



Association of Wisconsin Snowmobile Clubs, Inc.

217 E. PACIFIC STREET • APPLETON, WI 54911
PHONE: (920) 734-5530 • FAX: (920) 734-5528
WEB: www.awsc.org • E-MAIL: awsc@awsc.org


MEMO TO: AWSC Club Presidents, Legislative Reps and Directors

FROM: Orv Langhor, President
Morris Nelson, Legislative Chairman

DATE: March 21, 2001

SUBJECT: JOINT FINANCE COMMITTEE MEETINGS

- 1) We favor the \$30 registration.
- 2) We favor the \$18 non-resident.
- 3) We favor transferring the non-resident dollars to the supplemental grooming fund.
- 4) We favor the \$300,000 increase in local law enforcement, but would like to see it all paid by non-user money – not just \$100,000.
- 5) We favor five new wardens to be paid for by non-user money, that is consistent with the way our current wardens are funded.
- 6) We do not favor taking three existing wardens and putting them on the snowmobile program.

TO: Honorable Members of the Joint Committee on Finance
FR: Jack Culley Sr., President
Sailboats, Inc. 
DA: March 27, 2001
RE: Use Tax on Out-of-State Boaters

I am here to ask your help on an issue that directly affects the economy of Superior, Wisconsin. I ask that this matter – the use tax on out-of-state boaters – be addressed during this legislative session.

City of Superior businesses, particularly Barker's Island Marina, are gravely concerned about the economic threat when Minnesota boaters decide not to store their boats at Barker's Island. Because of an interpretation of tax laws, which arbitrarily excludes some boat owners from the use tax exemption, Wisconsin is forcing Minnesota boat owners out of Superior to Minnesota marinas. When this happens, Wisconsin loses the marina jobs and the opportunity for sales tax revenues from repairs, sales of equipment and accessories, dockage, and winter storage.

At issue is a section in Wisconsin's Statutes [Sec. 77.53(17m)] intended to assure boaters and vacationers from neighboring states that they will not be subject to any greater taxation on their boat should they decide to use it in Wisconsin than if they kept it in their home state. This was intended to show Wisconsin's commitment to its tourism industry. This is essential for those communities whose economies rely on tourism. Unfortunately, the law, as interpreted, essentially disturbs the legislation's original intent. I ask that the wording be adjusted to accurately reflect Wisconsin's intention to welcome those boaters in the state.

The specified tax law which was interpreted in a 1997 Wisconsin Tax Appeals Commission Decision and Order (Wehrs v. Wisconsin Department of Revenue, Docket No. 94-S-1013) was described by former Tax Appeals Commissioner David Prosser as "a disturbing mishmash," and he stated that the arbitrary terms of the exemption pose very troubling constitutional questions.

I am submitting information which further details this matter, including a proposed statutory change to Sec. 77.53. I urge you to correct the problem currently facing us here in Superior. Thank you for your attention.

TO: Honorable Members of the Joint Committee on Finance
FR: Jack Culley Sr., President
Sailboats, Inc.
DA: March 27, 2001
RE: Use Tax on Out-of-State Boat Owners

My name is Jack Culley, Sr I am the president of Sailboats, Inc. headquartered in Superior at Barker's Island Marina.

Over the past 20 years, the City of Superior has been developing Barker's Island Marina. It has grown to where it is providing marina services to Minnesota as well as Wisconsin boat owners. The success of Barker's Island Marina is now being threatened as a result of a Wisconsin Tax Appeals Commission ruling and an interpretation of Wisconsin law by the Department of Natural Resources (DNR). The situation is that the economy and the jobs created by the development of the Barker's Island Marina could be substantially affected. The interpretation of the tax laws by Wisconsin is forcing Minnesota boat owners out of Barker's Island to Minnesota marinas. This is happening because Wisconsin law imposes a use tax on out-of-state boat owners under certain circumstances.

State law currently imposes a use tax on boats stored or used in this state [see Wis. Stats. Sec. 77.53(1)]. Section 77.53(17m) provides an exemption for boats purchased under certain circumstances, namely when:

- the purchase is made by a person domiciled in a contiguous state (Illinois, Iowa, Michigan, or Minnesota),
- the purchase is made in the state where the purchaser is domiciled,
- the boat is berthed in this state's boundary waters adjacent to the state of the domicile of the purchaser, and
- the transaction was an exempt occasional sale under the laws of the state where the purchase was made.

A 1997 State of Wisconsin Tax Appeals Commission Decision and Order (Wehrs v. Wisconsin Department of Revenue, Docket No. 94-S-1013, June 2, 1997) makes clear that if, for example, a Minnesota resident purchased a boat in Minnesota in an exempt occasional sale under Minnesota law and berthed it at Barker's Island Marina, that purchaser would be exempt from the tax imposed by Sec. 77.53(1) under the exemption provided by Sec. 77.53(17m). However, if that same Minnesota resident purchased a boat in Iowa in an exempt occasional sale under Minnesota law and berthed it at Barker's Island Marina, that purchaser would **not** be exempt from the tax imposed by Sec. 77.53(1) under the exemption provided by Sec. 77.53(17m).

When this happens, the out-of-state boat owner will have to pay a use tax of at least 5% of the purchase price of the boat. In order to avoid paying the Wisconsin tax, out-of-state boat owners simply remove their boats from Wisconsin marinas. Wisconsin then loses the opportunity for

revenues from repairs, sales of equipment and accessories, dockage, and winter storage. An appropriate change in the language of Sec. 77.53(17m) would save Wisconsin jobs and sales tax revenues.

Concerned about the impact this law is having on his business, the Manager of Barker's Island Marina, Joe Radtke, wrote in a recent letter:

Today I received a phone call from one of our customers who moved his 42' boat last fall to Minnesota for winter storage (along with a dozen other customers). He has decided not to return to Barker's Island Marina this summer and will keep his boat in Duluth to avoid the "hassle" over this issue. I can only anticipate that others will do the same. This one boat represents a minimum \$2900 of lost winter storage and summer dockage revenue.

Over 100 boats left the marina. True, a Minnesota resident could comply with the current requirements of Sec. 77.53(17m) and qualify for the exemption by going through a convoluted series of actions so that his boat purchase is deemed to have taken place in the state of Minnesota. However, out-of-state residents may not be willing or are unaware of the action necessary to avoid the tax.

It is hard to imagine that a change in Wisconsin law to keep Minnesota boaters here will have a negative financial impact on the state. When out-of-state boaters leave Wisconsin or avoid our state altogether, we not only lose the use tax, but also the sales taxes and jobs their presence would have generated. If the exemption were based on the law of our surrounding states, Wisconsin marinas would not be at a competitive disadvantage in their efforts to attract out-of-state boaters.

In the June 2nd, 1997 decision of the Wisconsin Tax Appeals Commission, Commissioner David Prosser Jr. wrote in a concurring opinion (copy attached):

As written, Sec. 77.53 is a disturbing mishmash. (emphasis added) It exempts from the excise tax certain boat purchases made by residents of Illinois, Iowa, Michigan, and Minnesota, but it does not exempt identical purchases made by residents of 45 non-contiguous states or the District of Columbia. For instance, a resident of northern Indiana who purchased a boat in Chicago and berthed the boat in Racine is not exempt from the tax.

Moreover, as this case demonstrates, a resident of a contiguous state who purchases a boat in any state except the purchaser's domiciliary state is not exempt. For instance, a resident of Schaumburg who purchases a boat in Menominee, Michigan, is not exempt, even though the boat is berthed in Racine.

Finally, a resident of a contiguous state who purchases a boat in that contiguous state but who berths the boat in a non-contiguous boundary water is not exempt. For instance, a

resident of Chicago who purchases a boat in Chicago but berths the boat in La Crosse or Bayfield is not exempt.

The arbitrary terms of the exemption pose very troubling constitutional questions.
(emphasis added) But petitioners have not raised those questions. They were not properly argued or briefed before the Commission.

