



# February 2010 Newsletter

*The Voice of Independent Business in State Government*

## Where the State of Wisconsin Stands Financially And How it Could Affect You and Your Business in 2010

In the past week, the non-partisan Legislative Fiscal Bureau (LFB) reviewed the status of the state's general fund and provided an analysis of the balance in the state's checkbook. As you might expect, it wasn't good.

The analysis gives a very detailed explanation of what is happening in our state's overall economy and offers a factual description of our state government's budget practices. Both of these give WIB a true sense of the road ahead and the fiscal realities we need to be prepared for. The economic forecasting LFB relies on to formulate budgetary estimates is done by IHS Global Insight Inc., a respected financial analysis firm. We have summarized some of their findings here.

**The following information will help you appreciate where the state stands:**

- **Unemployment in Dec 2009 was 8.7%- an increase of 2.8% in 12 months**
- **Wisconsin lost approximately 163,000 jobs in 2009.**
- **Real GDP is believed to have fallen by 2.5%-the largest annual decline since 1946.**
- **Consumer Prices fell by 0.3%- the first decline in over 50 years.**

Economic stress continues to impact state finances and require real financial discipline. Unfortunately, many of the decisions from the recently passed state budget create a tremendous fiscal dilemma and the LFB document points out that the state is now an additional \$219 million short of projections.

**Add that to the following decisions made by Governor Doyle in the budget;**

- **Delayed over \$420 million in principal payments on State Debt, while increasing state spending**
- **Already \$150 million short in Medicaid program and still trying to expand it**
- **Spent over \$2 billion in one-time federal stimulus money for on-going spending programs that leave our state with a several billion dollar budget hole moving forward.**

These fiscal issues are critical to understand because the lack of fiscal discipline and unwillingness to truly rein in spending will generate numerous new attempts to significantly raise taxes on you and your business.

State spending went up 6.2% in the last budget, debt payments were delayed and long term commitments were increased... *dramatically*. The state legislature and the Governor are on a collision course, pitting their spending desires against the economic realities that are occurring in the private sector.

### **A Lack of Discipline has Created a Real Threat**

You can expect with the seriousness of the budget mess, some legislators will search for more revenue from property tax hikes and tax expansions.

We intend to be vigilant in our efforts to make sure that you are aggressively represented and defended when the tax and spend crowd comes knocking on your door. The brutal reality of our state's budget woes will force the legislature to make some very difficult choices. Many expect that there will be effort after effort to raise taxes on employers.

You are likely to see numerous plans to expand sales taxes, raise personal and business income taxes, increase property taxes, increase unemployment taxes and benefits and another attempt to raise payroll taxes for health care.

In fact, another group called Wisconsin Alliance for Excellent Schools has just begun their effort to raise sales taxes. Another effort is working to amend Wisconsin's constitution and eliminate the Uniformity Clause so the legislature could target property tax hikes solely on businesses if they chose.

WIB will fight those efforts in a variety of ways. First, we will alert you to who is proposing tax hikes on employers. We will engage our membership to effectively speak out wherever possible. Second we believe WIB should offer responsible alternatives that can help our state "lead a recovery". We intend to begin offering those very soon and will work with our members to create policies that increase employment, accelerate economic growth and lower the cost of employing people to get this state headed in the right direction.

The current outlook for state government is bleak- we don't have to accept it. We plan on doing something positive about it and we look forward to working together to do it.

### No Major Action From the Unemployment Insurance Advisory Council Yet

The continuing major deficit in the Unemployment Insurance account continues to be unresolved. As we have described previously, present estimates on the account estimates a deficit of more than \$2 billion by the year 2014. There are 3 significant items presently being considered to address the issues.

First, a surtax on all Wisconsin businesses. This surtax will be graduated so that those with positive balances will pay less than those that use the system more. This is presently expected to bring in about \$184 million more per year.

The second item will increase by \$1000 per year for the next three years the taxable wage base from the present \$12,000. It

is estimated that each \$1000 increase will generate an additional \$60 million in the fund.

The final item under consideration will be a one week waiting period before being eligible for UI benefits. This will save the fund approximately \$40-50 million per year.

There is currently no formal legislation to make these changes and they continue to be in the recommendation phase. We will keep you alerted to any action.

Unemployment taxes will go up at some point because of this major deficit but WIB is working to make sure that small, positive balance employers pay only their fair share and that those who use the system more, pay more.

## “John’s Corner”

We took some space on the front of this newsletter to try to break down the reality of the state’s budget situation for a reason. We believe the depths of the fiscal situation is often so under-reported and misunderstood by the daily media in Wisconsin that most busy people can miss how it can impact them.

