

Assembly Journal

Eighty-Fifth Regular Session

WEDNESDAY, August 5, 1981.

The chief clerk makes the following entries under the above date:

AMENDMENTS OFFERED

Assembly amendment 1 to **Assembly Bill 442** offered by Representative Kirby.

Assembly substitute amendment 1 to **Assembly Bill 484** offered by Representative Ellis.

Assembly amendment 1 to **Assembly Bill 498** offered by Representative Dorff.

Assembly amendment 1 to **Assembly Bill 586** offered by committee on Highways.

Assembly amendment 2 to **Assembly Bill 586** offered by committee on Highways.

INTRODUCTION AND REFERENCE OF PROPOSALS

Read first time and referred:

Assembly Bill 691

Relating to requiring a uniform sign stating the legal age for drinking on licensed premises and providing a penalty.

By Representative Ulichny.

To committee on Excise and Fees.

Assembly Bill 692

Relating to requiring retail beer and liquor licensees to procure a publication containing alcoholic beverage laws and administrative rules, making an appropriation and providing a penalty.

By Representative Ulichny.

To committee on Excise and Fees.

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Assembly Bill 693

Relating to altering penalties for the possession and gift of marijuana, permitting the enactment of certain ordinances and prohibiting the sale of smoking accessories to minors.

By Representatives Clarenbach, Coggs, Leopold, Becker and Flintrop.

To committee on Criminal Justice and Public Safety.

ADMINISTRATIVE RULES

Read and referred:

Assembly Clearinghouse Rule 80-241

Relating to certified seed potatoes.

Submitted by Department of Agriculture, Trade & Consumer Protection.

To committee on Agriculture and Nutrition.

Referred on August 3, 1981.

Assembly Clearinghouse Rule 81-28

Relating to flammable and combustible liquids code.

Submitted by Department of Industry, Labor & Human Relations.

To committee on Energy.

Referred on August 3, 1981.

Assembly Clearinghouse Rule 81-65

Relating to uniform premium lists and class requirements for exhibits at county and district fairs.

Submitted by Department of Agriculture, Trade & Consumer Protection.

To committee on Agriculture and Nutrition.

Referred on August 3, 1981.

COMMITTEE REPORTS

The committee on Local Affairs reports and recommends:

Assembly Bill 283

Relating to publication of school board and municipal proceedings.

Indefinite postponement: Ayes: (8) Noes: (7)

To committee on Rules.

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Assembly Bill 288

Relating to state and local cooperation in suppressing forest fires and increasing an appropriation.

Passage: Ayes: (15) Noes: (0)

To Joint Committee on Finance.

Assembly Bill 352

Relating to reimbursing municipalities for ambulance service on state highways and making an appropriation.

Adoption of assembly amendment 1:

Ayes: (15) Noes: (0)

Passage: Ayes: (13) Noes: (2)

To Joint Committee on Finance.

GARY BARCZAK

Chairperson

COMMUNICATIONS

State of Wisconsin
Department of State
Madison

To Whom It May Concern:

Dear Sir: Acts, joint resolutions and resolutions, deposited in this office, have been numbered and published as follows:

Bill, Jt. Res. or Res.	Chapter No.	Publication date
Assembly Bill 267 -----	19 -----	July 25, 1981
Assembly Bill 66 -----	20 -----	July 30, 1981

VEL PHILLIPS
Secretary of State

August 1, 1981

Honorable Donald J. Schneider
Honorable David R. Kedrowski

Gentlemen:

The following rules have been published and are in effect:

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Clearinghouse Rule 79-24 effective 8-1-81
Clearinghouse Rule 79-40 effective 8-1-81
Clearinghouse Rule 80-66 effective 8-1-81
Clearinghouse Rule 80-119 effective 8-1-81
Clearinghouse Rule 80-176 effective 8-1-81
Clearinghouse Rule 80-186 effective 8-1-81
Clearinghouse Rule 80-188 effective 8-1-81
Clearinghouse Rule 80-211 effective 8-1-81
Clearinghouse Rule 80-226 effective 8-1-81
Clearinghouse Rule 80-228 effective 8-1-81
Clearinghouse Rule 80-247 effective 8-1-81
Clearinghouse Rule 81-3 effective 8-1-81
Clearinghouse Rule 81-4 effective 8-1-81
Clearinghouse Rule 81-31 effective 8-1-81
Clearinghouse Rule 81-42 effective 8-1-81
Clearinghouse Rule 81-44 effective 8-1-81
Clearinghouse Rule 81-46 effective 8-1-81
Clearinghouse Rule 81-48 effective 8-1-81
Clearinghouse Rule 81-77 effective 8-1-81

Sincerely,
GARY POULSON
Assistant Revisor

GOVERNOR'S VETO MESSAGE

July 29, 1981

To the Honorable, the Assembly:

In my budget message to the legislature, you may remember that I felt this session would make clear whether the special interests and their lobby representatives would determine the course of this state or whether the people's elected representatives would do so.

This budget tells the people that the battle is not yet over and the outcome far from certain. This budget tells the people that their representatives have not yet made a firm resolve to spend only what we have. This budget tells the people that the needs of the tax spenders are clearly more important in Madison than are the needs of the taxpayers.

I have signed Assembly Bill 66, the biennial budget, and deposited it with the Secretary of State. It becomes Chapter 20, Laws of 1981. I did not take this action without a sense of concern for the future. And

in doing so, I have exercised my constitutional power to item **veto** an extraordinary 121 times.

Even with this red lining, the biennial budget process is **incomplete**. You know full well that you will have to return to this task **because** you have put off the inevitable. You have made promises to **our** elderly and needy without the funding to carry out those **promises**, and you have lacked the courage and strength to require **local** government to cut back to the same extent as state government. **You** have now outrun the people's ability to pay for these increases **and** these promises. You must stop double digit increases in many **aspects** of government spending, or you are courting state fiscal disaster.

This budget is the product of a political process which excluded **the** representatives of nearly half of the people of this state, and it **shows**. Reform your process and involve all those elected by the people **and** you will find a strength and resolve to do what is necessary.

Can't you see the consequences of a system in which the only **real**, meaningful input of 54 minority party legislators is through the veto power of the governor? It is wrong to disenfranchise all those voters who sent them here to do this work. Let them into the process; learn to compromise with their proposals, and no future governor will find it necessary to veto to this extent. I was heartened to hear at least some of the majority party leadership express publicly that the process was not good and did need serious change. You will have that opportunity this fall when you return to complete this task. I hope the consequences of this past course are not forgotten by then.

Throughout this process which began last fall, my goal has been to restore balance between competing interests, between rural and urban, between taxpayers and tax spenders, between desirable programs and available resources, between economic incentives for job creation and taxes necessary to fund social services. My vetoes cannot restore that balance, but can at least move back in that direction.

When I presented my revenue bill and budget bill last January, I offered a plan which would responsibly deal with our fiscal problems in this biennium, which would begin to get government spending under control and which would lay the foundation for recovery and preservation of the Wisconsin we inherited.

The majority party rejected my revenue bill proposal both in form and in substance. I strongly believe you must place a dollar ceiling on what government has available to spend based on the taxpayers' ability to pay. This bill attempts to remove the governor's ability to

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present such a spending ceiling and allow it the special treatment of a budget bill. I have vetoed that provision in order to allow both the governor and the legislature to place spending limits on future budgets. If the legislature persists in saying no to this concept, I predict the people will move toward creating spending limits by a constitutional referendum. Do not push them too far!

Should I be governor in 1983, I will again seek to establish a dollar ceiling on government spending.

Basically there are three areas I have carefully reviewed: tax increases, spending increases, and borrowing increases. These vetoes cut the tax increases voted by the legislature by \$44 million; cut spending increases by over \$100 million; and cut the borrowing authorization by \$117.8 million.

It is absolutely necessary to maintain this control because the economic signs continue to indicate that our economic recovery will be sure and steady, but slow. Economic reports indicate this state will not return to the 1979 level of employment in nondurable goods until late this year; and in durable goods not until 1983 or 1984. That's just to get back to the 1979 level! They won't even make a prediction for the construction industry, so essential to an economic recovery. We must provide the economic base that produces jobs. This will require not doing as much as we would like in a whole range of areas. But if we play politics as usual and avoid the hard decisions, we will find more people in need with fewer working people able to provide the taxes to meet their need. It's basic that those who work, support those who do not work. It's just that simple, and the people who work are beginning to resist the constantly increasing taxation.

Policy in the Budget

One of the criticisms of Wisconsin's budget procedure is that policy items, not fiscally related, are included in the bill -- making it more difficult for public involvement and legislative review and amendment. I excluded policy in the 1979 budget and introduced separate legislation. You chose to ignore most of it. This year I included policy, recognizing that at least the Joint Finance Committee holds hearings. However, with great fanfare, all that policy was stripped by the committee. Lo and behold, the democratic caucuses liked the old system and included their own major, complicated and impactive policy questions in the budget. Therefore, I recognize that I must deal with major policy questions now given me through this budget.

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Although separate legislation would have been preferable, I have approved tightening up the drunk driving law because it is an issue of great public concern and because the problem is with us now and can't be delayed. Whether the provisions will be enforced by attorneys, prosecutors and judges is yet to be seen. But we must try to end the slaughter on the highway with whatever tools are available to us. I now call on the courts to help.

I have rejected the proposals relating to condominium conversion and the soil and water program because there is less immediacy, substantial complexity, and no clear consensus on either of them. Both proposals need more complete public and legislative review to ensure we are not creating unintended bad consequences from well intentioned legislation.

Aids and Credits

Nowhere in this budget is excessive spending and disregard for the people's best interest more prevalent than in the legislature's treatment of shared revenue and property tax credits.

At a time when state tax collections are rising modestly, at a time when appropriations for our university system and the truly needy are growing at slower rates than in past and when state government itself is imposing an 8% cut, this legislature has proposed to increase municipal aids by over 12% in 1981, and a staggering 17.4% in 1982. Payments for some communities are scheduled to jump by 30%, 40% and even 50% in one year! Increases for cities averaged almost 20%!

How can you believe this is right to do? And have you not noticed that even with these inordinate increases, the lobbyists and some local government leaders are turning out a barrage of complaints and dire predictions about being forced to raise property taxes? Why is it that the people must cut back their level of spending, but not government? These double digit increases are not right if you insist on sending the money to the tax spenders and not to the taxpayers who provided the state with those dollars.

While you are providing double digit increases to our local government leaders, what have you done with my proposals to return property tax reductions directly to the taxpayer? I am shocked that in these times of inflation with everything going up that you believe it is right to reduce property tax credits paid directly to the taxpayer by 3.3% in 1981 and 4.5% in 1982.

Taxpayers in the state's major cities are particularly hard hit by the reductions. Under the legislative budget, credits to Milwaukee,

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Madison and Racine taxpayers will all drop about 13%, while monies to those city governments will increase sizeably. Some cities, such as Green Bay and Eau Claire, fare worse. Of course, the tax spenders in those cities do well under the budget presented to me.

Such excesses require drastic action particularly since the political smokescreen hides the truth from the people. I am absolutely convinced that the only way to ensure property tax relief is to provide it directly to the taxpayer. Certainly, the state must also provide aid to local governments as long as the state controls most revenue sources and restricts through exemptions the property tax. However, the system must be balanced, and ours is not. We are the highest in the United States in terms of local aid -- and you wish to push even higher?

In order to move toward balance, I have reduced the growth in shared revenues this year to 9.7% by vetoing \$13.2 million. I have repeatedly warned local governments not to count this year on all the money they might have received in good times. If they did not heed that warning, they have five months to adjust and will have to use some of their surplus and reserves.

