

WISCONSIN ALLIANCE OF CITIES

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30th Anniversary
1969-1999

- Appleton
- Asnland
- Baraboo
- Beaver Dam
- Beloit
- De Pere
- Eau Claire
- Fond du Lac
- Green Bay
- Greenfield
- Janesville
- Kaukauna
- Kenosha
- La Crosse
- Madison
- Manitowoc
- Marinette
- Marshfield
- Menasha
- Merrill
- Milwaukee
- Monroe
- Neenah
- Oshkosh
- Platteville
- Racine
- Sheboygan
- Stevens Point
- Superior
- Two Rivers
- Watertown
- Waukesha
- Wausau
- Wauwatosa
- West Allis
- West Bend
- Whitewater
- Wisconsin Rapids

April 15, 1999

TO: Honorable members of the Joint Committee on Finance

FROM: Edward Huck, Executive Director

RE: SB 45/AB 133, Wisconsin State Budget

As you took the budget on the road around the state you heard testimony from many Wisconsin Alliance of Cities members. On behalf of the entire membership, the Wisconsin Alliance of Cities is submitting the following comments and attachments relating to the state budget. The attachments consist of resolutions passed by the organization as they relate to:

- State Shared Revenues funding and formula changes
- Expenditure Restraint funding and formula changes
- Payment for Municipal Services funding
- Local Option Taxes
- Recycling mandate
- Transportation aid equity
- Gas Tax exemption
- Mass Transit Funding
- The proactive Alliance agenda

Alternatives to the property tax and reduction of city levies are two important goals of the Alliance for this legislative session. We appreciate your review of our positions and look forward to working with you in order to accomplish our mutual goals.

BUDGET ITEMS SUPPORTED BY THE WISCONSIN ALLIANCE OF CITIES -
suggestions for modifications to certain items follow in bold.

- ▣ Pesticide Database Study (Page 97, Item 9)
- ▣ Grants for Jobs for Low-income Individuals (Page 129, Item 2)
- ▣ Open Records (Page 513, Item 7)
- ▣ Land Recycling Program (Page 219, Item 5) **Brownfield site assessment grants should not have to be paid back if a Land Recycling Loan is approved.**
- ▣ Development and Enterprise Development Zone Program and Tax Credit Modifications (Page 139, Item 13)
- ▣ Small Sewage system Inspection Frequency (Page 157, Item 22)
- ▣ Comprehensive Planning (Page 241, Item 4)
- ▣ Repeal volume-based fee (Page 457, Item 8)
- ▣ Brownfields, Local Government Liability Exemption (Page 460, Item 14) **Section 292.24 (2), Wis. Stats.: the phrase "certificate of completion" should be replaced with the word "approval."**
- ▣ Brownfields, Local Government Cost Recovery (Page 461, Item 15)
- ▣ Brownfields, Environmental TIF
- ▣ Include Environmental Pollution in the Definition of Blighted Areas. **This should be expanded to allow for environmental investigations as provided for in AB 183. The bill had a public hearing in the Assembly Environment Committee on March 30.**
- ▣ Brownfields, Voluntary Party Liability Exemption (Page 462, Item 16)
- ▣ Brownfields, Off-site Discharges (Page 464, Item 17)
- ▣ Brownfields, Lender Liability Exemption (Page 465, Item 19)
- ▣ Brownfields, Natural Attenuation At voluntary Party Sites (Page 464, Item 18)
- ▣ Transportation Aid---Municipal Minimum Guarantee, Raises minimum from 95% to 98%.

Please Note: The Brownfields Advisory Group will make recommendations for technical changes to the Joint Committee on Finance. If adopted we believe the Brownfields program would be improved. However, our support for the current provisions is not conditional on their adoption.

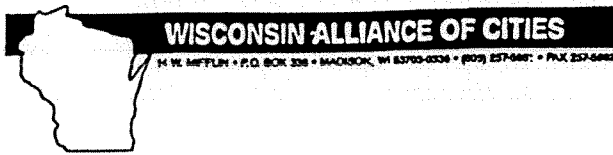
BUDGET ITEMS OPPOSED BY THE WISCONSIN ALLIANCE OF CITIES –
suggestions for modification to certain items follow in bold.

- No increase in Shared Revenue Funding.
- No increase in Expenditure Restraint Funding.
- No increase in Payment for Municipal Services Funding.
- Bonding level for Safe Drinking Water. **EPA's 1995 needs survey showed, Wisconsin drinking water systems will have to spend more than \$800 million to meet the 1995 Safe Drinking Water Act regulations mandated by the federal government. We ask for \$100 million for reduced interest-rate-loans.**
- Gaming Economic Development and Diversification Grant and Loan Programs (Page 130, Item3)
- Law Enforcement Training Fund and Penalty Assessment Revenues (Page 381, Item 5)
- Nonpoint Program Bonding Authority (Page 449, Item 12) **The proposal is significantly below statewide needs.**
- Recycling Grants and formula changes. **The Governor's budget is a Band-Aid approach to a major problem for Wisconsin municipalities. We support Senator Burke's proposal.**
- Registration of Cemetery Authorities. **The Advisory Committee to the Department of Regulation and Licensing will be recommending significant changes that are more comprehensive and will provide greater protection to Wisconsin residents.** (Page 526, Item 12)
- Property tax exemptions for more computerized equipment. **To reduce local government revenues at a time when we are facing fiscal crisis is just wrong.** (Page 550, Item 1)
- County Sales Tax Administration. **Counties need the revenues more than the Administration.** (Page 555, Item 1)
- Charge back all or a portion of the unpaid taxes. **The 1997-99 budget included a provision that allows counties and the city of Milwaukee to cancel all or a portion of the delinquent property taxes on a contaminated property (s. 75.105, stats.). The Governors budget proposal includes a provision to amend this statute (page 965, Sec.1805) to allow counties to "charge back" all or a portion of the unpaid taxes to the municipality where the property is located.**
- Transportation aids including mass transit. **The Alliance joins the other members of the Fair Share Coalition in support of Senator Burke's proposal for local transportation aid increases of 6% and 6%. We further request that mass transit funding be returned to a percent of costs at 47% state share, thereby treating all systems equally.**

NON-FISCAL POLICY REMOVED FROM THE BUDGET

We support removing the following items from the state budget and are interested in any changes that would occur if they were returned to the budget before final executive action is taken.

