

A monthly review of Wisconsin government, taxes and public finance

The Wisconsin Taxpayer



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Election 2002: Challenges Ahead

As the 2002 elections draw near, candidates should be addressing the pressing problems Wisconsin faces. State funding of K-12 and higher education is one issue. The rising costs of health care and the state's correctional system also need attention.

On November 5, 2002, Wisconsin voters will choose a governor and new legislature. These elected state leaders will face many challenges in the years ahead. Last month's issue of *The Wisconsin Taxpayer* focused on "big-picture" items such as changing demographics, Wisconsin's economy and state-local fiscal policy.

This issue addresses education (both K-12 and postsecondary), health care and corrections. The state faces other challenges, but space limits consideration to these pressing topics. More detailed examinations of some of these topics are available from recent WISTAX research. Details on how to obtain this research can be found in the June *Wisconsin Taxpayer* or on our website at www.wistax.org.

Benefits, QEO Limit Teacher Pay

Rising costs of fringe benefits combined with the state's qualified economic offer (QEO) law have limited the growth of Wisconsin teacher salaries over the last eight years. Since 1992-93, the average teacher salary in Wisconsin has risen 21.3% to \$41,858, while average fringe benefits increased 32.6% to \$17,135. Inflation was 22.7% during that time.

Beginning in 1993-94, the state's QEO law has limited district-wide increases in teacher pay and benefits to 3.8%. (Also see page 3 of this *Taxpayer*.)

Data from the Wisconsin Association of School Boards show salaries rose 57.9% from 1984-85 to 1992-93; benefits rose 90.4%. Inflation during these years was 35.0%. During this time, benefits rose from 31.1% of salaries to 37.4%. In 2000-01, benefits were 40.9% of salaries. □

Wis. Teacher Salaries and Benefits Averages, 1984-85 to 2000-01

Year	Salary	% Chg.	Fringe Ben.	% Chg.
84-85	\$21,848	--	\$6,786	--
85-86	23,523	7.7%	7,421	9.4%
86-87	25,156	6.9	7,941	7.0
87-88	26,717	6.2	8,657	9.0
88-89	28,258	5.8	9,348	8.0
89-90	29,649	4.9	10,247	9.6
90-91	31,259	5.4	11,299	10.3
91-92	32,742	4.7	12,045	6.6
92-93	34,507	5.4	12,921	7.3
93-94	35,679	3.4	13,856	7.2
94-95	36,695	2.8	14,440	4.2
95-96	37,109	1.1	14,683	1.7
96-97	38,469	3.7	15,255	3.9
97-98	38,809	0.9	15,542	1.9
98-99	40,227	3.7	16,139	3.8
99-00	40,499	0.7	16,254	0.7
00-01	41,858	3.4	17,135	5.4

Truth-in-Sentencing Law Modified

In 1997, the state enacted truth-in-sentencing, which provided that persons committing a felony offense on or after December 31, 1999, and sentenced to at least one year of confinement in prison, were no longer eligible for parole. These offenders were required to serve the entire sentence imposed by the court. Under truth-in-sentencing, upon completion of the confinement portion of their sentence, offenders are required to serve a period of "extended supervision" in the community under the supervision of a state community-corrections agent.

The 2001-03 budget adjustment act allows inmates sentenced under the truth-in-sentencing law to petition for a sentence reduction. Offenders convicted of certain serious felonies can petition the trial court judge for a reduction after serving at least 85% of their term of confinement. Those convicted of lesser felonies can petition after serving at least 75%. If the reduction is granted, the offender's term of extended supervision generally would be increased by a like amount. □

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The Wisconsin Taxpayers Alliance, founded in 1932, is the state's oldest and most respected private government-research organization. Through its publications, civic lectures and school talks, WISTAX aims to improve Wisconsin government through citizen education. Nonprofit, nonpartisan and independently funded, WISTAX is not affiliated with any group—national, state or local—and receives no government support.

Election 2002: Challenges Ahead

Continued from page 1

According to many observers, Wisconsin's K-12 school finance system is strained. The state's commitment to funding two-thirds of state-local school district revenues appears to be stretching the state budget. School district revenue limits combined with declining enrollments are squeezing many district budgets. And limits on teacher pay and benefits are causing job actions and slowing contract negotiations in many districts.