I have increased the direct property tax credits in each year of the biennium by a total of \$59 million over what the bill contained. The taxpayer has that coming! Also, he needs it more than the government.

And I have effectively vetoed in its entirety the 1982 shared revenues appropriation. This will permit you to review the appropriate level of funding at the same time you review the impact of federal reductions on the sick, the poor and the elderly this fall. I will offer a fair and equitable proposal on shared revenues before that session, but a double digit increase does not fall within my definition of "fair."

Legislators in the majority ask why we should worry about these tax credit declines as long as shared revenue growth continues. The answer is simple. If you truly wish to provide property tax relief, the only sure way is to give it directly to the taxpayer. Otherwise you will get what we see and hear now, namely double digit increases going to local government, while at the same time they are saying they will be forced to raise local taxes. How long will you participate in allowing this to go on? It is a deception.

Should the tax spenders continue to receive large aid increases year after year at the expense of the taxpayers? Should state aid be funneled through a middleman in hopes that some of it will be used to reduce property taxes; or should property tax relief be guaranteed by

providing it directly to the taxpayer? What I am asking is that our tax relief strategy be balanced so that local governments and taxpayers share equitably in a biennial appropriation of about \$1.6 billion.

One aspect of the legislature's cut in property tax credits particularly disappointed me. I had proposed that we replace an outdated and complex general property tax relief formula with a simple, 20% credit aimed at reducing school taxes. Legislators have campaigned on school tax relief for years. The Democratic and Republican parties have often advocated it in their state platforms.

Resistance to my school tax credit, however, was strong among some majority legislators. As a result, even with my vetoes, less will be done to directly relieve the school tax burden than I proposed. The elderly, the farmer, the working person does not mind paying property taxes for property-related services, but they do object to the high cost of funding schools through the property tax. The school tax credit responded to these concerns. I am committed to increasing direct school property tax relief in the future as funds are available, because of my firm belief that public support for our schools will continue to erode if this is not done!

Economic Recovery Package

In my revenue message last January, I proposed that Wisconsin federalize capital gains taxation, provide an exclusion for the first \$400 of a couple's interest and dividend income, and completely exempt interspousal transfers from inheritance and gift taxation. I also proposed a self-funded reduction in the retailer's sales tax discount to compensate small businesses burdened by mandated paperwork. In response to likely congressional action, I later added accelerated depreciation to my economic recovery package and offered a series of tax changes to fund the reforms.

The legislature added numerous tax increases to the budget, while stripping away many of the positive tax reductions. One year of the interest exclusion and part of the benefits of capital gains and depreciation changes were among the items removed. Most significantly, for the second time in three years, the legislative majority refused to enact the marital tax reform needed to eliminate the inheritance tax for recent widows or widowers. How many more years will farm and small business men and women, especially women, be held hostage from meaningful inheritance tax reform for individual legislators' pet programs? It is wrong for the state to take inheritance tax on an estate that was built by a husband and wife as a team.

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As the budget reached my desk, it contained almost \$120 million in 1981-83 tax increases for business, not including excise and gas taxes. The corresponding tax cuts were modest at best -- \$29.5 million.

Here in Wisconsin and the Midwest, we are haunted by an aging industrial base and face the real danger of following the Northeast into economic decline. Yet this legislature has chosen to increase substantially the tax burden on our state's productive industrial and business sector.

To change this state's economic course and to set the stage for job creation for the rest of the decade, Wisconsin badly needs the capital gains and depreciation relief contained in this budget. And I have approved them. However, the full benefits of these changes will not be realized as long as the budget also contains a plethora of tax increases.

Some of these changes are poorly conceived. Requiring reinvestment of capital gains in Wisconsin sounds good, but is unworkable and confusing. Similarly, restricting deductions for business entertainment may have popular appeal, but the fiscal dividends reaped are badly overstated and would be burdensome for the taxpayer. Both are easily avoided by big business who have computers and highly paid attorneys and accountants on their staffs, but will hit hard those who do not.

Other tax increases in the budget are short-sighted and counterproductive. It makes little sense to reduce capital gains taxes on the one hand and then treat them as a minimum tax preference item on the other. When we are encouraging Wisconsin firms to compete in a worldwide economic environment, it makes little sense to deny the deduction for foreign taxes paid. We should encourage our businesses to aggressively penetrate foreign markets to provide new jobs here at home, and not penalize them when they are successful.

If one realizes that small businesses are at the heart of the job creation process, it is similarly unwise to increase the annual corporate filing fee, making it more difficult to start a new business.

Finally, some of the provisions of the legislature's budget were clearly punitive in nature. Excluding utilities from using accelerated depreciation at the same time that the utility tax credit is being repealed is simply unfair. Besides who would ultimately pay for that? The people!

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The excess profits tax on oil companies is in fact dangerous as well as a deception. I share people's resentment of high oil company profits! But this tax proposal is not only of questionable legality, it is easy for the oil companies to avoid.

Every single legislator knows that not one single penny will be added to the revenues of this budget by this proposal because of legal cases already in court in other states and because of the ease with which major oil companies can avoid this tax or circumvent it in Wisconsin. This is a fraud upon serious and concerned citizens who have been led to believe that this item will bring dollars to our treasury. I tell them true and directly again, not one single cent would be added to our revenues to help us with this budget.

But more importantly, I believe the big oil companies would be able to use this tax on our books as justification to sell their product in states where no such tax exists when we again find ourselves faced with a shortage of fuel supplies. That day is inevitably coming again. In fact, one major Middle East crisis could bring this problem to us before this year is out.

I cannot risk jeopardizing the fuel supply of our citizens, our agricultural sector, our tourism sector, and our harsh winter heating needs in order to gain a popular political position. Already Texaco is withdrawing from our north, and Arco from the state. In times of shortage, it is the big oil companies and not the independents who control, manipulate and direct the supplies. Even the 4% "set aside" authority of governors has been removed by the federal government. This tax at this time is not in the best interests of the people of Wisconsin. There will be ample time to look at this kind of tax after the courts have finally spoken and if the federal government assures a distribution requirement that guarantees Wisconsin its fair share of fuel oil and gasoline.

In total, I am recommending about \$44 million in vetoes of tax increases. Most of these vetoes are needed to restore balance to a tax package that used capital gains and accelerated depreciation as an excuse to raise additional revenue to fund unrelated spending.

One of these vetoes, restoring current law treatment of the 12% property tax credit, is simply a matter of good faith. We repealed the property tax deduction last session with assurances that the 12% credit would more than compensate for this change. People made home purchasing decisions with the credit figured in. We must not now break our word.

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Some of you will criticize this as being unduly partial to business. In fact, I am partial to jobs, as is every citizen who is without one or fears for his or her present one. Even after these changes, the effect of this budget will be to raise business taxes by almost \$60 million over the biennium. When you return in fall to complete this task, remember that business and industry has already put in its increase to help this state's tax needs.

Indexing

Cutting capital gains taxes and adopting accelerated depreciation will do much to create future jobs for the working men and women of Wisconsin. But the largest tax cut in this biennium -- the tax cut that will leave over \$400 million in the pockets of state taxpayers -- is a "hidden" tax cut; at last, a hidden tax cut rather than hidden tax increase.

Yet it is the most important tax cut of all. Two years ago, we inflation-proofed our state income tax. By doing so, we stopped the "bracket creep" that had continually robbed lower-middle and middle income taxpayers. We ended the charade that increased taxes even though no legislator voted to do so. Taxation by inflation is out, and taxation by representation is back in.

This change is not popular with the spenders. This spring, some legislators tried to quietly bring back the days of secret, unlegislated tax increases. They failed. No doubt, they will try again in October. For those with such intentions, a warning: this governor will oppose any and all efforts to tamper with income tax indexing. It is the only protection that the working people of Wisconsin have, and it is the only means available to limit government growth. Now let us urge the federal congress to follow Wisconsin's leadership.

Bonding

The bill presented to me authorizes \$489.4 million in new borrowing by the state. This includes bonding for pollution abatement, highway construction, student loans, harbors, health education loans, combined sewer in Milwaukee, and the state building program. This is to be added to the \$2.8 billion total indebtedness of our state. That has got to begin to worry some of you.

The purpose and public interest of the building projects involved is clear. I previously endorsed most of them. However, the continuing high interest rates and the projections for a very slow economic recovery forces me to review where this state is headed in the next few years. Our decisions in long term borrowing will clearly impact on

future generations. Is this the time to continue borrowing and building?

I have decided to veto the authorization for \$118 million in bonding projects for the state building program. Without new legislative authorization, only critical projects will be constructed. I think it essential that as we reduce aids to local governments and cut social services programs, and as the people defer major purchase decisions while inflation eats at what dollars they have, government restrain borrowing and building as well.

Because I hold the highway system as an essential element of the economic development triad, and because the license fee increase will pay the freight, I have approved the \$67 million in highway construction bonding.

I also am approving the bonding for the Milwaukee combined sewer overflow because I now have agreement from most of the key actors in the area, including Mayor Maier, County Executive O'Donnell, legislators, labor, business and many suburban officials to support a specific new governing set up for the sewer commission which has been a major stumbling block in getting on with the necessary sewer projects. The legislature can change the governance law in October.

I have also approved the related non-point pollution appropriation. If all the state is to assist Milwaukee with its sewer problem, then it is appropriate to attach to it a program which provides assistance with the key pollution problem out-state.

Transportation

The legislature sent me a comprehensive transportation package. It is an essential part of any economic development program and I laud the legislature for facing up to the issue, at least short range. I have approved the gas tax increase, the license fee increase and the bonding authorization for major projects. Again in this session there developed sharp disagreements over two long nagging transportation issues:

First, how much money is needed to sustain the existing transportation system in an era of fuel efficient vehicles and driving conservation, and how it can be financed. Also at issue is whether highway users should be expected to pay for dependent transportation.

Secondly, how should the state financially assist local transportation, especially local roads? Are current levels adequate, is the aid split between urban and rural communities fair? How do general purpose

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shared revenues and property tax relief figure into the transportation aid picture?

Short-range compromise decisions, but not long-range answers were provided in this budget. These controversial issues will rise again in the 1983-85 budget session, and in each budget thereafter until long-range policy answers are found and adopted.

Therefore, I will shortly appoint two Blue Ribbon Commissions to thoroughly study these issues -- one for transportation revenue and the other for local aids.

These commissions will be broadly representative, and will include citizen members, local officials, representatives of transportation associations and users, legislators, and cabinet secretaries. The chairperson of each commission will be a respected public member who possesses no direct financial interest in the relevant issues.

Each commission will thoroughly study the issues, solicit the ideas of the public, chart a long-range policy direction, and make its report by December 1, 1982.

Several provisions in the transportation program have been vetoed. There is a tendency to blur the separation of responsibilities between the legislative and executive which in the long run could increase the cost and reduce the quality of transportation services. I have vetoed the Transportation Projects Commission, the priority designation of major highway projects, and the specific designation of projects. Let us not return to a system of political and pork barrel determination of road and bridge projects!

Because law enforcement personnel believe so strongly that two license plates assist them in their vital duties, I have vetoed the provision authorizing only one license plate. I expect a study to be completed before the next budget is submitted on the impact on law enforcement in the 19 states which have a one-plate system. With the amount of vehicle theft and the amount of vehicle usage in the committing of a crime, this is not a step to be taken casually and in opposition to law enforcement recommendations.

Medicaid

Despite almost everyone's best efforts, Medicaid continues to drive the social services budget. All sources included, Wisconsin will be spending over one billion dollars this biennium on nursing homes alone. We are now at a point where the tax costs to serve 35,000 nursing home residents averages \$15,000 per year and the total budget is one half the budget of the entire University System which

serves 145,000 persons. I give you this comparison to alert you to the magnitude and the seriousness of this element in our human services programs. I attempted to cut back on optional services; the legislature restored several. I have vetoed those items reachable, including podiatry and psychotherapy, in an attempt to limit to the truly needy the services they need most. Another veto will expand the number of services requiring a modest co-payment. In the October session, I intend to recommend a Medicaid program which will more closely match my original proposals in those areas not reachable by the item veto, and will take into account federal changes.