- Modifications to DOA review of annexations in populous counties (page 75, Item 4)
- Private sewage system administration by local governments (page 155, Item 20)
- Regulation of small sewage systems (Page 156, Item 21)
- Plumbing: violations reporting requirement (Page 158, Item 25)
- Drafting instructions re: legislation for compliance with restrictions on minors access to tobacco products (Page 240, Item 2)
- Incorporations under a cooperatives plan for boundary changes(Page 246, Item 6)
- Limits on governmental liability for Y2K computer problems(Page 247, Item 10)
- Minimum area required for certain incorporations(Page 246 Item 7)
- Registration of cemetery authorities and salespersons (Page 526, Item 12)
- Direct Aid Payments: penalty for failing to report exempt computer value (Page 542, Item 16)



Resolution

On Property Tax Alternatives

Whereas, 13 of the 32 member cities of the Wisconsin Alliance of Cities are projected to receive a decrease in shared revenue in 1999, and 20 are projected to receive a reduction in the Expenditure Restraint Program ; and

Whereas, those cuts come on the heels of shared revenue reductions in 1998 for 14 Alliance of Cities members, and expenditure restraint program payment cuts for 17; and

Whereas, state's appropriations for shared revenue increased at an average rate of 2% between 1987 and 1997, and have not increased at all since 1995; and

Whereas, this pattern of funding has resulted in overall shared revenue increases far smaller than the rate of inflation;

Now Therefore Be It Resolved, that the Wisconsin Alliance of Cities calls on the governor and Legislature to increase shared revenue by 3% each year for the next three years. Every community's shared revenue payment would be increased 3% the first year. The following year, that increase would be built into the community's base — divided equally among per-capita payments, aidable revenues and utility payments — the formula would run and the resulting payments would increase another 3%; and

Be It Further Resolved, that the Wisconsin Alliance of Cities urges the governor and Legislature to also approve full funding of payments for municipal services and a 3% increase in the Expenditure Restraint Program, along with a floor of 2.5% for allowable budget increases under ERP as a short-term solution to the problems outlined above; and

Be It Further Resolved, that the state study ways of better measuring tax capacity and need as ingredients of a long-term solution to the problems outlined above; and

Be It Further Resolved, the Wisconsin Alliance of Cities urges the governor and Legislature to pass legislation necessary to provide cities the option of enacting local sales, payroll and other types of taxes; and

Be it further resolved, that copies of this resolution be sent to Governor Tommy G. Thompson, members of the 1999 Legislature and the Wisconsin State Legislature, candidates in the November 3 election, and Wisconsin's other local government associations.

Mayor Paul F. Jadin, Green Bay
President, Wisconsin Alliance of Cities
Adopted September 11, 1998
in Eau Claire, Wisconsin

LOCAL AID FUNDING

(Amounts in Millions)