However, changes in the state's school finance system over the last decade have achieved their stated goal: to control local property taxes.

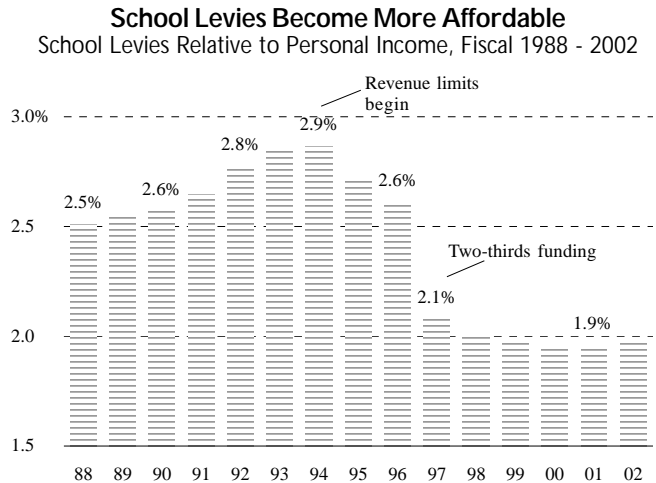
State Law Changes: Overview

Beginning with the 1993-94 school year, several important changes were made in the way school districts are financed. These include limits on both school district revenues and staff compensation, and a state promise to provide two-thirds of state and local public school revenues.

Background. These changes resulted from concern about rising school property taxes. Between 1988 and 1993, school district levies rose 54.5%, much faster than state personal income (35.5%). The burden of local school finance rose from 2.5% of personal income to 2.9% (see chart above).

In response to these concerns, state lawmakers made several school finance changes.

Revenue Limits. The 1993-95 state budget imposed limits on the amount of revenues



a district could raise from local property taxes and state aid payments. Under revenue limits, districts are able to increase their revenues from state aid and property taxes by a specified amount per student each year. That amount, adjusted annually for inflation, has ranged from \$190.00 in 1993-94 to \$230.08 in 2002-03.

Districts can exceed revenue limits with local voter approval. Since 1994, over 680 revenue-limit questions, totalling more than \$380 million, have been put to voters. Some were recurring referenda, which would allow the district to exceed the cap indefinitely, bringing the total requested much higher. Voters approved 288 (42.3%) of the questions, for a total of more than \$171 million.

Qualified Economic Offer (QEO). Because employee pay and benefits account for the vast majority of school district costs, holding them in check was critical for the

success of revenue limits. The QEO law, initially imposed in August 1993, provides that, if a school district offers a salary-and-benefit package that averages 3.8% more than the previous year, a teachers' union cannot go to arbitration.

Since 1997, the two-thirds commitment cost state government an additional \$5.2 billion.

Two-Thirds Funding. Beginning with the 1996-97 school year, revenue limits and the QEO became permanent. In addition, the state made a commitment to fund “two-thirds” of partial school revenues—the sum of state aid and school property taxes. In 1995-96, the state share was 52.7%.

The state committed an additional \$1.2 billion to school districts in 1996-97. The two-thirds funding helped reduce school property taxes 16.4% in 1996-97 to 2.1% of personal income (see chart on page 3).

Effects of School Finance Changes

These changes in school finance have affected state government, local school districts, teachers and taxpayers.

State Government. Prior to the two-thirds funding law, real (inflation-adjusted) state aids per student to school districts were rising 2.5% per year. Had they continued to increase at that rate, the state would have distributed \$19.5 billion to school districts from 1997 to 2002. Instead, with the two-thirds commitment, it spent \$24.7 billion, or \$5.2 billion more.

Part of the additional state commitment resulted from an increase in building referenda. From 1992 to 1996, there were 555 school district bonding referenda, seeking a total of \$4.2 billion. Voters approved \$1.8 billion of that. From 1997 to 2001, there were 617 referenda asking for \$5.4 billion. Voters approved \$2.8 billion, or 53% more

than in the previous five years. These additional dollars are subject to the state's two-thirds promise.

School Districts. The effects of these changes vary among the state's 426 school districts. The revenue-limit law can strain a district's finances. However, it is the interplay among revenue limits, the QEO and declining enrollments that results in the difficulties.