There is no doubt that the recession has put many states in a very difficult spot financially. It isn’t just Wisconsin. Unfortunately, Wisconsin is in one of the worst positions of any state in the country. Combine our lost job base with the likelihood that any recovery will be minimal growth in 2010 at best and the significance of our budget mess really comes into focus.

The recent election results in Massachusetts demonstrate that the voters- especially independents, are very upset about government spending, large deficits and how those supporting them seem disconnected from the reality of the daily economy. It would appear that many people simply do not believe that there is a dedicated effort to controlling spending and taxes in government.

### So how does the economic and fiscal chaos impact you and your business?

I believe there will be a series of organized attempts in 2010 to convince the Wisconsin residents that everything would be ok if businesses would just pay higher taxes. Those attempts will be masked in very nice and pleasant sounding plans that appear reasonable and often are labeled with names that create the illusion that they are something they are not.

Here’s a recent example:

As the Congress worked to pass their government health care plan, they agreed on the now infamous “Tax on Cadillac Health Plans”. One might think that meant they would impose a tax on very generous plans often found with government plans and those that actually made Cadillacs. Instead, what the plan did was place a direct target on the back of those employers who need effective health care reform the most...small employers like our members.

**Congress defined “Cadillac Plans” by cost, not by benefits, thereby targeting small business.**

Small employers have difficulty getting in efficient risk pools where they can find less expensive insurance. The result is very expensive plans through no fault of their own. Under the Congressional plan, these

small employers would face enormous tax hikes to fund the government health plan. To make matters worse, Congress and President Obama cut a deal with big unions to exempt them from this ridiculous tax. That’s right ...the guys making the Cadillacs and government workers would be exempt from the tax on so called Cadillac health plans because of a political favor.

Those exempted actually can find lower cost health care because they are in a bigger pool... yet Congress tried to stick it to the little guy. It makes no sense but it is an example of what you can expect to see if those who blame businesses for our state’s budget mess get their way.

The drumbeat is starting. Recently a group called the Wisconsin Alliance for Excellent Schools started a statewide effort called “A Penny for Kids”. The effort is to raise the sales tax another penny. All these efforts will sound nice but they will have the same effect - raise taxes, spend more and make it even more difficult to get this economy on the right track.

What is really important to remember is these proposals start out as across the board tax hikes but they usually get narrowed down and targeted to a specific group...employers, just like the Cadillac health tax.

We will keep working to inform you, mobilize you and defend you when higher costs are targeted at you.

We won’t just play defense.

In 2010, WIB will offer a better way forward. Instead of more costs, we are developing an effort designed to “Lead the Recovery”. We believe that if we can offer solutions to control costs, reduce the costs of hiring people and accelerate economic growth, many of the problems facing state government can be resolved. Stay tuned.

As always, I value your input and ideas. You can always email me at [johngard@wibiz.org](mailto:johngard@wibiz.org).

John Gard  
President, WIB

# Important Recent Developments

## Small Business Lending News

President Obama recently announced the creation of a small business lending fund. The plan would redirect \$30 billion of TARP (Troubled Asset Relief Program) into primarily Community banks for low interest government loans for small businesses. It still requires Congressional support. While there are many details needing to be resolved we will do our best to help you understand the specifics as they become available.

Wondering what this plan could mean for your business? If you have any questions, please contact us. We are happy to give you details that are available and provide you with a basic checklist of items you would need to have ready should you want to apply for this or other SBA programs.

Give us a call at 800-362-9644 or email us at [office@wibiz.org](mailto:office@wibiz.org). Please check our website at [www.wibiz.org](http://www.wibiz.org) for updates.

## Bill to Offer Small Claims Court Relief to Small Business Advancing

Another priority for WIB members is AB 524 authored by Rep Gary Hebl (D-Sun Prairie). The bill continues to pick up steam and is expected to be scheduled for a vote of the full Assembly as this article goes to print. Numerous WIB members have sought to raise the limits allowed to go to small claims court in order to help improve their ability to recover long overdue claims.



Rep. Gary Hebl

This bill would raise the limit from \$5000 to \$8000 and offer many of our members much quicker access to the courts to improve their ability to recover payments owed to them. Currently the circuit court process is far too expensive and lengthy to meet the needs of many of our members. Many of our courts are too jammed with cases and justice is hard to attain quickly in these cases.

WIB sincerely appreciates the determined effort of Rep. Hebl and other supporters in this effort.