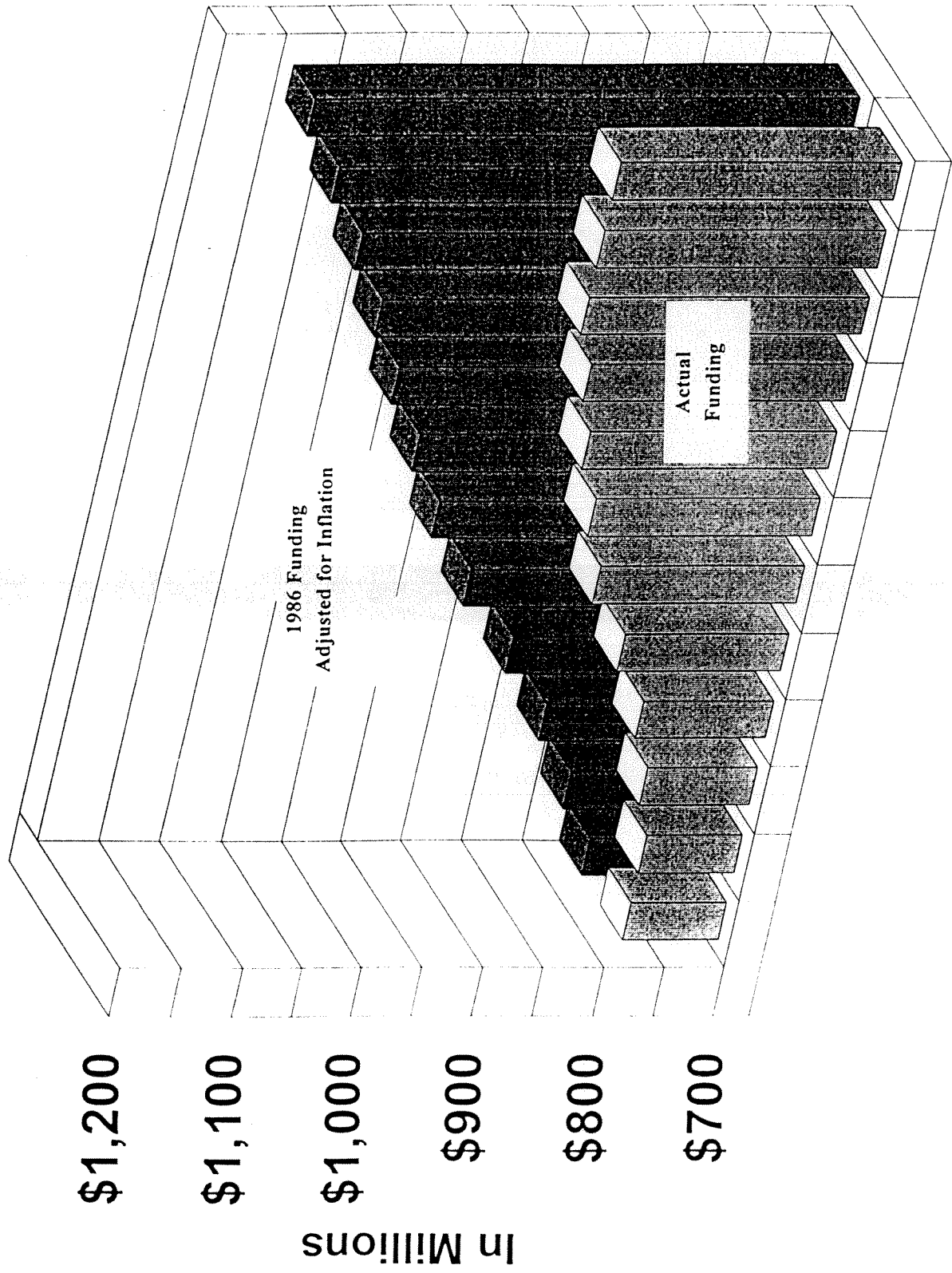
<u>Local Aid Programs</u>	<u>Actual Funding Levels</u>					
	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>
Municipal Shared Revenue:	\$746.55	\$761.48	\$761.48	\$761.48	\$761.48	\$761.48
Aidable Revenue	\$593.24	\$607.17	\$607.63	\$606.94	\$606.86	\$606.86
Per Capita	\$142.71	\$142.71	\$142.71	\$142.71	\$142.71	\$142.71
Utility	\$10.60	\$11.60	\$11.14	\$11.83	\$11.91	\$11.91
County Shared Revenue:	\$173.71	\$189.14	\$189.14	\$189.14	\$189.14	\$189.14
Aidable Revenue	\$158.31	\$157.58	\$157.95	\$157.40	\$157.29	\$157.29
County Mandate Relief	\$4.73	\$20.16	\$20.16	\$20.16	\$20.16	\$20.16
Utility	\$10.67	\$11.40	\$11.03	\$11.58	\$11.69	\$11.69
Expenditure Restraint Program	\$42.00	\$48.00	\$48.00	\$48.00	\$48.00	\$48.00
Small Community Improvement Prog.	\$10.00	\$14.00	\$10.00	\$10.00	\$10.00	\$10.00
Payment for Municipal Services	<u>\$16.83</u>	<u>\$16.83</u>	<u>\$16.83</u>	<u>\$16.83</u>	<u>\$16.83</u>	<u>\$18.10</u>
Total Local Aid	\$989.09	\$1,029.45	\$1,025.45	\$1,025.45	\$1,025.45	\$1,026.72
Total General Fund Tax Revenue*	\$7,287.60	\$7,806.87	\$8,235.64	\$8,817.54	\$9,528.30	\$9,882.30
Rate of Growth	-	7.1%	5.5%	7.1%	8.1%	3.7%
Annual Rate of Inflation (CPI-U)**	-	2.8%	3.0%	2.3%	2.5%	2.5%
Local Aid as a % of GF Revenue	13.57%	13.19%	12.45%	11.63%	10.76%	10.39%

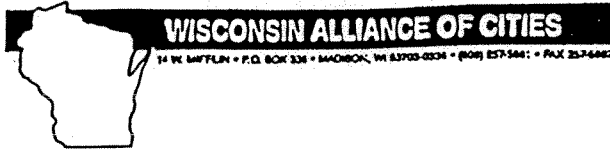
*Revenue amounts for FY94-FY97 are final; Amounts for FY98 & FY99 include surplus.

**FY98 & FY99 inflation rates are projected by Blue Chip Economic Indicators.

Data Sources: LFB Information Paper #1 (General Fund Tax Collections); DOR Local Aid Distribution Printouts.

SHARED REVENUE APPROPRIATIONS ACTUAL COMPARED TO INFLATION-ADJUSTED





Resolution

On the Recycling Mandate

Whereas, the state recycling program is the largest mandate ever imposed on Wisconsin cities; and

Whereas, that mandate is largely unfunded, as the temporary recycling surcharge last year paid less than 40% of the eligible costs of curbside pickup and other expensive local programs; and

Whereas, the state's recycling program pays 100% of its \$4.5 million bureaucracy but prorates grants to local governments; and

Whereas, the recycling program has failed miserably at meeting its goal of becoming financially self-sufficient by 1999; and

Whereas, under current law, state revenues are unlikely to be sufficient to fund all current recycling programs through the 1999-2001 biennium even at meager 1997 levels; and

Whereas, full funding of recycling — or, in the alternative, elimination of the state recycling mandate — is among the top proactive legislative priorities of the Wisconsin Alliance of Cities for 1999-2000;

Now therefore be it resolved, that the Wisconsin Alliance of Cities supports no less than full funding of the recycling mandate, financed by tipping fees on all solid waste disposed of in Wisconsin landfills; and

Be it further resolved, that if the Legislature is unwilling to provide full funding for the recycling mandate, then the Wisconsin Alliance of Cities urges it to repeal the recycling mandate to allow communities across the state to provide the level of recycling that their citizens desire; and

Be it further resolved, that the Wisconsin Alliance of Cities urges members of the Legislature and candidates for the Legislature to publicly endorse the options enumerated above; and

Be it further resolved, that copies of this resolution be sent to Governor Tommy G. Thompson, the Wisconsin State Legislature, candidates in the November 3 election and Wisconsin's other local government associations.