Consequently, with some reluctance, I must concur in the decision of the Commission.

On behalf of those concerned about economic development and job growth, I ask that the law be rewritten to ensure out-of-state boaters are not forced out of Wisconsin marinas.

I thank you for your attention to this problem.

Proposed Change in Use Tax Exemption for Boaters and Background Information

CURRENT LANGUAGE

§77.53 Imposition of use tax. (1) Except as provided in sub. (1m), an excise tax is levied and imposed...on the storage, use or other consumption in this state of tangible personal property purchased from any retailer, at the rate of 5% of the sales price of that property....

* * *

(17m) This section does not apply to a boat purchased in a state contiguous to this state by a person domiciled in that state if the boat is berthed in this state's boundary waters adjacent to the state of the domicile of the purchaser and if the transaction was an exempt occasional sale under the laws of the state in which the purchase was made.

PROPOSED LANGUAGE

§77.53 Imposition of use tax.

(17m) This section does not apply to a boat purchased by a person domiciled in a state contiguous to this state if the boat is berthed in this state's boundary waters adjacent to the state of the domicile of the purchaser and if the transaction was an exempt occasional sale under the laws of the state where the purchaser is domiciled.

INTENT OF PROPOSED LANGUAGE

The intent of this proposed language is to make the exemption from the use tax under §77.53(17m) less arbitrary. For example, under the current language, a resident of Illinois who purchases a boat in Illinois in an exempt occasional sale under Illinois law and who otherwise qualifies for the exemption under the terms of §77.53(17m) is exempt from the use tax imposed under §77.53(1). However, a resident of Illinois who purchases a boat in Florida in an exempt occasional sale under Illinois law and who otherwise qualifies for the exemption under the terms of §77.53(17m) is **not** exempt from the use tax imposed under §77.53(1). (See State of Wisconsin Tax Appeals Commission Decision and Order in Wehrs v. Wisconsin Department of Revenue, Docket No. 94-S-1013, June 2, 1997.) The proposed language would provide an exemption for each of these hypothetical purchasers under §77.53(17m).

BACKGROUND-INTRODUCTION

As written, §77.53(17m) is a disturbing mishmash....The arbitrary terms of the exemption pose very troubling constitutional questions.

Wehrs v. Wisconsin Department of Revenue, Docket No. 94-S-1013, CCH ¶ 400-304, June 2, 1997 (emphasis added). These words were penned by current Supreme Court Justice, then Tax Appeals Commissioner, David Prosser, who recognized the inequitable outcomes resulting from the exemption as currently worded. Those constitutional questions could be resolved by eliminating any reference to where the boat was purchased and instead basing the exemption on the law of our surrounding states. (See Appendix.) First, some background.

APPLICABLE LAW

State law currently imposes a use tax on boats stored or used in this state:

§77.53 Imposition of use tax. (1) Except as provided in sub. (1m), an excise tax is levied and imposed...on the storage, use or other consumption in this state of tangible personal property purchased from any retailer, at the rate of 5% of the sales price of that property....

Section 77.53(17m) provides an exemption for some out-of-state boaters:

§77.53 Imposition of use tax. (17m) This section does not apply to a boat purchased in a state contiguous to this state by a person domiciled in that state if the boat is berthed in this state's boundary waters adjacent to the state of the domicile of the purchaser and if the transaction was an exempt occasional sale under the laws of the state in which the purchase was made.

Additional exemptions for out-of-state boaters are provided in the Wisconsin Administrative Code.

Tax §11.85 Boats, vessels and barges. (2) EXEMPT SALES.... (d) A boat purchased outside Wisconsin by a nonresident and used by the nonresident while temporarily in Wisconsin shall be exempt from the tax if the boat is not used in Wisconsin in the conduct of a trade, occupation, business or profession or in the performance of personal services for wages or fees....

As a general rule then, the use or storage of boats in Wisconsin is subject to a use tax. However, the legislature has clearly taken steps to include exceptions in the law for non-resident boat owners. The intent of §77.53(17m) was clearly to assure those who live just across the Wisconsin boarder that they will not be subject to any greater taxation on their boat should they decide to use it in Wisconsin than they would if they kept their boat in their home state. The

intent of Tax §11.85(2)(d) was clearly to assure vacationers from all states, that their use of a recreational boat in Wisconsin will not subject them to any taxation. Taken together, these laws clearly demonstrate an intent that the use tax on boats should not make it more difficult for Wisconsin marinas and other tourist destinations to compete with neighboring states.

The Department of Revenue however has interpreted these laws so that not all out-of-state boaters are enjoying the exemptions apparently contemplated by the legislature. This problem is particularly acute for out-of-state boat owners who have purchased boats outside their home state. Such a case was raised in Wehrs v. Wisconsin Department of Revenue Docket No. 94-S-1013, CCH ¶ 400-304, June 2, 1997.

In Wehrs, the taxpayers, who were residents of Illinois, purchased a boat physically located in Florida and stored it at Reefpoint Marina in Racine, Wisconsin. The Department of Revenue assessed the taxpayers for use tax based on their use and storage of the boat in Wisconsin. Taxpayers claimed an exemption from the use tax under §77.53(17m) and Tax §11.85(2)(d). The Department of Revenue denied the exemptions and taxpayers petitioned the Wisconsin Tax Appeals Commission (TAC) for review.

The TAC concluded the taxpayers did not qualify for the exemption from the use tax under §77.53(17m). While apparently meeting all of the other conditions of §77.53(17m) (although the TAC did not reach that issue), because the taxpayers did not clearly prove that the boat at issue was purchased in Illinois, they could not claim that exemption.

The TAC further concluded that the boat at issue was not exempt from the use tax under Tax §11.85(2)(d) because that exemption only applied to the *use* of a boat in Wisconsin, not to *storage*.

One of three commissioners, Commissioner Prosser, concurred with these conclusions but raised two issues not considered by the TAC because the taxpayers (proceeding without the assistance of an attorney) did not raise them.

Prosser noted that §77.51(14r) might have helped the taxpayers' attempts to show that the sale of the boat actually took place in Illinois.

§77.51 Definitions. (14r) A sale or purchase involving transfer of ownership of property shall be deemed to have been completed at the time and place when and where possession is transferred by the seller or the seller's agent to the purchaser or the purchaser's agent, except that for purposes of this subsection a common carrier or the U.S. postal service shall be deemed the agent of the seller, regardless of any f.o.b. point and regardless of the method by which freight or postage is paid.

Prosser noted that:

As written, §77.53(17m) is a disturbing mishmash....[A]s this case demonstrates,

a resident of a contiguous state who purchases a boat in any state except the purchaser's domiciliary state is not exempt. For instance, a resident of Schaumburg who purchases a boat in Menominee, Michigan, is not exempt, even though the boat is berthed in Racine.

Prosser wrote that "[t]he arbitrary terms of the exemption pose very troubling constitutional questions." The TAC did not make a record of these constitutional questions however because the taxpayers did not raise them.

The taxpayers in Wehrs appealed the Order of the TAC to the Wisconsin Circuit Court for Dane County. Wehrs v. Wisconsin Department of Revenue, Docket No. 97-CV-1971, CCH ¶ 400-341, January 22, 1998. The circuit court vacated the TAC order and remanded the case to the TAC for further proceedings on several grounds. The court took issue with the TAC's application of Tax §11.85(2)(d). The court wrote that:

The purpose of [Tax §11.85(2)(d)] is obvious - to encourage non-residents to bring their new boats into Wisconsin in order to enjoy our state's recreational opportunities while, not coincidentally, filling Wisconsin's cash registers in the process.

