

## State Agency Budget Request Highlights 2025-27

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**BACKGROUND:** In September of even numbered years, state agencies submit their projections around budget needs for the coming biennium. These budget requests generally include “cost to continue” information and are guided by [directions from the Governor’s office](#) regarding the projected state financial outlook.

In general, these early budget submissions do not include much information about the administration’s overarching policy and spending priorities; however, they provide an initial framing for anticipated costs.

Overall state agencies are requesting just over \$1 billion in new state general purpose revenue (GPR) expenditures with the UW System and Department of Corrections accounting for a significant portion of the requested adjustments.

What follows is a summary of items of interest to WAFCA members from key state agencies. Between now and early in 2025, WAFCA will be connecting with administration leaders about emerging budget priorities and working with our WAFCA network to advocate for member concerns.

*NOTE: The details in this document may be updated as additional analysis/information emerges.*

### DEPARTMENT OF HEALTH SERVICES ([full request](#))

The DHS biennial budget request incorporates Medicaid expansion to cover adults up to 138% of the federal poverty level and realize additional federal financing participation to reduce GPR expenditures by more than \$1.7 billion over the biennium. The budget projections assume a return to Medicaid enrollment at pre-pandemic levels, adjusted for historic trends. The Department notes increases in demand for acute care, long term care and behavioral health services. In addition, the requested budget addressed ongoing staffing needs at DHS facilities. The request proposes a 11.7% increase in all funds.

Noteworthy under the DHS performance measure goals is the ongoing challenge to reduce the number of admissions and readmissions of youth under 18 to Winnebago Mental Health Institute. The Department set a goal for a 5% reduction in admissions in each year of the 2023-25 biennium. While there was a decrease in each year, the actual reduction only reached 1.4% in 2023 and 1.1% in 2024. Readmission rates for youth far exceeded goals with actual readmission rates reaching 11.38% in 2023 and 18.56% (more than double to goal of 7%). (Pg 8)

**Medicaid expansion.** Adopt option under the Affordable Care Act to increase Medicaid coverage for individuals from 100% FPL to 138% FPL. Due to increased FMAP, adopting federal Medicaid expansion results in state savings of \$1.7 billion in GPR over the biennium.

**FFS Medicaid – Acute Care.** In the 2025-27 biennium, FFS acute care programs are expected to experience cost increases related to service intensity, most notably for the county-operated CCS program. Medicaid mental health programs, including CCS, are expected to experience additional enrollment-related costs. In total, FFS acute care is expected to contribute \$275.2 million GPR to the Medicaid cost-to-continue. Major budget lines driving the overall Medicaid cost-to-continue include FFS hospitals contributing costs of \$37.6 million GPR, CCS and other mental health programs and services contributing \$88.9 million GPR, FQHCs contributing \$60.2 million GPR, nonemergency medical transportation services contributing \$29.1 million GPR, and the remaining FFS budget lines contributing

\$23.3 million GPR. In total, FFS acute care services account for 24.9% the total 2025-27 Medicaid GPR cost-to-continue.

**Managed Long Term Care** In the 2025-27 biennium, MLTC programs are expected to experience high levels of cost growth due to increases in both program enrollment and service intensity, contributing \$375.3 million GPR to the Medicaid cost-to-continue. Among the increased costs are additional \$203.5 million GPR to maintain funding for the HCBS minimum rate schedule implemented effective October 1, 2024. MLTC accounts for 34.0% of the total 2025-27 Medicaid GPR cost-to-continue.

**IRIS and CLTS Waiver Programs.** Assumes increase in IRIS program costs by \$160.2 million GPR over FY25 expenditures. The request also anticipates continued enrollment growth in the Children's Long Term Supports (CLTS) waiver program however the growth will be slower than the current biennium with an projected \$46.5 million GPR increase over the biennium.