This budget does provide an opportunity to try to slow the growth in nursing home and hospital expenses for Medicaid eligible persons. The community options program is endorsed. A moratorium on major new projects which increase the number of beds is included. This should buy us a little time. We must use it to discover a way to control this growth and develop effective alternatives. Hopefully federal changes will permit greater flexibility in providing services and better targetting of this incredible, growing budget expenditure.

Despite the size of vetoes, we must do still more. While this budget calls for funding which implies 8% increases each year of the biennium for nursing home reimbursement, I will not approve increases averaging more than 7% each year. This should produce an \$4 - \$5 million savings in the biennium. This will not be popular, but it is absolutely necessary. With state agencies not getting increases and with our inability to afford more than this, I see no other choice. You will have an opportunity to review that too in fall.

Corrections

The legislature presented me with a wide-ranging package to deal with the severe overcrowding in our prisons. It authorizes short term relief for maximum security problems through contracting with Minnesota and longer term relief with a new 300 bed medium security prison on state land in Winnebago County. All of which I have accepted. I have carefully reviewed all the other elements and vetoed several which I believe inadequately protect the safety of the people, including shortened parole discharge and the earning of "good time" while on parole.

Both the newly authorized prisons and the Portage prison remain years away. Portage could be pushed much farther down the road than any of us believe as every legal roadblock possible is placed in its way. Unfortunately, real fast track authority which would have speeded construction while meeting the goals of state laws was rejected. A modest version which sets time limits on the

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environmental impact statement injunction hearings was included for the Oshkosh site. I have item vetoed a provision in order to make it applicable to Portage as well. I have done so because the one key issue in this area which concerns me most is "time." Time is not on our side, and I will do anything I can to gain even a month in the process of providing good, safe, humane and effective prison facilities.

Education

Once again, through this budget, Wisconsin recognizes its responsibility in the education of our youth. On this the governor and the legislature agree. School aids will increase at about the level I recommended, 7.8% in the first year, and 12.5% in the second. My one regret is that the Joint Finance Committee, when it removed policy from the budget, removed the comprehensive look at state mandates on local schools. I say again that these need to be reviewed badly. They create as many problems as they solve in some instances. Setting aside my mechanism for forced review does not make the problem go away.

Two actions will help us meet the responsibility of ensuring students are progressing in their education. The State Superintendent is authorized to develop valid competency tests for grades 3, 7, and 10. There is no mandate on local schools to use them, but they will be available on request. I believe competency testing is essential if students as well as parents and teachers are to know how students are doing, and know in time for corrective action to be taken.

Secondly, the legislature adopted my proposal to deal with youth unemployment and drop-outs. The youth initiatives program will bring together services of educational institutions, all levels of government, private industry, and community based organizations to focus on drop-out prevention and to assist currently unemployed youth in a carefully targetted program of basic skills education. There is absolutely nothing this legislature could do that is more important to the future than to help provide the young with the tools to learn; namely, reading, writing and counting.

Looking Toward October

As I indicated earlier, this budget is not complete until we act in the fall on the issues I have raised by my vetoes and on the federal cuts. We must be ready to deal with shared revenues, with Medicaid and with the myriad of federal block grants. SSI remains my personal highest priority because those affected are the most defenseless and the most in need.

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I repeatedly asked the legislature to deal with the applied receipts problem in community aids to prevent automatic state pickup of reductions in federal aid. It refused, but again the problem doesn't go away. Therefore, in order to ensure that community aids are considered by elected officials in the priority setting environment of the fall session, I have vetoed in full the applied receipts appropriation.

We can make the Fall session as special interest and self-interest dominated as the process has been up to this point, or we can work together for what is in the long term best interest of the state and its people. I will make specific proposals on each of the issues and my administration stands ready to work with legislators of both parties to do the duty we each were elected to perform. However, I insist again that the minority party must be given a reasonable and some proportionate role in the process. I urge majority leadership not to force their minority legislative colleagues to make their input through my veto power.

The Fall session is a second chance for the legislature, majority and minority, to regain control of programs, taxation, and spending in the name and best interests of the people. I am still one of those, optimistic enough to believe it is possible for a two party legislature to produce a bill requiring no veto at all because it is responsible and good for the people.

Thank you.

I. AGRICULTURE

A. *Barron Animal Health Lab*

[Section 127s]

This provision would require the Department of Agriculture to maintain its one regional animal health laboratory in Barron County. It is an unnecessary restriction on the department's administrative flexibility to address the 8% state operations reductions. The veto does not mean the department will close the laboratory, only that it can set its own priorities within the fiscal guidelines established by the state legislature.

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B. Brucellosis Indemnities [Section 1273h]

My veto of this provision retains American bison on a list of animals for which the state will make indemnity payments for brucellosis when the animals are condemned by the state to slaughter. The Finance Committee and I already approved "emergency" indemnities of roughly \$15,000 GPR for an infected herd of American Bison in early 1980. Bison can become infected with brucellosis, can transmit the disease to other bison and cattle, and can be classified as reactors and condemned to slaughter. It is inequitable to provide indemnity for the slaughter of only selected animals when the reasons are similar. There are less than 2,000 American Bison currently in Wisconsin. The program restricts indemnities to no more than \$300 per animal. Thus the cost potential is not overwhelming.

C. Soil and Water Conservation [Section 1271g]

This veto restores our current soil and water conservation policies.

Loss of the state's soil resources is a long-term crisis. Wisconsin needs to reinvigorate and upgrade its soil conservation program, but it must do so in a way that accomplishes this purpose. It is responsible to take the time necessary to carefully design, and where necessary redesign, a program to achieve wide public support and a stable, effective future. A great deal of work by some legislators and state agencies has gone into the proposal added to the budget bill. However, the issue is deserving of more thorough legislative consideration and broader public input than has been provided in the budget process. We have the time to do it well, we should take advantage of that opportunity.

D. Soil Plan Compliance Requirement for Farmland Tax Credit [Section 1094n]

The bill requires farmers who receive the minimum 10% farmland preservation tax credit to comply with a soil conservation plan. This requirement is not applied to farmers who receive larger credits.

My veto restores the present law under which only persons under long-term contracts are required to comply with soil conservation plans for farmland preservation credits.

While the promotion of improved soil conservation is a critical state objective, it is wrong to expand the soil plan requirement on such a haphazard and discriminatory basis. The soil plan requirement for

farmland preservation credit eligibility needs to be evaluated and fully and openly discussed as part of a comprehensive upgrading of our entire state soil conservation program.

II. AIDS & CREDITS

A. *Aids Package*

[Sections 1154m through 1154u, 1174, 1180, 1182]

This package of vetoes is primarily designed to restore balanced growth in funding of both unrestricted aids and property tax credits. In addition, minor changes have been implemented by veto in order to simplify the distribution of shared revenue.

Shared Revenues - 1981

The funding level for shared revenue is reduced by \$13.2 million below the Legislature's appropriation for the 1981-82 fiscal year. The Legislature actually appropriated more than would have been paid to localities under current law which ties shared revenue funding to growth in state tax collections. Shared revenue funding should be allowed to reflect the drop in state tax collections consistent with previously established legislative policy. Even after this veto, unrestricted aids will grow by 9.7%, from \$528.3 million to \$579.3 million in calendar year 1981. Local officials should recall that they were repeatedly warned last fall and winter that aid estimates were subject to change because of the state's financial condition. That condition has not changed for the better.

Shared Revenues - 1982

The 1982 shared revenue funding level is vetoed to zero. Reasonable growth in shared revenues is justified, but the Legislature must deal with this issue in a responsible manner. The budget bill calls for a 17.4% (\$103 million) increase in unrestricted aid next year. This level of funding is greater than would be allowed under current law. Increases for some communities would exceed 20%, 30%, and even 40%. Not only would this worsen problems of accountability in local spending decisions; it is totally out-of-line with funding increases provided for other important state programs. It totally unbalances the division between aids to local governments and direct property tax relief.

School Property Tax Credit

The funding level for the new school-related property tax relief program is vetoed to assure growth in property tax credits for homeowners in the 1981-83 biennium. Under the budget enacted by

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the Legislature, tax credits for real estate and remaining taxable personal property would fall 4.5% from \$243.5 million in 1980-81 to \$232.5 million in 1981-82. Some communities, particularly cities, would experience credit declines of more than 10%. Reductions in guaranteed property tax relief of this amount are unacceptable. My veto will ensure growth to \$260 million 1981-82 and restore balance to the division of local aids to governments and direct property tax relief. Appropriations in subsequent years will increase by the rate of growth of state tax collections.

Local Purpose Revenue

The definition of local purpose revenue, used to measure local tax effort, is modified to avoid unnecessarily burdensome local and state reporting requirements.

III. CORRECTIONS

A. Reimbursements to Counties

[Sections 969rg and 969rs]

These sections of the bill would require that counties which were housing individuals awaiting parole revocation hearings be reimbursed by the state at the rate of \$30/day for any time period extending longer than 60 days. (\$2.6 million biennially). With current fiscal constraints, this does not appear to be the appropriate time to initiate a new reimbursement program. In addition, the most common reason for a parole revocation is the commission of another offense. In such cases, it is not unreasonable to expect the arresting county to assume some of the responsibility as it would were the person not on parole.

B. Green Bay Modular Facility

[Section 752r]

This section would have required the construction of additional housing units within the Green Bay Correctional Institution. The veto allows the department to avoid placing further population pressures on the already overcrowded Green Bay institution. While modular units might be feasible at Green Bay, recreational and other support resources are clearly inadequate to handle the increased population such units would house. Authorization is continued, however, for the construction of additional needed space to alleviate overcrowding, but allows it to be located elsewhere.

C. Mental Health Facilities Conversion
[Sections 7c and 752g]

This section would prohibit the Building Commission from ever authorizing the utilization of any portion of a mental health facility for correctional purposes. This veto would remove this prohibition. This language could be used as a legal roadblock to completing the compromise corrections package adopted by the legislature. Until that issue is resolved, I believe it best to leave current law in place.

D. Milwaukee State Office Building
[Section 752c]

This veto eliminates the requirement that the location of a correction facility in the Milwaukee State Office Building be limited to the top 3 floors of the building. The "top 3 floor" language was originally included when the institution was expected to be a minimum security pre-release facility for an anticipated 150 residents. Since it is now to be a medium security facility for an unspecified number of inmates, space requirements have changed and now include the need for recreational facilities. Vetoing "top 3" will provide flexibility until final plans can be developed.

E. Minimum Security Language
[Section 754m]

This veto eliminates the authorization for using only part of existing minimum-security facilities for medium-security inmates. This would allow the department the flexibility to temporarily use all of a minimum-security facility for medium-security inmates, if conditions warrant.

F. Oshkosh Site (Technical)
[Section 752e]

This veto clarifies the siting language included in the bill.

G. Parole Discharge
[Sections 969m, 982i, 1826m]

I am vetoing the provision which would have eliminated for most persons on parole any state supervision beyond 24 months after their release from prison. This provision does not adequately consider the implications for public safety. It also establishes unnecessarily restrictive procedures to allow for supervision beyond the arbitrary 24-month period. This change would apply to some 1000 parolees immediately and does not allow time for preparation of newly-required court actions to extend the period of supervision over the

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more dangerous individuals. The Department is willing to modify aftercare supervision duration in some cases, but the current language mandating an across-the-board standard has serious deficiencies. A related provision cuts back the present parole supervision staff and I have no way to restore that unilaterally. It may be necessary to consider at least partial restoration at the earliest opportunity for legislative consideration. In the meantime, the department will do what it can selectively to increase discharges from parole status.