Mayor Paul F. Jadin, Green Bay
President, Wisconsin Alliance of Cities
Adopted September 11, 1998
in Eau Claire, Wisconsin

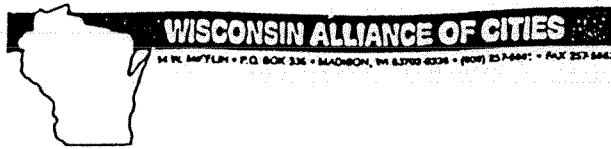
Net Property Tax Effect of Recycling Mandate, 1998

city	1997/98 tax levy	1998 elig. costs	avoided costs	tot award	net levy effect of mandate***
Appleton*	\$ 24,987,145	626,374	\$ -	\$ 237,855	1.55%
Ashland	1,900,442	147,000	25,806	30,386	4.78%
Baraboo	3,588,510	152,690	40,000	42,792	1.95%
Beaver Dam	4,390,019	290,847	47,957	68,508	3.97%
Beloit	8,568,850	566,912	77,185	166,599	3.77%
Cudahy	5,332,737	339,435	37,258	86,828	4.04%
De Pere	4,691,849	541,798	46,200	102,869	8.37%
Eau Claire*	14,567,427	562,776	3,789	371,522	1.29%
Fond du Lac	12,503,763	668,800	114,538	187,814	2.93%
Green Bay	34,713,177	2,576,875	210,315	496,846	5.39%
Greenfield	16,095,702	442,975	85,637	141,561	1.34%
Janesville	15,256,172	758,611	73,100	260,311	2.79%
Kaukauna*	3,701,717	121,805	-	46,253	2.04%
Kenosha	31,002,436	1,201,461	149,340	500,114	1.78%
La Crosse	17,691,447	670,233	12,969	46,453	3.45%
Madison	94,323,022	4,381,864	445,440	954,980	3.16%
Manitowoc	7,326,018	439,943	94,650	254,477	1.24%
Marinette	4,161,771	355,455	30,650	67,489	6.18%
Marshfield	6,827,602	264,212	61,856	76,841	1.84%
Menasha	6,454,210	448,050	25,641	85,070	5.23%
Merrill	2,518,323	139,718	44,935	35,992	2.33%
Milwaukee	140,033,694	9,070,160	917,280	2,822,280	3.81%
Monroe**	4,019,045	205,712	33,858	89,548	2.05%
Neenah	10,453,570	1,085,970	38,850	206,189	8.04%
Oshkosh	15,232,875	1,099,454	75,869	284,565	4.85%
Platteville	2,037,761	207,506	15,648	46,171	7.15%
Racine	33,858,929	1,789,411	128,414	393,721	3.74%
Sheboygan	15,243,351	1,247,143	105,983	236,791	5.93%
Stevens Point*	8,506,597	509,497	39,516	112,084	4.21%
Superior	8,114,347	356,725	69,030	109,247	2.20%
Two Rivers	2,975,159	281,649	34,403	104,988	4.78%
Waukesha*	27,130,562	860,140	103,578	277,822	1.76%
Wausau	12,753,292	372,192	62,670	117,536	1.51%
Wauwatosa	25,430,469	1,038,427	85,463	242,797	2.79%
West Allis	25,096,007	1,313,963	181,513	308,701	3.28%
West Bend	10,452,298	498,986	71,901	129,289	2.85%
Whitewater	1,609,063	125,052	13,266	42,449	4.31%
Wisc. Rapids	6,522,212	335,281	31,875	87,668	3.31%
TOTALS	\$ 670,071,570	\$ 36,095,102	\$ 3,636,383	\$ 9,873,405	3.4%

* prorated share of county programs

** received \$40,864 volume-based award

***assumes unreimbursed costs go on levy



Resolution

On Transportation Equity

Whereas, the Transportation Equity Act for the 21st Century (TEA 21) promises Wisconsin an increase averaging \$169.3 million annually in highway money and \$15.5 million annually in mass transit money over a six-year period; and

Whereas, the current Wisconsin Department of Transportation budget, augmented by new federal money, would devote 70% of all federal money to state highway programs and 30% to local programs; and

Whereas, local aid as a percentage of the state Transportation Fund has declined from 41.2% in 1997 to 40.8% next year under 1997 Wisconsin Act 27; and

Whereas, property taxpayers will not willingly finance the tremendous backlog of needed local transportation projects, and local officials cannot be expected to ask them to do so; and

Whereas, a fairer distribution of state user fee revenues — phased in until approximately two-thirds of state user fees are devoted to local needs just as approximately two-thirds of federal user fees returned to the state are devoted to state needs — would hold down property taxes, better address transportation needs, and benefit all Wisconsin citizens; and

Whereas, a fairer distribution of transportation revenue also would reduce negative effects of transportation decisions on land use and the environment; and

Whereas, members of the Wisconsin Alliance of Cities have voted to make transportation funding equity one of their top proactive legislative priorities for 1999-2000;

Now therefore be it resolved, that the Wisconsin Alliance of Cities supports the increase over time in the local share of state transportation user fees until the local share reaches two-thirds of the total; and

Be it further resolved, that the Wisconsin Alliance of Cities urges members of the Legislature and candidates for office to endorse this goal and work to devote obtain more state transportation money to local property tax relief, local road improvements, and other local transportation needs; and

Be it further resolved, that copies of this resolution be sent to Governor Tommy G. Thompson, the Wisconsin Legislature, candidates in the November 3 election and Wisconsin's local government associations.

Mayor Paul F. Jadin, Green Bay
President, Wisconsin Alliance of Cities
Adopted September 11, 1998
in Eau Claire, Wisconsin

FAIR SHARE COALITION

C/O POST OFFICE BOX 336, MADISON, WIS. 53701

Groups that Participate in the Coalition

League of Wisconsin Municipalities

Wisconsin Towns Association

Wisconsin Alliance of Cities

Coalition of Wisconsin Aging Groups

Wisconsin Urban Transit Association

Local 998, Amalgamated Transit Union

American Federation of State, County and Municipal
Employees

American Association of Retired Persons

Dane County

Kenosha County

Waukesha County

New Transportation Alliance

Bicycle Federation of Wisconsin

Access for Independence

Citizens for a Better Environment

1000 Friends of Wisconsin

John Muir Chapter, The Sierra Club

Wisconsin's Environmental Decade

Fair Share Coalition

The Legislature should provide property tax relief to communities for transportation-related infrastructure improvements by increasing funding for transportation aids and assistance to local governments to 50% of total DOT expenditures over the next 10 years.