Since 1993-94, the annual percent increase in allowable per student revenues has ranged from zero in 1997-98 to 3.7% in 2000-01. The QEO limits certain salary and benefit costs to increases of 3.8%. Some salary changes are not subject to the QEO, so total salaries and benefit increases can be slightly higher than that amount.

- *“Stable Enrollment” Districts.* If a district's student population remains unchanged, then its allowable revenues increase by the revenue-limit percent increase. However, if this percentage is less than salary and benefit growth, then the district must either cut in other areas or reduce staff.
- *“Rising Enrollment” Districts.* A district with growing enrollment is generally not faced with a problem of this magnitude. For example, if per student allowable revenues increase by 2.5% and enrollment goes up the same percent, then the district's total revenues can rise by more than 5%. If salary and benefits are increased by less, the district likely will have few budget problems. Only 76 districts had full-time equivalent (FTE) enrollments increase in each of the last three years.
- *“Declining Enrollment” Districts.* A district with declining enrollment faces a more difficult situation. If per student allowable revenues increase by 2.5% and enrollment falls by the same amount, then the district's total revenues remain largely unchanged. If salaries and benefits rise by 3.8%, then cuts must be made in other areas. In 2001-02,

239 districts had declining FTE enrollments; 87 had declines in each of the last three years.

Teacher Pay and Benefits. The QEO limits teacher pay increases. Between 1985 and 1993, average pay for teachers in Wisconsin rose 5.9% per year. From 1993 to 2001, increases averaged 2.4%.

However, Wisconsin teachers have received good benefit packages, which, relative to pay, have improved over the years. In 1984-85, benefits averaged 32.5% of wages, among the highest in the nation. In 2000-01, benefits rose to 40.9% of salaries. Since 1993, benefits have risen an average of 3.6% per year and salaries, 2.4%.

Property Taxpayers. The biggest beneficiaries of the school finance changes have been property taxpayers. Revenue limits have held down annual increases in school levies. The chart on page 3 shows that revenue limits helped reduce the school levy from 2.9% of income in 1992-93 to 2.6% in 1995-96.

Additional state funding associated with the two-thirds commitment reduced the burden to 2.1% the following year. Revenue limits have held the school levy to between 1.9% and 2.0% since then. From 1996-97 to 2001-02, school district levies went up 21.5%—less than half the rise for technical colleges (46.1%) and less than municipalities (35.2%) and counties (39.5%).

Looking Ahead

Since 1997, state school aids have grown 5.2% per year. School aids are currently more than 40% of state general fund spending. How will the state fund this increased commitment in the years ahead? Many school districts are expected to continue experiencing declining enrollments, and revenue limits will pinch their budgets. How will this dilemma be solved? How will the issue of teacher pay be addressed, given the concern over property taxes?

HIGHER EDUCATION

The shift in state priorities toward K-12 education is also forcing a rethinking of how Wisconsin provides higher education. Questions include: Who should attend? Who should pay, and how much?

Scope and Access

Few states have been able to match the scope and accessibility of higher education that Wisconsin offers.

Scope. The University of Wisconsin System (UWS) is the eighth largest in the U.S. It had almost 160,000 students in 2001-02, or over 133,000 on an FTE basis. The Technical College System (TCS) had another 59,700 FTE students.

The UWS offers instruction on two doctoral, 11 comprehensive and 13 two-year campuses, for a total of 26. The TCS has 16 districts with 47 campuses and numerous outreach sites throughout the state.

The UWS' annual budget exceeds \$3.3 billion, while TCS revenues approach \$1.1 billion. Together, the two systems have approximately 40,000 FTE employees.

Access. The UWS remains one of the most open and accessible in the country. In 1998, a higher proportion of state high school graduates (32.7%) were enrolled as freshmen in the state's two- and four-year public universities than in all but three other states.

Although Madison and several other campuses are becoming more selective, virtually every student seeking admission to the UWS or a technical college can secure acceptance somewhere.

Graduation Rates. This does not mean that all entrants graduate or do so on time. A 2002 UWS report showed that, of 1995 entering freshmen, only 22.7% graduated from any UWS campus within four years, and only 60.5% within six years. That six-year per-

centage ranged from a low of 35.8% at Parkside to a high of 78.3% at Madison.