The court criticized the TAC's lack of findings of historical fact on which to base their conclusions of law and ultimate fact. Merely determining, as the TAC did, that the Wehrs' boat was "stored" and therefore, that Tax §11.85(2)(d) did not apply was not adequate. The court found that the TAC did not make adequate factual findings to determine what exactly happened to the boat while in Wisconsin. Moreover, the court stated that the TAC was incorrect in assuming that all non-activity constituted "storage" and that "storage" and "use" are mutually exclusive. In other words, the conclusion by the TAC that the boat was "stored" was meaningless, because that does not eliminate the possibility that the boat was also "used". The court wrote:

As mentioned, the clear purpose of sec. Tax. 11.85(2)(d), Wis. Adm. Code, is to permit non-resident vacationers to enjoy Wisconsin's boating opportunities without the specter of a tax lurking over them. While tax exemptions are to be strictly construed, they are not to be given readings that are so cramped as to be divorced from any semblance of common sense or their underlying purpose.

The court also stated that the TAC should consider the impact of §77.51(14r) and take evidence as to whether the sale was exempt under Illinois law on remand. Moreover, the court stated that if the TAC continues to regard the boat as taxable, or if the Department of Revenue seeks review of a favorable determination for the taxpayers, the Wehrs should be allowed to make a record on the constitutional questions raised in connection with §77.53(17m) (as the TAC itself has no jurisdiction to rule on questions of constitutionality.) (Note: The TAC has not yet issued a decision in this case on remand from the circuit court.)

CONSTITUTIONAL QUESTIONS

Neither Commissioner Prosser, nor Circuit Court Judge Callaway discussed the constitutional issues surrounding §77.53(17m) in great detail, but the issue is fairly obvious: Whether the classification created by §77.53(17m) violates the equal protection clauses of either Article I, Section I of the Wisconsin Constitution or the Fourteenth Amendment, Section I of the United States Constitution.

The equal protection clause of Article I, Section I of the Wisconsin Constitution reads as follows:

Equality; inherent rights. SECTION I. All people are born equally free and independent, and have certain inherent rights; among these are life, liberty and the pursuit of happiness; to secure these rights, governments are instituted, deriving their just powers from the consent of the governed.

Section I of the Fourteenth Amendment of the United States Constitution reads:

[No State shall] deny to any person within its jurisdiction the equal protection of the laws.

The Wisconsin Supreme Court has held that these clauses, being substantially equal, are to be interpreted to afford substantially the same protections. Treiber v. Knoll, 135 Wis. 2d 58, 64, 398 N.W.2d 756 (1987).

At its most basic level, equal protection guarantees that those similarly situated will be treated the same. Treiber, 135 Wis. 2d at 68-69. A law violates equal protection when the legislature has made an irrational or arbitrary classification. Milwaukee Brewers v. DH&SS, 130 Wis. 2d 79, 99, 387 N.W.2d 254 (1986). The basis for any classification must bear a fair and substantial relationship to the purpose of the enactment. Metropolitan Life Ins. Co. v. Ward, 470 U.S. 869, 881 (1985).

The Wisconsin Supreme Court has set forth five factors (though not dispositive) to be considered in determining whether there exists a rational basis justifying a legislative classification:

...first, the classification must be based upon substantial distinctions which make one class really different from another; second, the classification must be germane to the purpose of the law; third, the classification must not be based upon existing circumstances only and must not be so constituted as to preclude addition to the numbers included within a class; fourth, to whatever class a law may apply, it must apply equally to each member thereof; and fifth, the characteristics of each class should be so far different from those of other classes as to reasonably suggest at least the propriety, having regard to the public good, of substantially different legislation. Harris v. Kelley, 70 Wis. 2d 242, 252, 234 N.W.2d 628

(1975).

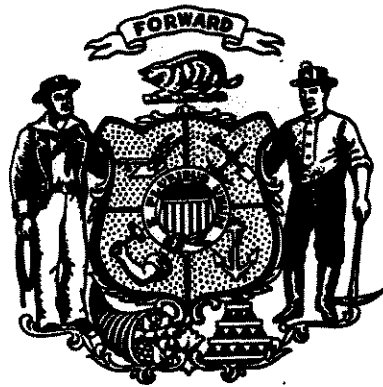
The classifications made in §77.53(17m) appear to run afoul of several of these factors. Regarding the first factor, could an Illinois resident who purchases a boat *in Illinois* in an exempt occasional sale under Illinois law and who docks it in Racine really be said to be “substantially” different from an Illinois resident who purchases a boat *in Indiana* in an exempt occasional sale under Illinois law and who docks it in Racine? Are the characteristics of these individuals “so far different” from one another?

The classification made in §77.53(17m) also seems to clearly fail the test of the second factor. Clearly, the purpose of the exemption is to encourage boaters from neighboring states to use our waters (generating tourism and consequent sales tax revenues for the state) without fear of a tax liability that they would not face had they kept their boat in their home state. If that is the purpose of §77.53(17m), classifying boaters based on the location of their purchase is in no way “germane” to the purpose of the exemption.

The fifth factor really gets to the heart of the equal protection clause which generally permits the states to impose sales and use taxes on specific classes of persons, property, or services (or alternatively, to exclude or exempt specific classes) provided the legislature has a rational basis for the disparate treatment. In evaluating a taxing scheme under equal protection principals, it must first be determined whether the tax results in differing treatment of similarly situated taxpayers, and if it does, it must then be determined whether there is any legitimate state purpose justifying the difference. There is certainly no legitimate state goal to be achieved by treating two taxpayers differently solely for the location where they purchased their boat.

Clearly, as Commissioner Prosser wrote, “The arbitrary terms of the exemption pose very troubling constitutional questions.” The effect of §77.53(17m), as currently written and interpreted, is to treat similarly situated persons disparately without a rational basis for so doing. Section 77.53(17m) is troubling because it discriminates between identical boats used in Wisconsin depending upon *where* the boat was purchased. This classification bears no relationship whatsoever to the clear purpose of §77.53(17m) - allowing boaters from neighboring states to use our water, and in turn, generating tourist dollars. An amendment to §77.53(17m) would maintain the intent of the legislature in enacting that section and eliminate a possible constitutional challenge to this exemption.

END



END

To: Joint Finance Committee

From: Chris Jockheck, Mayor, City of Marshfield

Comments to Joint Finance Committee:

Thank you for coming to Marshfield to listen to the comments of the citizens from central Wisconsin. You will hear a lot of concerns about what people in our area think about state government, about the state budget, and the level of taxes that we pay for services. There will be representatives from all local levels of government including cities, townships, counties and schools. As I represent a city, I would like to emphasize those concerns that most affect us, but you have heard in previous days and from other individuals those same issues, so I would like to keep my comments brief and general. As I have gotten more involved in local government and have had the opportunity to talk to other municipal executives it seems to me that there is a disconnect between each level of government. Each of us, the state, county, cities, and townships, not to mention the federal government has a role to play in our citizens lives. Each of us is a provider of services. That is what we exist for. That is the sole reason we exist. On the other side, we need a way to pay for those services we provide. That is where the dreaded taxes come in. However without those taxes, that revenue, we could not possibly provide those services. The question is: which is more of a concern? Taxes or Services. Who should provide what? Who is responsible for roads, snow removal, education, police protection, health care, etc. And at what cost? Where do we draw the line?

The Kettl Commission was created last year to review state and local relations and came up with some innovative suggestions, some of which are in the budget. But a lot of the responsibility for 'fixing' was directed to cities and townships cooperating with a carrot from the state in the form of higher state aid. My question is: why do we need the carrot? Are we not in this together? Each of the levels of government provides various services, some of which overlap. And some of us unfortunately find ourselves paying more for a duplication and more because of the level of services required due to the inflow of people each day who don't have to pay any local taxes.