Background. In FY99, the state will spend \$1.95 billion (all sources) for local roads, state highways, bridges, mass transit, harbors, etc. General transportation aids in FY99 were \$326.5 million, or 17% of total DOT expenditures. Funding for mass transit operating assistance was \$84.3 million, or 4% of DOT expenditures

TEA 21 provided nearly \$200 million in additional federal transportation dollars in the current biennium. Local communities received only 30% of this additional funding while nearly 70% was spent on state highways.

Problem. In 1993, 90% of all available route miles were the responsibility of local units of government. Travel on local roads currently accounts for nearly half of all vehicle miles traveled. At present local jurisdictions receive only 29% of segregated transportation fund revenues for general transportation aid and 7.5% for mass transit operating assistance.

As reported by the Legislative Audit Bureau, state aid payments as a percent of local transportation costs have fallen gradually since 1989 as local costs outpace both aid appropriations and inflation. Auditors found that in recent years Wisconsin ranked sixth among seven Midwestern states in aid per capita and in the share of transportation funding transferred to local governments.

Mass transit federal shares have been cut significantly. Despite the dramatic growth in the size of urban service areas, mass transit has not received the funding it needs to increase levels of service. This has made it difficult for workers without cars to reach jobs. The need for improved transit has grown under Governor Thompson's W-2 welfare-to-work program.

Solutions. Increase state funding (all sources) for local government transportation aid and assistance programs* to 50% of total DOT expenditures over the next ten years. This percentage is equal to the portion of automobile trips in Wisconsin which take place on local roads. Distribute the additional funding to local programs in the same proportion as the current state budget.

Exempt all local jurisdictions from the state tax on motor vehicle fuel.

Eliminate the Governor's budget provision which would charge local governments a processing fee for each court ordered drivers license suspension for failure to pay a forfeiture that was imposed for violating an ordinance unrelated to the operation of a motor vehicle.

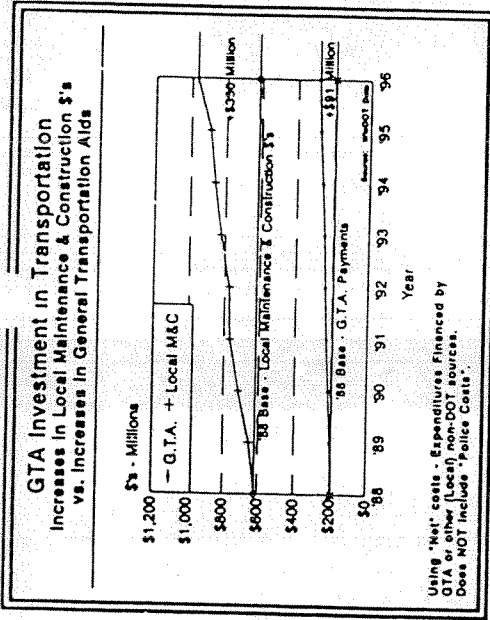
*Note - Local transportation aids & assistance programs include: 1) Local Aids (municipal & county transportation aids that are related to motor vehicle transportation & mass transit); 2) Local Capital Assistance (bridge replacement, rehabilitation of local roads & streets, local road improvement program); 3) Multimodal Grants (CMAQ, Transportation Economic Assistance, Transportation Enhancement, Surface Transportation Grants).

What factors should be considered in determining the amount of funding for the GTA program?

- The amount of travel on local roads
- Age and condition of local roads and bridges
- Total miles of roadway under local jurisdiction
- Inflation (construction costs)
- Federal and state mandates related to local roads
- Changing expectations of the traveling public
- Growing needs of business and industry
- Safety

Have increases in GTA been met by local investment in the maintenance and construction of transportation infrastructure?

Yes. A way to illustrate this is to compare the growth in GTA with the growth of local expenditures on maintenance and construction of local transportation infrastructure.

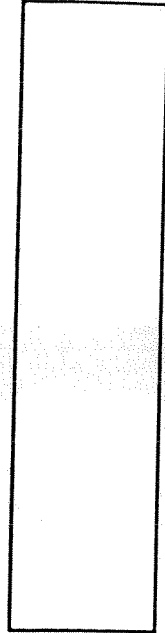


The chart depicts, that investments in General Transportation Aids have increased by \$91 million, while local maintenance and construction has increased by \$350 million - OR - for every \$1.00 increase in GTA, expenditures on local roads have increased three fold.

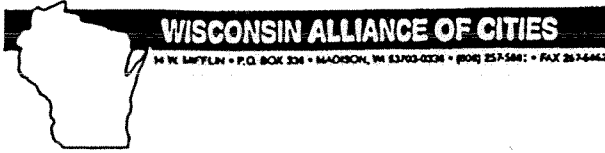
Are local governments held accountable?

All local governments, by statute, must submit financial reports on an annual basis which details all expenditures. All eligible expenditures are defined by state statutes and audited by the Department of Revenue and the Department of Transportation.

FOR ADDITIONAL INFORMATION PLEASE CONTACT:



WISCONSIN'S GENERAL TRANSPORTATION AIDS PROGRAM AN INFORMATIONAL BROCHURE PRESENTED BY LOCAL ROADS & STREETS COUNCIL



Resolution

On Local Government Gas Tax Exemption

Whereas, local governments in Wisconsin are exempt from paying the federal motor fuel tax, but with the exception of mass transit, are required to pay the state motor fuel tax; and

Whereas, property taxpayers are paying taxes to their local government so the local government can pay taxes to the state; and

Whereas, using 1995 gas consumption data, a survey of Wisconsin Alliance of Cities members showed that property taxpayers would save over \$2 million annually if those cities were exempt from paying the state motor fuel tax; and

Whereas, members of the Wisconsin Alliance of Cities voted to rank a local government state motor fuel tax exemption among the group's top proactive legislative priorities for 1999-2000;

Now therefore be it resolved, that the Wisconsin Alliance of Cities requests that the Legislature and Governor exempt local governments from paying the state gas tax; and

Be it further resolved, that copies of this resolution be sent to Governor Tommy G. Thompson, the Wisconsin Legislature, candidates in the November 3 election and Wisconsin's local government associations.