Several reasons can be given for this phenomenon, including the financial need to work and oversubscribed classes. However, some students take below-average credit loads for no apparent reason. And others take more classes than needed to graduate. According to UWS figures, 34% of bachelor's degree recipients in 2000-01 attempted 21 or more credits than their particular degree program required.

Policy Questions. Such figures prompt one to ask: Is the UWS admitting students for whom university education is inappropriate? Would some be better served through apprenticeships or technical training? Should taxpayers subsidize, to the current degree, students who unnecessarily extend their time to obtain a degree or, conversely, who amass credits well beyond degree requirements?

Shifting Priorities, Changing Finances

Given the scope of higher education in this state, it is not surprising that the taxpayers' financial commitment has been large.

State Rankings. In 1969, Wisconsin governments committed almost one of every six "direct general expenditure" dollars to higher

education, according to the U.S. Census Bureau. Nationally, that ratio was almost one in 12.

Also that year, Wisconsin devoted 3.1% of its total personal income to higher education—more than all but three states. With the

U.S. average at just 1.7%, the Badger State's support for higher education relative to ability to pay was 86% above the national norm.

Thirty years later, the picture was both similar—and very different. In 1999, Wisconsin spent about one in nine public dollars on higher education compared to one in 12 for the U.S.

Relative to income, Wisconsin still spent more than the U.S. average. In 1999, the state devoted 2.2% of its personal income to postsecondary education. This was lower than 30 years prior, but remained 29.5% above the U.S. average (1.7%). While Wisconsin ranked fourth in the nation on this measure in 1969, it was 19th in 1999.

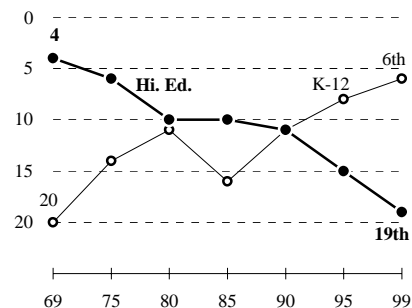
Much of the reason for the shift in these figures rests elsewhere in education. As the graph shows, the state's spending rank on elementary and secondary (K-12) education moved up, while the rank for higher education moved down.

In 1969, Wisconsin spent 5.2% of personal income on K-12 public schools, or 20th highest in the U.S. In 1999, that figure increased to 5.5%, or sixth highest. Where the Badger State spent about 5% more than the U.S. norm on K-12 education in 1969, it was spending about 20% more by 1999.

State Finances. State budgets confirm these trends. In 1972-73, after the merger of the state's two university systems, the UWS claimed 17.2% of state general purpose revenue (GPR) spending, while state aids to schools claimed 21.9%. By 2000-01, those percentages had moved apart, with the university's share declining to 9.5% and the school aid percentage growing to 40.5%.

This shift has been on-going for 30 years; however, as mentioned, the state's 1994 "two-thirds" school funding promise has placed increased fiscal pressure on other state programs, including higher education.

K-12, Higher Ed. Trade Places
Based on Spending as Pct. Pers. Inc.
Wisconsin Rank Among States, 1969 - 1999



Between 1990 and 2001, state GPR funding for school aids rose 161% to \$4.41 billion. UWS funding rose 48% to \$1.05 billion and technical college support went up 32.5% to an estimated \$140.7 million.

Policy Questions. Given the alleged need for 21st Century workers in fields driven increasingly by technology, are the differential rates of growth in state funding of K-12 and higher education logical? Or has the pendulum swung too far in one direction?

Who Should Pay?

Questions relating to state funding inevitably lead to discussion of costs.

Tuition. Although UWS tuition increases for resident undergraduates averaged between 5.4% and 5.7% during the 1990's—and are slated to rise as much as 8% in the coming year—university tuition here remains low compared to other states. In 2001-02, tuition and fees at UW-Madison were \$4,086, or eighth lowest among the nine public Big Ten schools in the Midwest. Michigan was 78.9% higher at \$7,308.

As the table shows, similar patterns prevailed at UW-Milwaukee and on the campuses of the other four-year comprehensive schools in the UWS, e.g., River Falls and Oshkosh. In each case, state residents were paying 14% to 20% below the average paid at peer institutions in other states.