I keep hearing that the cities do not have the lobbying money and skills that the Townships Association has so we have a harder time getting and keeping the ear of the legislators. What are we – a special interest? It would seem to me that we need to continue the Kettl Commission to really explore their innovative ideas and concepts. Do we need 1800 units of government? (35 other states have less than 600)

We as a state need to look at and concentrate on the services we are expected to provide and then how we can pay for them, not the other way around. It is real easy to say taxes are too high and we will lower them, when the reality is we often are just shifting the burden from one unit of government to another. Unfunded mandates, duplication of services, and inequitable resource availability, are just some of the dilemmas we face.

I challenge this committee to put the Kettl Commission, or some similar committee into the budget so there will continue to be a discussion on how to best provide the services our citizens expect and demand. We are all in this together. Let's

keep the lines of communication open so that the 'disconnect' is closed. This should not be a situation of "us vs. them".

Thank you,

Chris Jockheck
Mayor, Marshfield
April 4, 2001

**JOINT FINANCE COMMITTEE PUBLIC HEARING
ON 2001-03 STATE BUDGET**

Tuesday, March 27 - Superior

Welcome to Superior and thank you for this opportunity to provide input on the 2001-2003 state budget. I am Chuck Miller and I just got off work from my job with the City of Superior's public works department.

I would like to voice support for 2 state programs that play an important role in the level of taxes I pay at the local level ... the work I do ... and the kind of community I want to build for my children. Those programs are state shared revenue and state support for recycling.

I'll admit that I viewed the work of the Kettl Commission as an academic exercise by mostly professors and bureaucrats who have never filled potholes on a busy street and or experienced government inefficiency from the floor of a municipal garage. However, I do agree with its recommendations for more collaboration, cooperation and ways for communities to share in a region's economic growth. I just wish some front-line workers who actually deliver services to the public would have had a seat at the table.

The governor's budget continues the freeze on shared revenues that has been in effect since 1995, which has simply shifted the tax burden to the local level or forced communities to cut services. And, as I understand it, the proposed budget sets up a new regional growth sharing payment at the expense of the equalization formula in the shared revenue program.

It seems to me that this violates the basic belief we've held in Wisconsin for the past 30 years that all citizens should have equal access to quality public services. Superior – as well as most of northwestern Wisconsin – is not rich ... and I fear that we will be on the losing end if this change goes through. As you look at the shared revenue program, please maintain Wisconsin's tradition of ensuring that communities that offer the same level and types of services have relatively the same tax burden.

I also find it surprising and disturbing that the Kettl Commission's concept of funding a package of basic services does not include expenses for maintaining roads and streets. Businesses will tell you that maintaining a strong state highway system is critical to economic growth. I think the same logic should apply to maintaining a solid infrastructure of local roads and streets. It is a basic element to fostering economic growth in our cities, to preventing sprawl and enhancing mobility to all citizens. And it should be included as a Badger Basic service.

Finally, I believe that recycling has a statewide benefit that warrants continued state support. I think it's a bad idea that the governor rejected the use of "tipping fees" as a way to support recycling at the local level and prevent Wisconsin from becoming a dumping ground for out-of-state garbage.

I don't want Superior to be forced to either raise my taxes or reduce its commitment to recycling because some well-connected garbage haulers from across the border want a cheap place to dump someone else's trash.

Please support increased funding and continued fairness in the shared revenue program ... and maintain state support for local recycling to avoid long-term environmental consequences that my children will have to clean up. Thank you.

3-26-01

To: Wisconsin Joint Finance Committee
From: Town of Superior
Re: Finances for towns

Dear Committee,

The Town of Superior is extremely concerned about the negative financial impact some of the measures being recommended by the Kettl Commission will have on many towns. Since 1995 our shared revenue has dropped about \$45,000. This represents a significant hole in our budget. When we inquired about the reasons for the drop, we were told that money was going for schools and prisons. While those institutions need funds, don't shortchange the towns and county governments.

We have about 73 miles of road to maintain. Most of the roads are rural and graveled. We rely heavily on the transportation aids to help maintain them. Shared revenue too is a large part of our budget. We have been very frugal in the past and any cuts will hurt.

One of the points of the Kettl Commission is we need to share services. We are already sharing. Our volunteer fire department has a mutual aid pact with neighboring towns. Douglas county sherriffs department patrols in our township as well as others. At our level and our situation we don't have any frills, its pretty basic and bare bones. We have library services through the library located in Superior. We also have solid waste pickup and recycling.

We seriously doubt that a proposed .25% sales tax in an area wide growth sharing program will be of any benefit. We feel it will do just the opposite in our situation.

Government at the town and village level is the most efficient. Please be extremely critical with the Kettl list of recommendations as many of them will hurt rural, small town government. **Listen to us through our Wisconsin Towns Association representatives.**

Sincerely,



Ted Nelson, Chairman
Town of Superior
4917 S State Rd 35
Superior, WI 54880



Ashland

WISCONSIN

27 March 2001

Joint Committee on Finance
Senator Brian Burke, Cochairman
Representative John Gard, Cochairman

RE: Testimony offered at the 27 March 2001 hearing in Superior

Dear Honorable Members of Joint Committee on Finance:

The goals of the Governor's Blue-Ribbon Commission on State-Local Partnerships for the 21st Century were noble and I applaud the time and effort of Commission members. However, we must now accept the fact that the scope of the assigned task was too ambitious and the timeframe unrealistically short. None of us should be surprised that the Kettl Commission failed.

The Commission failed to forward meaningful recommendations regarding the reform of antiquated local government structures. It failed to resolve the overlapping jurisdictional issues, and the resulting conflict, for local governments. It failed to resolve the school funding issues that helped create much of the overall local government-funding crisis. And now it appears that it failed to maintain a state commitment to equalization of local government finances through the shared revenue program.

Yesterday, for the first time, the Legislative Fiscal Bureau attempted to identify the impact of the SB55/AB144 on municipal governments. The spreadsheets show the winners and losers under the new proposals. It's nice that you came up north to meet with some of the losers. Depending on how the growth sharing boundaries are drawn, the state aid payment to the City of Ashland is proposed to decrease approximately 29 percent or approximately \$1,130,000 prior to the application of the minimum/maximum. The City of Superior's payment will decrease by about 16 percent without minimum/maximum. These calculations have horrendous long-term implications on our communities. If you include the minimum/maximum, the state aid payment to Superior will decrease by about \$580,000. Ashland's payment would only increase by approximately \$10,000.

It is apparent that Governor McCallum is prepared to throw the principle of equalization of state aid payments right out the window. Economically poor communities are being left to fend for themselves, only now thanks to the Kettl Commission; we get to suffer as growth-sharing regions. Please explain how the northwest part of the state can create

CITY OF ASHLAND • 601 Main Street West • Ashland, Wisconsin 54806
Phone (715) 682-7071 • Fax (715) 682-7048

economic growth while declining state aid payments force increased fees, increased property taxes and reductions of municipal services. The rich-get-richer/poor-get-poor scenario in this budget proposal is unacceptable.

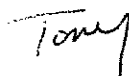
Is it really possible that there are people in Madison who still believe that if the state continues to squeeze local government, then municipalities will continue to find ways to become more efficient and somehow solve the problem themselves? That certainly is an interesting approach to state/local government partnerships. Members of the Commission, you need to be aware that over the past seven years the City of Ashland has reorganized every municipal department. We have consolidated operations. We have cut staffing. We have merged services with other governments. The decisions that we have made have been painful and many of the decisions have not been popular with everyone in the community. I am proud to report to this Commission that we have done everything that we could to become more efficient and more accountable to our taxpayers. Believe me, we have exhausted the best management practices and there is no additional fat to trim. Without a viable partnership with the state that allows for incremental increases in municipal expenditures, Ashland must now choose between increasing property taxes or eliminating public services.

Adoption of Governor McCallum's budget recommendations for local government funding guarantees a property tax increase to City residents. If the State Legislature approves the recommendations of the Governor, the Legislature should stop boasting of reducing the property tax burden in the state. The Legislature is simply shifting the responsibility to increase taxes to municipalities. This shifting has been taking place since 1995 when shared revenue payments were frozen and now is being shifted once again to the low growth communities.