H. Remodelling Projects Approval [Section 752r]

The bill includes language requiring Joint Finance Committee and Building Commission approval of correctional building and remodelling projects and the remodelling of "other" state buildings. The Building Commission already has such authority under its current statutory review powers. However, this is an extension of additional authority to the Joint Finance Committee which was intended to be limited to the authorization of additional correctional facilities. The bill's language does not make this limitation clear and could be interpreted to require Joint Finance Committee approval of the remodelling of other state buildings for any purpose. This veto seeks to anticipate and avoid this potential misinterpretation.

I. Review of Zoning [Section 752r]

The bill excludes the specifically enumerated correctional construction projects from local zoning ordinances and regulations with Building Commission approval. My veto eliminates the requirement of Building Commission approval of a deviation. This additional procedure is unnecessary in view of the fact that the Building Commission already is required to review and authorize each project.

J. Street "Good Time" [Sections 969m, 982i, 982j]

This veto eliminates the automatic crediting of "street time" to shorten the length of sentence for a person whose parole was subsequently revoked. Currently, the decision to forfeit good time credited against the length of sentence for persons revoked is determined through an administrative hearing. For parolees nearing the end of their sentence who commit a serious violation, the inability of the Department to order the forfeiture of good time credits for street time would essentially prevent incarceration of the individual

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for a length of time commensurate with the violation, i.e., the individual could only be incarcerated for the period of time remaining under supervision. This would undercut the people's sense of security and reduce the surety of sentence I believe essential to crime prevention.

K. Substance Abuse Treatment Program [Sections 968r, 968g and 968h]

This veto eliminates organizational changes to the Wisconsin Substance Abuse Program. The language in the bill specifies that the Division of Community Services must operate the Substance Abuse Treatment Program and would therefore preclude a departmental decision to allow the Division of Corrections to operate the program where it currently is placed. The appropriation is retained in the Division of Corrections. This veto will allow the Department flexibility in deciding upon program structure and operation.

L. WEPA Process [Section 752a]

This veto eliminates the exclusion of the medium/maximum security institution in Columbia County from the procedure established in this section relating to correctional institution siting and the required Environmental Impact Statements and case hearings. Also, the veto eliminates the broad reference to the "rules of evidence" to be observed at case hearings. "Rules of evidence" could be construed to mean "courtroom rules" and, if those rules were not observed, it could form the basis of appeal of the administrative hearing decision, lengthening the process even further.

IV. EDUCATION - LOCAL

A. English as a Second Language Option Under Bilingual Program [Section 1338m]

The bill expands the eligibility for aid under the State Bilingual-Bicultural Education program to English as a Second Language Classes when certified bilingual teachers are unavailable. Current law provides for the reimbursement of 70% of the cost of teacher salaries and special books and equipment for Bilingual Classes. This section would provide the same payment for English as a Second Language Classes in the 1981-82 fiscal year. Because the 1982-83 appropriation is not sufficient, such aid would be prorated. The Legislative Fiscal Bureau estimates reimbursement in 1982-83 at

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58.6%. Program expansion, at the expense of existing bilingual programs, is not wise. My veto maintains our current bilingual-bicultural program with no eligibility expansions. English as a Second Language programs are currently aidable through the general aid formula.

B. Mediation/Arbitration

[Sections 1322e, 1322f, 1322g]

These sections provide that permissive subjects of bargaining, which are included in an existing or recent collective bargaining agreement, are to be considered mandatory subjects of bargaining. I have repeatedly stated that I want the current binding arbitration law to continue in its present form, with a new sunset, unless there is coordinated compromise among the affected parties. Because this change does not meet that requirement, I have vetoed it. I have retained the new sunset date.

C. Minimum Competency Testing

[Section 1329]

This section requires the Department of Public Instruction (DPI) to develop a computerized bank of items to test competencies in reading, writing and math skills for grades 3, 7 and 10. It also requires DPI to make the tests available to local school districts and pay the costs of machine scoring them. This partial veto deletes the requirement that local districts pay for test scoring. Since there is no comprehensive testing program established by this section, the state and local financial responsibility for competency testing can be decided as part of a broader policy decision in the future.

D. Private School Students - Notification of Transportation

[Section 1378]

The bill changed the date from June 1st to August 1st by which public schools must notify parents of private school students of their intentions about transporting private school children in the next school year. The veto restores the date to June 1. Parents should have as much notification as possible to make whatever preparations necessary to ensure their children have transportation to school. It is unlikely school districts cannot have a sense for this by June.

E. School Aid Secondary Guarantee

[Sections 1369e, 2042(6), 2045(7)]

These sections provide \$4 million in additional school aid to Milwaukee and some other school districts by manipulation of the secondary guarantee in the school aids formula. They also distribute

revenues from an oil profits tax, which I have vetoed, in a similar manner. I have vetoed these sections.

The projected new revenues to cover this increase in spending just will not be there. In addition this is an unnecessary complication to the school aid formula and has the potential for redistributing general school aid from low-spending to high-spending districts.

F. School Taxation of Public Lands
[Sections 1050, 1051, 1052, 1054, 2201(20)(b),
2204(45)(b)]

Several types of publicly owned land, rather than being tax exempt, are taxable for school purposes only. These lands are largely owned by the University of Wisconsin System (i.e. agricultural farms and married student housing), and Health and Social Services (i.e. prison farms). My original budget proposed that the tax on public lands for school purposes be repealed and that schools be reimbursed for the tax base loss through the general school aids formula. This proposal would have compensated schools for tax losses. However, an unintended consequence of this change, due to the way the school aid formula operates, is a one year delay in the reimbursement. To avoid this financial hardship for some school districts my veto restores the ability of school districts to tax public lands.

I will support this change when the issue of the one year lag is addressed.

G. Short-Term Borrowing
[Sections 1030, 1021, 1032]

This veto restores current law on temporary borrowing by school boards. The proposed change would have created serious cash flow problems for some counties and school districts. I trust local school boards to establish responsible borrowing practices. If they do not, the officials are accountable to the voters.

H. Special Adjustment Aid
[Section 1370g, 1370p]

I originally recommended the elimination of special adjustment aid not fully understanding the severe impact this would have on some school districts. The bill passed by the legislature restored some of the aids to three school districts in Milwaukee County. There is no policy justification for providing special adjustment aid for Milwaukee County only. Other veto alternatives which would help all affected school districts required substantially more money than was available in the appropriation. I am convinced there is a need for

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some form of special adjustment aids. Therefore, I will propose legislation in the fall to cushion the impact of huge declines in school aid from one year to the next which will apply to school districts statewide.

V. EDUCATION - MISCELLANEOUS

A. *HEAL Program* [Section 1848m]

This veto continues the authority to use federal special allowance revenues for the Wisconsin Health Education Assistance Loan (WHEAL) program if borrowing for loans is found fiscally inappropriate by the Building Commission. This action will ensure that WHEAL loans are available for the first semester of the 1981-82 academic year. It is my intent that cash financing of WHEAL loans be used for the first semester only. I concur with the legislative decision to provide a stable funding source for WHEAL by authorizing revenue bond financing. However, bonds cannot be issued in time to make loans available for the first semester. Therefore, interim cash financing must be provided in order to maintain continuity in the program. It is also my intent that the loans financed with cash be purchased with revenue bond financing when it becomes available. My veto will meet the legislative directive to provide \$3.3 million for revenue bond financing of WHEAL and up to \$4.9 million to offset general purpose revenue (GPR) expenditures for the Wisconsin Higher Education Grant (WHEG) program.

B. *Public Broadcasting Study* [Section 2201(1)(c)]

The budget bill requires the University of Wisconsin, Department of Administration, and the Educational Communications Board to study future state needs in telecommunications and report to me and the Legislature by December 1, 1981. Due to the expanded scope of the study and the potential programmatic and fiscal implications involved, the December 1, 1981, submission date is unrealistic and therefore vetoed. I have directed that the report be submitted by June 30, 1982.

C. *Stonefield* [Section 2023(1)]

This veto deletes the requirement that Stonefield Village historical site be closed by January 1, 1982. The Historical Society has been

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provided \$100,000 more than my original request to maintain Pendarvis. With this additional funding it should be able to adjust programming at all sites in order to continue the operation of Stonefield.

D. Veterans Study Grants [Sections 733s, 2204]

These sections raise the eligibility level for veterans part-time study grants from 7 to 8 credits per semester, trimester or quarter. The proposal makes the credit change retroactive to January 1, 1980. The expansion of the credits eligible is a good step to encourage greater educational opportunity for veterans. However, the retroactivity to January 1, 1980 has an unknown fiscal impact, is of questionable public policy and is arbitrary. I have vetoed the retroactivity provision.

E. Youth Initiative Review [Section 1274gra]

This section requires that Youth Initiative proposals approved by the statutory review committee be submitted to the standing committee dealing with education in each house of the legislature for review and general recommendations. Review by these two bodies would lengthen the grant review process and potentially politicize the grants. As a matter of policy, this administration will assure that interested legislators are kept fully apprised of Youth Initiatives proposals.

VI. ENERGY

A. Accelerated Depreciation Rate Recovery [Section 1505qn]

I have vetoed provisions in this bill which would have impinged on the traditional rate setting authority of the PSC by requiring the mandatory pass through of the benefits of accelerated depreciation. I believe the resolution of this issue will more likely be in the long term interests of the public if it is addressed and decided after public hearing and testimony before the Wisconsin Public Service Commission.

B. Dwelling Code [Sections 1291, 1295]

This provision exempts municipalities of 2,500 or less from the enforcement and inspection requirements of the one and two family

dwelling code, except for energy conservation. The provision requires DILHR to certify building plans of a dwelling to insure that they comply with energy conservation measures of the code. It also requires DILHR to perform random inspections for 10% of the new dwellings certified to enforce the energy provisions. The energy conservation provisions of the code are vetoed because they undercut the intent of the exemption for municipalities of 2,500 or less and create problems in administering the code.

I am convinced that the principle of exemption applies or it does not. We should not make exceptions, no matter how worthy. The energy efficiency requirements will continue to apply as do provisions of the uniform code. The necessity for inspection in this area is no greater than it is for other areas of the code. To insure consistency, I have vetoed the enforcement and inspection requirements for energy conservation.

C. Insulation Testing Laboratory

[Sections 120sm, 120sp, 1274g and 1274gr]

This provision would have allocated one position and about \$100,000 in order to establish an insulation testing laboratory in the Department of Agriculture, Trade and Consumer Protection. I have vetoed this proposal because the Department already has authority through s. 100.21 to protect the public from false energy savings and safety claims. The Department might review laboratory facilities in the University System to determine if needs could be met in a cooperative way.

D. Public Intervenor Financing

[Sections 507r, 2043(2)]

The budget contained language requiring the PSC to ensure adequate representation of significant interests in every commission proceeding. In addition, the Commission was authorized to bill utilities to reimburse costs of intervenors. I have vetoed these provisions because I do not support placing an inestimable burden on the general ratepayer in order to subsidize the involvement of any interest group in PSC proceedings. Interests representing significant viewpoints to Commission proceedings all have the alternative of seeking voluntary contributions in support of their involvement. The evidence does not support the contention that placing this burden onto the general ratepayer is necessary to ensure a complete record for Commission consideration. In addition this requirement opens another avenue of challenge to PSC decisions, lengthens the time it takes to reach finality in a rate case.

