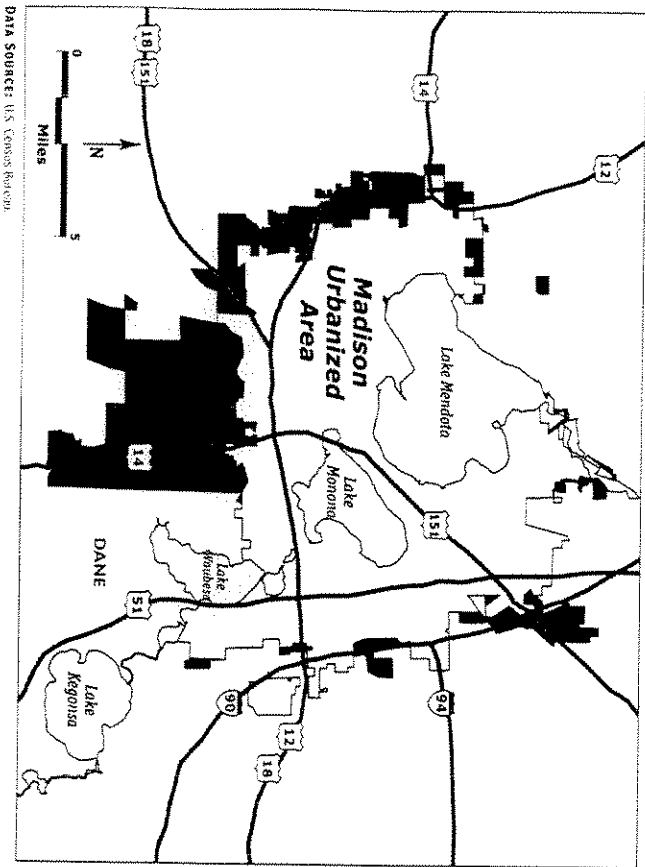


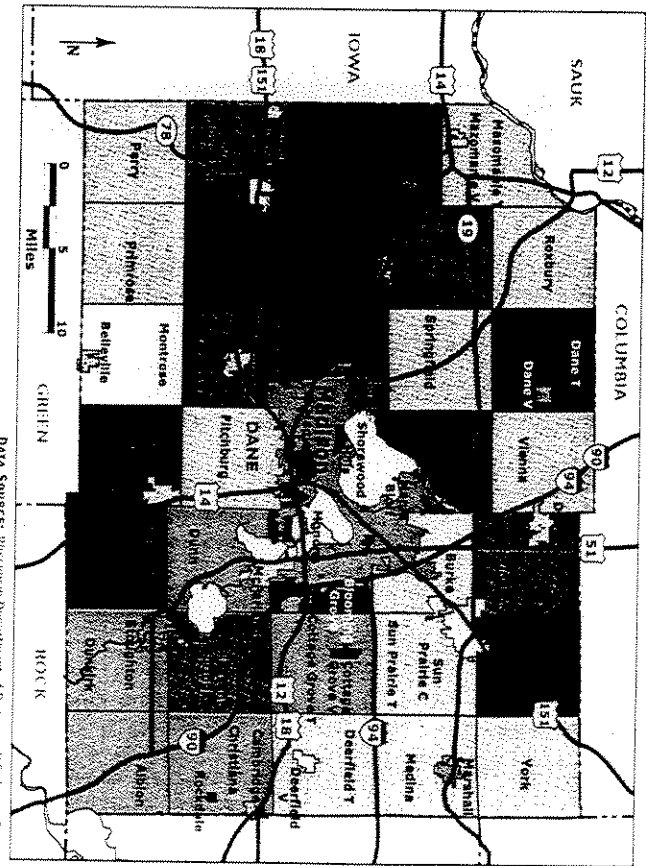
Urbanized Area

MAP 11: CHANGE IN URBANIZED AREA, 1970-1990



Tax Base Sharing

MAP 12: SIMULATED CHANGE IN TAX CAPACITY PER HOUSEHOLD AS A RESULT OF REDISTRIBUTION OF 40% OF TAX BASE GROWTH ACCORDING TO INCOME PER CAPITA, 1993-1999



The MADISON REGION grew over twice as fast in urbanized land areas in urbanized population from 1970 to 1990. Urbanized land area grew by 42 percent while population in that portion of the region grew by just 19 percent. Leading to a 16 percent decline in population density in the urbanized portion of the region. This pattern continued through the 1990s when population increases were concentrated in the outer, less densely settled parts of the region.

IF A TAX-BASE sharing program had been in place during the mid-1990s, over two-thirds of all Madison metropolitan residents would have benefited. The biggest contributors would be some of the poorest communities in region, those adjacent to the city of Madison, including

the towns of Madison and Blooming Grove, and the outlying communities of Dane, Rockdale and Christiana. The biggest contributors are communities west and north of Madison, including the towns of Middleton, Cross Plains and Vermont.

Appleton-Oshkosh-Neenah

THE APPLETON-Oshkosh-Neenah region consists of three counties: Calumet, Outagamie and Winnebago. Bolstered by a growing economy, in recent decades the region's population growth has exceeded state and national averages — growing by 8 percent in the 1980s and 14 percent in the 1990s. Almost 360,000 people lived in the region in 2000.

But growth within the region has not been uniform. Calumet County, the most rural of the three counties, experienced the most rapid growth — almost twice the average Wisconsin rate during the 1990s. It was followed by Outagamie County, home to Appleton, and Winnebago County, which includes the cities of Oshkosh and Neenah.

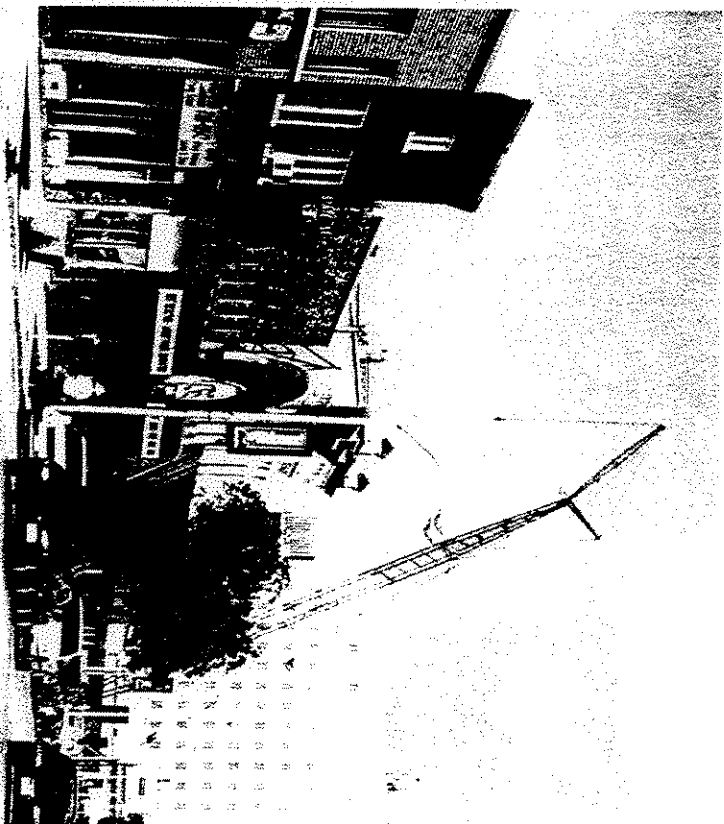
While the population of the Appleton-Oshkosh-Neenah region has grown, the amount of urbanized land has grown even faster. Between 1970 and 1990, the amount of urbanized land increased by 59 percent while population in urbanized areas increased by only 19 percent — a ratio of over 3-to-1.

THE ECONOMY

Manufacturing remains an important piece of the region's economy, accounting for 31 percent of all jobs in 1998. Paper production dominates the Winnebago area, and has a strong presence in Outagamie County as well. Machine manufacturing is the principal industry in the Calumet area and its expansion accounts for much of the county's manufacturing employment growth — up 35 percent between 1993 and 1998, from 4,300 to 5,800 jobs.

Despite this strong manufacturing base, other sectors of the economy have helped drive the region's growth over the past 10 years, including service industries, construction and government.

The region's communities are linked economically. Over 40 percent of workers live in one county and work in another. Many travel to another county within the metro, but a growing percentage commute to adjacent



A traditional downtown, like this one in Appleton, offers walkable streets and centrally located retail activity.

communities, especially to Green Bay. In fact, the Appleton-Oshkosh-Neenah region has 19 percent more workers than jobs, a figure that demonstrates its growing popularity as a bedroom community.

SOCIAL SEPARATION

While the region as a whole has a relatively low poverty rate, less than 11 percent, its distribution appears to be following patterns common to larger metropolitan areas: poverty concentrated in the urban core and outlying rural areas and wealth concentrated in suburban communities ringing the core (Map 13). In the Appleton-Oshkosh-Neenah area, the core communities of Oshkosh, Appleton and Menasha and the outlying community of Shiocton have the highest poverty rates (measured by the percentage of elementary pupils eligible for free lunches). School districts in Calumet County, which includes the suburbanizing communities of Harrison and Sherwood, and the Freedom and Hortonville districts, located just outside Appleton, have the lowest poverty rates.

The core districts of Appleton and Menasha saw increasing poverty between 1993 and 1998, as did the adjacent districts of Little Chute and Kimberly (Map 14). Oshkosh, which in 1998 had the highest rate, 15 percent, saw a slight decrease over that period. Districts with the biggest decreases in poverty were Freedom, outside of Appleton, and Oniro, outside of Oshkosh. Shiocton also saw a slight decrease.

Compared to many parts of the state and country, the racial composition of the Appleton-Oshkosh-Neenah population is relatively homogeneous. Just 10 percent of elementary pupils, and 2 percent of the total population, are minorities. However, like in many other metropolitan areas, the region's minorities are relatively segregated. All but one of the region's schools with a higher-than-average numbers of minority pupils are located in central cities or inner-ring suburbs, and 40 percent of the region's minority pupils would have to

Nearly 20 percent of

the area's workers
commute to jobs
outside the region.

change schools to achieve an identical mix of pupils in each one.

However, the correlation between race and poverty is less pronounced than in some other urban areas: 75 percent of minority pupils attend the region's three high-poverty school districts; 50 percent of white pupils attend those school districts.

FISCAL CAPACITY

The Appleton-Oshkosh-Neenah area is divided into over 70 cities, towns and villages, with widely varying abilities to generate tax revenue (Map 15). Low tax-capacity communities are clustered in the outer fringes of the region — places like Nichols, Bovina, Shiocton, New London, Bear Creek, Brillion and Chilton — and in and near the central cities of Oshkosh and Appleton.

High-capacity communities tend to be located in the areas in between — places like Algoma, Vinland, Winnebago and Poygan north and west of Oshkosh; Grand Chute, Greenville and Hortonville west of Appleton; and Harrison and Sherwood southeast of Appleton.

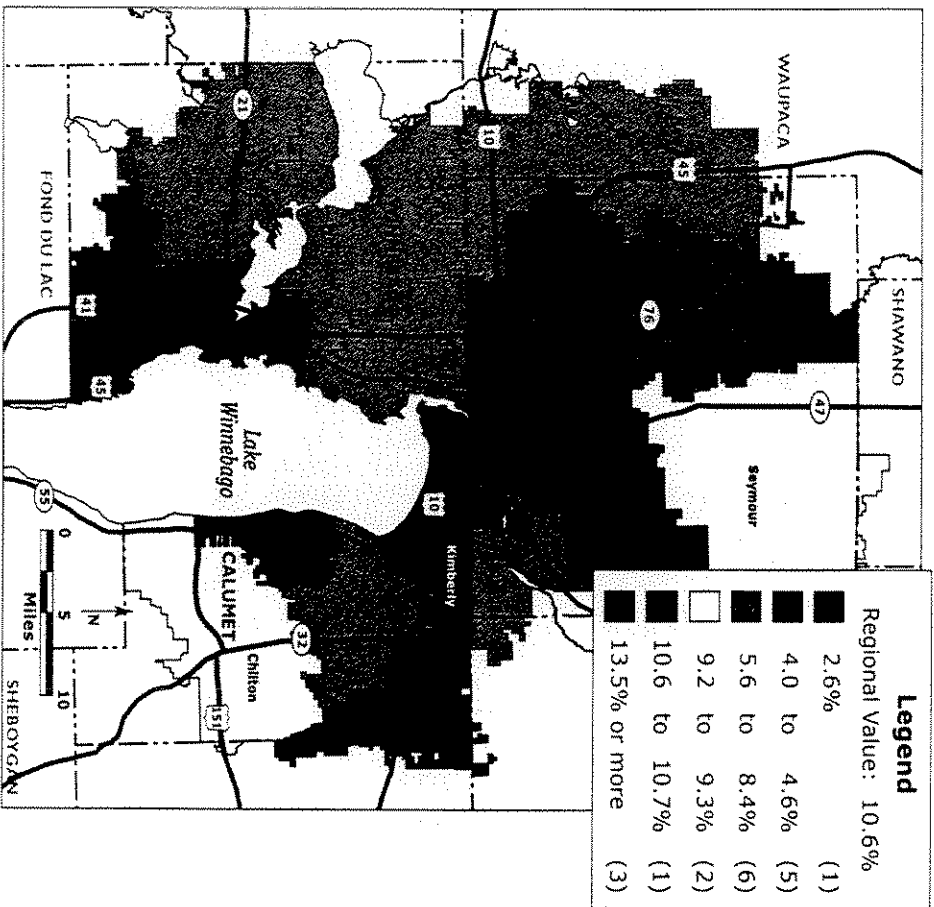
Tax capacities are dynamic, changing over time as people move to and within the region. These changes often exacerbate existing patterns of inequality. The central cities of Appleton, Menasha and Oshkosh, places with lower-than-average tax capacity in 1998 experienced slower-than-average growth between 1993 and 1998 (Map 16). In that same period, suburban areas surrounding Lake Butte de Morris and Lake Poygan grew at rates far above the regional average.

Large disparities in tax capacity among metropolitan governments often lead to a "competitive disadvantage" for the low-capacity places, which must assess higher tax rates in order to provide the same level of services as high-capacity areas.

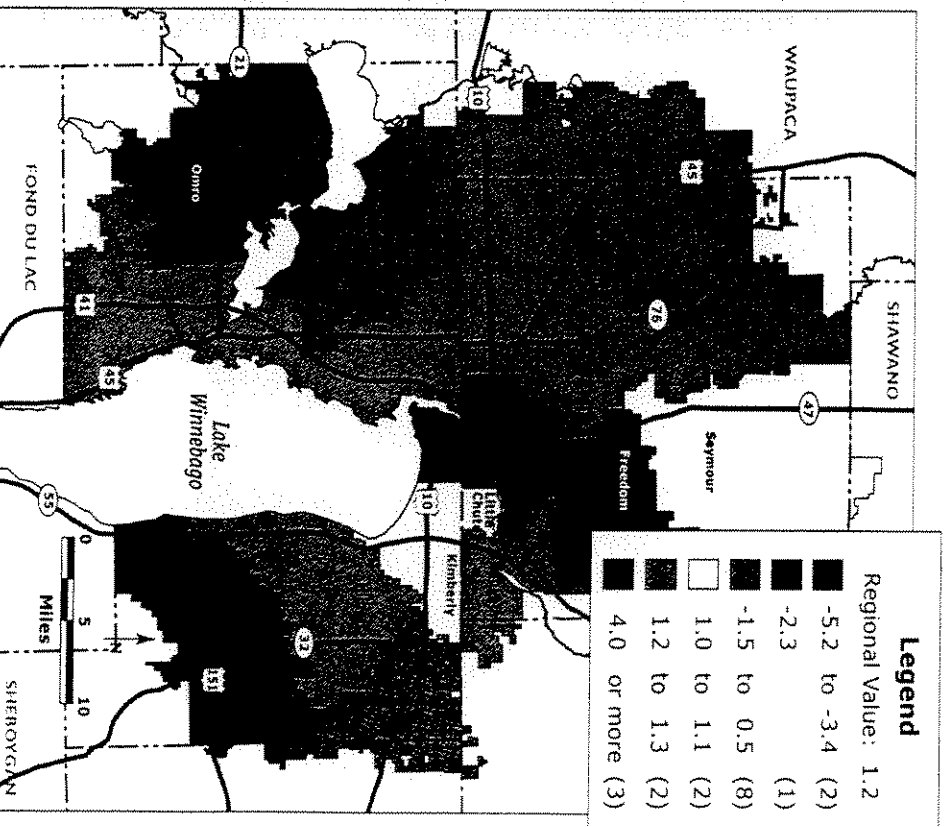
The difficulties of many low-capacity places are exacerbated by their need for high-cost services. This difficulty is often evident in central cities: Tax capacity in the city of Appleton in 1999 was 10 below the regional average while its school-poverty rate was 27 percent above the regional average. Oshkosh's tax capacity was 24 percent below the average, while its pupil-poverty rate was 42 percent above the average.

One way to reduce fiscal inequality is with regional tax-base sharing, discussed in more detail in the final section of this report. Map 18 shows the outcomes of implementing one variation of this type of policy in the Appleton-Neenah-Oshkosh area in the 1990s. About 70 percent of the region's population resided in municipalities that would have benefited from such a plan.

MAP 13: PERCENTAGE OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL DISTRICT, 1998



MAP 14: CHANGE IN PERCENTAGE POINTS OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL DISTRICT, 1993-1998



DESPITE THE FACT that pupil poverty in the Appleton-Oshkosh-Neenah area is very low (only 11 percent of pupils are eligible for free lunches, compared with 24 percent statewide), it is also quite concentrated. Seventy percent of the region's poor pupils attend the inner districts of Oshkosh, Menasha and

Appleton — districts that account for only 52 percent of the region's total pupil population. Pupil poverty rates in the outer suburbs, especially in fast-growing Calumet County, are as low as 3 percent, just one-fifth the regional average. Three districts in the center of the region

— Appleton, Menasha and Little Chute — saw the biggest increases in poverty rates between 1993 and 1998, while rates in most suburban districts fell during that period. The Osho and Freedom districts saw the biggest decreases.