I beg you to reject the hasty conclusions of the Kettl Commission and the foolish shared revenue recommendations of the Governor's budget. Please develop realistic funding partnerships with local governments that don't create winners and losers. Especially, I plead with the Joint Committee on Finance to vocally stand in support of the principle of equalization. It is a principle that is worth saving.

Thank you for your consideration of my comments.

Sincerely,



Tony Murphy
City Administrator



DANE COUNTY

Kathleen M. Falk
County Executive

April 11, 2001

TO: Members of the Joint Committee on Finance

FROM: Kathleen M. Falk
Dane County Executive *KF*

RE: 2001-2003 State Budget Proposals

Thank you for the opportunity to appear before you today.

You face many and tough demands for funding. I, like you, confront competing legitimate needs and limited dollars. I've worked hard, therefore, to prioritize the top funding issues that I am bringing to your attention and I sympathize with your hard job.

The Kettl Commission spent a lot of time and effort to try to reinvent the partnership between state and local governments. There is a consensus that the partnership is broken. Given that this budget includes only a few of the Commission's many recommendations, the proposed budget is, by and large, staying with the existing programs. It is only reasonable then, if substantial change isn't to occur, for the state to at least fund the state commitments and mandates it imposes on counties. This budget fails to do that.

The result is one of two consequences: those who need services go without, or property taxpayers must pay more. Holding down property taxes is important to all of us. The County Board and I have worked to keep the levy increase below the combined rate of inflation and population growth. But, last year, in order to do that, we had to cut much elsewhere in order to fund needed human services. In fact, over the past four years, we have increased levy by 23 percent (\$10.4 million) for vital human services programs—necessitating cuts elsewhere in order to meet our own internally-imposed goal of limiting levy increases to no more than population plus inflation. But there are limits to what we can cut or what property taxpayers can afford.

The proposed budget leaves me with the grim choice to reduce critical human services, cut other vital local programs or significantly increase property taxes. Foremost among our concerns is the impact of the budget on children, seniors and families, on adults and children with developmental and physical disabilities, and with mental illness.



Under the proposed state budget, Dane County will have to increase levy or cut other services by \$7.5 million in the biennium just to continue the present level of service in several key human service programs alone.

For examples, Community Aids, Youth Aids and the Birth to Three Program see no increases in this budget—not even for inflation. And this is before we include factors such as increasing population and necessary wage increases for direct care workers. For these three programs alone, we expect our costs to actually climb by well over \$2 million over the biennium—or reduce services to our citizens most in need.

The developmentally disabled, youths, elderly, mentally ill, and parents of disabled toddlers have told you their stories. I am here to add my voice to theirs.

Let's start with human services.

- **Community Aids.** Community Aids is at the heart of the state-county partnership, the single most important program we rely on to provide human services. This includes services for the elderly and disabled, mental health services, prevention and intervention services for children and families, alcohol and drug treatment services, and child welfare services. Many of these are mandated either by the state or federal government.

Based on Dane County's allocation, Community Aids to our county has actually dropped since 1993, requiring us to make up losses by county levy. We will need more than \$1 million over the next two years just to cover inflation to continue the current caseload.

- **Youth Aids.** Youth Aids to our county has actually declined over the past four years. In the proposed budget, we are hit with yet a further double whammy. First, we're required to pay higher daily state-imposed rates to confine youth offenders in a state Juvenile Corrections facility (14% increase over the biennium), while given no additional funding. Second, we are given no additional dollars to help kids avoid getting into trouble in the first place.
- **Birth to Three.** The Birth to Three program for children who are disabled is an example of a federally-mandated program that the state delegated to the counties. State funding to our county has been frozen since 1996. Since 1996, we have had to increase our local property tax funding by 230 percent on the levy to comply with this mandate. Dane County expects its costs for Birth to Three to increase by more than \$300,000 over the next two years—all on the county levy.

- **Community Options Program and Medical Assistance Waivers:** The lack of funding increases in COP and the MA-Waiver rates will result in a gap of \$4.8 million between what the state provides and what we will need to pay for our current caseload over the next biennium, adjusted only for inflation. The levy is already supporting \$23 million in adult community services annually in Dane County. We also support an increase in COP funding and MA Waiver rates to help our 1,500 people on waiting lists.
- **W-2:** Dane County has really worked hard on W-2 and our performance has earned us Community Reinvestment funds that we have put to work funding programs such as homeless shelters, youth employment, Community Action Commission initiatives, and other services that help low-income people. We ask that the W-2 law be changed so that we can continue to do this in future years.

In order to further improve W-2, I recommend establishing a contingency fund to insulate against the impact of a potentially softening economy. If a recession occurs, either the benefit allocation must be sufficient to meet the increase, or there must be a contingency fund to draw upon.

We also seek a legislative change to shorten the waiting time for W-2 clients, who often face immediate financial hardship, to receive their first payment. They now face a lag time of up to six weeks.

- **Kinship Care:** Late last fall, Dane County had a wait list of more than 30 children in the Kinship Care program. This excellent program has been chronically underfunded from the start and is actually cut under the proposed budget. I encourage the Legislature to establish a mechanism that would ensure that the state fully funds Kinship Care, without counties having to establish waiting lists.
- **WISACWIS Statewide Rollout:** The budget proposes that counties pay one-third of one-time start up and one-third of on-going costs for this new child welfare information system. Dane County's share of start-up costs is estimated at \$688,000. No funds are provided—even though the counties were lead to believe this burden would not fall to them. Also, counties would be forced, for the first time, to help pay for ongoing costs of a state information system.

One piece of welcome news in the proposed budget is this:

- **ITP Funds.** Our public nursing home cares for the most vulnerable of our citizens. Therefore, we welcome the budget proposal to pass on federal Intergovernmental Transfer Program (ITP) dollars to cover some costs at

Badger Prairie Health Care Center. ITP currently covers only about 38 percent of costs at Badger Prairie so we welcome the \$3 million increase. However, we understand the increase in ITP funds may be threatened in the future by a proposed federal rule change. We hope the state will lobby with us to prevent that.

Now, I would like to turn briefly to a few other areas of concern, beyond human services.

- **Shared Revenue.** Since 1984, Dane County's allocation of shared revenue has declined. Dane County will lose another \$130,000 during the biennium, only partly offset by modest increases in the Basic Utility Component and Mandate Relief Payment.
- **General Transportation Aids.** The state provides for an increase of 2.7 percent in FY02 and 3 percent in FY03 in General Transportation Aids for counties, according to a formula based on average spending. In the recent past, Dane County has received less than the average formula increase. This does not even keep up with inflation.

Other major state aids are essentially frozen, such as funding for the court system, yet costs continue to rise.

Even cuts in programs that you might not think are directly related to county government hit us. Let me cite several examples:

- **Recycling.** Dane County has provided solid waste services to our communities, companies and citizens since 1977, including a landfill, composting sites and a contracted recycling processing center. Our local communities are the designated responsible units for recycling and generally provide their citizens with a service for the collection of materials from their households.

Through recycling, over 40 percent of the waste materials that were destined for landfills in Dane County have been converted to new products, saving energy, resources and landfill space. In 1999, our local communities spent \$9 million and state aids only reimbursed them \$2 million, a reimbursement rate of 22 percent—significantly lower than the statewide average of 33 percent. The proposed budget would reduce the state aids to Dane County communities by nearly half, a reduction of over \$900,000. I join our local communities in asking the Legislature to make a long-term commitment to the state's recycling program, using a landfill surcharge to provide the revenue for this funding.