## Automatic Renewal Clause Bill ready for Assembly Vote

A WIB priority bill continues to be SB 190, a bill that regulates the use of automatic contract renewals and extensions. We are pleased with the support of numerous Assembly members who have worked to get this bill passed and signed into law.

The Senate has already passed this bill. Senator Wirch (D-Pleasant Prairie) has been a steadfast leader on this issue and WIB appreciates his consistent effort.

This bill will provide much more fairness and reasonable handling of many contracts small employers must have to operate

their business. WIB has worked to craft a bill that protects our members and ends some of the abuses our members have had to endure over the years.

## Controlling the Daily Costs of Running a Small Independent Business Leads WIB to take Key Actions

Everyone realizes the incredibly difficult and challenging business climate we are all faced with at the current time. We believe it is critical to focus our efforts to fighting on your behalf to stop government actions that will unnecessarily raise the cost of doing business at this very difficult time.

That has led to our joining 22 other business organizations to oppose the Global Warming Task Force legislation that has been introduced in the state legislature. We hope there are revisions to this plan that could make it more appealing but the original drafts are far too costly and devastating to many small businesses and their future utility bills.

As we examined the depth of the likely costs to your business and the overall expected job loss in Wisconsin because of some of the provisions in this bill we simply could not support it. We have signed a letter opposing the legislation and will continue to work with any interested party to make it more reasonable moving forward.

**We have a copy of the full letter** linked on our website at [wibiz.org](http://wibiz.org), so any of our interested members can read it in it's entirety.

WIB believes there are provisions that will lead to unnecessary increases in your monthly energy bills. For example, it is believed that some provisions would require utilities to acquire more expensive renewable energy sources when less expensive ones may be available, add significant new fees customers are forced to pay to government programs and hand tremendous new powers to the state government in building codes and other programs with no consideration of costs.

These types of government actions, if done recklessly, would cost you and your business dearly for years to come.

We believe there are better ways and will continue to fight to make this a more cost effective bill. In many cases Wisconsin energy rates have increased up to 50% in the last decade and now would be a terrible time to increase them even more.

**Our WIB staff is ready to help you with any questions - call 1-800-362-9644 or email [office@wibiz.org](mailto:office@wibiz.org) if you need anything! Thank you for being a part of WIB.**

## WIB LEGAL LINE



**Robert E. Gregg**  
**Boardman Law Firm**

Robert E. Gregg is a partner with the Boardman Law Firm of Madison. He has been associated with WIB for more than 25 years. Boardman attorney Cliff Bobholz also contributed to this report. Robert can always be reached at [rgregg@boardmanlawfirm.com](mailto:rgregg@boardmanlawfirm.com)

**COBRA subsidy extended**- The COBRA subsidy enacted by the American Recovery and Reinvestment Act of 2009 (ARRA) has been amended and extended and has some key dates effective in February.

You should know:

1. An Assistance Eligible Individual (AEI) is now entitled to 15 months of subsidy.
2. The previous requirement that the individual had to lose health coverage on or before December 31, 2009 has been modified so now the qualifying event must occur on or before February 28, 2010.
3. Any individual who was an AEI on or after October 31st, 2009 or who experienced a qualifying event (consisting of termination of employment- both voluntary and involun-

tary) relating to COBRA continuation coverage on or after October 31, 2009 through December 19, 2009, will have to be provided with notice by February 17, 2010 of the changes made to the COBRA subsidy.

4. Any individual who experienced a qualifying event after December 19, 2009, will have to be provided with the COBRA election notice in the normal time frame, and that notice must contain the information regarding the changes made to the COBRA subsidy by the DOD Act.

5. Any individual who lost the subsidy because the previous nine months of qualification expired prior to December 19, 2009, must receive notice by February 17, 2010 of the changes made to the COBRA subsidy by the DOD Act. This notice must also advise the individual of the right to make retroactive COBRA subsidy payments to maintain his or her COBRA continuation coverage. To do so, the individual must make the retroactive payment(s) by February 17, 2010, or, if later, within 30 days after the required notice is provided.

6. Any individual who paid the full premium, and who would have been eligible for the COBRA subsidy had the changes to the COBRA subsidy by the DOD Act been available sooner, must receive a refund or a credit against future premiums. [For more information or questions, see [www.boardmanlawfirm.com](http://www.boardmanlawfirm.com) (Reading Room) or contact Cliff Bobholz.]

If you have questions about these issues or any workplace problems, call the WIB toll-free members HOTLINE at **800-362-9644**

