



Losing Out: How Wisconsin Surrendered \$1.3 Billion in Federal Money

Wisconsin families will lose out on more than \$1 billion in federal money for health care, job training, child support, education and transportation as a result of decisions at the state level.

State budget cuts or incomplete funding of state programs meant Wisconsin did not capture an additional \$506 million of federal funds that were available over the current biennium. In addition, Wisconsin turned down \$803 million in two large federal grants, including a grant for high-speed rail.

These decisions were made despite a state economy struggling to find its footing and a budget deficit that required the state to make the best use of every available dollar. Additional federal money injected into the Wisconsin economy would help create jobs and cushion the effects of the recession.

Policymakers claim that the budget shortfall made it impossible for the state to provide the resources necessary to obtain the maximum amount of federal dollars. Yet, the Legislature was able to cut taxes by \$210 million over this biennium, mostly benefitting businesses and well-off taxpayers. The Legislature prioritized these tax cuts over investing in Wisconsin's health care system, job training, and other programs vital to our state's economic future.

Foregone Federal Dollars

Wisconsin could have received an additional \$506 million in federal money over the 2011-13 biennium if state support had not been reduced in the budget, or if additional state money had been appropriated to maximize federal matching funds.

The Legislature bypassed at least four different opportunities for additional federal money, according to a [memo by the Legislative Fiscal Bureau](#):

1. \$480.3 million in federal Medical Assistance money

Cuts to Wisconsin's Medical Assistance program reduced the amount of federal match money available to preserve access to health care for low-income working families.

Forfeiting this federal money will have widespread effects on the health of Wisconsin residents in a number of specific areas. Without this federal money, disabled residents will have a harder time finding long-term care, families will have reduced access to services that help them avoid unwanted pregnancies, and patients with kidney disease will have fewer options for care. Conservative Department estimates show that the proposed state and federal changes will result in over 64,000 people losing their BadgerCare coverage, including more than 29,000 children.

There is nothing wrong with finding ways to trim state and federal funding by making true cost savings in health care spending. On the other hand, the state should avoid making cuts that make the health care system less cost efficient by decreasing access to preventive care and increasing reliance on hospital emergency departments. That simply shifts costs onto people with insurance, and we forego a federal match on the increased federal spending for uncompensated care.

2. \$13.2 million in federal money for job training for the disabled

More than 4,200 disabled Wisconsin residents were on the waiting list to participate in job-training activities, as of October 2010. If the Legislature had provided an additional \$3.6 million in state money and taken full advantage of the additional \$13.2 million federal match, some of those individuals

could have had access to job training that would help them participate in the Wisconsin economy.

3. \$8.3 million in federal money for child support enforcement

If Wisconsin had provided an additional \$4.3 million to enforce child support orders, the state could have obtained an additional \$8.3 million in federal matching funds.

For every dollar spent on child support enforcement, the state collects \$6.82 in support for Wisconsin children, according to U.S. Department of Health and Human Services figures. That means that an additional investment by the state of \$4.3 million, along with the federal match, could have resulted in an extra \$85 million dollars to help support Wisconsin families.

4. \$4.2 million of federal funds for administration of the Medical Assistance and FoodShare programs.

Due to the state's consolidation of local enrollment and renewal functions for public benefit programs, Wisconsin will receive a decreased federal match. If Wisconsin can lower state and federal spending by making changes improving the efficiency of public benefits administration, that should be applauded. At this point the verdict is still out on whether the changes and cost-cutting that begin early next year will improve efficiency or will leave gaps in administrative functions that local governments are going to have to fill.

Federal Grant Money Shunned

In addition, the state returned two large federal grants that were awarded to Wisconsin: a grant for a high-speed rail line (for a net reduction of \$780 million in the grant) and a \$23 million grant for broadband infrastructure in schools and libraries, which the Department of Administration indicated was declined for technical reasons. Refusing these grants means the state has bypassed opportunities for upgrading Wisconsin's transportation and information infrastructure.

Some legislators have also urged the Governor to return \$49 million in federal money earmarked for implementing health care reform. If Wisconsin

returned this grant, the state would have to spend its own resources on this project instead, leaving a \$49 million hole in the budget.

The available federal money not captured by the state, combined with the grants returned to the federal government, add up to \$1.3 billion in federal money that was not spent in Wisconsin.

Wisconsin is Low in Federal Spending

Wisconsin has long ranked among the states with the very lowest federal spending per capita. For example, it ranked lower than all but two states in per capita federal spending in 2008, with an amount 21 percent below the national average. Per person federal spending in Wisconsin was \$1,900 below the national average.

Additional federal spending authorized by the Recovery Act has changed federal spending patterns and Wisconsin rose to 32nd among the states in per capita federal spending in 2010, 8 percent below the national average. Even with Wisconsin's rise in rank, federal spending here was more than \$800 per person below the national average.

What's Next for Federal Money in Wisconsin?

Governor Walker and his administration have made it clear they have few hesitations about refusing federal dollars. The result: a loss of more than a billion dollars that Wisconsin could have used to invest in the health of our workforce and improve our transportation infrastructure.

Wisconsin's failure to maximize its share of federal resources comes at a time when federal spending in the states is expected to decline. Deficit reduction efforts and the gradual expiration of Recovery Act provisions will probably reduce federal revenue sharing in the next several years.

In a time of severe budget cuts, Wisconsin needs to make full use of every dollar available. By not taking full advantage of federal matching funds, and turning down federal grants, policymakers limit the resources available to invest in Wisconsin, at a time when the Wisconsin economy needs those dollars more than ever.

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