- **Criminal Justice.** In the area of criminal justice, there is a package of three budget issues that, taken together, can divert offenders from jail or prison, save tax dollars and turn lives around. They would also make our court system work better and more efficiently. My recommendations are as follows:

State Public Defender: The proposed 5 percent cut to the State Public Defender (SPD) is not just a state budget issue. Since defendants have a constitutional right to a lawyer, someone must provide counsel. In the last five years, our annual costs for court-appointed counsel have more than tripled, from \$39,000 in 1996 to \$130,000 in 2000. With a real reduction in the public defender budget, counties face steep increases in the cost of counsel for indigents.

There is an additional problem. Many defendants who are unable to secure SPD representation may request that an attorney be appointed at county expense. By law, the public defender rate is \$40 per hour. However, in order to secure counsel for indigents, judges are now entering orders to pay \$70 per hour for indigent cases. This, too, will obviously raise costs to the taxpayer.

The availability of public defenders is really important because it makes the entire court system run more smoothly with fewer delays. As a result, court costs are lower and costly jail space is saved.

Probation and Parole: The proposed capital budget recommends building a new probation and parole holding facility in Dane County. On a typical day we hold 100 to 200 state probation and parole holds in the Dane County jail. A new state facility will significantly ease overcrowding in our jail, and we support the proposal.

Rehabilitation: The budget increases funds to pay for mental health services, and alcohol and drug treatment, for persons on probation or parole. This is an important step toward interrupting the cycle of repeat offenders.

There are, finally, two policy areas that I would like to bring to your attention.

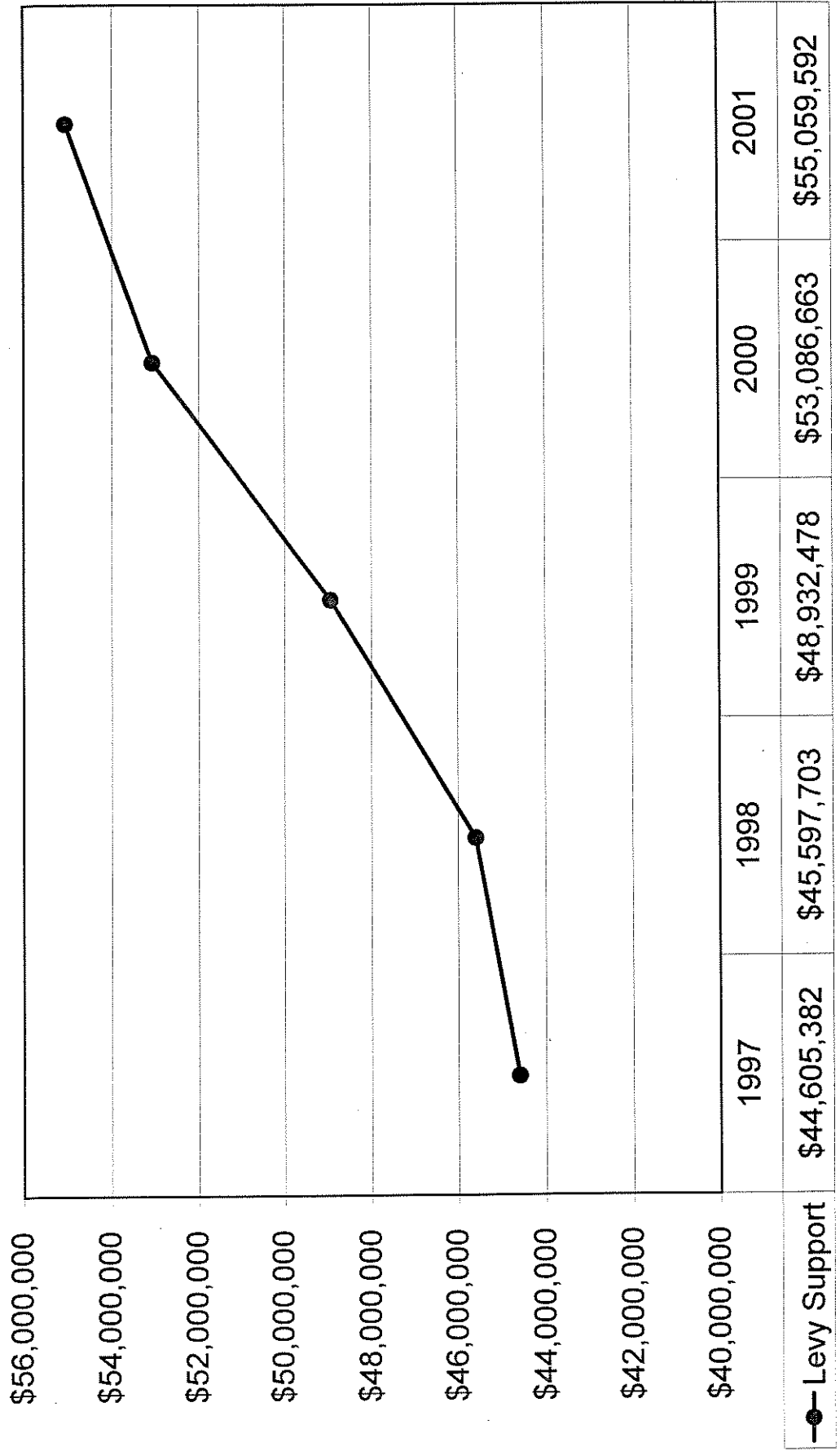
- **Farmland Preservation Credit:** Under the proposed budget, a landowner would pay back \$60 per acre to the State General Fund when the land is rezoned from exclusive agricultural zoning. We agree with the Land and Water Conservation Board that originally recommended that these funds go, instead, to the county. Since the county will be doing the work to enforce, assess and collect the fee, it makes sense that the county gets some of the money.

- **911 Center Funding:** Many other states allow local governments to recoup their 911 operating costs through a surcharge on local telephone charges. For such a critical service that can be directly tied to telecommunications, local governments must have the ability to fully fund services through user charges rather than property taxes. Federal rules mandate that within the next four years the county must convert all its 911 radio communications equipment, at the cost of nearly \$4 million. Therefore, we request a statutory provision that allows governmental jurisdictions operating 911 centers to place a surcharge on local phone charges to fund operating costs.

Thank you for consideration of these important funding issues on behalf of Dane County citizens.

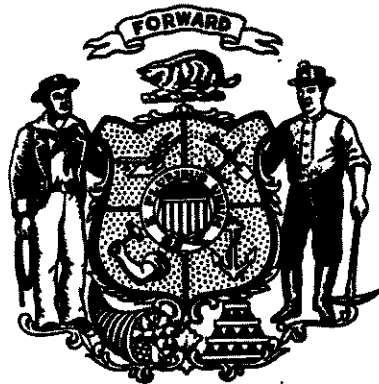
Dane County Human Services Levy Support

Levy funding has increased 23% (\$10.4 million) since 1997



—●— Levy Support

END



END

Wisconsin Conservation Corp Funding

Joint Finance Remarks

Superior, WI

March 27, 2001

Good morning. Thank you for the opportunity to speak and provide input to the Joint Finance Committee. My name is Steve Hoecker. I reside in Phillips, Wisconsin.

The Governor's proposed budget would reduce the number of Wisconsin Conservation Corps crews from 55 to 45, eliminate the Corps' volunteer Board, and reduce its status from that of an independent agency to a division within another agency. I do not support the proposed funding cuts or administrative program changes and urge you to work to maintain WCC program funding and status.

The Wisconsin Conservation Corps is a job training and development program for young adults, ages 18 to 25, that has served Wisconsin well. I have worked closely with WCC crews over the past nine years on a wide variety of community improvement projects in Phillips, Park Falls, and Ashland. I have seen, first hand, the difference this program has made in the lives of young adults and the communities in which they live.

