsin Technical College System by \$25 million, the largest nominal increase since at least 1993.
- \$45 million over the biennium to the University of Wisconsin System for capacity building initiatives, while continuing to freeze resident undergraduate tuition to keep higher education affordable and mitigate student debt.

Corrections

The state budget includes funding that will help shape some dramatic changes in the juvenile justice system, but some questions remain about how the state will complete this transition. The JFC did not keep Governor Evers' proposal to move 17 year-olds back to the juvenile justice system in the budget and no funding was included for the state's Type 1 juvenile correction facilities needed to replace Lincoln Hills and Copper Lake schools. Budget provisions important to Dane County include:

- \$80 million in bonding for grants to counties to establish secure residential care centers (SRCC) for juvenile corrections. Four counties have submitted proposals totaling \$134.6 million and now the grant committee created by 2017 Act 185 will review the proposals. Dane County submitted a \$3.5-\$4.5 million proposal. This funding works toward meeting the state's obligations to close Lincoln Hills and Copper Lake schools and moving youth into the least restrictive appropriate setting as soon as practicable.
- Funding to support additional beds at Mendota Juvenile Treatment Center.
- Funding to expand the Opening Avenues to Reentry Success (OARS).