**Medicaid Enrollment.** Average monthly enrollment in the 2025-27 biennium is projected to be lower decreasing from a FY 24 enrollment of 1,360,260 down to a projection of 1,211,730 in FY27. Despite these enrollment declines, the program will still experience cost growth due to increasing enrollment and costs associated with the long-term care population.

**Medicaid Base Re-Estimate.** The total biennial cost to operate the Medicaid program in the 2025-27 biennium is projected to be \$33.5 billion AF over the biennium (an 11.8% increase over 2023-25). With Medicaid expansion, GPR costs decrease by \$561 million.

## DEPARTMENT OF SAFETY AND PROFESSIONAL SERVICES ([full request](#))

The DSPS overview highlights tremendous progress made over the past two years, despite insufficient resources. The performance data provided shows an impressive gain in turnaround time for initial licenses, with 93% being issued within 30-days. Additionally, the customer service center's performance was highlighted as justification for the position requests. It was emphasized that the expiration of project positions and creation of permanent positions is necessary to maintain the gains made. It was also noted that these positions are paid for through program revenues.

**Customer Service Staffing.** The department requests authorization for 14.0 FTE permanent Office Operations Associate positions and ongoing funding of \$707,000 PR-O in FY 26 and \$938,700 PR-O in FY 27 to allow the department to meet the demand for licensed occupations.

The year-to-date average demand rate was reportedly 4,700 calls, 3,100 support tickets, 450 live agent requests, 1,200 emails each week and 230 changes to constituent license information each week.

**Licensing Processing.** The department requests authorization for 10 FTE permanent positions and ongoing funding of \$659,600 PR-O in FY 26 and \$875,500 PR-O in FY 27 to ensure continuation of efficient and effective processing of license applications.

DSPS issues over 110,000 new credentials and 400,000 renewals for over 245 professions each biennium.

**Technology Infrastructure Support.** The department requests ongoing funding totaling \$811,800 PR-O in FY 26 and \$820,700 PR-O in FY 27 and one-time funding totaling \$149,400 PR-O in FY 26 and \$146,500

PR-O in FY 27 to support the increased costs for software, staffing, and equipment replacement of DSPS's current technology infrastructure.

#### DEPARTMENT OF CHILDREN AND FAMILIES ([full request](#))

The DCF biennial budget request includes budget re-estimates that appear to be for the purpose of capitalizing on the federal revenue available to the Department and shifting GPR to other areas where federal claiming requirements have changed. The streamlining of appropriations appears to be rooted in a desire to create more flexibility in the use and/or distribution of funds. The proposed budget continues the agency's focus on expanding access to quality early care and education, its child welfare transformation, and connecting workers to family-supporting employment. DCF is maintaining its goal of achieving a 5% reduction in "children who experience episodes of placements in group care settings" in each year of the biennium.

**Milwaukee Child Welfare Re-estimate.** Funding for aids payments and contracted services is being adjusted to reflect projected changes in caseloads, service expenditures, and federal claiming rates. The re-estimate increases funding by approximately \$11 million each year of the biennium.

**State Foster Care, Adoption Assistance, Subsidized Guardianship, and Public Adoption Services Re-estimate.** The funding for Adoption Assistance, State Foster Care, and Subsidized Guardianship programs is being adjusted to reflect current expenditures and changes in federal claiming rates. Public Adoption Services need to be adjusted to reflect federal Adoption Savings expenditure requirements and changes in federal claiming rates. The Department requests an overall increase of \$2,185,900 in SFY 26, and \$3,837,300 in SFY 27,

**Changes to Youth Aids Formula.** The Department is seeking to modify the funding statutes and to reallocate GPR between appropriations used for Youth Aids. This would simplify the allocation methodologies and make the process more transparent for stakeholders, more consistent for administrators, and more likely to promote the full and efficient use of resources. There is no financial impact with this change.

**Transfer of Head Start.** The Department is seeking the transfer of \$6,264,100 GPR annually from the Department of Public Instruction to support Head Start, which is better aligned with childcare.