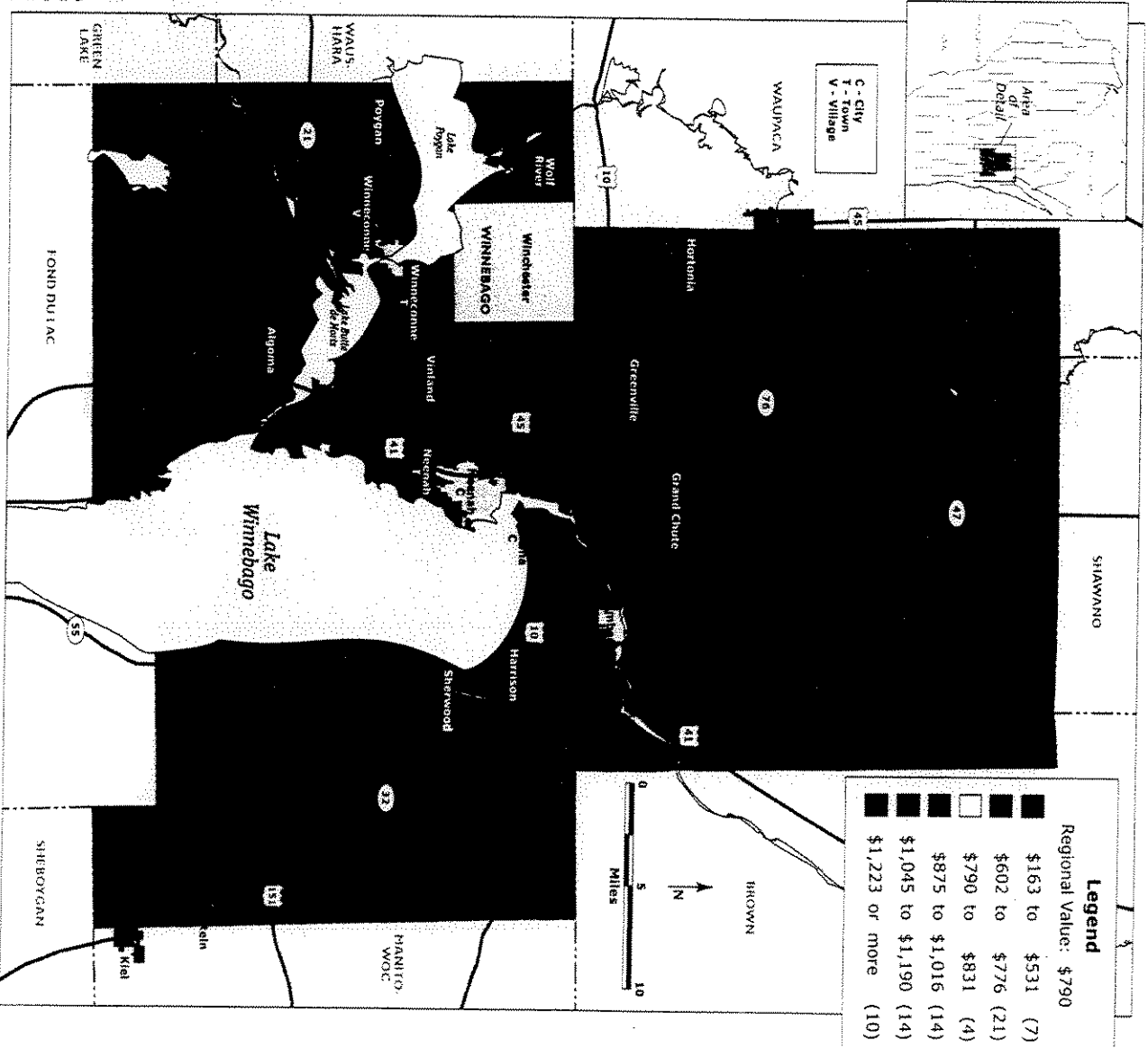
DATA SOURCE: National Center for Education Statistics

DATA SOURCE: National Center for Education Statistics

Tax Base

MAP 15: TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY, 1999

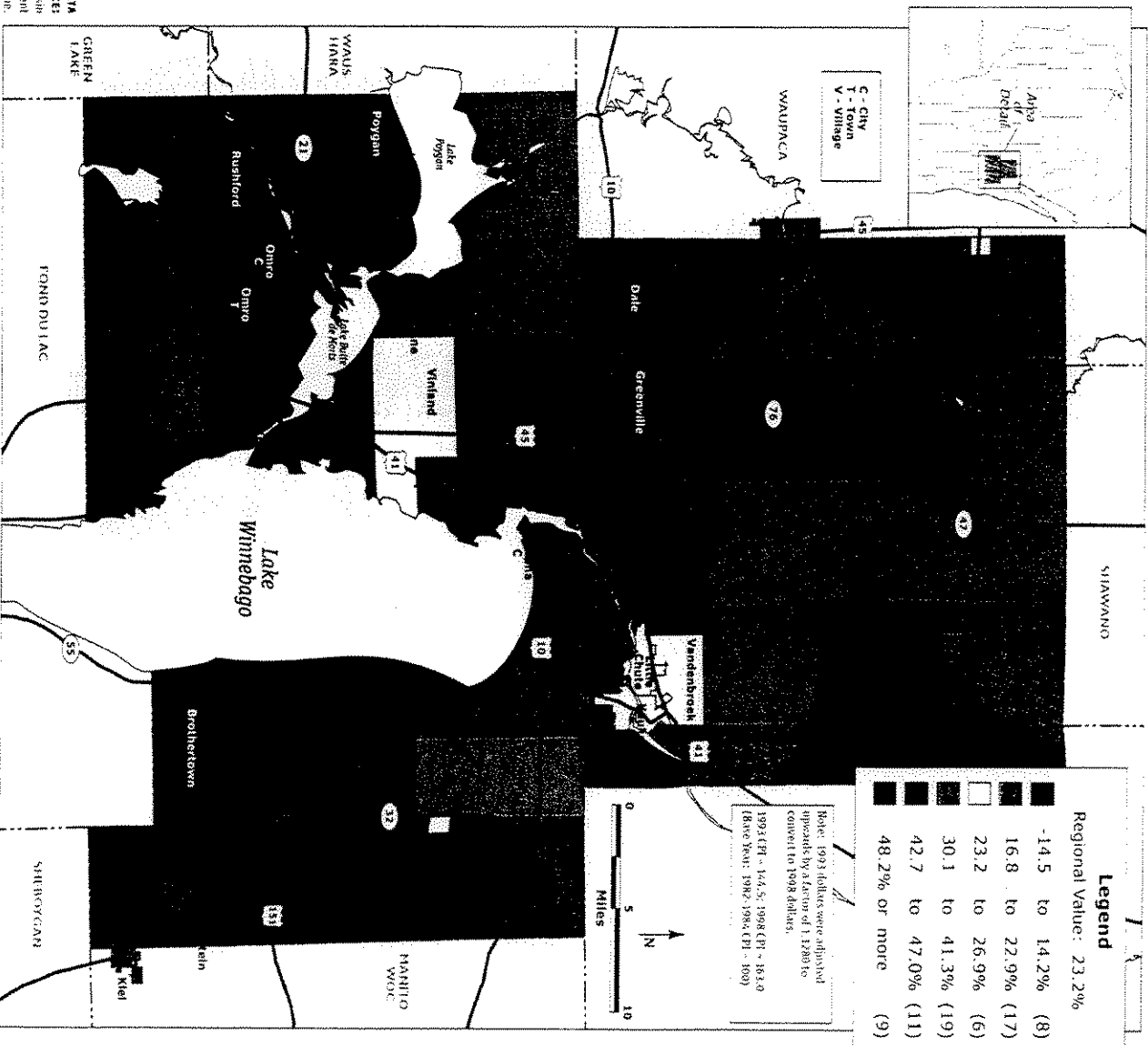
TAX CAPACITY VARIES widely across municipalities in the Appleton-Oshkosh-Neenah region. Small communities on the region's fringes, where rapid population growth is occurring, and central cities, where poverty rates and service costs are high, tend to have the lowest capacities. The cities of Appleton, Oshkosh, Menasha and Oiro, as well as the entire eastern portion of Calumet County, have tax capacities below the regional average. Suburbs surrounding Appleton and Oshkosh tend to have the highest capacities.



DATA SOURCE: Wisconsin Department of Revenue.

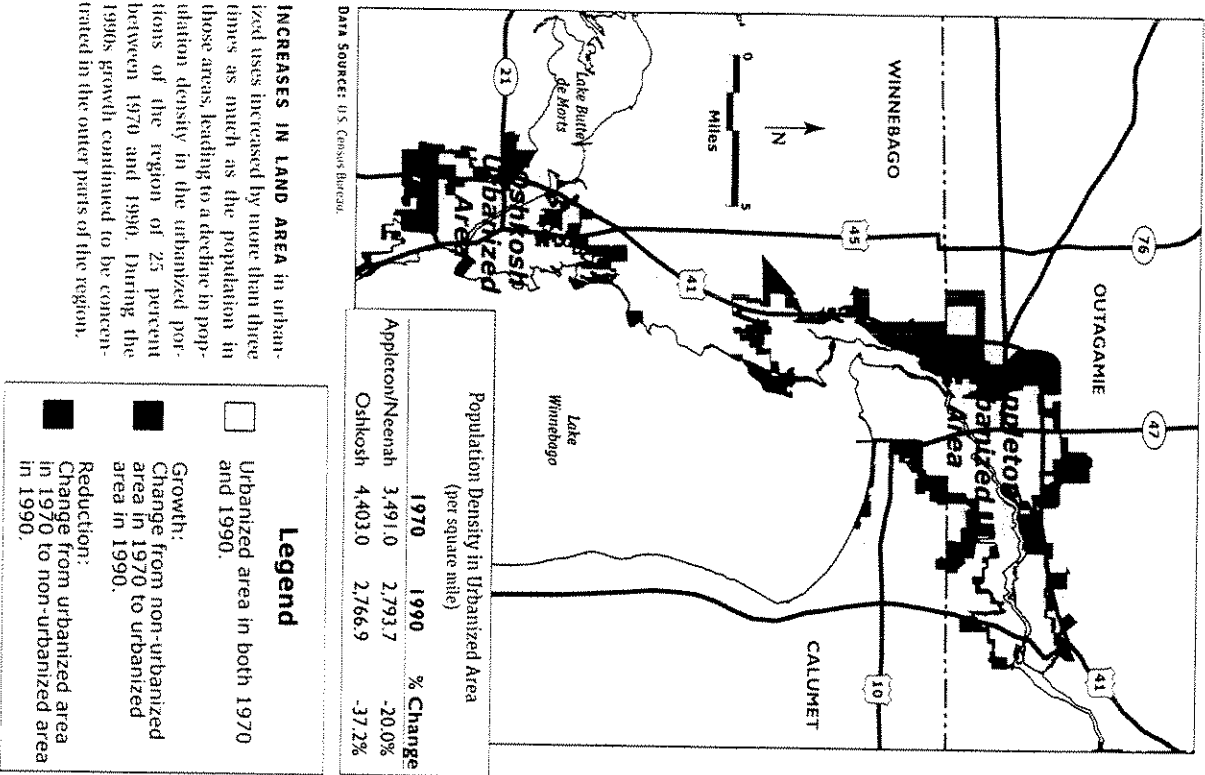
MAP 16: PERCENTAGE CHANGE IN TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY, 1993-1999

CHANGES IN TAX CAPACITY often exacerbate existing patterns of inequality in regions, and that trend is evident in the Appleton region. The central cities of Appleton, Menasha and Oshkosh, which already have lower-than-average tax capacity, also experienced slower-than-average growth between 1993 and 1999. In that same period, increasingly suburban areas surrounding Lake Butte de Moris and Lake Poygan and on the eastern shores of Lake Winnebago — already offering high tax capacity — grew at rates far above the regional average.



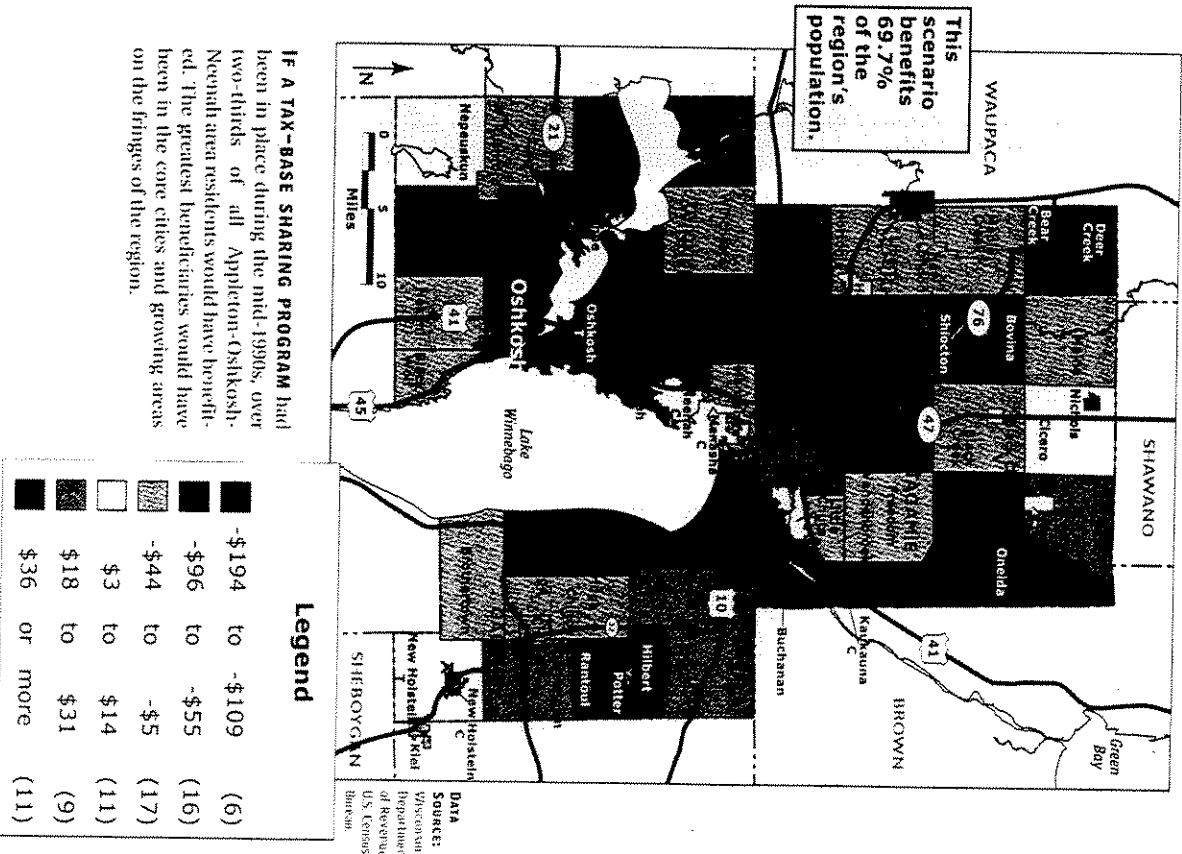
Urbanized Area

MAP 17: CHANGE IN URBANIZED AREA, 1970-1990



Tax Base Sharing

MAP 18: SIMULATED CHANGE IN TAX CAPACITY PER HOUSEHOLD AS A RESULT OF REDISTRIBUTION OF 40% OF TAX BASE GROWTH ACCORDING TO INCOME PER CAPITA, 1993-1999



Green Bay

THE FAST-GROWING Green Bay MSA consists of one county, Brown, and one major city, Green Bay. There are 23 smaller cities, towns and villages in the region.

Regional growth in Green Bay has been strong for the past 20 years. The population grew 17 percent during the 1980s and 11 percent during the 1990s, exceeding national and state growth rates. Most growth has occurred in suburban areas. In 2000, almost 227,000 people lived in the Green Bay area.

Residential density in Green Bay has remained fairly consistent over time. Between 1970 and 1990, the population of the region's urbanized area expanded by 24 percent while the urbanized land area itself has expanded at an only slightly greater rate, 29 percent.

THE ECONOMY

The Green Bay area relied on manufacturing for 21 percent of its jobs in 1998. Most of the job growth in manufacturing has been in durable-goods production, which grew from 8,000 to 10,400 jobs from 1993 to 1998. Non-durable good production, while still maintaining a strong presence, went through restructuring and consolidation in the 1990s, slowing its growth. Most of the manufacturing growth has not been in the city of Green Bay, but in new industrial parks along Interstate 43 and U.S. Highway 41.

Despite its traditional emphasis on manufacturing, the fastest-growing sector of the regional economy is finance, insurance and real estate, which grew by almost 40 percent, from 7,360 to 10,070 jobs, between 1993 and 1998. The Green Bay area boasted 6 percent more jobs than employed residents in 1998. These conditions produce a very tight labor market with an



Commercial development adds tax base, but can lead to congestion and pollution in the long term.

pupils attended the Green Bay district.

Between 1993 and 1998, the area's poverty dissimilarity index, measuring the percentage of poor pupils who would have to change districts to achieve an identical mix in each one, jumped 33 percent, from 24 to 32.

That pattern of racial and income segregation is accelerating. The Green Bay schools, with the region's highest percentage of poor pupils in 1998, also experienced the greatest increase in pupil poverty between 1993 and 1998 (Map 20). All of the districts immediately adjacent to Green Bay had below-average, and decreasing, poverty rates.

FISCAL CAPACITY

The central city, its inner-ring suburbs, and a few outlying areas have the region's lowest tax capacities, while the middle suburbs have the highest (Map 21). Tax base growth was lowest in the core and outermost parts of the region (Map 22). The effects of a tax-base sharing program would mirror these patterns with the greatest benefits accruing to the lowest-capacity core and fringe areas (Map 24).

unemployment rate of less than 3 percent. The area relies on commuters from surrounding counties and Michigan.

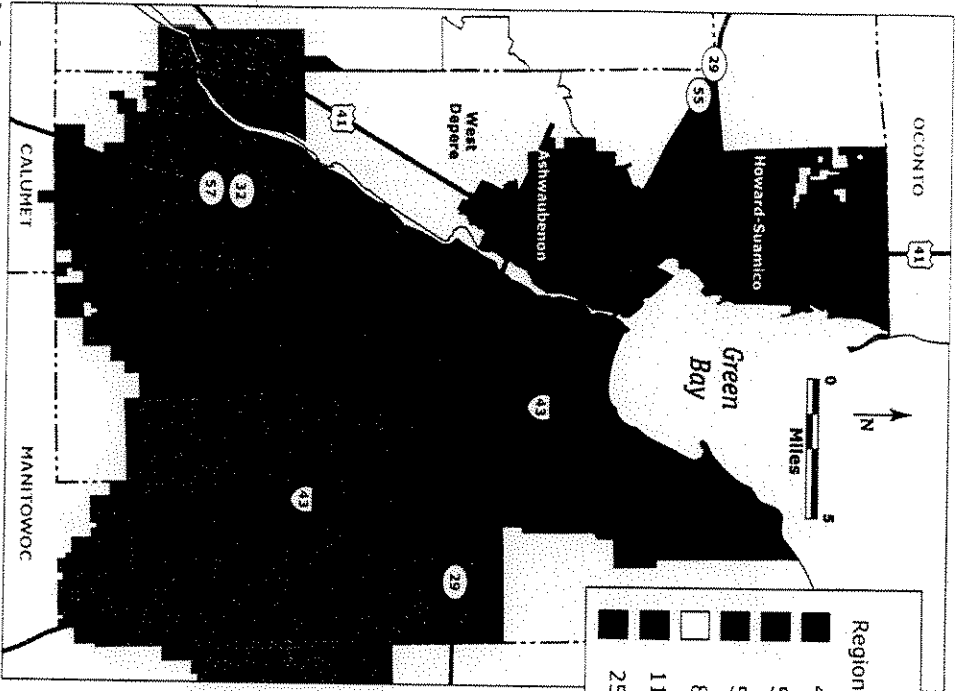
SOCIAL SEPARATION

As the area has grown, it has become more segregated. Poor and minority residents are increasingly concentrated in Green Bay. In fact, by 1998 almost 90 percent of all pupils eligible for free lunch in the region attended Green Bay schools, and 86 percent of the region's minority pupils attended Green Bay schools (Map 19). In that year only 56 percent of white