State. As the share of total UWS or TCS revenues coming from the state has declined, pressure on tuition has grown. For example, at the beginning of the 1981 school year, a Wisconsin resident attending Madison was covering 25.0% of instructional costs through tuition. In 2000-01, that figure had grown to 38.3%. Similar increases have prevailed on other campuses.

Tuition increases would be less of an issue if federal and state financial aid appropriations had kept pace. But they have not.

Policy Questions. So, who should pay for higher education? By historically pursuing a “low-tuition, low-aid” approach to college financing, Wisconsin’s answer has been state taxpayers.

The approach has its supporters. They argue that Wisconsin’s lack of college graduates relative to other parts of the country is hampering its growth in an increasingly knowledge-driven economy. They point to the rising student loan debt, suggesting that this will hamper the future economic health of young families. And, they cite Wisconsin’s relatively low tuition as a key factor in the state’s high rate of access to universities.

There are others, however, who question taxpayer subsidies for higher education costs when the prime beneficiary is the individual graduate. They note that, in 1999, according to the Census Bureau, the median household income for someone with a bachelor’s degree was \$64,406, or 80% more than a household with a high school diploma (\$35,744). And they point out that this earnings advantage has been growing since the mid-1970’s.

Even if taxpayer support is justified, there are still others who argue for a “high-tuition, high-aid” approach in order to redirect public subsidies to those most in need.

They argue that, while low tuition helps those in need, it also results in a relatively high rate of degree non-completion—a waste of student time and public money. It also subsidizes students of considerable means

UW Tuition Is Low vs. Peer Groups
Tuition and Fees, 2001-02

	Madison	UW-Mil.	Other*
No. in Group	9	15	35
High	\$7,308	\$7,324	\$5,760
School	Michigan	Temple	MI Tech
Avg. exc. WI	\$4,765	\$4,847	\$4,134
WI	\$4,086	\$4,054	\$3,333
Rank	8th	12th	32nd
Low	\$3,522	\$2,732	\$3,200
School	Iowa	New Orl.	NE Ill.

* UWS four-year comprehensive campuses.

who could afford to pay higher tuition. In 1999, 55% of UW-Madison's first-time enrollees were from families with incomes over \$60,000. Higher tuition could reduce tax subsidies for such students and help the university meet financial aid needs now going unmet.

HEALTH CARE

The rise in health care spending, which continues to outpace inflation, is placing added burden on state and local governments, private employers and individuals. Nationally, medical care expenditures in 2001 exceeded spending on food—\$1,061 billion vs. \$992 billion. Health care, which in 2000 was 13% of gross domestic product (GDP), is projected to reach 38% by 2025 (see graph). In Wisconsin, it is expected to reach 41%

because of the state's more rapid growth in the 65-and-over age group.

The "greying" of Wisconsin's population, both in terms of numbers and longevity, will place greater demands on health care services. The percentage growth in the 65-and-over group between 2000 and 2025 will outpace that for the other age groups combined (68.4% vs. 8.0%). In 2000, nearly 96,000 residents were 85 or

older; by 2025, that group is estimated to exceed 135,500. (See the June 2002 *Wisconsin Taxpayer* for additional demographic details.)

Rising prescription drug costs, increasing demands for additional health care ser-

vices, and continuing advances in medical technology are some of the other factors contributing to escalating health care spending. In Wisconsin, the problem is compounded by a growing shortage of health care workers.

Prescription Drugs

The fastest-growing segment of health care costs is prescription drug expenditures, which, in 2000, rose 17% and accounted for 9% of national health expenditures. Although this segment's annual growth is estimated to slow to 10% by 2011, its share of total health care expenditures is expected to exceed 14% by then.