**TANF/CCDF Re-estimates.** The Department is seeking additional spending authority totaling \$26,452,200 in SFY26 and \$24,111,000 in SFY27 to reflect the net effect of re-estimates of federal block grant and non-federal program revenues. Increases/decreases in individual appropriations are as follows:

49.175(1)

(a) Wisconsin Works benefits: proposing decreases in the amount of \$667,000 in SFY26 and \$3,872,700 in SFY27.

(b) Wisconsin Works agency contracts: requesting increases in the amount of \$5,217,300 in SFY26 and \$4,090,400 in SFY27.

(i) Emergency assistance: requesting increases in the amount of 2,409,200 in SFY26 and \$2,175,000 in SFY27.

(k) Transform Milwaukee and Transitional Jobs: requesting \$2,975,000 annually to support higher participation in the programs following the removal of eligibility restrictions that require individuals to be unemployed for at least four weeks and ineligible for unemployment insurance benefits prior to participating in subsidized employment.

(p) Direct child care services: requesting increases in the amount of \$9,802,300 in SFY26 and \$10,855,300 in SFY27.

(s) Kinship care and long-term kinship care assistance: requesting an increase in the amount of \$3,194,200 in SFY26 and \$3,611,800 in SFY27.

The Department is also requesting funding to remove a barrier to entry into the childcare workforce by subsidizing the cost of childcare foundational trainings for providers, in order to ensure they have the basic knowledge, skills, and abilities to provide care and education to young children (\$2,166,600 annually). Additional funding for tribal childcare training and technical assistance, and IT updates for childcare audits in order to reinforce program integrity efforts.

## DEPARTMENT OF PUBLIC INSTRUCTION ([full request](#))

The Department's budget was noted to be in progress, with this submission primarily targeting additional funds for libraries and requesting the transfer of Head Start to DCF (see above). Additional details are expected this fall, and are said to include:

- Creating predictable and sustainable funding for schools
- Increasing, diversifying, and strengthening the educator pipeline
- Building capacity in schools to support students in their college and career pathway
- Addressing student mental health
- Ensuring student nutrition

## DEPARTMENT OF CORRECTIONS ([full request](#))

The budget prepared by the DOC seeks to continue investments in the workforce to accommodate the gradual increases in the adult prison population. The budget also focuses on safely leveraging existing earned release mechanisms, increasing resources to provide programming for incarcerated individuals and clients on community supervision, and fairly substantial increases for juvenile programming.

Noteworthy items include:

**Community Reentry Centers.** The Department is requesting \$4,000,000 GPR in FY26 and \$4,000,000 GPR in FY27 to support the creation and ongoing operations of Community Reentry Centers as required under [2023 Act 233](#).

**Increases in Juvenile Correctional Facility Rates.** The Department is seeking to increase the daily rate for each youth in Copper Lake and Lincoln Hills from \$1,268 in 2024 to \$2,305 in 2025 and \$2,361 in 2026.

**Mendota Juvenile Treatment Center Contract.** The Department is requesting \$19,407,200 PR in FY26 and \$19,795,300 PR in FY27 to contract with the Department of Health Services for mental health beds for juveniles placed at the Mendota Juvenile Treatment Center.

**Serious Juvenile Offender (SJO) Program.** The DOC is again requesting a significant increase in funding for the SJO program. It is seeking \$5,093,600 GPR in FY26 and \$10,832,700 GPR in FY27 to provide juvenile institution care, alternate care, and community supervision for Serious Juvenile Offenders.

#### OTHER AGENCIES

Other state agency requests of note include:

**Department of Justice.** The DOJ biennial budget includes \$2.3 million in GPR and 14 positions for the Office of School Safety. In addition, the Department requests \$66 million GPR over the biennium for grants to victim service providers to address significant federal spending reductions.

**District Attorneys and Public Defenders.** Both DAs and PDs are seeking wage increases and staffing increases to address compensation and workload issues. The DA increases would contribute to a 36% growth in the budget for the biennium and PDs are requesting an 8.7% increase overall.