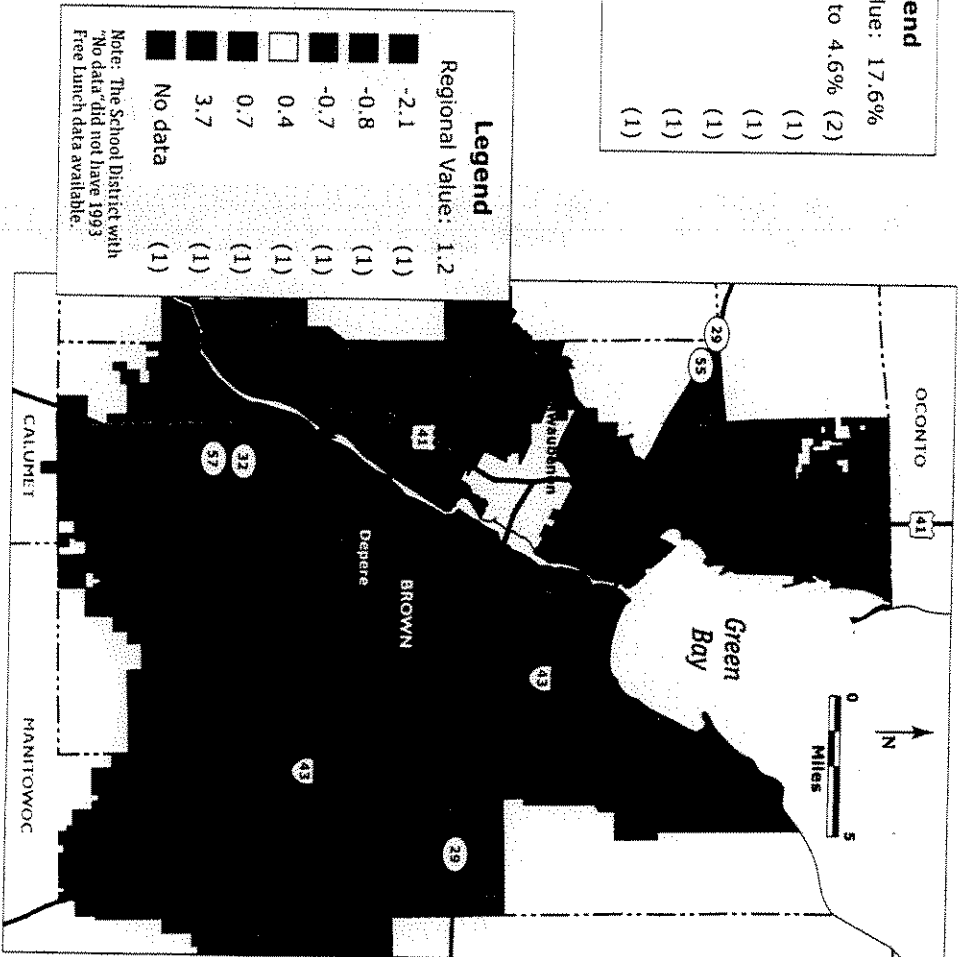
Photo credit: Scott Wallace

School Poverty

MAP 19: PERCENTAGE OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL DISTRICT, 1998



MAP 20: CHANGE IN PERCENTAGE POINTS OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL DISTRICT, 1993-1998



Pupil poverty is highly segregated by school district in the Green Bay area. The central-city Green Bay Area School District is home to 61 percent of the region's pupils, but 87 percent of the poor pupils. In that district,

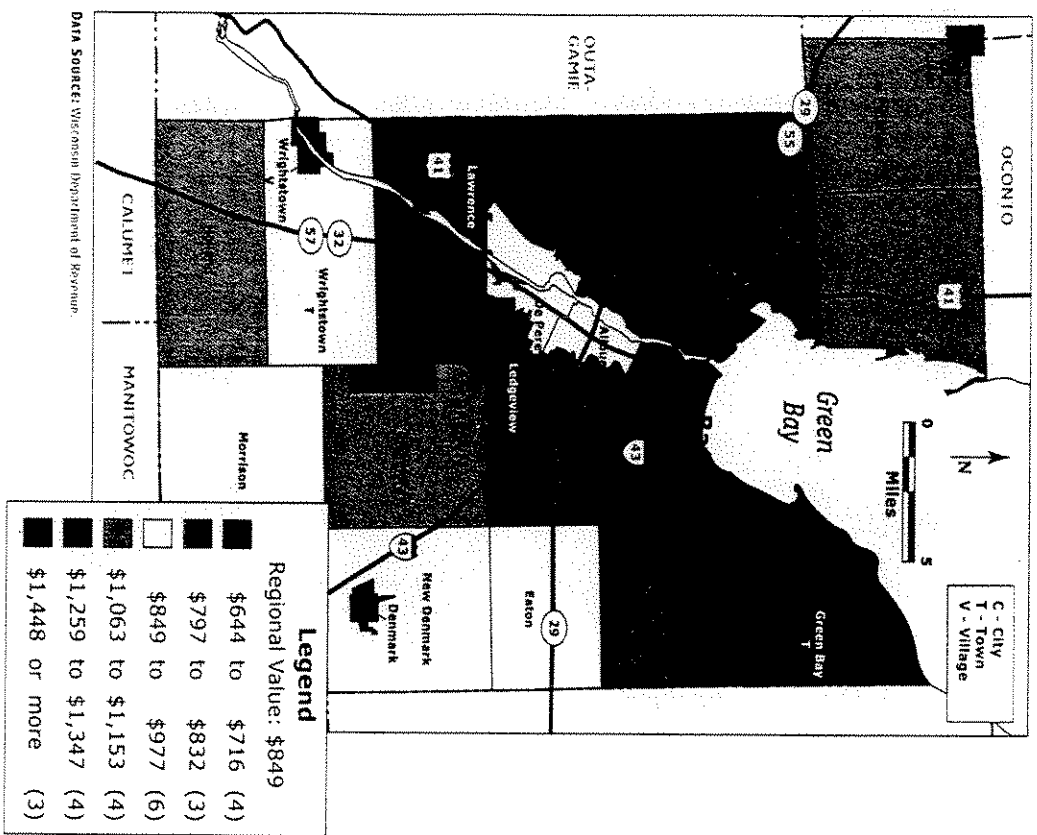
over one-fourth of the pupils are poor. No other district has a poverty rate above 12 percent; in fact, the average pupil poverty rate outside of Green Bay is only 6 percent. While the poverty rate in Green Bay proper

is rising, it is falling in most of the outlying districts. In fact the Wrightstown school district is the only district outside of Green Bay to have an increasing rate between 1993 and 1998 — and that was less than one percentage point.

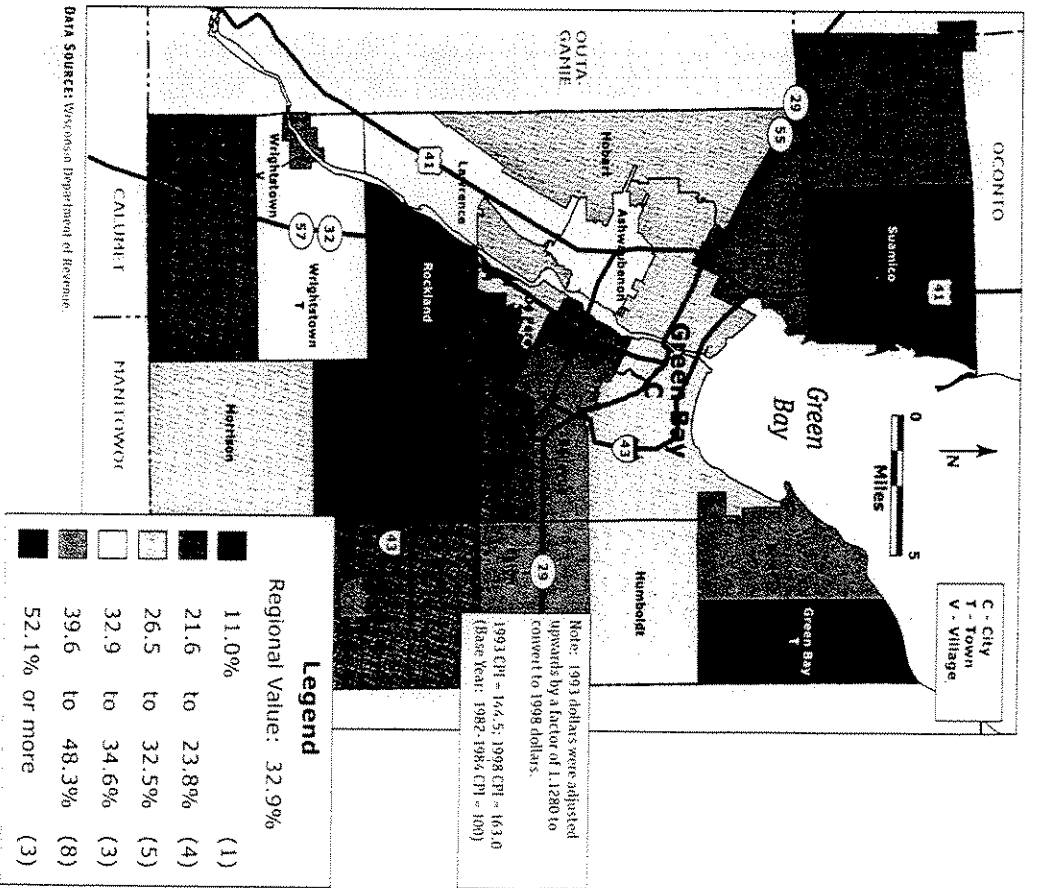
DATA SOURCE: National Center for Education Statistics

DATA SOURCE: National Center for Education Statistics

MAP 21: TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY, 1999



MAP 22: PERCENTAGE CHANGE IN TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY, 1993-1999



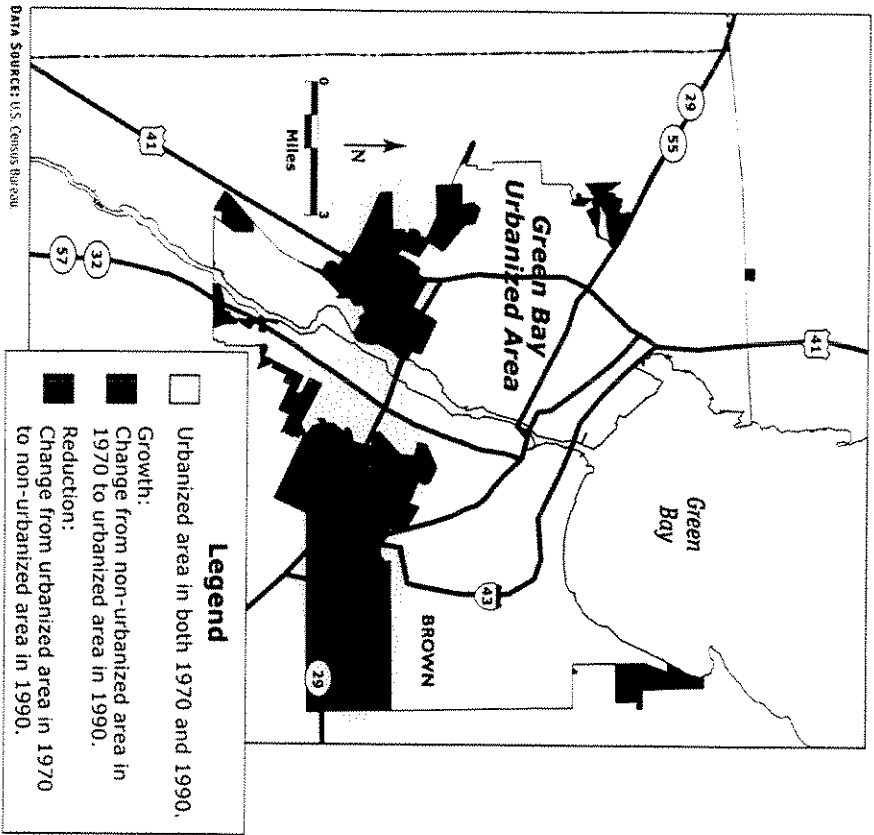
COMMUNITIES in the Green Bay area vary greatly in their ability to raise revenue to provide services. The areas with the lowest capacities are the region's central city, Green Bay, and the villages of Pulaski, Wrightstown and Denmark, all on the edge of the region. Suburbs immediately adjacent to Green Bay

... toward, Bellevue and Humboldt ... also had below-average capacities. Tax capacities were highest in the next ring of suburbs around the city of Green Bay, including Lawrence and Ladgewew.

The towns of Rockland and Green Bay saw the biggest increases in tax capacity between 1993 and 1998 (63 and 55 percent, respectively), while Glenmore saw the smallest increase (11 percent). The outlying villages of Pulaski, Wrightstown and Denmark all saw above-average increases in tax capacity in this period. Tax capacity in the City of Green Bay grew at a below-average rate.

Urbanized Area

MAP 23: CHANGE IN URBANIZED AREA, 1970-1990

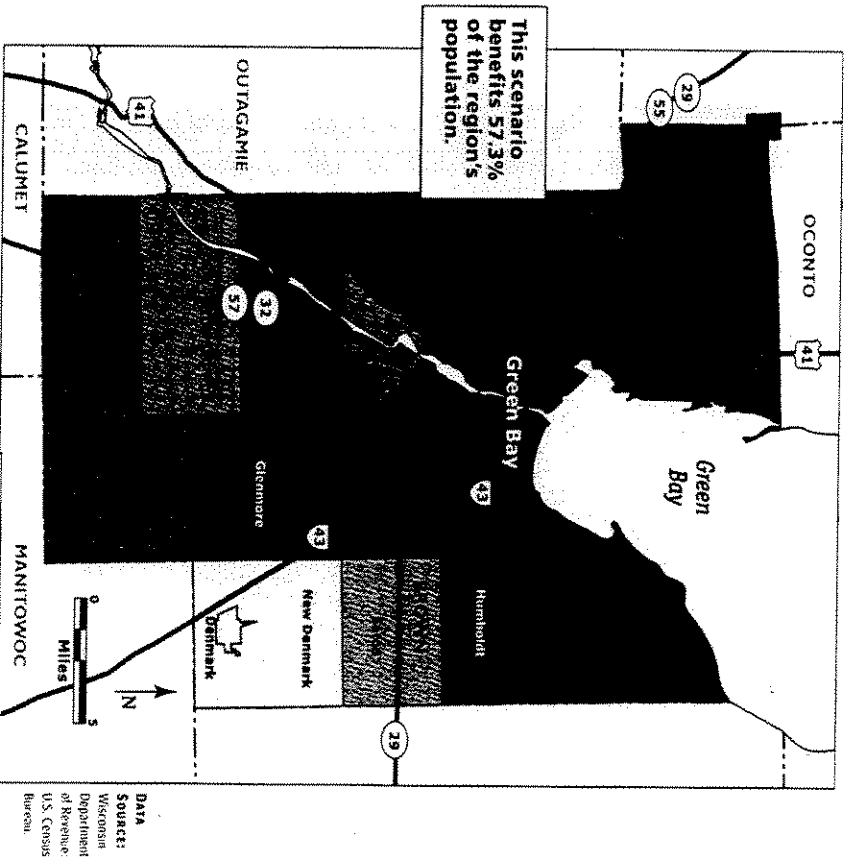


Population Density in the Green Bay Urbanized Area (per square mile)		
1970	1990	% Change
1,664.0	1,617.7	-2.8%

GROWTH in the Green Bay region was relatively compact between 1970 and 1990. The urbanized land area grew by roughly the same percentage as population in that area, resulting in just a small decline in population density.

Tax Base Sharing

MAP 24: SIMULATED CHANGE IN TAX CAPACITY PER HOUSEHOLD AS A RESULT OF REDISTRIBUTION OF 40% OF TAX BASE GROWTH ACCORDING TO INCOME PER CAPITA, 1993-1999



Income Bracket	Simulated Change in Tax Capacity per Household	Number of Households
\$-255 to \$-122	(6)	
\$-78 to \$-35	(5)	
\$-29 to \$-2	(4)	
\$15 to \$18	(2)	
\$24 to \$29	(4)	
\$42 or more	(3)	

IF A TAX-BASE sharing program had been in place during the mid-1990s, 57 percent of Green Bay area residents would have benefited, the lowest share of any Wisconsin metropolitan area, but still a majority. The biggest recipients would have been the city of Green Bay and the towns of Humboldt and Glenmore. Most communities in the north and west of the metro area would be contributors, although the biggest contributions per capita would come from the towns of Green Bay and Ledgewood.

Janesville-Beloit

THE JANESVILLE-BELOIT metro area, located on the Wisconsin-Illinois border, consists of Rock County, the cities of Janesville and Beloit, and 26 smaller cities, towns and villages. The area's 9 percent growth in the 1990s was much greater than in the previous decade, and just slightly under the statewide average. In 2000, 152,307 people lived in Rock County. With this population increase has come a significant decrease in density. Between 1980 and 1990, the land areas of the Janesville and Beloit urbanized areas grew 5 and 24 percent while their populations grew only 3 and 10 percent (Map 29).

THE ECONOMY

Growth in the early 1990s was fueled by durable-goods manufacturing, particularly in the areas of transportation equipment and industrial machinery. In the latter part of the decade, growth in those sectors slowed considerably with major layoffs, and the service, construction and trade sectors contributed most of the region's growth.

The Janesville-Beloit economy is increasingly connected with that of adjacent regions. Almost one in five Rock County workers commute to another county to work. The largest portion goes to Madison or to cities in northern Illinois. Much of Beloit's wealth, in fact, has migrated to northern Illinois.

SOCIAL SEPARATION

The Beloit-Janesville area demonstrates familiar patterns of poverty and race. Pupil poverty is heavily concentrated in the Beloit schools, where the pupil poverty rate was double the regional average of 13 percent in 1988 (Map 25). However, its 26 percent figure represented a 7-point drop from 1993 — the region's greatest decline in that period (Map 26). The position of the Janesville



Large-scale retail development, like Pine Tree Plaza, built in 1998, radically changes the suburban landscape.

of the region's minority pupils attend school in Beloit, while only 15 percent of the region's white pupils attend that district.

FISCAL CAPACITY

Communities in the Janesville-Beloit area are far from equal when it comes to their ability to raise revenue. The city of Beloit had a tax capacity 34 percent below the 1999 regional average (Map 27). The tax capacity of Janesville, while above average, paled in comparison to that of its northern and eastern suburbs, with capacities in some cases almost twice as high. Communities on the northern edge of the county all experienced above-average growth in tax capacity between 1993 and 1999, while those in the southeast experienced below-average increases (Map 28). Beloit's tax capacity, although relatively low, grew at a slightly above-average rate, while Janesville's tax capacity, slightly above average in 1999, grew at a slower-than-average rate in the preceding years.

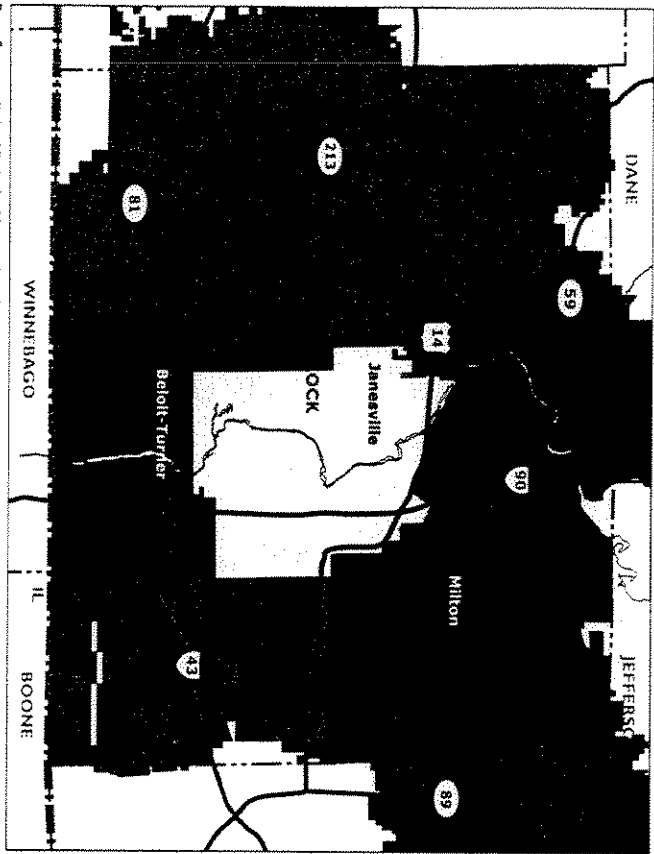
More than three-fourths of the region's population could have benefited from a tax-base sharing program in the 1990s (Map 30). Benefits would have been spread widely with the most significant accruing to the region's most stressed municipality, Beloit.

schools is much less precarious, with a poverty rate of 11 percent, 2 points below the average. Poverty rates declined in seven of the region's 10 school districts in the 1990s with the greatest decline occurring in the highest poverty district — Beloit (Map 26).