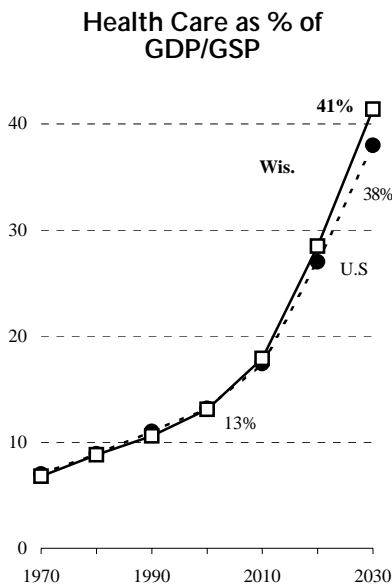
In response to rising prescription drug costs, at least 33 states have created or implemented programs to provide pharmaceutical assistance. Massachusetts, for example, has a bulk-purchasing program for participating state workers, uninsured persons and Medicare/Medicaid beneficiaries. Nevada provides a subsidy for residents age 62 or over to purchase private prescription drug insurance. In July 2002, Wisconsin began taking applications for SeniorCare, the state's new drug assistance program (also, see page 10). Illinois, Indiana, Michigan and Minnesota also have assistance programs.

Nationally, several pharmaceutical companies have programs under which financially disadvantaged patients may obtain free or discounted drugs. Some private organizations offer free or for-a-fee discount plans.

To minimize the impact of health insurance premium increases, many employers have elected to increase drug copays. The use of a percentage copay instead of a flat dollar amount is also being discussed.

Health Insurance

Rising health insurance costs are a major concern of many employers and individuals. Increasingly, double-digit premium



Source: Wisconsin Department of Workforce Development.

growth has motivated retirees to reenter the workforce and caused current employees to delay retirement. Rising premiums are also adversely impacting salary increases.

To continue providing health insurance, employers are considering such options as raising deductibles, cutting benefits, increasing the employee share of the premium and/or reducing personnel or other expenditures. Some have dropped, or are considering dropping, health insurance coverage.

The State. On average, health insurance costs are higher for governments than for private employers. Nationally, in March 2002, private industry paid \$1.29 per hour worked for health insurance, while state and local governments paid \$2.69, according to the U.S. Department of Labor.

Total annual health insurance premiums for Wisconsin state employees, including UWS faculty and graduate students, rose from \$227.7 million in 1992 to an estimated \$512.8 million in 2002, or 125.2%. Inflation was 27.5% during that time. Estimates from the Wisconsin Department of Employee Trust Funds (DETF) show average monthly premiums rose 10.8% in 2000, 16.6% in 2001 and 13.8% in 2002.

Generally, the state's portion of the monthly premium per contract depends upon the plan selected by the enrollee. Since 1992, the state's share of the premium has risen from 95.4% to 97.7%. The state pays the entire employee portion for many plans.

Other Public Employers. Many counties and municipalities are anticipating premium increases in 2002 of at least 20% for one or more of their plans. The technical college system experienced average annual increases in the most heavily enrolled plans of around 20% in both 2000-01 and 2001-02. Annual average family health insurance premiums in school districts are projected to more than

double statewide from the \$9,646 in 2001-02 to \$20,077 in 2006-07.

In school districts, the QEO (or "qualified economic offer") generally limits salary and benefit growth for teachers to 3.8%. The result: With spiraling insurance premiums, many districts are seeing growth in benefits greatly reducing funds available for overall salary increases.

Local government employers in the Wisconsin Retirement System may participate in the state's Group Health Insurance Program (GHIP). Currently, 289 employers participate. With certain exceptions, a GHIP employer must enroll at least 65% of eligible employees and contribute a uniform dollar amount not exceeding the total premium. An employer who later withdraws from the program may not reenter for three years.

Local collective bargaining agreements often limit participation in GHIP because they require the employer to cover the entire health insurance premium. Some of the employers would like to see lowering of the eligibility standards, more choices of benefit levels and local representation on the GHIP board.

Government Programs

Nationally, 45% of the U.S. health care dollar comes from government programs, including Medicare and Medicaid. The following discusses selected health care programs administered by the state of Wisconsin.

MA and BadgerCare. Medical Assistance (MA), also known as Medicaid, provides medically necessary services to about 423,000 eligible low-income persons who are aged, blind, disabled, children, members of families with dependent children or pregnant women. Partially reflecting elimination of AFDC and declining unemployment rates, enrollments decreased from 1993-94 through 1998-99. Enrollments are currently rising.

MA is financed jointly through federal and state funds and, in Wisconsin, is administered by the Department of Health and Family Services. Including BadgerCare, MA claims \$2.13 billion, or 9.4%, of the state's 2001-03 GPR spending. Of the more than 30 services, nursing home care accounts for 31% of gross MA expenditures.