Mayor Paul F. Jadin, Green Bay
President, Wisconsin Alliance of Cities
Adopted September 11, 1998
in Eau Claire, Wisconsin

Property Tax Alternatives

- Increase shared revenue by 3% each year for the next three years as an interim move toward restoring equity to the formula. The formula would run without any new money, and every community's payment would be increased 3% the first year. The following year, that increase would be built into the community's base — divided equally among per-capita payments, aidable revenues and utility payments — the formula would run again without additional new money, then the resulting payments would increase another 3%;
- Also approve full funding of payments for municipal services and add 3% to the Expenditure Restraint Program, along with a floor of 2.5% for allowable budget increases under ERP;
- In addition, pass legislation necessary to provide cities the option of enacting local sales, payroll and other types of taxes.
- Further, create a Commission for Urban Policy Studies that would, among other responsibilities, devise ways of better measuring tax capacity and need as ingredients of a long-term solution to the problem of shrinking state aid and increasing demand for services. (pages 2-4)

Unfunded Mandates

Enact a "Wisconsin Unfunded Mandate Relief Act" to promote informed and deliberate decision-making by the Legislature on state mandates. Establish an extraordinary approval process activated when a proposed mandate exceeds a certain cost to local taxpayers. (pages 5-7)

Recycling Mandate

Either establish full funding for local recycling programs, financed by tipping fees on all solid waste disposed of in Wisconsin landfills, or repeal the recycling mandate to allow communities across the state to provide the level of recycling their citizens desire. (pages 8-9)

Double Taxation

Allow cities, villages and towns to avoid "double whammy" taxation of their citizens by opting out of paying for a variety of county services, if they provide the same services themselves. (page 10)

Transportation Equity

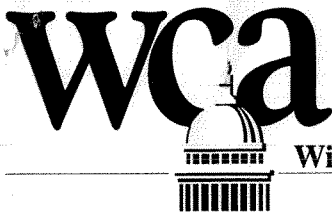
Phase in a fairer distribution of state user fee revenues until approximately two-thirds of state user fees (up from 40.8% today) are devoted to local road improvements, local transportation needs and property tax relief for city, village, town and county residents. (page 11)

Conserving Property Tax Base

Combat the shrinking tax base that communities across the state have experienced by enacting a municipal service fee for certain tax-exempt properties based on the provisions of 1997-98 Senate Bill 12. (pages 12-16)

Local Govt. Gas Tax Exemption

End the taxation of one level of government by another and institute an exemption from the state gasoline tax for all local governments, similar to the federal gas tax exemption that local governments already enjoy. (page 17)



MEMORANDUM

TO: The Honorable Members of the Joint Committee on Finance
FROM: *Craig Thompson*, Legislative Director
DATE: April 15, 1999
SUBJECT: 1999-01 Biennial Budget

The Wisconsin Counties Association (WCA) has serious concerns regarding the impact the Administration's proposed biennial budget would have on people currently receiving services in our counties as well as the property taxpayers.

WCA along with the Alliance of Cities, the Wisconsin Towns Association and the League of Municipalities is asking you to address five critical areas for local government: 1) Youth Aids; 2) Community Aids; 3) Transportation; 4) Courts; 5) Shared Revenue. The specific proposals for each of these areas are attached.

In the case of counties, services partially funded by Youth Aids, Community Aids and the Circuit Court Support Grant are quite simply state programs administered by county government. These three areas alone accounted for over 450 million property tax dollars statewide last year.

In response to these figures some officials at the state level have asked counties to determine the mandates which are driving property tax spending which should be appropriately rescinded. The following are our recommendations:

RESCIND:

STATE COURT SYSTEM

- ss. 753.19 **Operating costs; circuit court.** The cost of operation of the circuit court for each county, except for the salaries of judges and court reporters provided to be paid by the state, and except for the cost assumed by the state under this chapter and chs. 40 and 230, and except as otherwise provided, shall be paid by the county.

OTHER MANDATES:

YOUTH AIDS

- Chapters 938, 48 and 301 all deal with county responsibilities for providing services to either juveniles at risk or juvenile delinquents including intake, secure detention, children's court etc.

Recommendation: These services are essential to not only the prevention of youth crime but to the general safety of our populace. It would be irresponsible to recommend rescinding the statutory obligation that government, at some level, provide these services. The real question comes down to whether these services should be provided at the local level or by the state. Our recommendation is that we continue our locally administered system but replace the current Youth Aids system with a more equitable funding mechanism. The other option the state could entertain is to not provide any Youth Aids to counties and directly provide and pay for these services at the state level.

COMMUNITY AIDS

- Chapters 51, 48, 46, 55 and others require counties to be the "safety net" for our most vulnerable citizens. **For example:** ss. 51.42(1)(b) *County liability*. The county board of supervisors has the primary responsibility for the well-being, treatment and care of the mentally ill, developmentally disabled, alcoholic and other drug dependent citizens residing within its county and for ensuring that those individuals in need of such emergency services found within its county receive immediate emergency services.

The mandate that counties provide services to these individuals is technically limited to available federal, state and required county matching funds. This limitation becomes absurd, however, when the amount of state and federal funds along with the 9.89% required county "match" of those funds doesn't increase or, as of late, decreases over the years. In order for that "limitation" to be meaningful in the context of decreased funding, counties would have to deny services to a substantial portion of their constituents in need of these services. While counties *have* been forced to place constituents on waiting lists for services, they are contributing over \$220 million of property tax dollars annually above the required "match" to provide services to these people.

Recommendation: We feel it would be irresponsible to recommend rescinding the statutory requirement that government, at some level, provide a "safety net" for vulnerable populations. What we are recommending is that the state reverse the trend of forcing more of these costs onto the property tax. We recommend that the state re-engage in a partnership with county government that has historically provided social service programs that were a model for the

nation. The other alternative open to the state would be to move away from our tradition of a locally administered system by eliminating Community Aids and providing these services directly at the state level. [Note: The state is attempting to do this with the child welfare system in Milwaukee County. What we have witnessed thus far is not a cost savings but rather a significant increase in cost.]