Minority pupils are heavily concentrated in the region's poor schools. In fact, 68 percent of the region's minority pupils attend school in Beloit, while only 15 percent

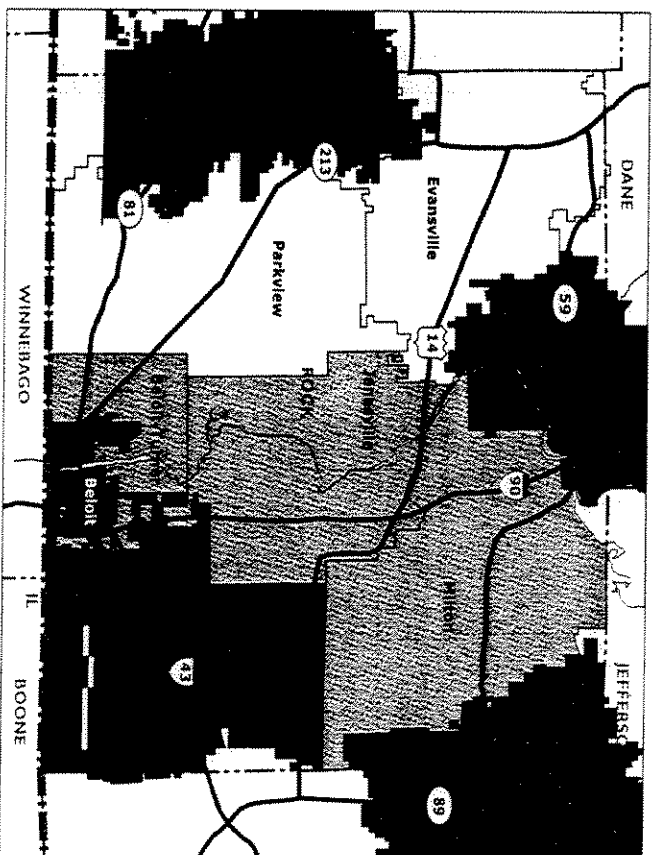
School Poverty

MAP 25: PERCENTAGE OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL DISTRICT, 1998



DATA SOURCE: National Center for Education Statistics.

MAP 26: CHANGE IN PERCENTAGE POINTS OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL DISTRICT, 1993-1998



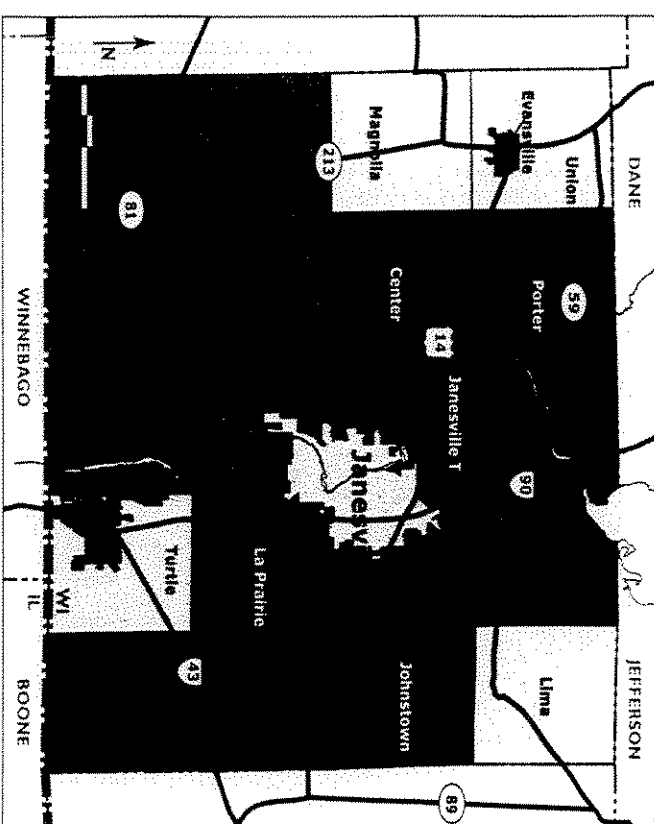
DATA SOURCE: National Center for Education Statistics.

PUPIL POVERTY in the Janesville-Beloit region is heavily concentrated in the Beloit school district, where the poverty rate is nearly 26 percent. Almost half of the region's poor pupils attend Beloit schools, which are home to fewer than one-quarter of all the region's pupils. The lowest pupil poverty rates in the region are found in the tiny Beloit-Turfler School District. Both of its ele-

mentary schools are located within five miles of the much poorer Beloit school district schools. Beloit, however, saw a significant drop in its poverty rate between 1993 and 1998 — over seven percentage points. The Edgerton district, north of Janesville, saw the biggest increase, almost three points.

Tax Base

MAP 27: TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY, 1999



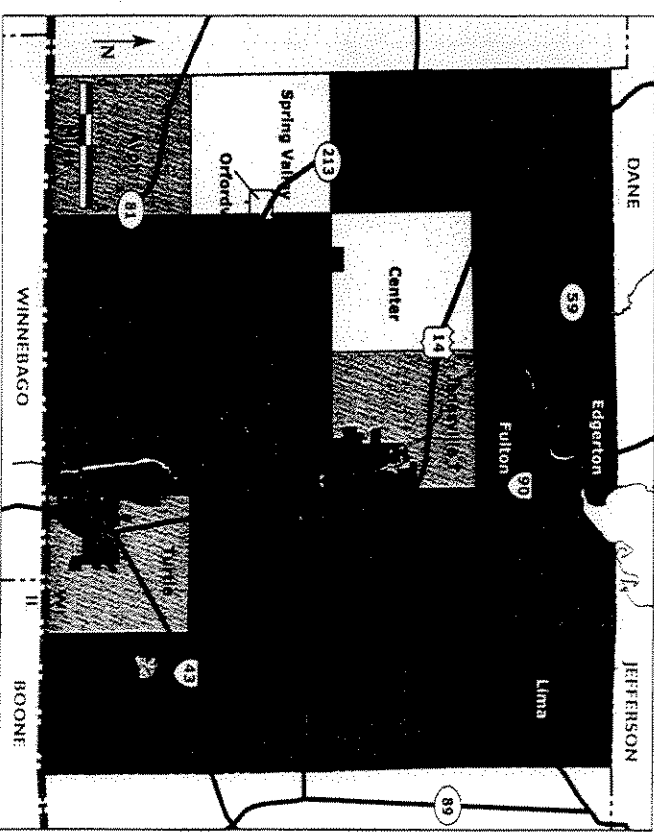
Legend

Regional Value: \$645

■	\$426 to \$517	(3)
■	\$560 to \$639	(6)
■	\$645 to \$851	(5)
■	\$884 to \$907	(3)
■	\$988 to \$1,051	(6)
■	\$1,136 or more	(5)

C - City
T - Town
V - Village

MAP 28: PERCENTAGE CHANGE IN TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY, 1993-1999



Legend

Regional Value: 34.7%

■	15.1 to 17.1%	(2)
■	20.3 to 27.2%	(5)
■	32.0 to 33.8%	(4)
■	34.7 to 36.6%	(3)
■	38.4 to 44.9%	(9)
■	49.7% or more	(5)

Note: 1993 dollars were adjusted upwards by a factor of 1.1280 to convert to 1998 dollars.
1993 CPI = 144.5; 1998 CPI = 163.0
(Base Year: 1982; 1984 CPI = 100)

C - City
T - Town
V - Village

THE TAX CAPACITY of local governments varies widely across the Janesville-Beloit region. The area with the lowest capacity is the city of Beloit, and the areas with the next lowest capacities are its inner-ring suburbs and small satellite villages on the fringes of the region. The areas with the highest capacities are the region's northern and eastern suburbs. Fast-growing, low-capacity suburbs make up most of the western fringe of the region.

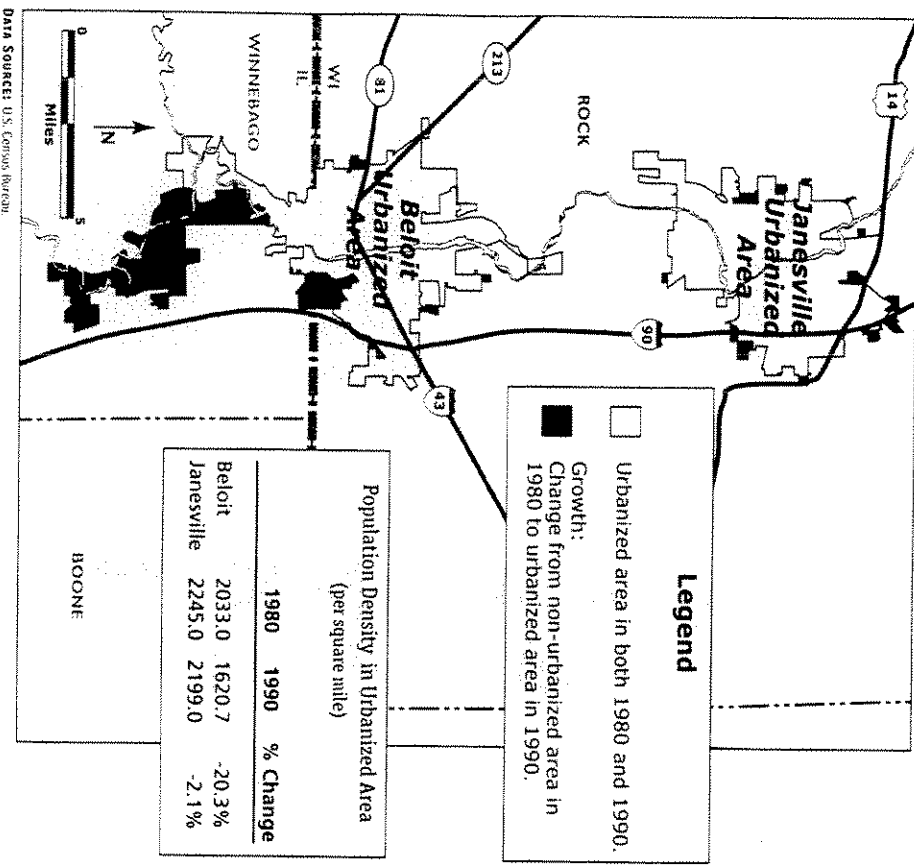
Communities on the northern edge of the county, from Union to Lima, all experienced above-average growth in tax capacity between 1993 and 1999, while those in the southeast, including Clinton, Harmony and La Prairie, experienced below-average increases. Beloit's tax capacity, although relatively low, grew at a slightly above-average rate, while Janesville's tax capacity, slightly above average in 1999, grew at a slower-than-average rate in the preceding years.

DATA SOURCE: Wisconsin Department of Revenue.

DATA SOURCE: Wisconsin Department of Revenue.

Urbanized Area

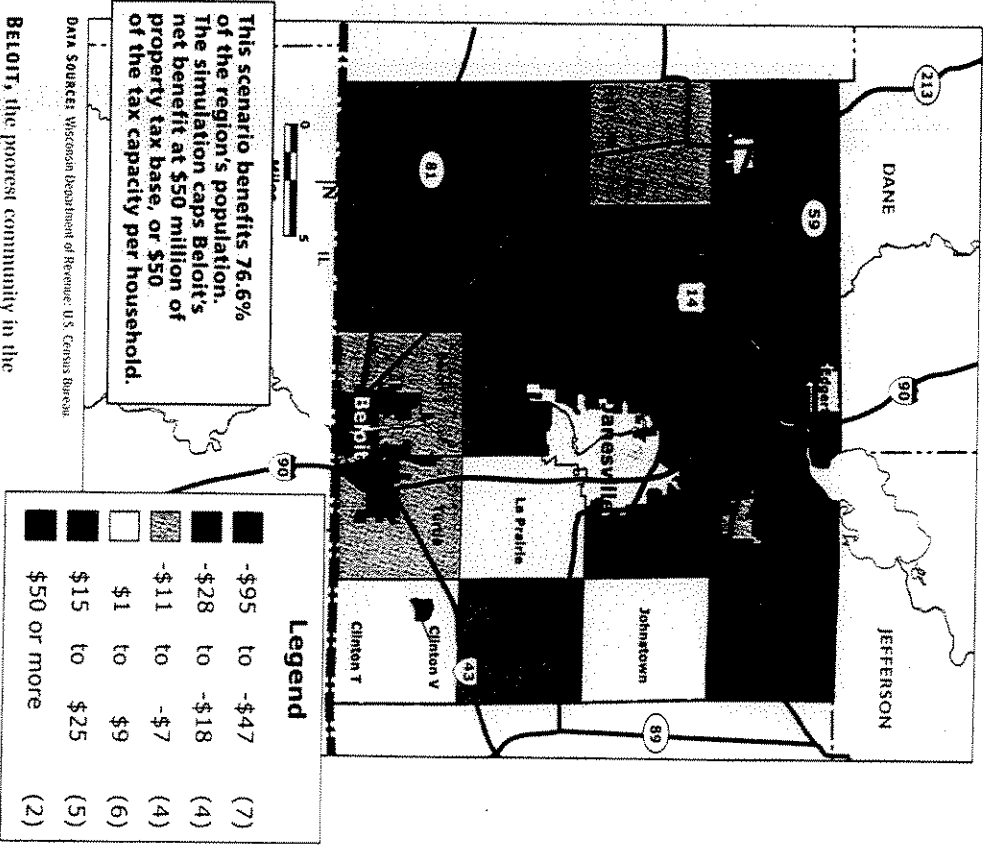
MAP 29: CHANGE IN URBANIZED AREA, 1980-1990



LAND IN URBAN USES increased at nearly four times the rate of population increase in those areas between 1980 and 1990. Most of this growth occurred in the southern portion of the region, in Illinois.

Tax Base Sharing

MAP 30: SIMULATED CHANGE IN TAX CAPACITY PER HOUSEHOLD AS A RESULT OF REDISTRIBUTION OF 40% OF TAX CAPACITY GROWTH ACCORDING TO INCOME PER CAPITA, 1993-1999



This scenario benefits 76.6% of the region's population. The simulation caps Beloit's net benefit at \$50 million of property tax base, or \$50 of the tax capacity per household.

BELOIT, the poorest community in the region, would be the biggest recipient in a tax-base sharing program, along with Orfordville. Communities in the northern metro would have been the largest contributors, with the largest per capita contribution coming from the town of Janesville.

Eau Claire

THE EAU CLAIRE region, comprised of Eau Claire and Chippewa counties, is home to the cities of Eau Claire and Chippewa Falls, and 45 smaller cities, towns and villages. The population grew 8 percent in the 1990s, compared with the statewide rate of nearly 10 percent. That's up from the 1980s, when the region grew just 5 percent. By 2000, 148,000 people lived in the Eau Claire area.

Due to its modest growth, sprawl is less apparent in Eau Claire than in most other Wisconsin metropolitan areas. In fact, between 1980 and 1990, the population in Eau Claire's urbanized areas increased by 11 percent, while urbanized land expanded by only 8 percent. The result is an increase in overall density in the region (Map 35).

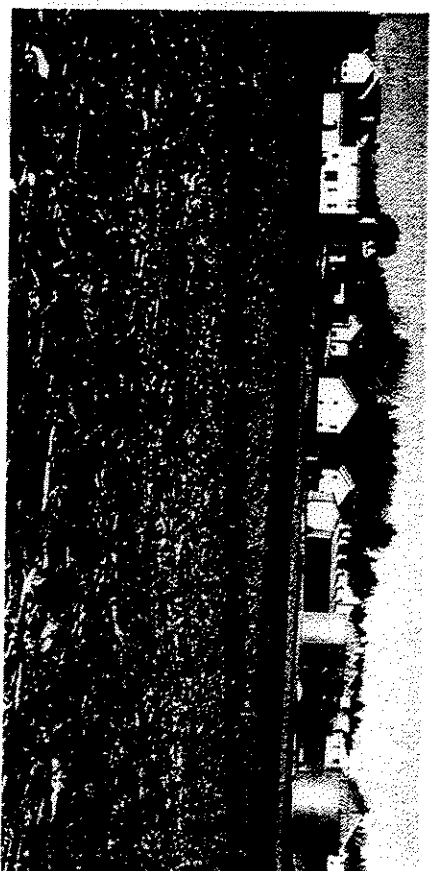
THE ECONOMY

The Eau Claire region, like many in Wisconsin, still counts manufacturing as an important piece of its economy. Most of its manufacturing growth has been in the computer-components industry. The durable-goods manufacturing sector more than tripled between 1993 and 1998, from 1,100 to 3,500 jobs. Most manufacturing growth has been in the cities of Eau Claire and Chippewa Falls.

SOCIAL SEPARATION

Although changes are evident, patterns of poverty around Eau Claire still reflect those of traditional Midwestern rural centers, where the city contains much of the region's wealth and poverty is mainly in the countryside (Map 31). In 1998, pupil poverty was highest in the north and west fringes of the metro, from New Auburn to Augusta.

Changes in poverty from 1993 to 1998, however, seem to indicate a shift to more urban patterns, with poverty concentrating in the urban center and adjacent suburban districts, and a sector of wealth outside of it (Map 32). Large increases in poverty in this period took place in Eau Claire schools, while poverty rates in most outlying districts fell.



The Eau Claire region is also becoming more diverse. Due to considerable rural poverty, minority pupils, highly concentrated in Eau Claire, were less likely than whites to attend one of the region's five high-poverty districts, all located in the outskirts of the metro. But signs of racial segregation are still evident: all of the schools with high percentages of minority pupils are located in Eau Claire while all but two rural schools are more than 97 percent white.

FISCAL CAPACITY

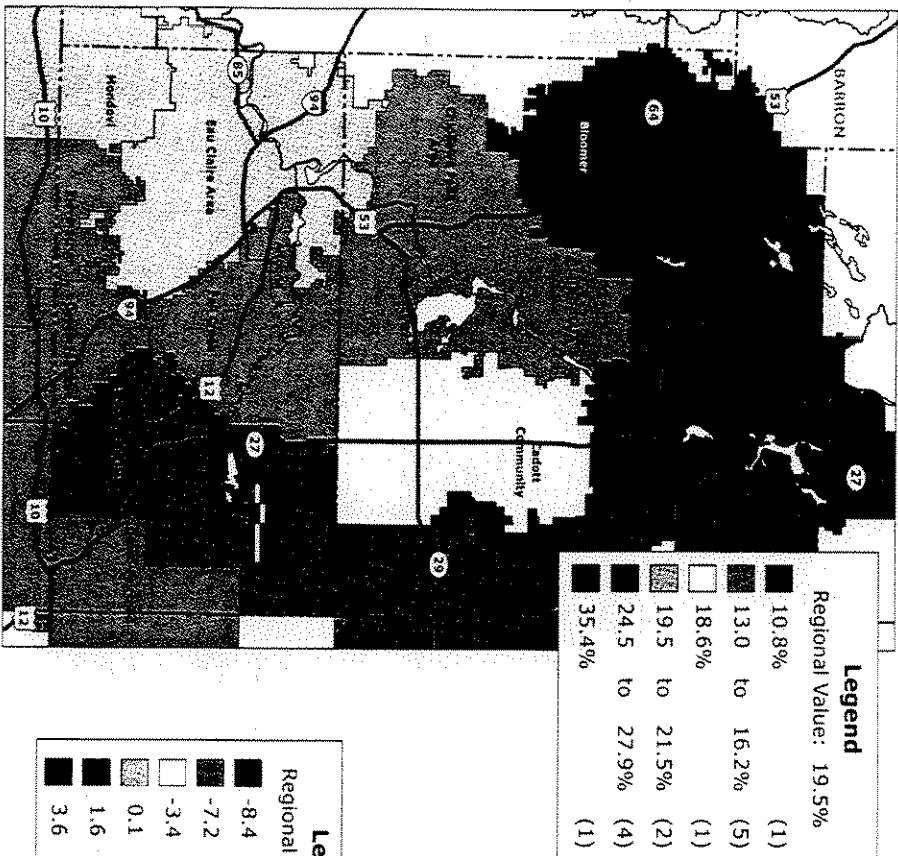
Fiscal disparities among local governments follow similar patterns. The tax capacities of the cities of Eau Claire and Chippewa Falls were 4 and 18 percent below the regional average in 1999, and they grew at below-average rates between 1993 and 1999. (Maps 33 and 34). The highest-capacity areas — Sampson, Birch Creek, Union and Pleasant Valley — are located outside the cities, and all had higher-than-average growth in that period.