Medical Assistance has historically been one of the state's fastest-growing programs. A weak economy will further increase participation and the cost of the program.

BadgerCare provides health insurance coverage for uninsured low-income working families with children not eligible for MA. Enrollees receive benefits identical to those under MA. BadgerCare began in July 1999 with an initial enrollment of 8,647 adults and children. Enrollment reached 95,348 in April 2002 and is estimated to surpass 106,000 in June 2003. It is supported by GPR, federal funds and recipients' premiums.

A major factor affecting BadgerCare is the degree to which employers of low-income workers offer health insurance coverage.

SeniorCare. The state's new prescription drug assistance program for eligible state residents age 65 or older, called SeniorCare, began accepting applications July 1, 2002. Generally, enrollees must have annual household incomes under \$21,264 (\$28,656 for couples); after paying a \$20 annual enrollment fee and meeting a \$500 annual deductible, they can obtain brand-name drugs for \$15 per prescription and generic drugs for \$5. Persons who are eligible except for annual income can participate if, after deducting out-of-pocket retail costs for covered drugs, their incomes fall to or below the eligibility level.

Funding of the first ten months of the program will come from GPR (\$50 million) and federal MA money (\$51 million). Estimates

of GPR spending on SeniorCare for the upcoming biennium will be available in late fall. Factors affecting expenditures will include whether Medicare is expanded to cover prescription drugs, the number of SeniorCare enrollees and increases in drug prices.

Risk-Sharing Plan. The state's health insurance risk-sharing plan (HIRSP) provides insurance for state residents who, due to severe health conditions, are unable to obtain coverage in the private market, or who involuntarily lose employer-sponsored coverage. The plan offered depends upon whether the applicant is eligible for Medicare. Policyholders pay premiums, and covered services are limited to those received from Wisconsin MA-certified providers. Annual exams and custodial care are not covered.

Between fiscal 2000 and 2001, enrollment rose 28% from 8,949 to 11,460. In 2002, enrollment is expected to grow another 12%. The program is financed by: premiums; contributions from health care providers serving policyholders and from health insurers; and GPR funds. In the 1999-2001 biennium, GPR accounted for \$23.4 million.

If HIRSP enrollment and health care costs continue their double-digit increases, GPR appropriations for the program are expected to be similarly affected.

Private Employer Buying Pool. In 1999, the state created, within DETF, a private employer health care coverage plan for small businesses that includes a health insurance buying pool. The 2001-03 budget adjustment act includes a GPR-funded loan of \$850,000 for setup costs.

Unanswered Questions

Solutions to the health care problem will have to address such questions as: How do we make today's bill more affordable? How do we pay the bill? How do we limit the growth? How much care is enough? □

Trends in Corrections

Continued from back cover

Population and Spending Trends

As shown on the back page, general purpose revenue (GPR) expenditures for corrections in 2000-01 totalled \$804.4 million, up 285.6%, or an average of 14.4% annually, from 1990-91. The state's ADP rose 191.7% during this period, or 11.3% annually. The number of offenders supervised in the community under probation or parole also rose markedly, further increasing corrections expenditures.

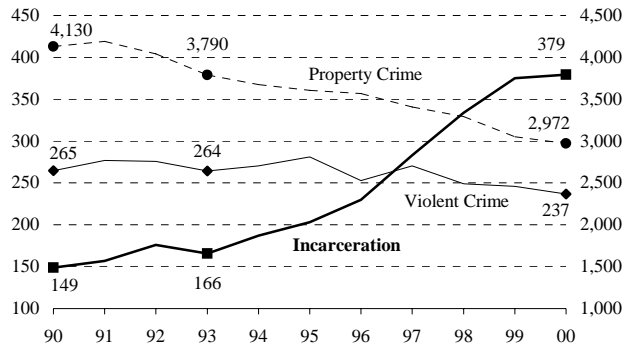
The large increase from 1995-96 to 1996-97 resulted primarily from the transfer of juvenile corrections from the state Department of Health and Family Services to the DOC. The juvenile corrections program had expenditures in 1996-97 of \$92.2 million. From 1996-97 to 2000-01, corrections expenditures rose 62.8%, or 5.0% annually.

