

Badger Institute: Federal government slowly taking over state budget, policy-making and workforce

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New Badger Institute book finds federal grants deprive us of our money, liberty and trust

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Oct. 8, 2018 — Approximately 10,000 State of Wisconsin employees are actually paid with federal funds, according to a new book by the Badger Institute that documents the negative impacts of the Badger State's increased reliance on Washington, D.C.

"[Federal Grant\\$standing](#)" combines traditional policy research, investigative reporting, surveys of educators and local officials, and interviews with key players to produce some alarming findings. Among them:

- Nationally, grants-in-aid to state and local governments have exploded from \$7 billion in 1960 to an estimated \$728 billion today.
- Most states today — including the Badger State — receive about one-third of their revenues from the federal government.
- A growing number of Wisconsin "state employees" — around 10,000 of them, including University of Wisconsin System employees and almost 5,000 state government employees — are paid with federal funds. For example, fully 73 percent of the Wisconsin Department of Workforce Development's 1,600

workers are now paid with federal funds.

- The slow federal takeover of other state agencies is also underway. Nearly 50 percent of employees in both the Department of Public Instruction and the Department of Children and Families are paid with federal funds.
- Nearly 30 percent of federally paid workers in just six Wisconsin departments appear to simply administer federal dollars. Their annual salary and benefits total nearly \$89 million.
- Fully 83 percent of Wisconsin public school administrators surveyed said it is at least “likely” there would be more innovation in schools if they had more discretion over how federal funds are spent. Most of those respondents said it would be “much more likely.”

Around 50 percent of surveyed Wisconsin public school teachers agreed there would be more innovation if federal funds allowed for more local discretion.

- Eighty-one percent of school administrators said accountability would improve or at least stay the same if they had more discretion.
- The Department of Public Instruction spends \$54 million annually just administering federal funds.
- School districts that saved taxpayer money as the result of Act 10 reforms are compelled by federal “maintenance of effort” requirements to spend that money — often on things they don’t want or need — or lose federal funding.
- Federal money and guidelines are skewing how important local decisions on things such as the Milwaukee streetcar are being made, producing widespread public dissatisfaction and questionable spending.

“We found that the lines between federal, state and local governments aren’t just becoming blurred; they’re being completely erased,” said Mike Nichols, president of the Badger Institute. “The results of this growing federal overreach are pernicious, increasing costs, incentivizing bad decisions, stifling innovation, undermining accountability and ultimately undermining the balance of power established by our Constitution. We need to wake up to the fact that federal grants come at a very high cost.”

“The primary beneficiaries of federal grants are the officeholders who receive free and uncritical coverage when they announce grants in their states and districts,” said Dan Benson, who served as editor of the Badger Institute’s Project for 21st Century Federalism. “The only reason a system so wasteful and unaccountable exists is that it allows politicians to engage in the art of ‘grantstanding.’ ”

The book concludes that the continued reliance on federal grants threatens the dual

system of governance established by the U.S. Constitution. The book offers a variety of possible solutions including:

- Cutting spending on federal grants
- Eliminating or scaling back the Department of Education
- Increasing the use of block grants with fewer strings attached
- Taking full advantage of the flexibility offered by the Every Student Succeeds Act
- Demanding metrics that measure outcomes, not inputs
- Pursuing a bipartisan effort to restore local control
- Increasing transparency at the state level

“There is growing recognition on the right and the left that local issues are better addressed by those with the closest proximity,” said Nichols. “State and local officials better understand the education, transportation and economic needs of their communities than distant bureaucrats who couldn’t find these communities on a map. Fortunately, reform is possible. It starts with the recognition that federal money is anything but free.”