Many of the outlying villages — like New Auburn, Cornell, Cadott, Augusta and Fairchild — have low but fast-growing tax capacities. The slowest growth was in Chippewa Falls and in towns on the region's eastern and southern fringes.

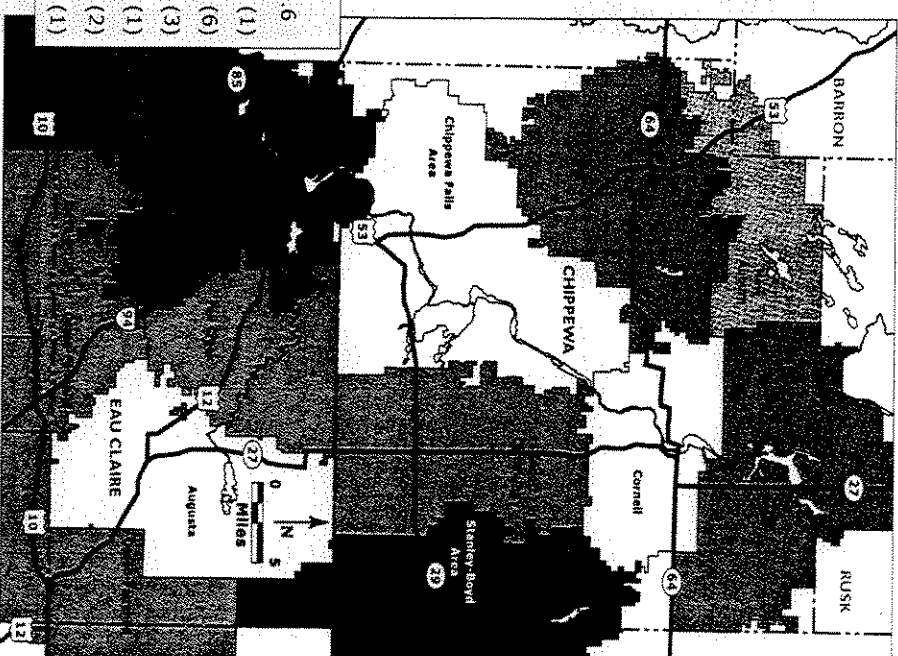
As a result of these patterns, benefits from a tax-base sharing program in the Eau Claire region go to central areas (Eau Claire, Chippewa Falls, and Altoona) and outlying areas, especially in the eastern part of the region (Map 36). More than three-quarters of the region's population would benefit from such a program.

School Poverty

MAP 31: PERCENTAGE OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL DISTRICT, 1998



MAP 32: CHANGE IN PERCENTAGE POINTS OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL DISTRICT, 1993-1998



TWO AREAS of high pupil poverty exist in the Eau Claire region. One is the Eau Claire Area School District, which has a pupil poverty rate of 21 percent, just above the regional average. The other is the rural districts on the northern and eastern edges of the metro, including New Auburn (35 percent), Lake Holcombe (28 percent), Cornell (26 per-

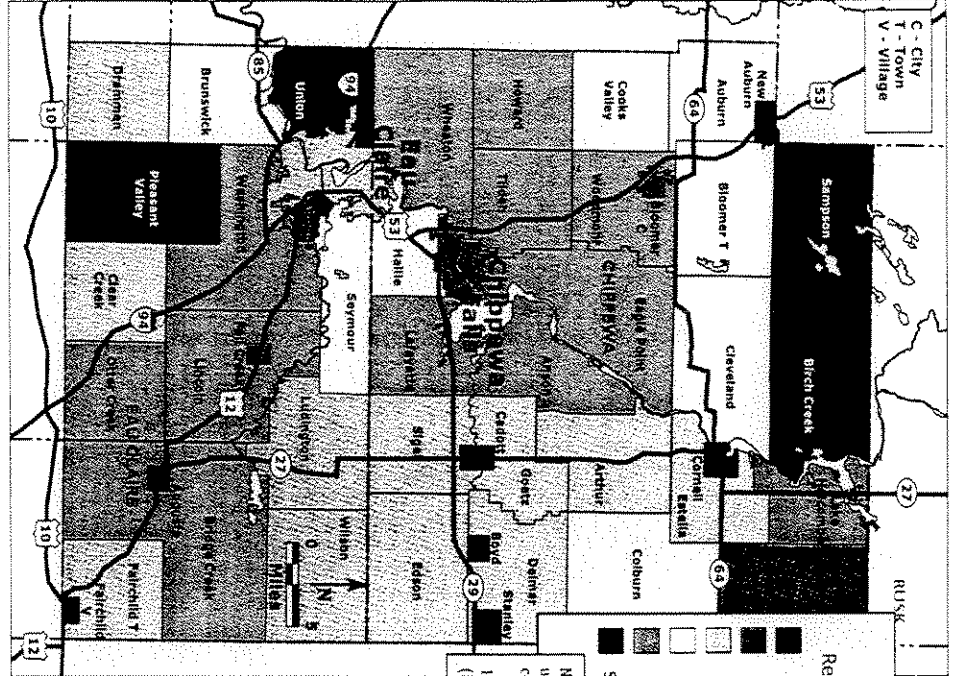
cent), Stanley-Boyd (25 percent) and Augusta (27 percent).

Over time the differences between these areas seem to be shrinking: most rural districts saw decreases in poverty between 1993 and 1998, while the Eau Claire district saw an almost four-point increase in poverty in that period.

DATA SOURCE: National Center for Education Statistics

DATA SOURCE: National Center for Education Statistics

MAP 33: TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY, 1999



Legend
Regional Value: \$616

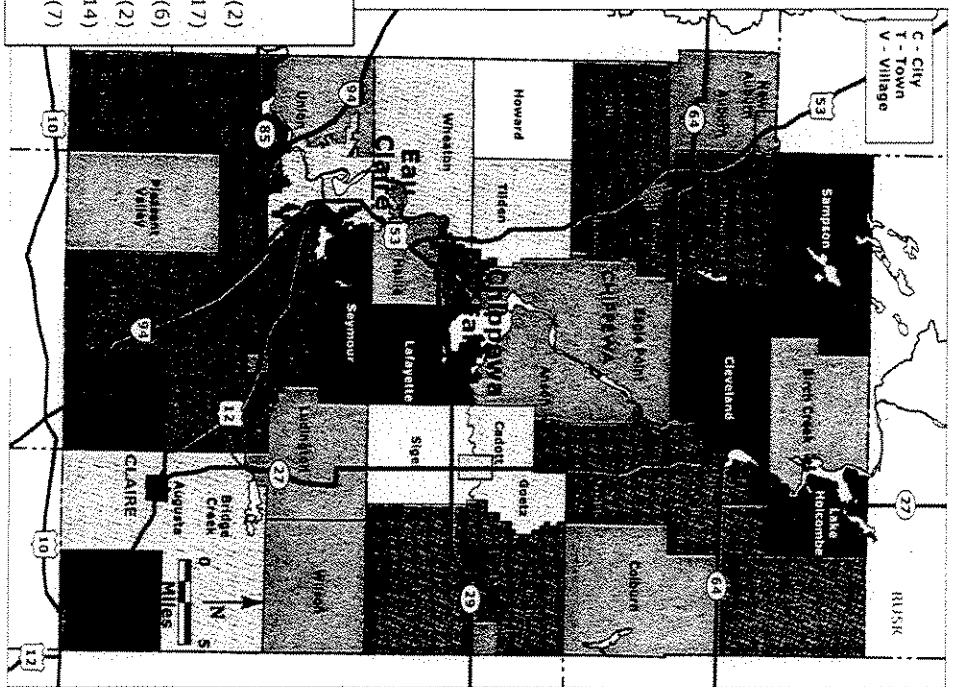
- \$209 to \$395 (7)
- \$442 to \$503 (5)
- \$534 to \$609 (12)
- \$616 to \$700 (8)
- \$726 to \$942 (12)
- \$1,050 or more (4)

Note: 1993 dollars were adjusted upwards by a factor of 1.1280 to convert to 1998 dollars.
1993 CPI = 144.5; 1998 CPI = 163.0 (Base Year: 1982-1984, CPI = 100)

Legend
Regional Value: 43.8%

- 15.3 to 18.4% (2)
- 26.0 to 38.7% (17)
- 40.9 to 43.6% (6)
- 43.8 to 44.8% (2)
- 47.8 to 56.8% (14)
- 60.1% or more (7)

MAP 34: PERCENTAGE CHANGE IN TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY, 1993-1999



DATA SOURCE: Wisconsin Department of Revenue

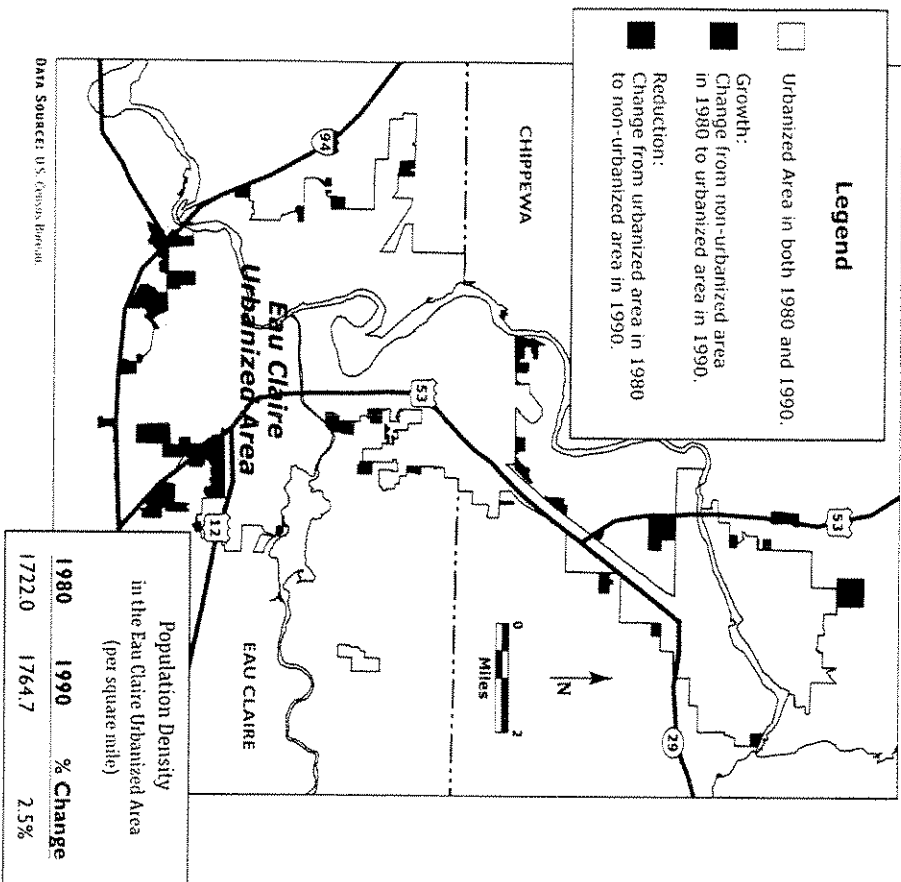
TAX CAPACITY — a community's ability to raise revenue to provide services — is far from uniform among Eau Claire-area municipalities. Low-capacity areas include the central cities of Eau Claire and Chippewa Falls, the inner-ring suburb Altoona, and the rural areas

on the eastern fringe of Chippewa County. High-capacity, low-cost communities exist to the south and east of the city of Eau Claire along Interstate 94 and U.S. Highway 12 and all around the city of Chippewa Falls. Many of the outlying communities — like the

cities of Cornell and Augusta and the villages of New Auburn, Cadott and Fairchild — have low but fast-growing tax capacities. The slowest growth between 1993 and 1999 was in Chippewa Falls and in towns on the eastern and southern fringes.

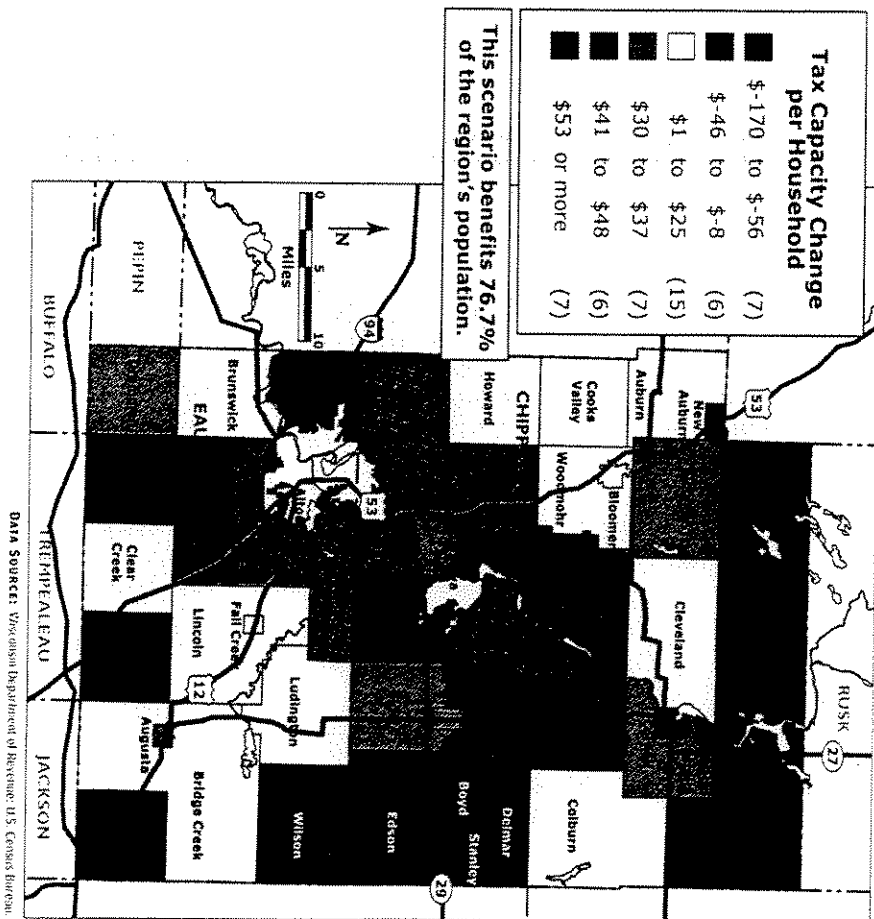
Urbanized Area

MAP 35: CHANGE IN URBANIZED AREA, 1980-1990



Tax Base Sharing

MAP 42: SIMULATED CHANGE IN TAX CAPACITY PER HOUSEHOLD AS A RESULT OF REDISTRIBUTION OF 40% OF TAX BASE GROWTH ACCORDING TO INCOME PER CAPITA, 1993-1999



URBANIZED LAND AREA increased at modest rates between 1980 and 1990, with much of the growth occurring in the southern parts of the region. Population density in the urbanized portion of the region actually increased during the period.

IF A TAX-BASE sharing program had been in place during the mid-1990s, over three-fourths of all Eau Claire area residents would have benefited. The biggest recipients would be the tax-base poor outlying communities along the eastern edge of the region. The biggest contributors would be communities

along the northern edge of Chippewa County — Sampson, Birch Creek and Lake Holcombe — as well as most communities adjacent to Eau Claire and Chippewa Falls. Eau Claire and Chippewa Falls would both benefit from tax-base sharing.

Superior

THE SUPERIOR metropolitan area, situated on the banks of Lake Superior in northern Wisconsin, consists of Douglas County. It is part of the larger Duluth, Minnesota metropolitan area and home to 22 smaller towns and villages. The population grew by less than 4 percent in the 1990s, compared to a growth rate of 6 percent in the 1980s. Most growth has occurred within the city of Superior. In 2000, 43,287 people lived in the Superior area.

THE ECONOMY

Sluggish population growth in the Superior region over the past 10 years is primarily the result of the substantial decline of manufacturing. Between 1993 and 1998, Superior's manufacturing sector shrank almost 20 percent due to the closure of two major non-durable goods factories. Because the area's construction and service industries expanded, the area still gained 1,000 jobs between 1993 and 1998, a 6 percent increase. However, wages in the region are only 82 percent of the Wisconsin average due in part to the replacement of high-wage manufacturing jobs with low-wage service jobs. These conditions make for a relatively weak labor market. Nearly one-quarter of Douglas County workers commute to Minnesota to work. Of those, 90 percent are employed in the Duluth area. There was no increase at all in the amount of land in urban uses on the Wisconsin side of the region between 1970 and 1990 (Map 41).

SOCIAL SEPARATION

Superior's experience with suburbanization and sprawl is unlike that of many other metropolitan areas, in which people move away from the central cities to surrounding areas seeking better schools and public services. In this part of the state, people are moving into the city of Superior from rural areas.

The region has an overall pupil poverty rate of 31 percent, which, along with Milwaukee, is the highest among the seven metros. Poverty in elemen-



Population losses contribute to the decline of traditional downtowns.

Although overall minority percentages are relatively low in the region, racial segregation is evident. The rural Webster school district has the biggest minority enrollment in the area, 21 percent, and the Solon Springs district has the lowest, 1 percent. Although the Superior school district has an overall minority enrollment of only about 8 percent, there is relatively wide variation among its schools: within one mile are two schools, one with a 9 percent minority enrollment and another with 25 percent minority enrollment.