E. Renewable Energy Rebates
[Section 1282gm]

I have vetoed provisions in the budget which would have increased the percentage of rebates for renewable energy systems in 1984-85. While I am strongly supportive of the need to expand the use of solar and wind energy, I do not believe we should take action now which would increase program expenditures by as much as \$1.5 million in 1984-85. Increases in this program should be considered only in conjunction with available revenues and other program priorities during the next biennial budget process. Until these relative priorities become more clear, we should not move to alter current law.

F. Three Mile Island Cost Pickup
[Section 1505qm]

The budget bill attempts to limit any utility in Wisconsin from recovering funds from their ratepayers which would be used to financially assist the General Public Utilities Corporation. The possibility of such a financial arrangement could occur only under two circumstances: 1) an Act of Congress requiring such an arrangement among utilities, or 2) an independent arrangement among utilities, including one or more in Wisconsin, which would require PSC approval.

It is very unlikely Congress will act in the near future on proposals related to the financial liability for the clean-up at Three Mile Island and there is no proposal pending before the PSC. Therefore, there is no immediate possibility that Wisconsin ratepayers will be called upon to assist in financing this work. My veto will allow the legislature more time to consider the effects the proposed action could have in restricting the legitimate ends of inter-utility cooperation. Further, the insertion of specific legislative action into the rate setting and regulation of utilities, traditionally the responsibility of the PSC, should first undergo public hearing and scrutiny.

G. Utility Weatherization Service
[Section 1507m]

The bill would have codified requirements on utilities to provide a series of weatherization services. Clearly, a vigorous energy conservation effort is critical to the future economic well-being of the state and its citizens. However, the budget provisions do little beyond codifying existing or pending weatherization orders of the PSC and the Federal Residential Conservation Service. I have been assured by the PSC that when the Residential and Conservation Service plan is

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finalized, all those portions of the plan which contain requirements for utilities will be codified through a PSC Administrative Rule. Therefore, changes in the scope of the federal program will not necessarily affect PSC orders. I have vetoed this provision because placing these requirements in statutes now will do little to further the goal of energy conservation and will reduce flexibility to improve or alter the program in the future.

H. Weatherization Fund [Section 20.435(4)(V)]

The bill would have created a supplemental segregated low and moderate income weatherization fund with revenues from the oil companies tax. Since I have vetoed the proposed funding source, I am compelled to eliminate this supplemental appropriation as well. This action does not affect the continuation of the existing low income weatherization program. In addition, there are several other weatherization programs currently in place which should first be scrutinized before establishing yet another.

VII. GENERAL GOVERNMENT

A. Bonding [Sections 549s, 549t, 552p, 554s, 555w, 555y, 2006e]

I have vetoed the noncritical projects included in the state building program. While these projects would have been built should interest rates drop to an acceptable level, new legislative authority will now be necessary. Excluded from the veto are bonding for essential corrections facilities and certain maintenance projects. This veto will result in the delay of a number of important buildings, especially for the University System. However, I am convinced that it is necessary for the state to put a hold on its borrowing in difficult economic times as a message to the people that we are serious about getting government growth under control.

B. Condominium Conversions [Sections 1765n, 1765o, 1765p, 1765q, 1765r, 1765s, 1765t]

These sections place restrictions on the private sector conversion of existing rental housing to condominiums. I have vetoed them because they are very complex, make substantial changes in a law revised only a few years ago, and could have a major impact not only on landlord-tenant relations, but on urban planning and the reinvigoration of our central cities. This measure attempts to deal with a real problem - callous displacement of our elderly. But we must be certain we do not

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arbitrarily change the rules in such a way to make matters worse. Too rigid a standard could in fact restrict rental opportunities for the elderly in any building even contemplated for conservation. I urge the legislature to review this problem in all its implications and ramifications, and with full public hearings.

C. Contracting for Services

[Sections 15e, 87j, 87L, 87o, 87p, 87s, 87t, 88m, 89m, 2202(33)(a)]

These sections are part of group which were created and changed to revise procurement statutes in contracting for services. My vetoes are a result of specific problems with the wording, not the policy of the change.

Section 87j is vetoed because it is possible for a contractual service agreement to include the procurement of materials as well as services.

Section 87L is partially vetoed to delete the language which provides that any information which is obtained by a contractor under the contract is the property of the state. This language is too general to be enforced.

Subsection 7 is partially vetoed to eliminate the term "violated" since that means breach of contract. In this case the contractor would be prosecuted. The rules required will more fully explain the type of performance which will result.

Subsection (8)(b) is vetoed since the FTE information required is not now available.

Sections 87o, p, s, t, 88m and 89m exempt the legislature and service agencies from certain procurement requirements. This veto would include these offices as is currently required under purchasing statutes.

D. Joint Finance Approval of Small Cities Grants

[Section 1734p]

Current federal proposals allow the Department of Development to review proposals from local governments and make grants with Community Development Block Grant, Small Cities Funds. This section of the bill would make the awards of these grants subject to the approval of the Joint Committee on Finance. Extensive criteria, upon which the grant awards are based, have been developed by the department and approved by HUD. Approval by Joint Finance could interject political pressures on a currently objective process. The

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program has worked well in its first test year. I see no need for this new review requirement and have vetoed it.

E. Pay Plan Approval

[Sections 60 and 626]

The conversion to sum-certain pay plan supplements requires a means to transfer funds from the Compensation Reserve to the supplements. As sum-sufficients this transfer would have occurred automatically.

This item veto removes redundant legislative oversight in the new transfer procedure. JOCER now approves the collective bargaining agreements and pay plan. The Joint Finance Committee approves the amount in the Compensation Reserve. The Legislature as a whole approves the amount in the Reserve and the collective bargaining agreements. To require JOCER approval of the amounts transferred from the reserve needlessly duplicates these actions.

The veto also removes a potentially troublesome ambiguity. Presumably, if JOCER does not approve the estimate, the transfer from the reserve does not occur. The potential exists for JOCER to approve the pay plan but to disapprove the estimate of the transfers. This would leave pay plan approved, funded in the reserve, but unfunded in the supplements. The item veto would preclude this possibility.

The additional veto in section 626 removes language duplicating provisions of section 60 of the bill.

F. Program Revenue and Program Revenue-Service

[Section 2057(3)]

This section allows an initial modification to the appropriation and position levels of all program revenue and program revenue-service appropriations which have been converted from continuing to sum certain. The partial veto would allow such modification for all items approved and authorized since July 1 and until the effective date of the bill.

G. Sick Leave and Social Security

[Sections 700m, 1530m]

Under these sections, social security payments would not be required for sick leave caused by personal illness or accident. I have vetoed this because it would decrease employe social security benefits; would be difficult to implement, especially at the University where a leave accounting system is not in place; the Reagan administration has

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already proposed elimination of this "loophole;" employes would draw larger paychecks on sick leave days than days they worked, possibly encouraging absenteeism; and the reduction in social security benefits could lead to indirect increases in the state's future contributions to the state retirement system to provide for the 80% guaranteed benefit level.

H. Single Budget Bill

[Sections 2n, 68r, 69e, 69m, 1736]

I have vetoed these sections because they could be used to prevent a governor from submitting a revenue bill and having it treated as a budget bill. I strongly support the revenue bill concept which sets a ceiling on state spending based on people's ability to pay. I also believe both the legislature and the governor should have the flexibility to present the budget in the way deemed appropriate for the times. Unfortunately, the majority rejected the revenue bill this year.

Economic conditions make a state spending ceiling less essential. But as the economy improves and the demand for new state spending returns, the revenue bill concept, with its ceiling in state expenditures, will become essential once again.

VIII. JUSTICE

A. Borum Claim

[Section 2057(7)]

This section provides payment to Robert L. Borum for a claim of injury at American Motors in Kenosha on March 31, 1955. The claim was heard and resulted in an order which was affirmed by the Industrial Commission in 1955. The second claim in 1959 was dismissed by the Industrial Commission. As a result of a lengthy court proceeding in this case, it is clear that the claim has been fully addressed through the judicial process. The Wisconsin Supreme Court barred the claim, and the Claims Board has denied subsequent submissions. Consequently, I am vetoing the Borum claim because full opportunity for relief was afforded.

B. Public Intervenor

[Section 2032]

This section specifies that the Department of Justice shall operate the Public Intervenor program with 2.0 attorneys in each year of the biennium and spend not less than \$30,000 each year for consultants. Agencies must be given flexibility in the management of their limited

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resources. I do not believe we should specify how the Attorney General must allocate his resources to meet the ever-changing demands on the Department of Justice.

C. Special Counsel [Section 368]

This provision would transfer the Special Counsel appropriation from the Department of Justice to the Governor's office, and convert it from a sum-sufficient to a sum-certain annual appropriation. My veto retains the Special Counsel appropriation in the Department of Justice as a sum sufficient.

Although the Governor formally contracts for special counsel services after the Attorney General declines the representation, the Attorney General should assume responsibility for reviewing the appropriateness of the Special Counsel bills. Therefore I have vetoed this transfer to restore current law. It was not possible to use the item veto to establish the program as a sum certain, which would have been my preference.

D. Victim and Witness Programs [Section 1822m]

I believe the Victim and Witness Program to be an excellent part of our criminal justice system. In order to control costs and to learn more from individual county programs, I have vetoed this section to effectively limit expansion to those counties which had submitted plans to the Department of Justice by May 1, 1981. In the future I am hopeful this program can become available throughout the state as our economy improves and state resources are less strained.

IX. MEDICAID

A. Co-Payment [Section 852]

Section 852 of the budget relating to requiring co-payment for optional MA services conflicts with Section 853. My veto eliminates the conflicting language and maintains the requirement for co-payments consistent with federal law.

B. Co-Payment for Hospitalized Patients [Section 853]

The bill contains language which exempts hospital in-patients from certain Medicaid recipient cost-sharing provisions. My veto eliminates hospital in-patients from this exemption to permit co-

payment for certain ancillary services they receive. Some optional services are included in the hospital daily rate and patients are not assessed co-payment for these services. Other services, such as psychotherapy, which are provided and billed separately, should be subject to the same co-payment provisions as other optional services for non-inpatients. The bill directs H & SS to seek a waiver from the federal regulation that prohibits a co-payment on mandatory services. If this waiver is granted, co-payments may then be collected on hospital services. With this veto DHSS would be permitted, then, to assess a co-payment on hospital services as another way to contain Medicaid costs.

C. County Liability for Costs of In-Patient Psychiatric Care
[Section 856]

Changes in the way medical assistance rates are determined for in-patient psychiatric care have been made since the state's withdrawal from the hospital rate review program. These changes took place after the budget was put together. As a result the provisions of the budget which would allow a 51.42 Board to choose between two reimbursement options no longer make sense if the goal of the original language -- to create an incentive to control and reduce the length of psychiatric patient stay in a hospital -- is to remain intact. This veto restores my original intent to discourage longer than necessary hospitalization for psychiatric patients.

D. Medicaid Benefits -- Authorization to Reduce
[Section 861]

The bill repeals the department's authority to prorate payments or reduce medical assistance benefits if appropriated funds are insufficient to cover full costs of the program. The veto restores this LIMITED authority in order to control program expenditures in the event of unexpected cost overruns, since the Medicaid appropriation will be a sum-certain amount.

E. Nursing Home Priority Admission
[Sections 848g, 886, and 782]

The bill provides that all nursing homes in counties participating in the community options program give priority admission status to persons screened as most-in-need under the COP assessment plan. My veto would eliminate the mandated priority admission requirement. It is my hope that nursing homes will cooperate in admitting those patients most in need without this provision. If not, mandated admission procedures at a later date may be the only

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alternative to insuring adequate control of admission of Medicaid recipients.