Other Budget Recommendations

- Either eliminate or fully fund the personal property tax exemption for ATM's, fax machines and copiers.
- Modify the "Family Care" proposal to provide statutory language only for the implementation of the nine pilot counties. Allow other models to be tested within those nine pilot counties. Contract with an independent entity to analyze the results of the different pilots in order to provide sound actuarial data for consideration of the most appropriate vehicle for statewide implementation.
- Remove the Farmland Preservation modifications from the budget so that further input can be garnered.
- Eliminate the increase in sales tax administration from 1.5% to 1.75%.
- Other WCA recommendations are included in the attached document.

SHARED REVENUE

Recommendations:

State government should maintain the historic partnership between levels of government in providing services to Wisconsin citizens by:

- **Providing, at a minimum, inflationary increases to counties and municipalities for shared revenue, expenditure restraint, county mandate relief and the small municipalities' shared revenue programs.**
- **Creating incentives for counties to control spending along the lines of the expenditure restraint program.**

Background

Shared revenue — the only county and municipal program that bases its distribution on equalization — has only twice since 1985 received a funding increase at or above the rate of inflation. The last time was in 1990 with the introduction of the expenditure restraint program. Further, the Legislature and the governor have created a tight fiscal situation for the state by approving increased corrections spending and adopting a policy of funding K-12 education at two-thirds of costs.

In the beginning of the shared revenue program, the state kept 10% of the revenue it raised and returned 90% to local governments, a total that included slightly more than 25% of the income tax, a good portion of the corporate income tax and between 11% and 20% of vehicle registration fees.

But by 1988-89, shared revenue accounted for only 14.5% of general fund expenditures, according to the Legislative Fiscal Bureau. A decade later, the program's share of GPR had shrunk to 10%.

In the same period, K-12 education increased from 27.4% of the general fund budget to 39.5%, and corrections increased 160.1%, to a \$378.2 million draw on state tax dollars.

If shared revenue had increased at the rate of inflation over the past decade it would be an \$85.1 million larger program. Had it maintained its 1988-1989 share of the state budget, it would be \$447.9 million larger.

The effects of this shift in state priorities are felt in county and municipal budgets every year. The number of municipalities subject to the shared revenue formula's 5% "hold harmless" in 1999 is 699, and the number of counties that have been told they will be hit by the hold harmless is 43. Similarly, 491 municipalities and 17 counties have had their shared revenue payments capped — at a 2.9% increase for municipalities and a 3.6% increase for counties.

In all, 64% of municipalities and 83% of counties are affected by hold harmless and caps. The longer shared revenue funding is frozen, the more equalization is hampered by the hold-harmless provision.

The governor's budget

Gov. Tommy Thompson's proposed 1999-2001 state budget would not provide any increases in shared revenue, expenditure restraint, county mandate relief, small municipalities shared revenue or payments for municipal services.

The budget would, however, provide a new exemption from local property taxes for fax machines, copiers, cash registers and automated teller machines, effective Jan. 1, 2000. That would remove an estimated \$490 million worth of property from local tax rolls, and shift an estimated \$12 million in property taxes to other taxpayers. ■

YOUTH AIDS

Recommendations:

Short-Term

- **Increase the Youth Aids appropriation over the 98-99 base by 5% in each year of the biennium;**
- **“re-link” in the statutes juvenile corrections rate increases with the requirement that the state increase the Youth Aids appropriation to cover the rate increases; and**
- **update the current formula and hold harmless counties who lose funding under the update.**

Long-Term

- **Require DOC to convene a committee of legislators, county representatives and DOC staff to develop a recommendation for a new Youth Aids funding formula and require that the new formula be used to distribute Youth Aids funding in CY 2001 and**
- **require as part of that group’s work to include the creation of an “education credit” for counties that would be created by a transfer of funds from Department of Public Instruction to DOC that would be sufficient to cover instructional costs for the juvenile corrections populations. That credit would be provided to counties based on their annual JCI census.**

Background:

The Youth Aids audit, released this year by the Legislative Audit Bureau, showed that in 1982 the Youth Aids appropriation funded 92% of all county costs for serving juvenile offenders.

By 1997, it paid for only 45% of the costs. Counties were contributing \$100 million, primarily from property taxes, to fund 55% of the state-mandated program.

In the same year, the state Youth Aids appropriation to counties was \$82.3 million.

Youth Aids provides counties with funding to partially pay for mandated services under Chapter 938 to juvenile offenders and their families. Services are almost exclusively court-ordered and are intended to rehabilitate the juvenile offender, address the concerns of victims and protect the community.

Between 1988 and 1997, local costs for the program grew rapidly due to a 55% increase in juvenile offenses statewide, stagnating Youth Aids increases and increased costs of services fed by institutional rate increases, increased populations, increased out-of-home placements and inflationary costs for services.

Governor’s budget proposal:

Base funding for Youth Aids for 1998-99 is \$82.2 million. The governor’s budget would increase the appropriation by 2% in each year of the biennium, with a total GPR increase of \$6 million. JCI rates increase from \$159.46 to \$159.62 over the biennium. No formula changes are proposed.



TRANSPORTATION AID

Recommendations

The Legislature and Governor should provide property tax relief to communities for transportation-related infrastructure improvements by increasing transportation aids to local governments.

- **Increase segregated funding for local transportation aid and assistance programs¹ by 6% in each year of the biennium. Distribute the additional funding to these programs in the same proportions as the current state budget - 74% for local transportation aid programs, 6% for local transportation project assistance, and 20% for local transit aids.**
- **Exempt all local jurisdictions from the state tax on motor vehicle fuel.**
- **Eliminate the proposed DOT budget provision which would charge local governments a processing fee for each court ordered drivers license suspension for failure to pay a forfeiture that was imposed for violating an ordinance unrelated to the operation of a motor vehicle.**
- **Provide a hold-harmless for municipalities that would lose aid under the proposed limit for traffic police costs.**
- **Continue to apply federal maintenance aid as operating assistance for mass transit assistance.**

Background

Travel on local roads currently accounts for nearly half of all vehicle miles traveled. At present local jurisdictions receive only 29% of segregated transportation fund revenues for general transportation aid and 7.5% for mass transit operating assistance.