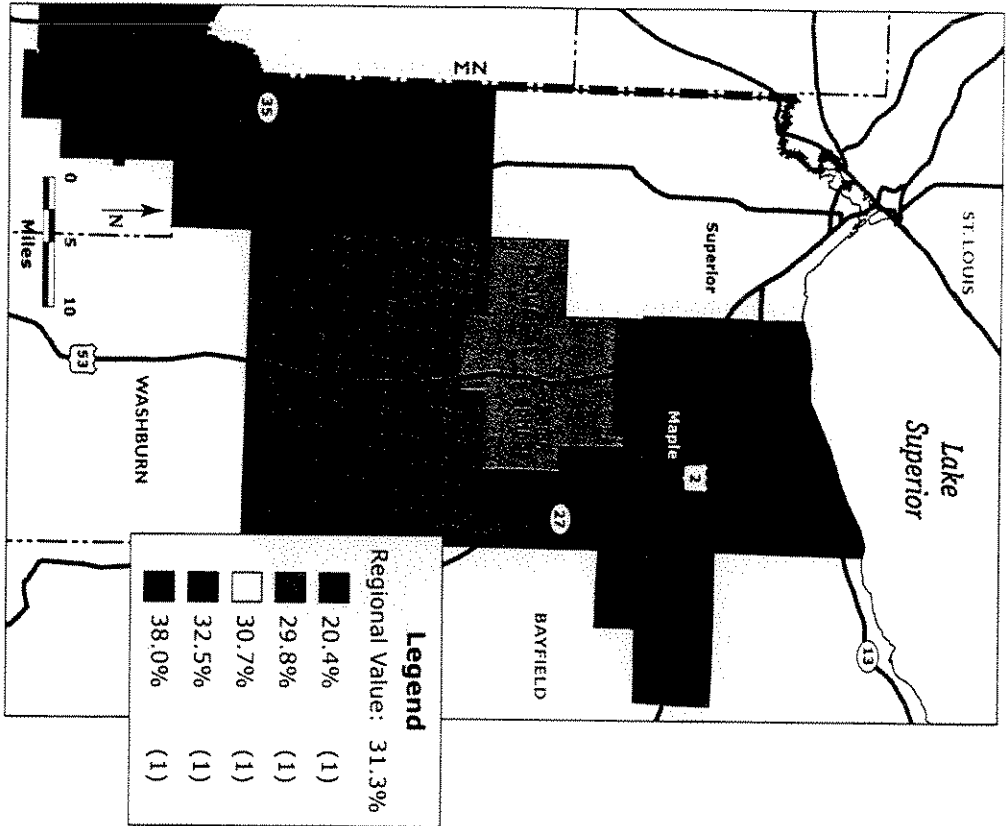
FISCAL CAPACITY

Tax capacities — a community's ability to raise revenue to provide services — are far from equitable across the Superior region, generally rising with distance from the city of Superior (Map 39). The city of Superior itself had a below-average tax capacity in 1999 and that capacity rose at a below-average rate in the preceding six years (Map 40). The townships of Superior and Parkland had similarly low and slow-growing capacities. The townships of Lake Nebegamon, Wascott and Solon Springs had above-average and fast-rising capacities.

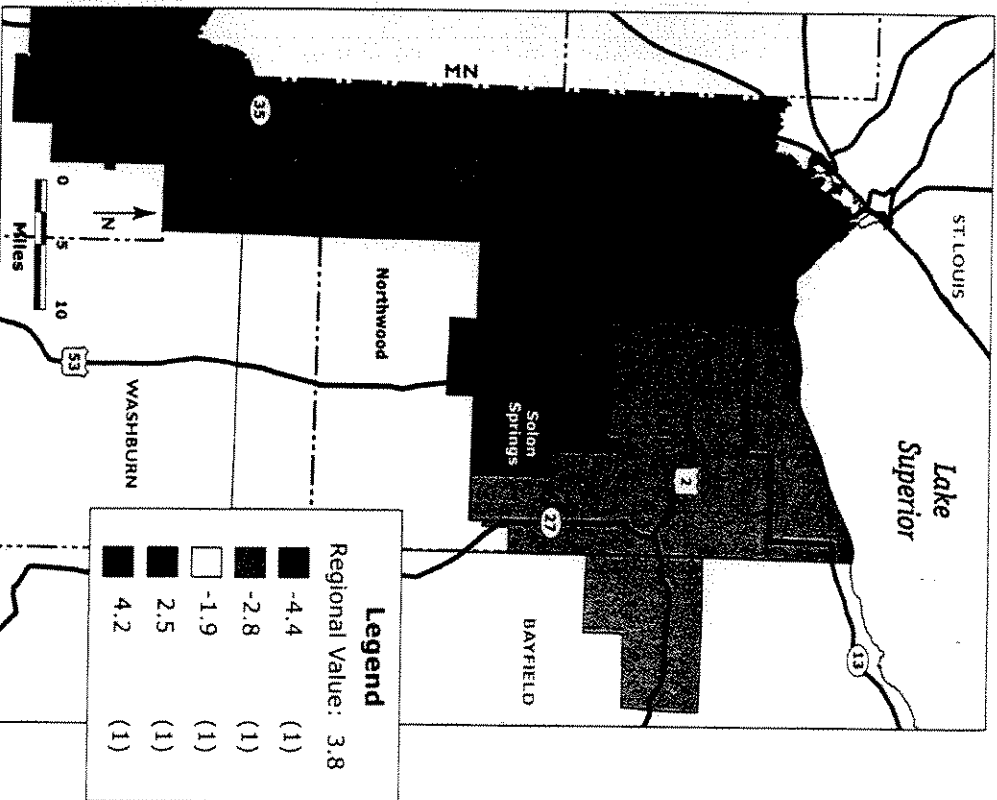
As a result of these patterns, benefits from a tax-base sharing program would flow primarily to the region's core (Map 42). Nearly three-fourths of the region's population would benefit from such a program.

School Poverty

MAP 37: PERCENTAGE OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL DISTRICT, 1998



MAP 38: CHANGE IN PERCENTAGE POINTS OF ELEMENTARY STUDENTS ELIGIBLE FOR FREE LUNCH BY SCHOOL DISTRICT, 1993-1998

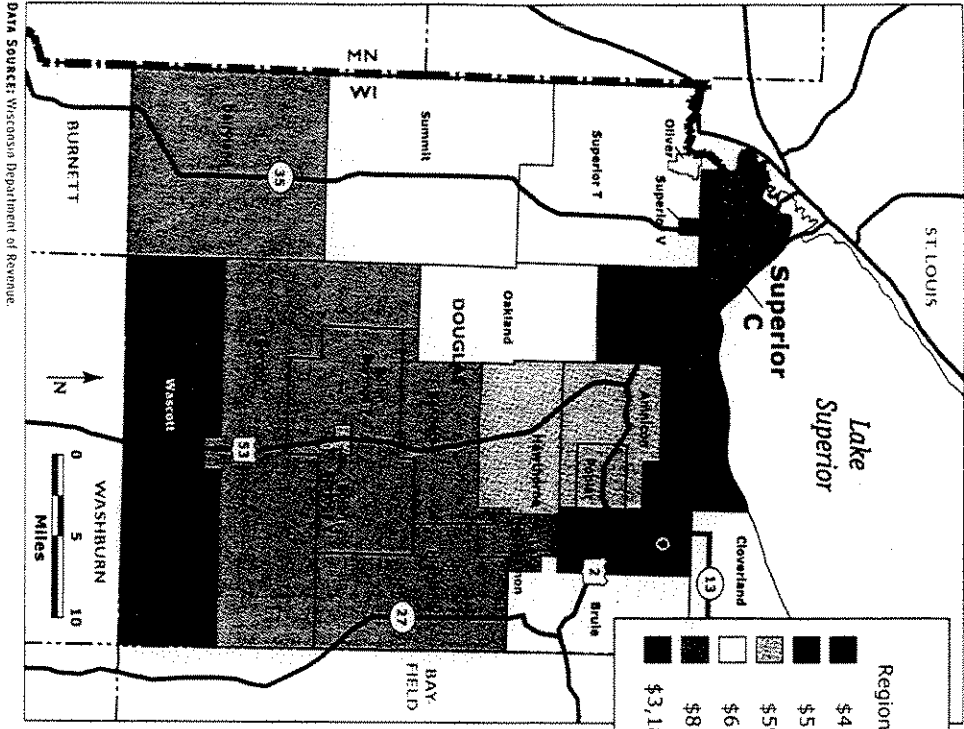


At over 30 percent, pupil poverty is higher across the Superior region than in any of the other metropolitan areas in Wisconsin except Milwaukee. Unlike in most other regions, pupil poverty is concentrated in the two rural outlying rather than in the region's central city.

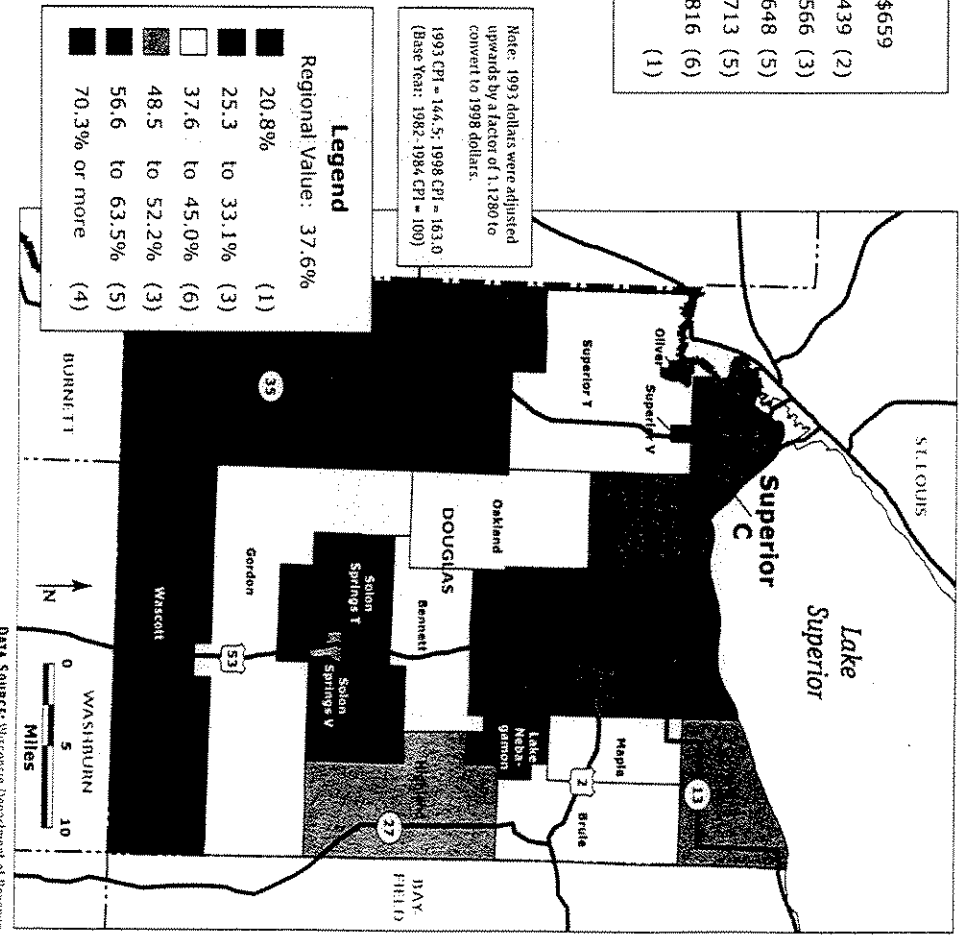
This is not to say that the central city schools are faring well; in fact they experienced the largest increase in poverty between 1993 and 1998—over four percentage points. The two districts with the lowest pupil poverty rates are Maple and Solon Springs, just

outside of Superior proper. While they both experienced increases in poverty in those years, their rates increased at a slower rate than in other Superior-area districts. The Webster district had the highest pupil poverty in 1998, and that rate has been increasing over time.

MAP 39: TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY, 1999



MAP 40: PERCENTAGE CHANGE IN TAX CAPACITY PER HOUSEHOLD BY MUNICIPALITY, 1993-1999

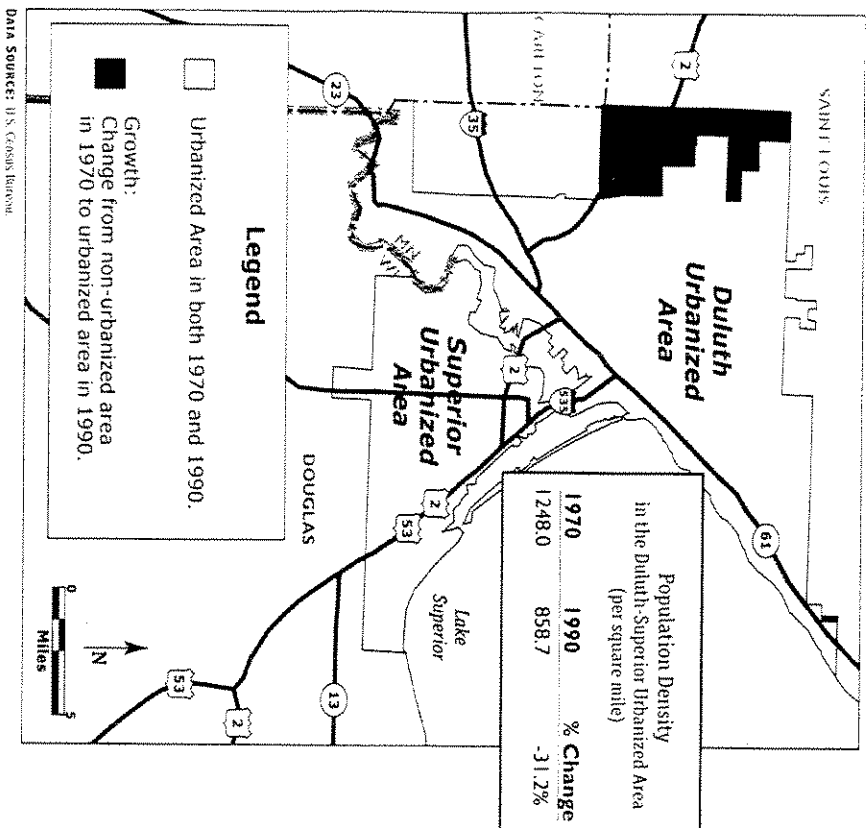


COMMUNITIES in the Superior region are far from equal when it comes to their ability to raise revenue to provide services. Tax capacities are lowest in the central city of Superior and its suburbs to the east, from Parkland and Lakeside to Hawthorne and Maple. The city's slowest increases in tax capacity between 1993

and 1999 (21 and 25 percent increases), and the village of Oliver saw the greatest (122 percent). Lake Nebagamon, the town of Solon Springs and Wascott also significant increases.

Urbanized Area

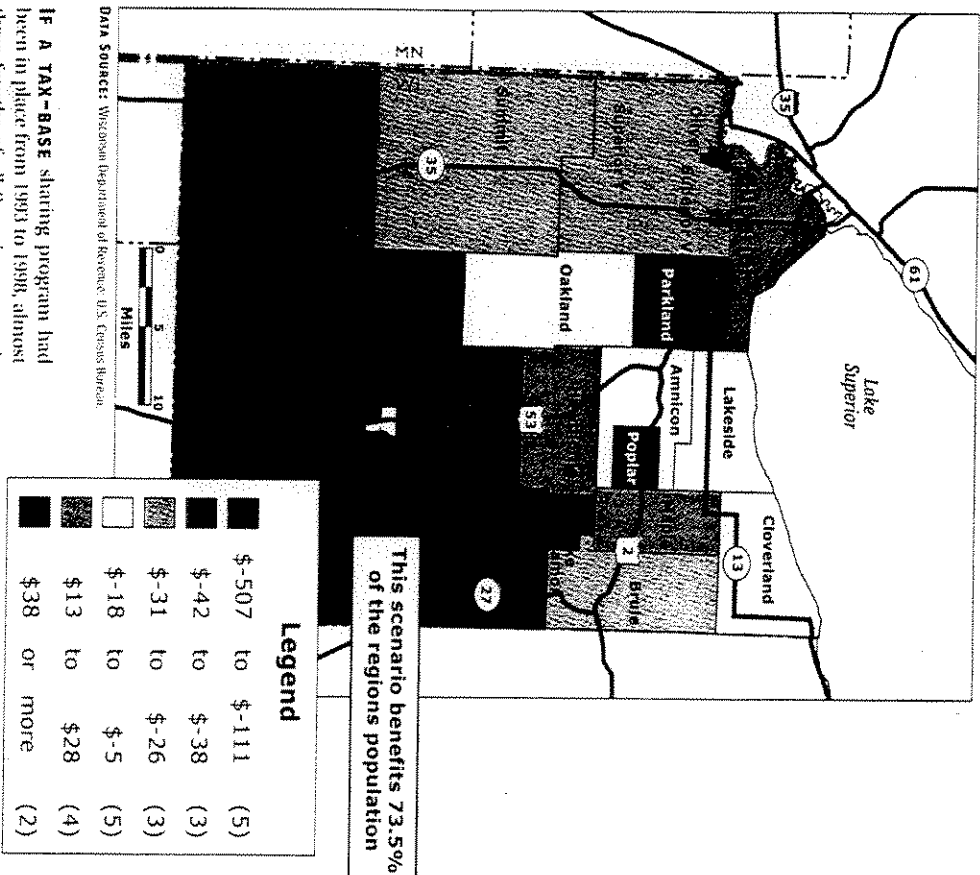
MAP 41: CHANGE IN URBANIZED AREA, 1970-1990



THERE WAS NO INCREASE in the land area in urban uses on the Wisconsin side of the region between 1970 and 1990, a reflection of sluggish economic and population growth.

Tax Base Sharing

MAP 42: SIMULATED CHANGE IN TAX CAPACITY PER HOUSEHOLD AS A RESULT OF REDISTRIBUTION OF 40% OF TAX BASE GROWTH ACCORDING TO INCOME PER CAPITA, 1993-1999



IF A TAX-BASE sharing program had been in place from 1993 to 1998, almost three-fourths of all Superior area residents would have benefited. The biggest recipients (per household) would have been the town of Parkland and the village of Poplar, although the city and village of Superior and towns of Maple and

Hawthorne would also receive significant funds under tax-base sharing. All other local governments would contribute, with the biggest contributors the towns of Wasson and Highland.

Comparing Wisconsin's Metro Areas

WISCONSIN'S METROPOLITAN AREAS embody a very wide range of urban environments — from the big city of Milwaukee to the small regional center of Eau Claire.

There's fast-growing Appleton and the slow-growing regions of Superior and Janesville-Beloit. Manufacturing remains dominant in many places, such as Green Bay, while state government and higher education dominate Madison's economy. This diversity highlights the need for regional decision-making to meet unique needs instead of following one-size-fits-all state policies.

Social separation: School poverty rates in 1998 ranged from 31 percent in the Milwaukee and Superior regions to 11 percent in the Appleton region, a ratio of approximately 3-to-1. The degree of segregation of poor students in these regions varied more. The percentage of poor children who would have to change school districts to achieve an identical mix of students in each one was 61 percent in Milwaukee, and just 4 percent in Superior — a ratio of 15-to-1.

Although poverty was high in Superior, segregation of poor students was low. In contrast, both overall poverty and the segregation of poor students were pronounced in Milwaukee. Indeed, Milwaukee is a special case: in Madison, the region with the next-highest degree of income segregation, only 36 percent of poor students would have to move to achieve balance.

The story of Wisconsin urban minorities is similar, if more dire. The range of minority enrollment in 1998 was slightly greater than poverty — from 42 percent in Milwaukee to 8 percent in Eau Claire — while the range in segregation was smaller. On the high end, 69 percent of minority students in Milwaukee would have to change schools to achieve an identical mix of students in each one. In Superior, 32 percent would need to move.

That is because of the high degree of racial segregation throughout the state: in all seven areas, at least one of every three minority students would have to change schools to achieve parity. In the Janesville-Beloit area it was

59 percent; in Green Bay 48 percent; in the Appleton region, 40 percent. **Urbanized areas:** Density can support efforts to preserve open space and encourage more efficient use of land. But from 1970 to 1990 the increase in the amount of land considered urban in these seven regions — between 8 and 59 percent — in most cases grew much faster than the population within it.

As a result, population density decreased in the urbanized area of six of the seven metro areas — all but Eau Claire, where density increased by 2 percent. The biggest decrease, 31 percent, was in Superior; the second largest, 25 percent, in Appleton. The Superior and Milwaukee urbanized areas actually experienced population decreases during this period.

Fiscal inequality: Municipalities with high tax capacities are able to levy relatively low tax rates to provide the level of services desired by residents. A municipality with low tax capacity, on the other hand, either must levy relatively steep tax rates in order to provide comparable services, or hold the line on taxes and provide fewer, or lower quality, services. Either choice puts them at a disadvantage in the regional competition for jobs and residents.