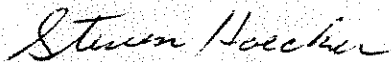
The transition from high school into the work force or higher education can be a difficult one. Not every student is well-prepared or ready. What happens to them? For many, the future holds poverty, welfare, or crime. The WCC program offers these young adults a chance to develop job skills, demonstrate their work ethic, and build a resume... critical ingredients for landing that first job. They work hard for minimum wage on community service projects. In Phillips, the community where I reside, the Corps has helped construct the new Chamber of Commerce building, built trails in Elk Lake Park, constructed picnic tables, signs, and benches for the park, and completed a variety of projects on the Fred Smith county property. On public forest lands around Phillips they plant trees, construct nest boxes, build fish cribs, improve campgrounds and perform a host of other valuable conservation work.

As a society, should we invest in job training and workforce development or welfare and prisons? We need both, of course. But, more importantly, we need the right balance. The WCC program provides an important part of that balance.

I consider myself to be a fiscal conservative but funding cuts to this program are, fiscally, very short sighted. We will end up paying much larger welfare and prison costs in the long run and would be better off making the up-front investment in workforce development.

From a state agency perspective, the investment in the WCC program is tiny, yet it yields big results. There are only 50-six person crews in the entire State of Wisconsin. Those 300 job training slots are important to the quality of life for our rural communities.

Again, I urge you to work to closely with your colleagues in the State Assembly and Senate to preserve the funding and actively support this vital workforce development program that has served Wisconsin well.



Steven Hoecker
Phillips, Wisconsin

Susan B. Nelson
Rt. 1, Box 221
Bayfield, WI 54814

March 27, 2001

Joint Finance Committee
Wisconsin State Capitol
Madison, WI 53707

Dear Joint Finance Committee:

I would like to personally thank each member of the Joint Finance Committee for coming to Superior to listen to our concerns regarding the proposed state budget. I would like to take this opportunity to speak to you about a program that continues to have a tremendous impact in this region. I recently learned of a proposal to cut funding for the Wisconsin Conservation Corps (WCC); a state agency that employs young adults ages 18-25. This concerns me greatly. I have seen the lasting benefits this program provides in the north to the many young people who live here.

The WCC has been instrumental in providing gainful employment to many unskilled young adults while teaching them marketable job skills that they can use in their future employment. The WCC also teaches corps members the job seeking skills necessary to secure permanent employment.

Many corps members obtain their GED while working with the WCC. It is difficult to get a good job without having a high school diploma or equivalency. The WCC assists corps members in completing their GED/HSED testing through the WCC education program.

Some young adults need a first or second chance to succeed. Perhaps they have low self-esteem, lack work ethic, have physical or cognitive disabilities, or lack the direction to succeed in today's competitive job market. The WCC gives these young adults the confidence, self-worth and job skills they need to be productive members of our society.

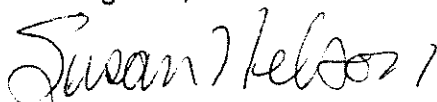
Many young adults who leave high school without vocational goals can work with the WCC to develop a career plan and earn money for post-secondary education. Corps members who stay a full year in the program can receive a \$2,800 WCC tuition voucher and a \$4,725 AmeriCorps education grant to help them pursue the education necessary to achieve their vocation. For young adults who have few financial resources and do not qualify for scholarships, these tuition vouchers are a way to pay for a higher education that would otherwise be unobtainable.

WCC corps members also have access to professionals while they work at their job sites. These professionals provide valuable training and guidance to help corps members develop their skills' bank and give them the tools and satisfaction to be financially independent.

As future taxpayers, the WCC program is a small investment in Wisconsin's future and keeps trained corps members in our communities and not displaced to other states. I ask that you leave the Wisconsin Conservation Corps budget in tact and that the agency retains its full status.

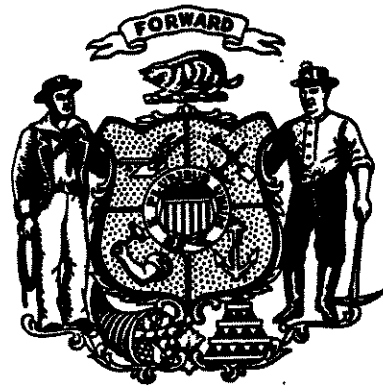
Thank you for your time and consideration.

Best Regards,



Susan B. Nelson

END



END

March 28, 2001

**Joint Finance Committee
State Capitol
Madison WI 53702**

Senators and Representatives:

I am writing to you to encourage your support of Wisconsin Public Radio. I have been listening to Wisconsin Public Radio for over thirty years, a period of time that was interrupted by my traveling around the United States and Canada. I returned to the area for several reasons, one of which was the availability of intelligent, thorough media coverage. Having listened to public and private broadcasting services in several other states, I am well aware that we in Wisconsin have reason to be very proud of our public radio. I have for several years financially supported Wisconsin Public Radio and have in the recent years supported WPR with my time. My hope is that you too will provide the necessary support to maintain the quality and availability of Wisconsin's special media services.

Through my professional work, I have an opportunity to meet with individuals whom some people would consider to be handicapped. A number of these individuals have told me of the importance in their lives of public radio and public television. They have greater limitations for getting out to events consequently they appreciate competently produced "events" offering great diversity in programming being brought to them.

I live on a farm in rural Dunn County and have the pleasure of being a neighbor to an incredible variety of people. My neighbors vary from a construction worker, welder, C.P.A., M.D., farmer, factory worker, secretary, computer engineer, to a horse trainer. It is amazing to hear from virtually all of my neighbors that they at least part of the time listen to either Wisconsin Public Radio, Wisconsin Public Television or both. I cannot think of any other media or station aside from the local newspaper that holds that sort of universal appeal.

Because my personal farm is located in a small valley, I cannot receive a good signal of Wisconsin Public Television; hence I miss many valuable programs. My friends describe what they have learned from public television and comment that they cannot imagine living without WPT. Even though my access to public television is limited I do not want anything to inhibit its availability to others. Given the unfunded federal requirement to convert to digital transmission, I urge you to make available the 35 million dollars in bonding authority that is being requested to aid in the major conversion process public television is facing. WPR may face the same need to transition to digital transmission; it is important both public services maintain federal standards that are established for broadcasting transmission. I also encourage separating the issue of funding for digital transmission from the organizational structure issue which has been recently debated. Although the

organization's structural issues are very important; the time line for organizational change is not as "looming" as is the need for digital conversion by 2003. Also, organizational structure should be considered on its own merits as should the need for digital conversion.

Wisconsin has a long tradition of making information available to its whole population through the University Extension, through its public schools and through its public radio and television. As with any family, organization or system, there are regular costs that can be routinely anticipated; however there are times when an expensive one time cost comes up that needs to be budgeted for in order to maintain the competent functioning of the family or organization such as a new car or a new building. We are now at such a point with the digital funding for television and perhaps for radio. Continuing support for the routine expenses is important to maintain the availability of quality broadcasting however we also need to look at the long range needs of public television and public radio to assure the bigger infra structure expenses are covered. Please support funding for the ongoing costs and the special conversion needs of public television and public radio, so we can uphold the tradition of getting information out to all of Wisconsin's citizens.

Sincerely,

A handwritten signature in cursive script that reads "Katherine Stahl". The signature is written in dark ink and is positioned above the typed name.

**Katherine Stahl
N7607 1010 St.
Elk Mound WI 54739**

3413 Oak Knoll Drive, #3
Eau Claire, WI 54701
March 27, 2001

To the Joint Committee on Finance of the Wisconsin State
Legislature:

I am Clarence "Aldy" Swanson, age 73. I have resided in Eau
Claire, Wisconsin from 1956-1976, and from 1994 to the present. I
have devoted 40 years of my life, from 1953 to 1993, to radio and
television news, mostly as a reporter, News Director and talk show
host.

Now I am retired and work as a volunteer for Wisconsin Public
Radio. I have chosen this volunteer work because I believe that
Public Radio and Public TV offer a valuable and irreplaceable
service to the people of Wisconsin and of the United States. WPR
and WPT offer a wealth of information and entertainment not often
found in commercial radio and TV.