F. Nursing Pool Reporting

[Section 847; and 2020(12)]

The bill requires that hospitals report on April 1 of each year information regarding the use of nursing pools. New reporting requirements should not be imposed unless absolutely essential. This is not such a case. The Department of Health and Social Services can get some information from currently existing cost reports. At my direction, the department will also conduct a limited survey of its own to provide the information the legislature is seeking without additional paperwork by hospitals.

G. Out-Patient Psychotherapy

[Section 856]

The bill restores unlimited psychotherapy for the categorically needy, and does not limit out-patient psychotherapy authorized by the 51.42 board gatekeeper. My item veto could not restore my recommendation. Therefore, these services are vetoed in full, now, in anticipation that this issue will be considered in the fall session.

H. Podiatry Services

[Sections 856 and 860]

In order to further contain medicaid costs, I have vetoed the Legislature's restoration of podiatry services as an optional benefit covered under the medical assistance program.

I. Psychotherapy -- Minimum Insurance Coverage

[Section 1765g]

This section would have increased from \$500 to \$1000 the required minimum private insurance coverage for outpatient alcohol and drug abuse and for psychotherapy treatment. This would have resulted in a premium increase for every health insurance policyholder in Wisconsin. In addition, the provision was drafted improperly in that it does not contain the language limiting its applications to policies issued or renewed after the effective date of the bill. Increased coverage is already available to those who request it and are willing to pay the extra charge.

X. MISCELLANEOUS AGENCIES

A. *Civilian Conservation Corps Proposal*

[Sections 197e, 197m, 197s, 599, 602p, 602r, 2201(18)(a)]

I have vetoed all provisions related to the Civilian Conservation Corps. I do not believe this proposal received sufficient scrutiny in the budget process. First, it is not a cost effective program. The \$3 million program will only employ about 200 youths annually. These unskilled youths will not be prepared to accomplish the same type of timber stand improvement and planting as more skilled forestry personnel. Secondly, our highest priority must be on timber sales establishment. This work cannot be accomplished through the corps proposal. Perhaps most important, the proposal is unlikely to accomplish the purported objective of employment of youth. It would give youth an opportunity of one year of work but in an activity not targeted to the greatest opportunity for future private sector employment. I presented a proposal more closely aligned to the needs of forest productivity and private sector employment, but the Legislature cut the funding in half. I am convinced it was more closely attuned to the needs for forestry management, economic stimulus and employment. I urge the Legislature to consider full funding for this proposal.

B. *Interstate Cooperation Commission*

[Section 1205m]

As Governor I serve as a member of the Interstate Cooperation Commission. In my 2 1/2 years in office the Commission has never met. It makes no sense to maintain a staff and budget for a nonworking commission (especially in times of fiscal constraint). Those few services provided by the staff are available from other elements of state government, including agencies, the Legislative Council and partisan caucus staffs.

My veto does not remove the authority of the Interstate Cooperation Commission to function, but it does remove all funds for staff, supplies, and contingent expenses related to Commission activities.

C. *Septic Grant Program*

[Section 120sm]

The septic grant program, as created as part of the Wisconsin Fund in 1978, provides up to \$3,000 in grants to individuals for replacement of failing septic systems. I have vetoed the first year appropriation of \$1.0 million because it is unnecessary. If my veto is sustained this program will continue to be funded with approximately

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\$2.7 million in carryover funds and the second year appropriation of \$2.5 million. The available funding of \$5.2 million represents an increase of \$2.2 million or almost 75% of the \$3.0 million expended on this program in the last biennium. My veto results in an appropriation equal to the level approved by the Joint Committee on Finance.

D. Solid Waste Recycling Authority

[Section 120sm]

The 1973 Legislature created the Solid Waste Recycling Authority with the intent that the Authority be self-sufficient. It has yet to finance a single recycling project, while receiving more than \$1.5 million in GPR operating funds. I have decided to veto its GPR dollars to prevent the commitment of scarce state monies for a program where no tangible return is evident. This veto will save \$702,000 in the biennium.

E. WERC Milwaukee Office

[Section 2014(2)]

This section would prevent the Employment Relations Commission from closing its Milwaukee office to comply with the 8% reduction in GPR funds. Agencies should be allowed maximum flexibility to manage their staffs and offices during periods of fiscal constraint. Limiting agency management options does not allow efficient reallocations that minimize service disruptions to the public. Consequently I am vetoing this section.

XI. SOCIAL SERVICES

A. AFDC Child-Only Payments

[Section 834]

This language extended the child-only payment provision to include AFDC groups with a parent under 18. The consequence of this language would have been to provide a smaller payment to an AFDC group with a child and non-adult parent than to a unit with an adult parent. My veto will result in the higher and equal aid payment to the underage parent. I do not believe it is the state's interest to deprive underage mothers of essential resources at a very difficult time in their lives.

B. Alcohol and Drug Funds

[Sections 2020(15) and (16)]

DHSS is directed in this bill to earmark a portion of the state's allocation of federal alcohol and drug abuse formula grant monies in order to provide funding increases to both the Wisconsin Clearinghouse and the Wisconsin Alcoholism and Drug Counselor Certification Board. My original budget assumed the same level of funding for these organizations in each year of the biennium as was provided in 1980-81. Since it is not certain at this time what level of formula grant federal funding will be received during the biennium, it is premature to obligate monies for these purposes. Therefore, I have vetoed such earmarking. Such increases now could cause grants for direct services at the local level to take disproportionate funding cuts when federal resources are actually known.

C. Community Aids - Applied Receipts

[Appropriation Schedule Section 20.435(2)(b)]

This section would have maintained the current "applied receipts" appropriation for county social services and mental health/developmental disabilities boards. The appropriation established a specific funding level for counties by allowing GPR funds to fluctuate in response to changes in federal funding levels. This results in a risk that state financial liability could unexpectedly increase over the course of the year, without any legislative or executive review. If federal budget cuts are enacted as expected, an increased GPR liability of \$33.5 million would automatically occur over the 1981-83 biennium. My veto prevents such an automatic GPR increase by temporarily reducing the overall funding levels for community aids to the level estimated under the bill for state funds only. This is a temporary response to the applied receipts problem. I intend to specifically respond to the problems posed by the applied receipts concept in the fall session and to establish an appropriate funding level for this aid program at that time. The federal budget will bring a number of changes and increased pressure on limited state resources. We must retain the flexibility to respond to the areas of greatest need when the time for action comes this fall. County human service agencies have been on notice since last spring that state GPR funds would not automatically replace federal cutback amounts and they should be budgeting accordingly.

D. Community Aids - Categorical Reductions
[Sections 872 and 934]

In addition to a 4% across-the-board inflation increase in each calendar year of the biennium, the budget provides a 1% program growth increase in each calendar year for county social services departments and section 51.42/.437 boards whose allocations were subject to a 15% increase limit under the CY1980 formula. I have vetoed the 1% growth increase, but could not get at the remainder to bring it back to my proposed 3% level.

The proposal also provides new capacity building funds for community programs servicing the chronically mentally ill and the developmentally disabled. I have made the difficult decision to veto these increases.

Both of these actions must be considered in light of likely reductions in federal funds. I have exercised my veto authority in order to provide flexibility for our fall action, since these funds would not have been allocated before January 1, 1982 in any case. The people affected by these programs are among the most vulnerable of our social service clients. We do not serve them well when we restrict our ability to effectively respond to federal cutbacks. This fall we must face up to the challenge of determining which are the most critical services to assist these people and allocate all of our resources accordingly.

E. CPB Submission Date
[Sections 741 and 742]

These sections change the deadline counties must meet in submitting their coordinated plans and budgets for mental health, developmental disability and social services from September 30 to November 30. My veto will restore the present September 30 deadline. A November 30 deadline will provide DHSS with less than 20 working days to review and approve or reject the CPBs and to sign contracts with counties. This is too short a period for full and careful review, especially since these plans relate to over \$200 million of state/federal aids each year.

F. Displaced Homemakers
[Sections 790a, 790b, 790d, 790f, 790h, 790j, 790l, 790n,
790p, 790r and 790t]

My veto restores my budget proposal and eliminates state seed money for expansion of displaced homemaker centers. I expect displaced

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homemaker services to expand through our current educational, training, and job placement programs.

G. Domestic Abuse -- Local Share [Section 792h]

This section prohibits DHSS from funding domestic abuse services until an organization raises its share of its operating budget. No other program has this up front funding requirement. DHSS currently provides 1/12 advances monthly to domestic abuse organizations and allows them the flexibility to raise their share of funding during the year. There is no evidence that this practice has not been working well. My veto will enable DHSS to continue current procedures, which should help shelters with their cash flow.

H. Domestic Abuse -- Maintenance of Effort [Section 792c]

This section requires DHSS to consider maintenance of local financial effort as a factor in reviewing applications for state domestic abuse funding. This requirement relates only to new domestic abuse services, however, and not to continuing services. My veto will require DHSS to consider maintenance of effort in reviewing all applications for domestic abuse grants. Such a requirement will help establish local support and assure local commitment.

I. Domestic Abuse -- Reallocations [Section 792m]

This veto allows the Department of Health and Social Services to reallocate unspent monies in the domestic abuse program at any time during the year. Allowing reallocation only at the end of the fiscal year leads to a great deal of encumbering of funds which could be used in other parts of the state where domestic abuse services are lacking. DHSS knows early in the year if funds will not be spent in a given category. My veto will allow more effective and timely use of scarce resources for domestic abuse programs.

J. Earmarking of Federal Child Welfare Funds [Section 2020(4)(ag) and (ar)]

This section required earmarking of a portion of increased child welfare funds for day care and runaway youth programs. Earmarking would result in reduced flexibility to counties and the state. In a time of fiscal constraint at all levels of government, we must insure flexibility to meet the most pressing local needs. Clearly day care and runaway youth programs are important local services. I

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have vetoed the earmarking of those funds but I trust local decision makers to give these services the emphasis they deserve.

K. Home Craft Program

[Section 2020(19)]

This section would have required the department to contract at 1980-81 levels with commercial outlets selling home craft products through September 1981. Cuts below the 1980-81 level have already been made in these annual contracts and in other vocational rehabilitation programs to reflect coming reductions. I have vetoed this provision in order to accommodate efforts to effectively manage the Home Craft Program.

L. Income Maintenance Contracts

[Section 746]

This language would require the Department of Health and Social Services to apply fiscal sanctions to counties based on county-specific error rates in income maintenance administration. I have vetoed this provision because I believe it is premature and moves too far in reducing administrative flexibility. In order to implement these sections the Department would need an increase in quality control staff. The process of attributing errors to specific counties would be arduous, time consuming, and could lead to disproportionate negative impacts on a few sample counties. In addition, the language clearly is ripe for legal challenge. There is currently an effort to address the issue of county errors in a less punitive way by involving county representatives in policy development.

M. Milwaukee County Children's Home

[Section 775]

This section allows Milwaukee County to spend up to \$400,000 annually from its Youth Aids allocation on the operation of the Milwaukee County Children's Home. This would set an undesirable precedent of using youth aids funds to pick up the cost of existing services. The purpose of the Youth Aids Program is to encourage the development of new services for youth at the local level. I have vetoed this provision because I believe it to be in conflict with the program's intent.

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N. Public Patient Treatment Program

[Sections 758m, 761m, 1330m, 1390m, 1390v, 1391a, 1391c, 1391e, 1391g, 1391j, 1391m, 1392a, 1392b, 1392c, 1392e, 1392g, 1392i, 1392jm, 1392k]

This veto deletes sections of the bill which extended the Public Patient Treatment Program to Milwaukee County residents. No funding was provided for this program expansion. Thus the change would have shifted the burden for the expansion of the program to other counties through proration of the county/state shares. The veto returns the program to current law until expansion and funding for the program can be considered.