One way to measure tax-capacity inequality within a region is the ratio of tax capacity in a high-capacity place (the one at the 95th percentile) to the tax capacity in a low-capacity community (the one at the 5th percentile). The highest ratio among Wisconsin regions, 4.1, is in Superior. That means that if all places in the Superior area levied the region's average tax rate, the high-capacity place would generate four times the revenue of the low-capacity place. The lowest ratio among Wisconsin regions was in Green Bay, was 2.2, down from 2.5 in 1993.

These Wisconsin disparities are all relatively low by national standards. For instance, in 1999 Milwaukee had the smallest ratio of the 25 largest metropolitan areas, 3.3 — just edging out Portland and Minneapolis-St. Paul, and way ahead of Chicago, St. Louis and Cincinnati, which had ratios from 11.9 to 31.6.¹⁰

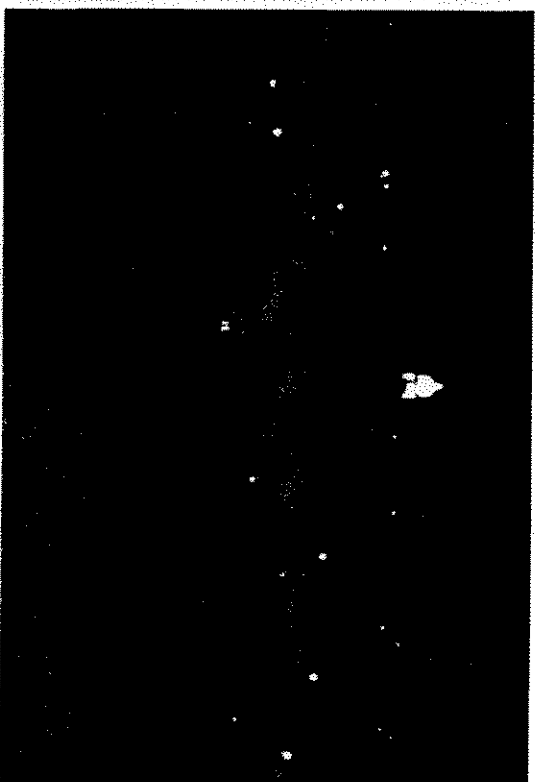
Regional Strategies for Balanced Growth

PATTERNS OF **INEQUALITY** vary in important ways across Wisconsin's urban centers. In the state's largest metropolitan area, Milwaukee, the problems — sprawling development on the edge, deterioration in the core, increasing separation by income and race, and growing fiscal disparities among local governments — have hindered the city's ability to contribute to regional economic growth. The situation in the small- and medium-sized metropolitan areas is not so problematic, but current trends clearly highlight the potential for growing disparities down the road.

Wisconsin's metropolitan areas are at widely varying stages of development. It is very difficult, if not impossible, to design state-wide policies that can accommodate this diversity. At the same time, many public activities now carried out by local governments have consequences beyond their borders. Natural systems spread the costs and benefits associated with water, sewage, and sewage treatment programs; regional housing markets spread the costs and benefits of affordable housing programs, land use restrictions, and income redistribution activities; regional labor markets spread the costs and benefits of economic development and education activities; transportation systems spread the costs and benefits local street and bridge maintenance and enable non-residents to enjoy locally maintained amenities such as parks.

When local actions have regional consequences, local and regional interests can diverge. An activity that makes perfect sense based on a local evaluation of the potential costs and benefits may be very undesirable from a regional perspective because many of the costs are not felt locally. Another activity may not seem worthwhile from one locality's perspective but be highly beneficial from a regional point of view because many of the benefits accrue to residents of other communities. In these cases, some form of regional participation in decision-making is preferable to complete local autonomy.

In short, regional problems require regional solutions. Broad policy



areas where reforms are most needed to combat social separation and wasteful sprawl include:

- Greater **fiscal equity** to equalize resources among local governments.
- Smarter **land-use planning** to support more sustainable development practices.
- A coordinated **regional economic development strategy** to make entire metropolitan areas more competitive.
- Accountable **metropolitan governance** to give all communities a voice in regional decision-making.

In addition to addressing individual problems, these strategies are mutually reinforcing. Successfully implementing one strategy makes implementing the others much easier, both substantively and politically. Regional approaches can also be more easily tailored to reflect the specific circumstances of individual metropolitan areas.

FISCAL EQUITY

Wisconsin has a long and commendable tradition of reducing disparities in the fiscal condition of local governments. The state government aid system is among the largest in the country. In fact, in the late 1990s only three states provided more aid (as a percentage of total local expenditures) than Wisconsin.¹¹ Its system is also among the most equalizing: in MAFIC's study of the 25 largest metropolitan areas, state aid in the Milwaukee area reduced inequality to a greater extent than in any of the other 24 metropolitan areas.¹² However, the system is expensive and there has been some erosion in the extent to which it reduces fiscal inequality (see bottom panel of Table 1).

In 1999, the amount of money that municipalities received in aid actually exceeded local tax capacity — the revenue that would be generated by assessing the regional average property tax rate to the actual property tax base — in six of seven metropolitan areas. The overall result was a very significant reduction in disparities (measured by the ratio of the 95th percentile tax capacity per household to the 5th percentile capacity¹³). For instance, in Madison, the ratio of local tax bases alone was 3.5 in 1999. This was reduced by 40 percent (to 2.1) after aid flows. However the equalizing effects of the system clearly declined between 1993 and 1999.

Despite the fact that *pre-aid* disparities (disparities in local tax capacity alone) improved in six of the seven regions, disparities in *post-aid* resources (local tax capacity plus aid) worsened in four of the seven metropolitan areas, were con-

stant in two and improved in only one. The aid system clearly lost some of its equalizing capacity.

Adding to the problem is the fact that some state aid programs were not designed to reduce fiscal disparities among local governments in the first place. Examples include general transportation aid and the School Levy Tax Credit, which — unlike other forms of state funding of education — is not distributed on an equalizing basis.

The effects of economic disparities within a metropolitan area are reflected in brick and mortar. The value of the homes and businesses in a community largely determines local tax capacity, because local units of government in Wisconsin are highly dependent on the property tax for their local revenues — more so than their counterparts in many other states.¹⁴



Desirable schools are important features of stable neighborhoods.

slightly exceeds that of the city of Racine. Yet their combined population is less than 80 percent that of Racine. In addition to obvious equity implications, disparities of this sort contribute to the costs of state aid programs — the city of Racine receives a shared revenue payment from the state \$27.5 million a year.

There are regional policies available that can both enhance the equalizing effects of state-wide aid systems and decrease the incentives for local governments to engage in wasteful competition for tax base. A tax-base sharing program like the Twin Cities Fiscal Disparities program can do both. Since 1971, local governments in the Minneapolis-St. Paul region contribute 40 percent of their growth in commercial-industrial tax

Regional policies can decrease incentives for local governments to engage in wasteful competition for tax base.

Photo credit: Jeff Thompson

counties' predisposition to deliver services in rural areas, not urban areas. It has been estimated that Wisconsin counties spend \$180 less per person on services to city and village residents than on services to town residents.²³

Overall, the current system of regional governance is itself fragmented with powers divided among different actors, none of which have the mandate to exercise strong oversight. There is a clear need to develop fairly apportioned, accountable and directly elected regional institutions to address the best interests of the states' diverse regions.

ENDNOTES

- 1 For a general discussion of housing discrimination, see John Yinger "Testing for Discrimination in Housing and Related Markets," *A National Report Card on Discrimination in America*, ed. Michael Fix and Margery Austin Turner (Washington D.C.: The Urban Institute, 1998).
- 2 Orfield, Myron, *Milwaukee Metropolitan: A Regional Agenda for Community and Stability* (Champaign: MAJ, 1998).
- 3 Larry C. Ledebur and William R. Barnes, "All in It Together": Cities, Suburbs and Local Economic Regions (Washington D.C.: National League of Cities, 1993); and William R. Barnes and Larry C. Ledebur, City Districts, Metropolitan Disparities, and Economic Growth (Washington D.C.: National League of Cities, 1992).
- 4 Richard Veith, "Do Suburbs Need Cities?" *Journal of Regional Science* 38(3): 445-464, 1998.
- 5 A student is eligible for free lunch if his or her family income is less than 130 percent of the poverty line.
- 6 Milwaukee ranked 14th worst among the 25 largest metropolitan areas by this measure in 1997. See Orfield, Myron, *American Metropolitan's*, Brookings Institution, forthcoming 2002, Table 3-2.
- 7 High poverty schools are defined as those with a poverty rate at least 25 percent higher than the regional average.
- 8 Myron Orfield, *American Metropolitan's*, Brookings Institution, forthcoming 2002.
- 9 Data on free-lunch eligibility is available only at the district level.
- 10 See Orfield, Myron, *American Metropolitan's*, Brookings Institution, forthcoming 2002, Table 3-4.
- 11 See Orfield, Myron *American Metropolitan's*, Brookings Institution, forthcoming 2002, Table 6-1.
- 12 *ibid.*, Table 1-4.
- 13 The degree of tax-capacity inequality within a region can be measured—and compared to other regions—by looking at the ratio between high-capacity and low-capacity communities. This study compares the tax capacity of the community at the 95th percentile to the tax

capacity of the community at the 5th percentile. Such a measure excludes any localities that are unusually high or low and provides a figure that can be compared over time or space. A high ratio reflects greater inequality; a low number reflects less equality.

14 "Revenue Options for Wisconsin Municipalities," Wisconsin Taxpayers Alliance, September 1998.

15 The program narrows tax base inequality by a significant amount. It reduces the ratios of the 95th percentile to 5th percentile jurisdictions from 4.8 to 3.6 and of the highest to lowest cities with a population of over 9,000 from 15 to 5. See Thomas Lane, "Regional Tax Base Sharing: The Twin Cities Experience," in Helen E. Ladd, *Local Government Tax and Land Use Policies in the United States*, (Northampton: Edgar Publishing, 1999) and Citizens League, "26th Annual Tax Base Sharing Analysis," *Minnesota Journal*, January 2000. Available at: http://www.citizensleague.net/mj/2000/01/fiscal_disparities.htm

16 The simulations assumed that 40 percent of growth in property tax base between 1993 and 1999 was put into a separate pool for each region and redistributed to localities based on local income per capita. (Places with lower-than-average per capita income receive a share of the pool that is greater than their share of population; those with higher-than-average incomes receive a share smaller than their population share.)

17 see Wood, Orfield & Rogers, *Milwaukee Metropolitan: Sprawl and Social Separation in Metro Milwaukee*, Center for Wisconsin Strategy, August 2000.

18 "Planning Wisconsin: Report of the State Interagency Land Use Council," July 1, 1996, p. 2.

19 s. 65.0317, Wisconsin Statutes.

20 s. 66.1001, Wisconsin Statutes.

21 White, Sammis B., "The Hearing Nineties: Wisconsin's Regional Employment Growth," Wisconsin Policy Research Institute, August 2000 (citing University of Wisconsin-Milwaukee data). See Tables 2 and 14.

22 "Three counties sign recycling, hand-use pact," *Green Bay Press-Gazette*, Nov. 14, 2001.

23 "County Spending and the Implicit Subsidy to Urban Sprawl," M. Kevin McQue, Dept. of Economics, UW-Oshkosh, February 2000.



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CHALLENGE ACADEMY FACT SHEET

- The prevailing conditions
 - 49% of prisoners in Wisconsin have no HS diploma or equivalent.
 - WI DOC: 87% of juvenile inmates do not have secondary school credential of any sort.
 - Non-HS graduates are 5 times less likely to have a job, and, if they do, will earn 50% less over their lifetimes.
 - WI DPI: For SY 99-00, 6,441 drop outs and 47,483 habitual truants in grades 9-12. That represents about 18% of all HS youth in WI.
 - US DOJ: Studies demonstrate that truancy is an early predictor of future delinquency and criminal behavior.
 - US DOJ: Each youth who leaves HS for a life of crime and drug use will cost society between \$1.7 - \$2.3 million over their lifetimes!
 - Challenge Academy is the only state-sponsored, residential program designed specifically for youth at-risk of not completing high school.
- The Challenge Academy
 - Began operation in September 1998 at Fort McCoy.
 - Graduated 530 cadets in seven classes.
- Program Funding
 - Funding is split between the federal government and the state at ratio of 60%/40%. By providing the state matching money, the state accrues \$1.68M in federal funding annually.
 - To date, each graduate has cost \$18,491 of which \$7,396 has been paid by the state. The \$7,396 is \$1,283 less the statewide average cost per student per year (\$8,679) according to DPI's School Report of 99-00.
- Academic Achievement
 - 84.7% of graduating cadets have received their HSED [434 during the Residential Phase and 15 during the Post-Residential Phase]. Class VII achieved an HSED success rate of 93.2%!
 - On the average, each graduating cadet has shown a +1.5 grade level change in Reading and +1.7 in Mathematics during five months of academic effort as measured by the Tests for Adult Education (TABE).
- Mentoring
 - 908 mentors fully trained thus far. Anticipate training 168 more mentors for Class VIII in February.
 - The Challenge Program is the second largest mentoring effort in the State of Wisconsin. Only the Big Brother and Big Sisters mentoring program is larger.
 - The national Challenge Mentoring program recently received recognition for program excellence by the National Mentoring Partnership, a non-profit organization designed to promote mentoring nationally.
- Cost Comparisons, in terms of GPR:
 - Average annual public school cost per student in Wisconsin for SY99-00 was \$8,679, of which two-thirds is funded by state GPR (\$5,786).
 - On the average it costs Wisconsin \$59,800 in GPR to support one incarcerated juvenile for one year.
 - On the average it costs Wisconsin \$22,600 in GPR to support one incarcerated adult for one year.
 - On the average it has cost \$18,491 per graduate from the Challenge Academy, \$7,396 (40%) of which is borne by state GPR.
 - Challenge Academy costs compare favorably with regular schooling when considering the Challenge Academy is a residential program that provides each cadet complete clothing, three meals a day, 24 hour/7 days a week supervision, and schooling, counseling, life skills, recreational, and character development services for 22 weeks for each of two annual classes. Most students attending the Challenge Academy are two or more years behind their graduating class, and would, therefore, require at least two more years of schooling to achieve a high school diploma (\$5,786 x years to complete).



The Associated General Contractors of Wisconsin

4814 East Broadway, Madison, WI 53716 • (608) 221-3821 • Fax: (608) 221-4446

Testimony of Associated General Contractors of Wisconsin Presented By: Jim Boullion, Director of Government Affairs

Joint Finance Committee Hearing on Special Session Assembly Bill 1
UW-Marathon County Theater - Wednesday, February 20, 2002

My name is Jim Boullion. I am the Director of Government Affairs for the Associated General Contractors of Wisconsin. I am here to let you know that the two Wisconsin Chapters of the Associated General Contractors, the Wisconsin Chapter and the Milwaukee Chapter both support the Budget Reform Bill that was presented by Governor Scott McCallum.

Governor McCallum had to make some very difficult choices concerning spending priorities. We wish that there were some better alternatives, but we have yet to hear them. We feel that the Governor is on the right track by targeting where those cuts will come rather than making across the board cuts. We agree with the Governor that the State should do everything we can to maintain support for our State school system. We also like his idea of looking at structural changes in the way local governments are run to make them as efficient as possible.

We feel that the key to getting the State budget back in shape is a rejuvenation of the State economy. We are very concerned that if the alternative to targeted cuts for fixing the shortfall is to raise taxes that we will delay the economic recovery.

We regret the fact that local governments may have to bear the brunt of the financial hit. This will result in many changes to local spending priorities and the cutting back of many deserving programs. We also realize that many of these cut backs will result in the delay or even elimination of some local construction projects. Our contractors don't especially like this result, but they realize that we are going to have to put up with some cutbacks like everyone else. We hope that by adopting something close to the Governors plan we will help to end these hard times for everyone.

Finally, there is one particular provision that is of interest to the construction industry that we hope you will support again. That is the proposal to reduce the retainage on public construction projects. I say "again" because this proposal was in the Budget Bill that you passed last summer, but was vetoed by the Governor over concern with the drafting language. We worked with the Governor and Dept. of Administration to address their concerns, and he has included the proposal in AB 1.

This proposal allows the state or a local government entity to retain up to 5% of the money they owe a contractor until the project is finished. Currently, state law requires that 10% of the money owed to a contractor for a public project be withheld until the project is 50% completed. To save time, I will not go into a long explanation on the merits of this plan. Rather, I have attached a summary of the proposal to my testimony.

Thank you for your time and consideration. I will be happy to try and answer any questions.

AGC of Wisconsin and AGC of Greater Milwaukee are two of 101 chapters of the AGC of America, the strongest, oldest and most widely respected construction association in the country. These chapters provide their 900+ affiliated firms with a comprehensive array of Educational, Safety, Legal, Environmental, Legislative, Public Relations, Labor Relations, and Industry Relations services and are the recognized leaders of the construction industry in Wisconsin.



The Associated General Contractors of Wisconsin

4814 East Broadway, Madison, WI 53716 • (608) 221-3821 • Fax: (608) 221-4446

February 14, 2002

Dear Legislators,

Associated General Contractors of Wisconsin would like to ask for your support in changing Wisconsin's current law regarding retainage on public projects.

Retainage is the holding back of a portion of the amount earned by a contractor, even though the contractor has properly completed his work. Wisconsin Statute 66.0901 (9) (b) requires public owners to hold back ten percent of the money earned by the contractor on the first 50% of the project. [The statute does not require retainage on the second half of the project if satisfactory progress is being made.]

The premise was that contractor profit margins are ten percent. But this is not the case. Studies show that contractor pretax profit margins vary in a 2% to 4% range. The practice of holding back retainage, then, forces contractors to borrow on their credit lines simply to meet weekly payrolls. This is a particularly tough financial burden for smaller, specialty contractors, including minority contractors, whose bank lines are limited and costly.

This proposal would change the retainage percentage from a mandatory 10% on the first half of a project to up to 5% on the entire project. This revision in the retainage percentage will ease an unfair funding burden on contractors and allow State and local governments to negotiate favorable terms with contractors in order to modify the retainage amount. Also, we believe that lowering this financing cost for contractors will lower construction costs for taxpayers.

Reducing the retainage percentage will benefit general contractors and specialty contractors alike. Whether the economy is robust or slowing down, this proposal provides cost-effective relief both for contractors and for taxpayers.

We hope that you will support this important change.

Please contact me if you have any questions.

Sincerely,

Jim Boullion
Director of Government Affairs



American Subcontractors Association of Greater Milwaukee, Inc.

P.O. Box 26753, Milwaukee, WI 53226 • (414) 276-1743 • FAX: (414) 276-4420

February 14, 2002

Mr. Robert Cramer
Division of Facilities Development
State of Wisconsin
101 E. Wilson St., 7th Floor
Madison, WI 53707-7866

RE: Reduction of retainage percentage on public projects (Budget Reform Bill)

Dear Rob:

This letter is to reaffirm the cost savings rationale for the provision to reduce the retainage percentage on public projects to "up to 5%" from the "10%" in the current statute. Also, we urge that this provision apply to all public projects, as we had discussed, not just "state" projects.

I. In surveys of contractors, by a wide margin most say they would be able to offer a lower price on a project if retainage were lower. As reported in the Daily Reporter, 2/20/2001, the average discount for no retainage is 3.1%. This proposal would reduce retainage from 10% to 5%, so a reasonable estimate of the cost savings for public entities would be 1.0% to 1.5%.

The State funds its own construction projects and a significant portion of school projects. So an average 1.25% reduction in construction costs would be a material savings in the state budget. For every \$100 million of construction spending, the estimated cost savings would be \$1,250,000.