Crime and Incarceration Rates

The state's rising prison population largely reflects changes in criminal laws, particularly for drug offenses, rather than increases in violent crimes. In the 1990's, the legislature enacted a series of mandatory minimum sentences, criminal penalty enhancements and new criminal laws, leading to the increase in the state's prison population.

Crime Rates. According to the U.S. Bureau of Justice Statistics (BJS), the state's violent crime rate (violent crimes per 100,000 population) fell steadily from 264.7 in 1990

Crime Falls, Incarceration Rises
Wisconsin Crime and Incarceration Rates, Fiscal 1990 - 2000



to 236.8 in 2000. The property crime rate went from 4,130.4 to 2,972.3. Wisconsin's violent crime rate in 2000 was 53% below the U.S. average; its property crime rate was 18% below.

Incarceration Rates. Wisconsin's incarceration rate was 379 per 100,000 residents in 2000. In 2001, it was 383, or 18.5% below the U.S. rate of 470. However, from 1993 to 2001, Wisconsin's rate soared 131%, nearly four times the U.S. rate.

Wisconsin has typically ranked near the top among the 50 states in incarceration rate of blacks. In mid-2001, it led the states with 4,058 black inmates in prison or jail per 100,000 black residents. Nationally, there were 2,209 black inmates per 100,000 black residents; the incarceration rate of blacks was six times higher than that of whites. □

DATA SOURCES FOR THE WISCONSIN TAXPAYER

Centers for Medicare and Medicaid Services; *Health Affairs* (Project HOPE); Legislative Audit and Fiscal Bureaus; National Conference of State Legislatures; 2002 legislative hearings; U.S. Bureaus of Justice Statistics and Economic Analysis, and Department of Labor; UW and WTC Systems; and Wisconsin Departments of Administration, Corrections, Employee Trust Funds, Health and Family Services, and Workforce Development.

Trends in Corrections

A large increase (285.6%) in Wisconsin's corrections expenditures in the 1990's is part of the reason state spending rose substantially during the period. Wisconsin's prison population nearly tripled over the past decade, from an average daily population (ADP) of 7,009 in fiscal 1990-91 to 20,447 in 2000-01.

Faced with a rapidly-growing prison population, the legislature authorized the construction of new prisons and, ultimately, approved transferring inmates to out-of-state prisons. In July 2002, the Department of Corrections (DOC) reported that 4,001 inmates were housed in contract facilities, including 66 inmates in federal institutions and 3,363 in private prisons operated by the nation's largest private prison firm, Corrections Corporation of America: 1,147 in Minnesota; 1,450 in Oklahoma; and 766 in Tennessee.

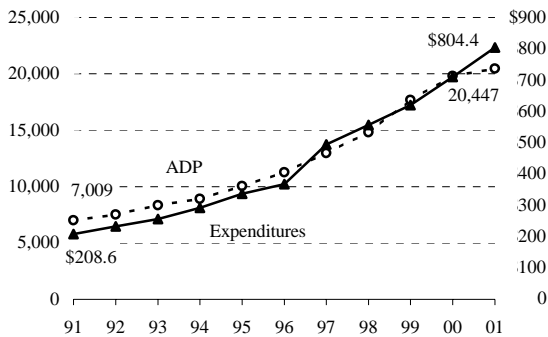
Since 1990, Wisconsin has embarked on one of the most ambitious prison-building programs in the nation. Correctional facilities were opened in Racine (1991), Black River Falls (1996), Prairie du Chien (1997), Racine (1998),

Boscobel (1999), Redgranite (2001) and Milwaukee (2001). In October 2001, the state purchased a medium-security prison near Stanley in Chippewa county for \$79.9 million. The facility, which was completed in the fall of 2000, has 750 double-occupancy cells, as well as 120 single-occupancy segregation cells and six infirmary cells. It is expected to open in January 2003.

A \$51.2-million, 750-bed, medium-security prison in New Lisbon is expected to open in January 2004. In addition, the state is converting the Highview facility at the Northern Wisconsin Center for the Developmentally Disabled into a 300-bed medium-security geriatric facility for male inmates. It is also expected to open in January 2004.

Continued on inside back cover

ADP and Corrections Expenditures
1990-91 to 2000-01 (Expenditures in Millions)



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