O. Residential Facilities Bonding

[Section 1535r]

The bill limits the increased bonding authorization for development and construction of residential facilities to Community Based Residential Facilities (CBRF's). My veto extends bonding authorization to a broader range of non-medical residential facilities thus increasing the options available for residential development of residences for the chronically mentally ill, developmentally disabled and the elderly. This veto is designed to increase flexibility to use the bonding authorization for a variety of facilities and residences and to allow a more adequate response as our interagency task force on housing for chronically disabled persons develops final recommendations.

P. Shelter Care

[Section 874]

This bill provides that shelter care funds are to be folded into the base social services aids allocations of those counties who received shelter care funding through DHSS in FY 1980-81. This section further requires that these funds be used only to provide shelter care, thus, in effect re-earmarking the funds. My veto removes this restriction and provides counties the flexibility I originally intended so they may spend these funds on shelter care or other related social services as they so choose. This flexibility is particularly important during these times of fiscal constraint which require counties to review their needs and prioritize program expenditures. I am confident counties will be sensitive to shelter care needs.

XII. TAX INCREMENT FINANCE

A. *Corrective Veto*
[Section 1023p]

This bill contains language that apportions TIF project costs of TIF districts. The bill also requires that this apportionment be based "solely" on the benefits to the TIF district. This language seems contradictory. My partial veto would correct this language with no substantive change in apportioning TIF costs.

B. *Farmland Provision*
[Section 1024h]

The bill provides that no tax incremental district may be created in an area which has been devoted primarily to agricultural use as defined for the farmland preservation program during any of the five years prior to the creation of the district. This section is vetoed because the exclusion of agricultural land from TIF's is overly restrictive. It would not even allow the cutting of hay off standing farmland. Employing this definition in the creation of TIF's could severely undercut the effectiveness of this economic development tool.

C. *Project Plans*
[Section 1024p]

I have vetoed the provisions which requires the Department of Revenue to review TIF project plans and determine if they are of sufficient detail to allow audits to be conducted. This oversight will require bureaucrats to make a subjective judgement on the adequacy of project plans without any established guidelines, second guessing local government elected officials and causing time delays. The state's proper role is to set the parameters and allow local governments to make their own decisions. In addition, the provision to review project plans will increase the workload of the department with no additional staff allowed.

XIII. TAXATION

A. *Alcohol Tax - Whey, Brewers Waste*
[Sections 1387gm through 1387gr]

Several years ago the Legislature approved a tax subsidy for alcohol produced from Wisconsin waste products -- whey and brewer's waste. There was clear legislative intent to encourage this fledgling approach to alcohol production. A sudden reversal seems premature. More time is needed to determine the impact of elimination of this

incentive on jobs and the waste products program itself. Phased elimination of this subsidy may be desirable. My veto maintains current law until adequate review is complete.

B. American Legion Baseball Exemption
[Section 1124t]

I have vetoed the sales tax exemption for American Legion baseball teams.

American Legion teams are, no doubt, deserving of a tax exemption. The real issue here, however, is whether a major new precedent affecting sales taxation should be established. Currently, many non-profit and charitable organizations enjoy sales tax exempt status when they purchase goods. No organizations, with the exception of schools, benefit from a tax exemption when they sell something. The rationale for this distinction is that when an organization behaves like a business and competes with the private sector, it should pay sales tax like a business. Permitting this small exemption now may seem harmless, but it opens the door to similar exemptions for many other equally worthy organizations with equally worthy causes. Such a policy change should not be made without public hearing and full understanding of its implications.

C. Capital Gains Reinvestment
[Sections 1089s through 1089z, 1090ea through 1090km]

The limitation of capital gains tax benefits to assets "reinvested in Wisconsin" is vetoed. While this provision has superficial appeal, it is entirely unworkable and inequitable. For example, individual taxpayers who sell stock would have to determine if a company has 250 or more employees in Wisconsin in order for their shares to qualify for capital gain benefits. This just is too burdensome for most people, except corporations. In addition, it severely restrains economic decision-making and could result in retaliatory action by other states. Therefore, I have vetoed that provision.

D. Corporation Filing Fee
[Section 1491g]

This bill includes corporation filing fee increases of \$40 for domestic corporations and \$125 for foreign corporations. This five-fold fee increase was proposed as part of the capital gains funding package. Since the fee change was initially proposed, other revenue sources were included in the budget bill that offset the need for this increase. In addition, the corporation filing fee, due to its flat structure,

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primarily impacts on small businesses which are least able to afford it. The veto returns the corporation filing fee to its current level.

E. Earned Income Tax Credit

[Section 1097a]

The creation of a new state earned income tax credit is vetoed. Wisconsin has chosen to provide low-income tax relief through the Homestead Tax Credit program. The combination of homestead tax credit, low income allowance and earned income credit would result in a complicated maze of forms and formulas. Most Homestead tax recipients have no state income tax liability and therefore would receive a refund check under this new program. During a time of scarce resources the income tax system should not be used to create a new welfare income transfer program, which would create a growing demand on state resources in future biennia.

F. Entertainment Deduction

[Sections 1089e, 1090b, 1090bm, 1090k]

I have vetoed the various limitations on allowable business deductions in order to maintain tax equity, simplicity and competitiveness.

Elimination of some business expenses while continuing to allow others discriminates against taxpayers who tend to incur relatively substantial business costs in areas covered by the provision. For example, sales corporations will be significantly impacted by the limitations imposed by this provision, while other corporations will not.

Taxpayers will be forced to maintain additional records, at added costs for both individuals and corporations. The added paperwork will be especially burdensome for taxpayers who operate in Wisconsin and in other states. They will be required to maintain separate records for nationwide activities, even though only a small percentage of their business activities may be in Wisconsin.

To the extent that this provision increases business tax liabilities and imposes additional record keeping costs, Wisconsin's tax image will be tarnished.

The estimated fiscal effect of this provision is, in my judgment, considerably overstated. Given the realities of tax administration, a positive fiscal effect of about \$500,000 per year is a more realistic projection. The minimal fiscal gain is not sufficient to offset the tax equity, complexity and image problems created by the proposal.

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G. Exempt Property Report

[Section 1060s]

Since 1972, owners of tax exempt property have been required to file reports on their property every five years. The budget bill includes provisions which would require owners of exempt property, such as churches, to file reports annually which contain estimates of the value of the exempt property. To guarantee compliance, a municipality could order a private appraisal of exempt property for which a report is not filed. The owner would then be billed for the cost of the appraisal.

It is unwise and unnecessary to threaten churches and non-profit organizations with the expense of reports and appraisals especially when the information collected is of questionable validity and utility. Therefore, I have vetoed the new requirement.

DOR will attempt to respond to the Legislature's request for a qualitative analysis of property tax exemptions in 1982 and estimates of private exempt real estate in 1984 without these burdensome and unsettling reporting requirements.

H. Foreign Taxes

[Section 1089d]

The bill repeals the deduction for foreign income taxes. When many Wisconsin firms must -- and should -- compete in worldwide markets, it makes little sense and is counterproductive to deny them a deduction for foreign taxes paid. This section is vetoed to encourage our businesses to aggressively penetrate foreign markets in order to provide new jobs here at home.

I. Homestead Form

[Section 1049h]

This section requires the Department of Revenue to include the Homestead Credit form in short form (1A) income tax booklets. I have vetoed this provision.

There is little need to include eight pages of Homestead material in short form booklets. Relatively few Homestead claimants use the Form 1A. The Department will print 1.4 million 1A booklets, yet only 60,000 people using these materials file a Homestead claim. Over 10 million pages and almost \$40,000 will therefore be wasted each year.

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Nearly 70% of all Homestead recipients, who also pay state income taxes, file a long form. Thus, this proposed requirement is neither appropriate, nor cost-effective.

I and the Department of Revenue are committed to reaching potential Homestead recipients through more effective means. Information on the Homestead program will be prominently displayed in both short and long form income tax booklets. All persons who file for Homestead will automatically receive a Homestead booklet the following year. This alone accounts for over 90% of Homestead recipients.

The remainder will be reached through an aggressive publicity campaign. Forms and information are distributed to churches, aging groups, social service agencies, banks, tax practitioners, and 37 Revenue offices throughout the state.

J. Insurance -- Personal Property Tax [Section 1115m]

Under current law, domestic life insurance companies are allowed a credit equal to 50% of property taxes paid in the previous year on personal property used in the operation of its business.

The budget bill eliminates this credit. My veto restores current law.

This credit for Wisconsin life insurance companies was enacted in 1971 when a personal property tax exemption benefitting insurance companies organized or doing business in Wisconsin was repealed. This current credit limited the impact of the change on domestic life insurers, while allowing local units to tax the personal property of these companies.

Such property taxes are deductible by other insurance companies subject to the corporation franchise/income tax. To eliminate the property tax credit for domestic life insurers would be inequitable. Most corporations are now largely exempt from personal property taxes through the M & E exemption and inventory exemptions which have not benefitted insurance companies.

By upsetting the current relative balance of insurers, some domestic companies may be encouraged to transfer their state of organization from Wisconsin to another state. This is easily achieved since much of the home office personal property of insurance companies consists of computers which can be relocated. Wisconsin is a leader in the finance and insurance industry. Hundreds of jobs are directly related to these operations. We must not undermine the jobs we already have in Wisconsin.

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K. Minimum Tax Preference

[Sections 1089s through 1089z, 1090ea through 1090km]

Capital gains should not be included as a minimum tax preference item. It negates the benefit of capital gains reform. In certain cases, one-half of the benefit of adopting the federal treatment of capital gains would be lost if capital gains were subject to the new minimum tax.

L. Oil Company Tax

[Section 185e, 348m, 491s, 1089c through 1089um]

I have vetoed the provisions that change the way integrated oil companies are taxed. A tax of 7.9% would be imposed on the company's "normal taxable income" and another tax of 50% on its "excess taxable income."

A tax levied on integrated oil companies is likely to provide these companies with a perverse incentive to curtail marketing operations in Wisconsin in order to avoid the tax, especially in times of shortage. Reliance on independent retailers could jeopardize energy supplies in any fuel crisis.

Since the tax is likely to be passed on to consumers, it would have an inflationary and regressive effect. This move runs counter to the sales tax exemption for home heating fuel which the Legislature enacted in 1979 to help reduce consumer fuel costs.

The excess profits tax will also be another tax irritant that perpetuates Wisconsin's image as a high tax state. This will discourage businesses from locating in Wisconsin, an energy dependent state, particularly since energy producing states have the added attraction of an abundant supply of energy.

M. Property Assessment -- Corrective Veto

[Section 1038m]

This provision, because of technical wording deficiencies, would effectively require the department to order revaluations each year for most municipalities. This was not the intent of the legislature when this proposal was discussed. The intent was to evaluate assessment levels once each year beginning in 1986, with revaluation orders being limited to no more than once during a 5 year period. The Department of Revenue will propose corrective legislation to administer the program on a 5 year routine basis, as was the legislative intent.

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N. Property Tax Credit

[Section 1103]

The 12% property tax credit was introduced two years ago as a fair trade-off for the property tax deduction. To restrict it now would be a breach of faith. Since federal and state law now use the same definition of property taxes for purpose of calculating the U.S. deduction and the Wisconsin credit, the proposed change would further complicate tax filing. This change is also likely to have an adverse impact on tourist and recreation areas in Wisconsin by effectively increasing the cost of second homes. Many working families have worked and saved for a cottage. Individuals have calculated this tax effect in making their financing arrangements. They should not be suddenly penalized.

O. Retailers Discount

[Section 1125im]

As drafted, this provision would result in a period of up to one year when no retailers' discounts could be claimed by some taxpayers. The new three-tiered discount becomes effective only for taxes filed for fiscal years beginning on or after January 1, 1983. As a result, taxpayers whose fiscal years begin on any date other than January 1 will be prevented from claiming a discount for up to one year.