As reported by the Legislative Audit Bureau, state aid payments as a percent of local transportation costs have fallen gradually since 1989 as local costs outpaced both aid appropriations and inflation. Local aid as a percentage of the state Transportation Fund has declined from 41.2% in 1997 to 40.8% in 2000, under the 1997-99 budget act.

Mass transit federal shares have been cut significantly. Despite the dramatic growth in the size of urban service areas, mass transit has not received the funding it needs to increase levels of service. This has made it difficult for workers without cars to reach jobs. The need for improved transit has grown under Governor Thompson's W-2 welfare-to-work program.

Governor's budget proposal

Would increase general transportation aids and mass transit assistance by 3% in calendar year 2000 and 0% in 2001. Would limit aid for traffic police costs based on a percentage of total eligible police costs as determined by the department with county and municipal input. Would provide that no municipality may receive a decrease in aid in excess of 2% of its previous year amount. Would charge local governments a processing fee for court-ordered drivers-license suspension for violating municipal ordinances.

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¹Note - Local Transportation Aids include: General Transportation Aid, Connecting Highway Aid, Flood Damage Aid, Lift Bridge Aid, County Forest Road Aid, Expressway Policing Aid, Demand Management & Ridesharing. Local Transportation Assistance includes: Highway & Local Bridge Improvement, Local Road Improvement. Local Transit Aids include: Mass Transit Operating Assistance, Elderly & Disabled County Aid, Elderly & Disabled Capital Aid.

COMMUNITY AIDS

Recommendations:

- **Increase the Community Aids appropriation by at least 3% in each year of the biennium;**
- **Delete the statutory requirement for performance measures under Community Aids and the reference to withholding \$9 million over the biennium;**
- **Delete the DHFS authority to transfer Community Aids into Family Care, instead require DHFS to negotiate with individual pilots to determine the amount to be transferred in contract; and**
- **Delete the statutory requirement to reduce a county's Community Aids if a former recipient of services funded by the allocation is a participant in the MA purchase plan, which would be created in the governor's budget bill.**

Background:

Community Aids provides counties with funding to partially pay for mandated services to abused and neglected children and their families, adults with serious and persistent mental illness, older adults, adults and children with developmental disabilities, and older adults.

The primary funding under Community Aids is the Basic County Allocation which is made up of four different sources of federal revenue (Social Service Block Grant, Temporary Assistance to Needy Families, Title IV-E reimbursement for foster care and Medical Assistance targeted case management funding) and state general purpose revenue (GPR). Counties are required to provide 9.89% local match for Community Aids.

Community Aids funding has either been frozen or decreased over the past two budget biennia. This and local funding pressures, including increasing client populations and increased costs for services, have pressured counties to "overmatch" Community Aids substantially, with a total of \$252.6 million of county tax dollars going to match and overmatch Community Aids by 1997. That amount is greater than the \$175 million in GPR in Community Aids for the same year.

Governor's budget proposal:

Base funding for Community Aids for 1998-99 is \$305.4 million. Funding under the governor's budget would be \$294.2 million and \$289 million, respectively in each year of the budget biennium, representing a 2.5% and a 1.8% reduction.

The budget also would transfer \$14.3 million over the biennium into Family Care. Further, it proposes **withholding \$9 million over the biennium**, distributing that amount to counties based on performance requirements.

Finally, it proposes **reducing each county's appropriation by an amount to be determined by DHFS** when a county is providing services funded by Community Aids to a consumer with a disability who will receive services under the proposed MA purchase plan.

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STATE COURT SYSTEM

Recommendations:

- **Amend state statutes to return all dollars collected by the court support filing fee to counties.**
- **Phase in county retention of all fees collected locally by the Clerk of Circuit Court to finance court related expenses (this excludes the circuit court support fee and fees that must be placed in the Common School Fund).**
- **Additionally, increase the Circuit Court Support Grant appropriation in each of the next three biennia to fully fund any remaining unfunded costs.**
- **Provide state public defender representation for parents in CHIPS cases (removed in the 1995-97 state biennial budget).**
- **Provide state public defender representation for all persons found to be indigent.**

Background:

The state court system continues to be one of the largest unfunded mandates placed on county government. According to annual reports filed with the Director of State Courts office, counties spent almost \$90 million in calendar year 1997 on items eligible for reimbursement under the Circuit Court Support Grant appropriation.

Counties also spend additional dollars on items not recognized by the Circuit Court Support Grant program including courtroom

security, rent, maintenance, utilities and indigent defense.

During the 1993-95 state biennial budget, the circuit court support grant program was created as the first step in the state assuming responsibility for financing the state court system. The state funded the program with a \$20 court filing fee. The state, once again, took additional responsibility for financing the court system by increasing the fee to \$40 (\$30 for small claims and \$100 for large claims) during the 1995-97 biennial budget deliberations and increasing the amount distributed to counties under the program to \$16,489,600. In the 1997-99 state biennial budget bill, the state failed to keep its commitment to incrementally pick up court costs by freezing the circuit court support grant appropriation.

During calendar year 1998, counties turned over to the state \$25,481,400 in court support services fees. However, only \$16,489,600 was distributed to counties to offset county costs associated with the operation of the state court system under the circuit court support grant program and \$4,738,500 was distributed to counties to offset costs associated with guardians ad litem. The remaining \$4,253,300 lapsed to the general fund.

Governor's Budget Proposal:

The governor's budget freezes the amount distributed to counties under the circuit court support grant program at \$16,489,600 and \$4,738,500 for guardian ad litem reimbursements.

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Actual Distribution of State Dollars