But to be a viable choice in on-air programming, WPR and WPT must
have the willing and generous support of the Wisconsin State
Legislature and the people of Wisconsin.

WPT and WPR need adequate funding to keep up with technical
advances in the communications industry.

I offer this letter to the Joint Finance Committee in the hope that
you will insure the future of WPR and WPT, and that the people of
Wisconsin will continue to benefit from the programming of WPT and
WPR.



Clarence A. Swanson

To: Wisconsin State Legislative
Joint Finance Committee Hearing
Wednesday March 28, 2001

From: Eileen Joslin
Town of Brunswick
Eau Claire County

I'm not only speaking for myself, but also for my family and their children. We have been life long listeners and viewers of Wisconsin Public Radio and Wisconsin Public Television. Now the family is scattered throughout the state and they continue to listen and view Wisconsin Public Radio and Wisconsin Public Television in their areas. One has only to leave the state for any length of time to realize what exceptional access we have here in Wisconsin to excellent programming. As citizens of Wisconsin we are proud of our state and the many advantages of living here. Wisconsin offers quality educational opportunities, support of the arts and citizen participation in decision making of current issues.

We depend upon and take for granted the in depth coverage of regional, state, national and international news. We depend upon the only classical and jazz music station available to us. We depend upon the only non-partisan radio and television to hear candidates' views – yes, your views, where all sides of an issue are presented. We depend upon Wisconsin Public Radio and Wisconsin Public Television as a source of educational programming; programming utilizing Wisconsin's resources – Wisconsin specialists from many areas including the University system, state and local legislators, business people and citizens. We depend upon hearing the views from all regions of the state and not just Milwaukee and Madison.

I suspect I'm not telling you anything you don't already know. I suspect you are also listeners and viewers to Wisconsin Public Radio and Wisconsin Public Television. I suspect you depend upon their in depth news and classical and jazz music, just as I do. I suspect you had your radios tuned to Wisconsin Public Radio as you drove the long trip to Eau Claire from Madison. Listeners and viewers have been very generous in pledging their support, but the needs are greater than listener and viewer support can provide.

I hope you are among the more than 40,000 members of Wisconsin Public Radio – committed to keeping Wisconsin Public Radio and Wisconsin Public Television strong. This strength can be maintained only if the state of Wisconsin continues its support.

Wisconsin Public Television is seeking to comply with the unfunded federal mandate to convert its transmission facilities to digital by May of 2003, and I support their efforts. There is value inherent in the educational potential of the new digital technology. Wisconsin Public Television is to be applauded for its work in developing plans for its use. In the near future Wisconsin Public Radio may well face its own transition to digital transmission and the treatment of public television as a precedent setting event can impact public radio's future plans. Governor McCallum's support in funding for the digital transition is commendable; however, it will take more than 12 million dollars to complete the federally imposed deadline. I urge the legislature to make available the monies that the Educational Communications Board is requesting.

Your decision to maintain adequate funding of Wisconsin Public Radio and Wisconsin Public Television is paramount to me and my family, not only as members of the Wisconsin Public Radio Association and as tax payers, but as constituents and voters in your districts.

Thank you for coming to Eau Claire to receive our comments.

Remarks of Miles G. Knuteson, Chairman of the Board of the Wisconsin Broadcasters Association, to the Joint Finance Committee, April 4, 2001.

Thank you for the opportunity to appear before your committee.

We are here today to ask your committee to consider a sales tax exemption on digital broadcast equipment.

We ask the committee to consider this on two grounds. First, television stations have been mandated by the Federal Communications Commission to convert to digital broadcasting by May 1, 2001. In addition to this mandatory transition, they must continue to broadcast in analog until at least 2006, and perhaps even later.

This is something that is being forced upon television stations by the federal government. The F.C.C. will, in turn, take the analog spectrum that the television stations will be forced to abandon, and auction it off to the highest bidder. It would be different if broadcasters had a choice in the matter--if they were given a choice on whether to make the transition to digital broadcasting. In that case, if a company could not afford the necessary purchases, they could postpone them, or decide not to make them at all.

Unfortunately, television broadcasters are not able to make those choices. They must make the change or risk losing their licenses.

What impact does the mandated transition to digital have on Wisconsin television stations? It is estimated that full conversion to digital, which includes digital production, will cost a television station approximately \$6.75 million. We estimate that 19 of the 31 commercial television stations in Wisconsin fall into this category. The cost to the remaining 12 TV stations without digital production would be approximately \$2.75 million.

In addition, television stations will incur increased operating expenses during this time of transition, as they are required to operate both analog and digitally until the year 2006. During this time, their power bills, already a major expense, will more than double.

Radio stations will almost certainly face similar pressures to convert to digital broadcasting when a transmission standard is approved, which could occur as early as next year. They, too, will face significant capital expenditures since each radio station will need a new transmitter for digital broadcasting. The estimated cost for each of the state's 250 commercial radio stations to make this conversion is \$150,000 per station.

Radio and television stations are like any other types of businesses. Some do very well financially, some are average, and others find it very difficult to pay their monthly bills. For some radio and television

stations, this mandated purchase of new equipment would erase many, many years of operating profit.

Again, radio and television stations are businesses that are forced to be profitable in order to remain in business. When major expenses like the ones I have outlined are forced upon them, it may necessitate cutbacks in other areas in order to pay for these purchases. Would it benefit the citizens of Wisconsin if some stations were forced to eliminate news positions? Would it benefit citizens of Wisconsin if fewer radio station employees meant that severe weather warnings could not be broadcast? And would it benefit the citizens of smaller communities if some smaller operators--sometimes called "mom and pop" businesses--were forced to sell their radio stations to larger operators? These "mom and pops" are the ones who take pride in serving their communities, being members of their Rotary Clubs, and making sure school closings get on the air during bad weather.

The second reason we ask for a sales tax exemption on digital broadcast equipment is that of fairness. Under current law, machinery and equipment used in broadcasting are not eligible for the sales tax exemption granted to manufacturing machinery and equipment used to produce tangible goods. Newspaper and magazines, competitors of the broadcast industry, now receive this sales tax exemption for their machinery and equipment purchases. All we ask for is the same consideration given to the print media.

Because this proposal will affect digital equipment only, the state will be able to maintain its current tax base. As I have mentioned, TV stations must continue to maintain their analog broadcast capabilities, and will continue to pay the same amount of taxes they are currently paying on existing and new analog equipment. Although the state will have to forego the revenue it could have collected on digital equipment, the fiscal effect is mitigated by the continuing revenue from the sales and use of analog equipment.

Another major point to consider is that the revenue from the sales tax on mandated digital equipment has not been figured in the state's budget. This is not money that the state has gotten in the past, or that the state has "counted on." This is unanticipated revenue as a result of an action of the federal government. In simplest of terms, it could be argued that this unanticipated "windfall" in the state's coffers is at the expense of the state's broadcasters, who already must shoulder the burden of a considerable amount of capital expense.

Granting this sales tax exemption would do four things for the State of Wisconsin.

- First, it would show that the state is business friendly, and is willing to help out many small businesses that are severely impacted by a federal mandate. This would send an important message to those who question Wisconsin's desire to help smaller businesses.
- Second, it would show encouragement for the use of technology in business.

- Third, it would eliminate a disparity between broadcasters--who now must pay sales tax on their equipment--and print media, which does not have such a burden.
- And finally, this exemption would help many smaller broadcasters continue to operate their business and provide service to their local communities.

This is a very important issue to the broadcasters of Wisconsin. So far, 17 other states have granted some sort of a sales tax exemption on digital broadcast equipment. It is our wish and desire that Wisconsin will join these 17 other states and give their broadcasters the tax relief they need to help them comply with federal mandates.

On behalf of the members of the Wisconsin Broadcasters Association, thank you for your consideration of this very important matter.