This technical problem can be resolved by striking the newly created language. With this change, it will be possible for the department to allow the 1% discount for all taxpayers operating with fiscal years beginning on or after January 1, 1982 and to allow the new three-tier discount for all taxpayers whose fiscal years begin on or after January 1, 1983.

P. Utility and Rental Depreciation

[Section 1089s through 1089z, 1090ea through 1090km]

The exclusion of certain utility and rental residential property from federal depreciation treatment is vetoed. It is clearly inequitable to deny favorable depreciation tax treatment to utilities, while eliminating utility property tax credits. Even with this veto utilities will pay \$34.6 million in increased property taxes for a \$11 million cash management benefit from depreciation changes. The exclusion of rental residential property would require 140,000 individual taxpayers, including owners of modest duplexes, to keep two sets of depreciation accounts.

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XIV. TRANSPORTATION

A. Aviation Fuel Tax

[Sections 2203(51)(w) and 2204(51)(p)]

In the course of removing and replacing the 6¢ per gallon aviation fuel tax, the "INITIAL APPLICABILITY" date was set on or after the effective date of the bill and the "EFFECTIVE DATE" section was set at January 1, 1982. To clarify this situation, I have vetoed all references to "INITIAL APPLICABILITY."

B. Counter Service Fee

[Section 1546]

The budget bill authorizes increased fees for motor vehicle counter services except when the service is provided by non-state employes. I have vetoed this language. Citizens living in different parts of our state should be paying the same fee for title and registration services. It is a matter of simple equity. Secondly, the provision would effectively eliminate an administrative option currently under consideration by DOT which may reduce costs and improve services to vehicles involved in the Inspection and Maintenance Program imposed by the federal government.

C. Elderly and Handicapped Aids

[Sections 1233q and 1234]

I have vetoed provisions which would have required counties to prioritize their elderly and handicapped transportation service by trip purpose. The change represents a departure from the current practice of allowing each county to determine how it meets the transportation needs of its elderly and handicapped. While transportation for educational, training or personal business purposes may not appear as important, transportation services in these areas help meet essential mobility needs. We should not pre-empt county decision-making, even if we might make different choices. I do not believe the proposal is a workable or productive way to curb alleged abuse of these services.

D. Highway Project Priorities

[Section 1196j]

This provision statutorily enumerates 14 major highway projects as the priority projects for use of state funds. The need for many of the projects listed is readily apparent and the list is very similar to the priorities established by DOT. However, I am compelled to veto this list as it is an inflexible and unwise disruption of the orderly process

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we have long employed in our approach to major projects. It fails to recognize possible funding, legal or engineering problems which might emerge and result in alterations in project schedules and priorities. The attempt is also unwise because it ignores the need to reassure the public that scarce funds are allocated on the basis of greatest need rather than through political maneuvering and influence.

E. Highway Project Priority Criteria [Sections 1201g, 1201s and 2051(18)]

Once again the budget bill contains language directing DOT to adopt administrative rules on highway project selections. A rule has already been drafted and submitted which would comply with the 1979-81 legislative directive. This rule will shortly become effective. While similar to the 1979-81 directive, the proposed language would dictate a still more rigorous statement of numeric criteria. I believe this provision would have carried us too far by undermining the legitimate role professional judgment must play in project selection.

F. Highway Signs to UW Campuses [Section 1237c]

The bill contains a provision directing the Department of Transportation to allow counties and municipalities to erect signs on any highway within their limits in order to provide direction to UW campuses. This language is no longer necessary since I have directed DOT to place the signs where requested. The resolution of this long standing disagreement removes the need for statutory language.

G. Lake Michigan Ferry [Section 120sm]

The budget adds \$500,000 to the Lake Michigan Rail ferry service subsidy program. There are two problems with this increase. First, other budget provisions already incorporate a 300% increase over the base level for ferry subsidies. In addition this provision would authorize subsidy payments out of the railroad facilities acquisition and rehabilitation appropriation. That appropriation already contains less than was available to meet its purposes in the last biennial budget. The expectation that \$500,000 would be available for cross lake ferry subsidies is simply unrealistic.

H. Major Highway Planning Project Designation [Section 2051(11)]

I am vetoing the language which would specify the major projects for DOT planning during this biennium. Major highway planning

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priorities are properly set by our transportation professionals who are in a position to carefully weigh competing needs without regard to political pressures. While the need for many of the listed projects is apparent, I cannot support this step towards legislative enumeration of highway projects. We must take care to reassure the public that their highway funds are being allocated on the basis of greatest need rather than on the basis of political influence.

I. Memorial Street Bridge

[Sections 120sm, 284m, 1266m and 2051(4)]

I have vetoed the provision directing DOT to pay the city of Appleton and Outagamie County the lesser of \$877,100 or one-third of the local funds expended to reconstruct the Appleton Memorial Street Bridge. The bridge is currently under construction without any state planning or financial participation. The earmarking of these funds is an unacceptable circumvention of established project selection and funding processes. The effect of this veto is to reduce by nearly \$900,000 funds available for state bridge replacement. In order to insure that bridge needs are met, I am also vetoing language that would lapse \$1.5 million from the bridge appropriations. The effect will be to increase funds available for bridge replacements to an amount slightly more than the department requested.

J. Milwaukee Expressway Aids

[Section 289m]

Legislative action has nearly doubled the amount of financial assistance that Milwaukee County would receive to offset expressway policing costs. The increase over the existing level of state aid to Milwaukee County for this purpose is unjustified. Milwaukee County is the only county in the state which now receives state aid for expressway traffic policing operations. Provision of a higher level of cost reimbursement to the County would only increase this inequity. Accordingly, I have vetoed the provision which would increase the annual Milwaukee County traffic patrol reimbursement from its present \$480,600 to \$950,000.

K. Milwaukee Freeways Demap

[Section 297m and 2051(8)]

Language has been included in the budget to direct that segments of proposed Milwaukee County Freeways be removed from the state trunk highway system. I have vetoed this language because I believe demapping would be premature. While construction of these highways is unlikely in this decade, longer term freeway or potential non-freeway alternatives to meeting the community's transportation

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needs have not been fully evaluated. Until the community has carefully explored its options, removal of these segments from the state system and disposal of the project lands could be a costly error. The community and its leaders must move forward to fully address its transportation needs which these projects were designed to address.

L. Racine Bridge [Section 2051(12)]

This provision would have directed the allocation of \$7.4 million for the design and replacement of the Main Street Bridge in Racine. Throughout this budget I have used my veto authority to resist legislative attempts to enumerate priority road and bridge projects. This designation seems particularly unwise. The Main Street Bridge has recently undergone half a million dollars of maintenance work, making replacement substantially less defensible, especially with so many others bridges in life-threatening conditions. Earmarking money for this project would commit 51% of the biennial appropriation to one project. The result would be a delay for about 20% of the bridge projects throughout the state that had been programmed for replacement or rehabilitation.

M. Railroad Expenditures [Section 259]

I have vetoed the \$2.0 million cap on expenditures for pre-abandonment rail rehabilitation projects. The primary objective of the rail program must continue to be the encouragement of private sector operation of rail lines wherever possible. The advance capital assistance is among the most effective and important tools to achieve this end. The program allows the Department of Transportation to enter into agreements with local governments, shippers and rail companies to rehabilitate lines before the cycle of deterioration leads to inevitable abandonment. While DOT has no intention of devoting all of its rail resources to advance capital assistance, the arbitrary \$2.0 million cap would severely limit flexibility to respond in the most cost-effective fashion to local rail transportation problems.

N. Single License Plate [Sections 626m, 1540b, 1557m, 1569m, 1597m, 1598e and 2200(51)(a)(b) and (c)]

I have vetoed the budget provision which would have resulted in the use of a single license plate. While I fully understand the need to economize on government programs, I do not believe sufficient information is currently available to justify this change. The savings in expenditures must be balanced against the potential difficulties the

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change will present to our law enforcement personnel. A study is underway which should allow us to address this trade-off in the next biennial budget.

O. Transportation Projects Commission

[Sections 7s, 1194m, 1195s, 1195sm, 1196b, 1196e, 1196em, 1196h, 1196n, 1196p, 1196q, 1196r, 1196s, 1196t, 1197m, 1199b, 1199d, 1199h, 1199j, 1199l, 1199n, 1199p, 1223m, 1224, 1230m, 1325b, 1325c, 1325d, 1325e, 1504m, 1504s, 2201(51)(b) and 2203(51)(u) and (v)]

The Transportation Projects Commission would result in another unnecessary level of review to the selection and execution of virtually all transportation projects. The current project development process, which is mandated by Federal and State law, ranges from one to five years and offers numerous opportunities for involvement by the public and legislators. The proposed commission would add little to the extensive opportunities for public involvement in the current budget, program development and project development processes. Further, the staff work and support that would be necessary for the commission to meet its tremendous workload and the possibility of delays caused by the need for commission action, can only combine to increase project costs. I cannot support the expenditure of more money for bureaucratic red tape and less for real transportation services that the commission proposal would entail.

XV. UNIVERSITY OF WISCONSIN

A. Center System Custodial Transfer

[Section 2053(4)]

This veto deletes the authority of the University of Wisconsin System to transfer 29.4 Center System custodial positions from county to state employment. These employes have been designated as county employes since the UW merger years ago. There is no compelling reason for changing them to state employes now.

B. LaFollette Institute

[Sections 674g, 2052(5)]

This veto deletes the mandate that the Board of Regents create a Robert M. LaFollette Institute of Public Affairs at the University of Wisconsin - Madison. Instead it requires the University of Wisconsin, rather than the Madison Chancellor to study and report to the Legislature on the creation of a LaFollette School of Public Affairs. It also deletes the requirement that the report be submitted

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by September 1, 1982. It is, I believe, inappropriate for the Legislature to mandate programs at specific campuses without consultation with the Board of Regents. The Regents have a process for reviewing and developing academic programs. That process should be respected.

C. *Law School* [Section 674b]

This veto deletes the requirement that the University of Wisconsin - Madison Law School admit special, non-degree students to any law school course if the instructor permits. Admission requirements to the Law School or any school in the University System is the proper function of the Board of Regents.

XVI. VTAE

A. *Certification of District Budgets* [Sections 679, 679g, 679h]

This veto deletes the requirement that the State VTAE Board certify that local vocational budgets are within cost controls before the local boards may levy a property tax. It is an administratively burdensome requirement that will not really achieve the goal sought because the State Board is no better able than are local boards to estimate FTE counts at the time certification is required. The State Board is given new authority in other sections of the bill which will permit better supervision of district expenditures so that districts do not exceed cost control limits.

B. *Contracting for Services -- Private* [Section 678m]

This section deals with the costs the VTAE system must charge businesses for consulting and training services. My veto returns us to current law which allows the instructional resources of the VTAE system to be used to assist and attract new business and industry to Wisconsin at less than full cost of the services provided. This is advisable both to insure VTAE flexibility to address local needs and as an economic development tool available to local governments to help assure a trained work force.

C. *Contracting for Services -- Public Schools* [Section 678m]

This deletion permits local VTAE districts to provide services to public schools at cost rates agreed upon between the public school

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and the VTAE district. There is no reason for the state to impose arbitrary standards which inhibit local school and VTAE district contracting.

D. Deputy Director
[Section 1521]

This is a technical veto to delete all references to a deputy director position in VTAE. The authorization for the position was deleted in the bill. This reference in DER was missed in drafting.

LEGISLATIVE REFERENCE BUREAU CORRECTIONS

Assembly substitute amendment 1 to **Assembly Bill 298**
Page 4, line 28: delete "should" and substitute "would".