A leading general contractor noted in a June 5, 2001 Daily Reporter news report that since public entities are protected by the bonds, they don't need retainers. "When contractors face retainers and bonding, they are basically paying twice." He further noted that (reducing retainage) reduces the cost of doing business and is "a good thing for everybody." I estimated, in this article, that the cost of construction would go down between 1% and 2%. "If a contractor is getting 95% instead of 90%, then that is one less unknown built into the cost structure."

II. We urge that the proposal be amended, if not already amended, to apply to all public projects -- not just state projects. As noted above, the State has a vested interest in controlling construction costs, especially school projects, at the local level. The same cost savings that would occur on state projects would also apply on local projects, which would lower the amount of State funding necessary for these projects.

Second, by improving the cash flow to the contractor with retainage reduction you stimulate the ability of contractors to perform on these contracts, and you improve

Mr. Robert Cramer
February 14, 2002
Page Two

the contractors ability to bid and perform on future contracts.

Retainage reduction is one of the quickest ways that the State can stimulate the construction sector of our economy, which will contribute to the economic recovery process and the ensuing growth of individual and corporate tax revenues are occur with a growing economy.

The proposal to reduce the retainage percentage from 10% to "up to 5%" is most appropriate to remain in the Budget Reform Bill, amended to include all public projects.

Sincerely,



Donald Croysdale
Executive Director

cc: Rep. John Gard
Sen. Russ Decker
Todd Stuart

JOINT COMMITTEE ON FINANCE

RE: STATE BUDGET AND SUPPORT OF PUBLIC SCHOOLS

**FROM: DR. DAVE SMETTE, SUPERINTENDENT
MARSHFIELD PUBLIC SCHOOLS**

The Marshfield Public Schools support the proposed budget presented by Governor Scott McCallum. We would strongly oppose any suggestion of across the board reductions.

The Marshfield Public Schools have been struggling under the Revenue Caps the last several years. With a long history of being a very well managed school district, we have still encountered very hard budget times with inflationary costs and declining enrollments far exceeding the increases in the Revenue Caps. We have had budget deficits of some \$2 million over the last two years and consequently have had to reduce all areas of the budget.

Those reductions have included some 20 staff members and with them programs such as health, strategies, Gifted/Talented, counselors, and reading specialists. We have also reduced budgets for textbooks, maintenance, technology, bus routes, and supplies.

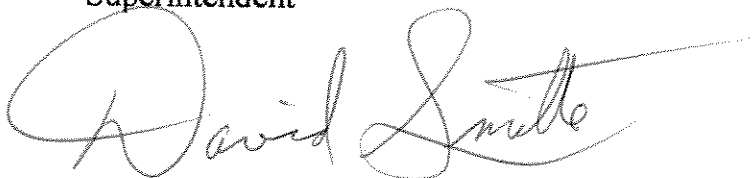
We are facing a budget deficit this year of some \$850,000 of which some \$700,000 will need to be in staff reductions. At the elementary level we are looking at increasing class size. At the upper levels, the elimination or reduction of many of our electives and Advanced Placement courses.

The next several years look just as bleak under the Revenue Caps with reductions of over \$ 1 million in each of the next three years.

We have been a high quality school that has been awarded "Best in Class" by WMC for several years. In other words, we have been a school that is seen as having high student achievement and managed in a very fiscally responsible manner.

The quality of our school system is in jeopardy. Further reductions would be devastating.

Sincerely,
Dr. Dave Smette
Superintendent

A handwritten signature in cursive script that reads "David Smette". The signature is written in dark ink and is positioned below the typed name and title.

**2/20/2002 PRESENTATION TO JOINT FINANCE COMMITTEE BY
LINCOLN, MARATHON, PORTAGE, WAUPACA & WOOD COUNTIES**

1. Rather than eliminating the current shared revenue, we propose a freeze across the board for two years. (Projected savings of \$480 million). The state should also review the entire range of sales tax exemptions to determine if they are still necessary or reasonable. (We can also offer some suggestions on how sales tax might be restructured).
2. The state should allow local elected officials to determine the local property tax rate. Local elected officials are closest to the people. The Governor should realize that counties and municipalities are the primary "engine" of economic development (creating industrial parks, T.I.F.'s, revolving loan funds etc.).
3. No need to establish a new commission for state and local relationships if the state would implement the original Kettl report.
4. Counties would ask for the repeal of all state mandates as long as the state is unwilling or unable to fund them and is eliminating counties ability to provide funding (as outlined in the Kettl Commission), especially since Counties will no longer be in a position to provide \$400 million in "overmatch" for state mandated services. (We are providing a separate handout on certain state mandates)
5. Can the state really afford to implement the Enhanced Security Program (\$4.1 million) and the state capital police policy (\$381,000), when municipalities may have to reduce basic police, fire and EMS services ?
6. Maintain the proposed cuts of \$51 million for U.W. system and \$41 million for Corrections.
7. Cap local school debt service for construction (saves \$20 million)
8. Postpone for two years increasing the maximum contribution to IRA's and the "catch-up" provision (saves \$32 million), as other states are doing.
9. The Governor is promoting consolidation of local government services. The state should examine the option of consolidating the state patrol with local Sheriff's departments. State patrol annual budget exceeds \$47 million, incl. \$11 million for admin. and overhead etc.
10. Rather than ignoring the limited use of video gaming machines "for entertainment only", they could be legalized, taxed, and licensed per machine (\$60 -\$80 million new revenue, but will require a constitutional amendment)
11. With a well laid out plan, the state could close two of the three Centers for the Developmentally Disabled (savings of at least \$10 million).

12. We are extremely concerned that the Governor has proposed using an additional \$51 million of unanticipated IGT funds to replace GPR funds for CIP and COP.
13. Counties support the additional proposed cuts in state government of \$120 million. However, we would propose this amount be doubled for a savings of \$240 million.
14. Eliminate the "borrowing" from the tobacco fund, as it would create future deficits.
15. Property tax "exemptions" should be re-examined, like YMCA's, medical facilities etc .
16. The Governor has indicated he wants to "build Wisconsin". That takes electric power generating capacity. Counties are absolutely opposed to the state taking all the utility tax revenues from local governments for state purposes. (Counties have traditionally had these revenues available in lieu of property taxes).
17. Wisconsin is not necessarily the highest taxing state when user fees are considered. We urge the state to study the use of user fees when considering additional sources of revenue.
18. The state should reassess the need for 3 new airplanes (\$9 million !)

WE PROJECT THAT THESE PROPOSALS WOULD SAVE APPROX. \$958 MILLION !

The Governor has proposed that local units of government ought to share services and look at consolidating etc. Some examples of shared services and consolidations **already in existence** in Central Wisconsin are listed below.....

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2. 2-county commercial airport
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12. Portage County operates a cooperative recycling and landfill operation county-wide
13. Counties already have county wide aging and referral services.
14. Marathon and Portage Counties both have shared telecommunication services.

February 20, 2002

Members of the Joint Finance Committee of the Wisconsin Legislature

My name is Mike McArdle. I live at 820 Lori Place in the Town of Campbell (better known as French Island). I am the current President of the LaCrosse School Board. I have been a member of the Board since the spring election in 1992. Our School District is the City of LaCrosse and six surrounding towns and townships. Besides some of you folks and a few County positions, there is no other elected official with as large a voter district in the LaCrosse area. I can only assume that the greater LaCrosse community believes in and supports its School Board as neither I or my two fellow incumbent members up for election this year have opponents.

I wish to address the idea of a freeze on School District expenses as a potential solution to the State's budgetary deficit. Though such an idea on the surface would appear to be a viable solution, this is in fact not the case. When I last presented before this body on April 3 of last year in LaCrosse, I provided the reasons and benefits for full SAGE funding. I still believe in those arguments, and have seen nothing but further support for this position over the past 10 months. As I said then, give public K-12 schools the resources to insure that a child can read at level by the third grade, and we can greatly reduce the number of children not graduating from high school, and more importantly, we can reduce the needs for prison beds 10 years from now. SAGE does that!

I bring up SAGE again, even though everyone is talking about protecting SAGE, because a freeze will leave the School District of LaCrosse with no choice but to eliminate the program in order to comply with the requirements of a freeze. This conclusion is driven by the already settled contracts with the Unions that call for an average increase of 4% while Revenue Limits hold our available receipts to 2.5%. SAGE funding is not driven by support money coming to the district for a specific teacher, but by providing funding for a 15 to 1 class size in math, reading and language arts (just part of the day). The district supports the rest of the resources to get our K-3 classrooms to a number where the SAGE funding can then provide enough resource to come down to the required level. If a freeze were implemented it would result in an average increase in class size in the LaCrosse district of more than 25%. It would then become impossible to arrange our remaining resources to make up the difference and be able to retain the SAGE funding.

Remember that settled union contracts must be honored by law. We would therefore have to eliminate employees to cover the contracts increases. Then our situation is further complicated by having to fund unemployment. Public schools do not fund unemployment in Wisconsin until a claim is actually presented, unlike a private employer that is taxed in advanced for the funding. We would have to eliminate further employees to fund the unemployment and stay within the freeze. At that point we would have cut our support for SAGE classrooms to a point where we would no longer qualify for the funding. We would then eliminate those positions and additional core positions to pay for the added unemployment. This vicious circle leads to the conclusion that SAGE would be gone and class size would increase dramatically in our buildings.

The argument that we can cut in other areas to avoid employee eliminations is not sound or based on fact. We have been under revenue caps since 1993. Our capital budget, which traditionally has supported not only buildings but also instructional requirements, such as classroom desks and computers, is all but gone, and we now do very little, such as roof repairs to maintain our buildings. Our school buildings' operating budgets have essentially been frozen for non-employee expenditures every year since 1993. We have little in the way of funds for paper, library books and textbooks. We talk about 87% (which by the way was approximately 75% less than 10 years ago) of the budget going to payroll and benefits, but let's talk about the remaining 13%. A disproportionate share of that amount goes to utilities, property and casualty insurance, busing and routine repairs. There is little left for direct classroom needs.

Finally, let's not fail to mention the mandated funding for handicapped children. The Federal Government is providing a fraction of the cost and the State is struggling to help districts with this issue. Regardless we have a legal and moral obligation to find ways to properly fund these needs. However, this funding comes at the expense of the regular classroom child. We no longer have anywhere else to turn.

Again, it is my position that a freeze just simply won't work for all the reasons already stated. If we are all committed to K-12 public education and SAGE funding in particular, then we cannot use this tool to deal with the budget deficit. I have only spoken about the LaCrosse School District, but many of the issues presented are really the same for all 400 plus districts. As always, your job is scarce resource allocation. Part of that process is to decide what the citizens of Wisconsin value, and how can we all work together to carry out their wishes. I hope as you begin to discuss among yourselves the challenge that you face, you will seriously consider my arguments and always remember that our children are our future.

Submitted by:

Mike McArdle, President
LaCrosse School district



MILES R. STANKE, MAYOR

February 19, 2002

SENATOR BRIAN BURKE {Fax (608) 267-0274}
SENATE CHAIR JOINT FINANCE COMMITTEE
ROOM 317 EAST STATE CAPITOL G
PO BOX 7882
MADISON WI 53707-7882

and

REPRESENTATIVE JOHN GARD {Fax (608) 282-3689}
ASSEMBLY CHAIR JOINT FINANCE COMMITTEE
ROOM 308 EAST STATE CAPITOL
P.O. BOX 8952
MADISON 53708-8952

Dear Senator Burke and Representative Gard:

We are all aware of the Governor's proposal and as a municipal official from a conservative rural community, I assure you the City of Antigo Wisconsin is not the home of the "big spenders".

Our City depends on State Shared Revenues for over 40% of our General Fund budget. Our Public Safety (Police, Fire, Building Inspection) budget total for fiscal year 2002 is approximately \$2.5 million. The amount of share revenue proposed for eventual elimination is approximately \$3 million. The City's discussion regarding impacts to local citizens is not a scare tactic. If the budget repair proposal is adopted, as submitted, the City of Antigo will have no choice but to eliminate traditional services and reduce others.

In recent weeks, we have seen numerous articles generated regarding questionable spending at the State level. Why do municipalities develop and work within budgets, use contingency funds wisely, and have designated and undesignated funds? The problem is not the State Shared Revenues municipalities expect to receive. The problem is spending at the State level. Even the Governor's proposal will not provide a long-term solution. The proposal is short-term, gap financing at best.

I hope the Joint Finance Committee can take a leadership role in developing a solution. I concur that taxes are high enough in this state; however, our citizens have come to expect minimum levels of service. No single solution may exist to resolve the deficit we now experience. Ideas to

address financial dilemma may include changes at all levels of government—including the state and local level and those untouchables the Governor has identified. Numerous examples exist today of alternative fiscal considerations. Perhaps each member of the committee has alternative solutions in mind. Our examples include:

- Start with reductions in unfunded mandates and regulations.
- Reduce state government departments and agencies and permit local elected officials to provide oversight of their community.
- If the state desires to remove State Share Revenues, give us an alternative before phasing out the current system.

Through personal experience, I have found the most accountable and responsive level of government is local. As decisions become further removed, we as citizens feel there is less ability to implement changes. We know at the City level that we cannot be all things to all people. Perhaps the State of Wisconsin should adopt the lessons learned across this state when utilizing funds we as citizens have provided.

Sincerely,



Gary G. Rogers
City Administrator

lmv

C: Senator Roger Breske
Representative Donald Friske
Antigo Common Council
Antigo Daily Journal

Testimony of Vilas Machmueller, President
Village of Weston
Before the Joint Committee of Finance
Of the Wisconsin State Legislature



February 19, 2002

Co-Chairman Burke, Co-Chairman Gard, Members of the Committee and esteemed guests. My name is Vilas Machmueller, President of the Village of Weston and I am here to speak in opposition to the Governor's Budget Reform Bill provision to eliminate shared revenue to local governments.

For the past thirty-two out of the last forty-two years of my life I have served as an elected official for the Town of Weston and the Village of Weston. I have helped establish sanitary sewerage districts, built roads, negotiated garbage contracts, taken a Town to Village status through incorporation and provided for the public safety. I deal with the front door issues of people's lives. I have prided myself in running a tight and efficient organization, and I am happy to say that over the last three years we have kept the tax levy flat – in fact we are so lean and efficient we do not even qualify for the State's Expenditure Restraint Program – a program designed to offset tax inflation for communities with a levy rate over \$5.00/\$1000 in equalized terms. Our community provides municipal services on a per capita rate of \$551 per citizen (see Fig. A). This is one of the lowest rates of delivery in the State of Wisconsin. The Village of Weston (population 12,474) operates with a staff of less than thirty people- that is roughly 10 less than our counterparts of similar size in Wisconsin.

Our proficiency has earned the Village of Weston the South Area Business Association's 2001 Business of the Year – the first time in history a local government has ever received this award. Yes, I am what Governor Scott McCallum would call a "real big spender".

raise taxes \$3.00 / \$1000 over the next four years to pay for our basic services – this is a 60% increase. Why – because the State of Wisconsin spent against projected future growth that is not happening at this time. And let us not fool ourselves, it gets worse next year when the structural deficit is roughly \$2.2 billion – and we all know that it will be public education turn at that time to experience deep funding cuts.

It is unfair for me to complain about the loss of shared revenues without providing some guidance on how to manage the state budget deficit. I suggest that this esteemed Committee consider some of the following options:

- Take the Principles of the Kettl Commission and apply them to State Government. Eliminate duplication of services, unnecessary positions, and bureaucracy. Local governments are doing this So must the State of Wisconsin. If we are to really re-invent - government let's determine what people really need.
- Impose the original Kettl Idea of drastically reducing shared revenue for communities that do not have compacts or cooperative ventures with other communities to reduce the cost of delivering services to their citizens. For those that do cooperate, leave their shared revenue intact.
- Look at an expansion of the sales tax as proposed by the WI Counties Association. It has been estimated would take only a .5% raise of this consumption tax to make up for loss in shared revenue.
- Eliminate unnecessary mandates to local governments or pay for the enactment of them on the local level. It is unfair for the

**Municipal Per Capita Spending (2002 Projected)
 Statistics Provided by Wisconsin Manufacturers & Commerce**

Municipality	Classification	Population	Revenues	Per Capita Spending
Rib Mountain	Town	7,698	\$ 3,101,216.00	\$402.86 per citizen
Weston	Village	12,474	\$ 6,873,174.00	\$551.00 per citizen
Kronenwetter	Town	5,514	\$ 4,080,525.00	\$740.03 per citizen
Marathon	Village	1,626	\$ 1,279,469.00	\$777.32 per citizen
Rothschild	Village	4,991	\$ 5,264,257.00	\$1,054.75 per citizen
Wausau	City	38,789	\$ 42,286,216.00	\$1,090.00 per citizen
Athens	Village	1,106	\$ 1,257,445.00	\$1,136.93 per citizen
Mosinee	City	4,139	\$ 4,843,292.00	\$1,170.16 per citizen
Schofield	City	2,117	\$ 2,695,491.00	\$1,273.26 per citizen
Marathon County	County	127,688	\$ 92,835,560.00	\$727.05 per citizen

**2/20/2002 PRESENTATION TO JOINT FINANCE COMMITTEE BY
LINCOLN, MARATHON, PORTAGE, WAUPACA & WOOD COUNTIES**

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Community Planning Council of Marathon County

Mort McBain, Chair
Marathon County

Sandi Cihlar, Vice Chair
Mosinee

Members:

Deb Anliker
Wausau

Andy Benedetto
Children's Service Society

Delores Clancey
Chair, LIFE Assessment Project

Kate Elvidge
Marathon County Government

Sandy Ellis
Children's Service Society

Larry Hagar
Marathon County
Dept. of Social Services

Barb Heier
Community of Athens

Sandra Hoenisch
Attorney at Law

Mary Jo Johnson
E O Johnson Co.

Joanne Kelly
United Way of Marathon County

Donna Knapp
Chair, Marathon County Diversity
Management Committee

Mark Kramer
United Brotherhood of Carpenters

Thomas Lee
City of Wausau

Kris Porter
YWCA

Cathy Rohling
VNA Home Health

Jim Rosenberg
Wisconsin Fuel & Light

Dr. Charles Skurka
Wausau School District

Rita Straub
Chair, Evaluation and Grant
Committee
UW Extension

Lamont Thao
Premier Recovery Services

Judge Raymond Thums
Circuit Court Branch 2

Marcia Tokarz
DC Everest School District

Todd Toppen
Peoples State Bank

The Rev. Glenda Walker

Dennis Weix
Village of Edgar

TO: Public Hearing for Joint Finance Committee

DATE: February 20, 2002

RE: Governor's Budget Proposal

I am here representing the Community Planning Council of Marathon County, My name is Donna Knapp.

Local Government provides a wide range of services that are critical to our quality of life. The magnitude of the proposed cuts in the Governor's budget on local services is devastating.

The Marathon County Community Planning Council (CPC) works together to evaluate and develop opportunities to improve quality of life for individuals and families. We are very proud of improvements that have been made, but we now feel that our work is in jeopardy.

For example, one of the programs that is supported by the CPC and is heavily funded by our county is Start Right, a non-mandated program aimed at reducing child abuse and helping parents with many high-risk factors and needs.

As county government looks to make cuts, we are concerned they will have no choice but to reduce funding to prevention programs, like Start Right and others, because they are non-mandated services. Many of these prevention programs have county money that leverages additional public and private money, making the impact of the Governor's proposal even greater than the preliminary funding reductions.

Long term, we believe cutting prevention services will increase the need for crisis and intervention services. In other-words, the social service caseload and the jail population will rise. These are expensive alternatives to prevention and also lower the quality of life indicators that we value.

In addition, we do not support spending down all of the tobacco endowment to save the state budget for a year or two.

Rather we support well thought out planning that reflects the values of our state. Wisconsin provides a high quality of life and its citizens have high expectations and high standards that should not be sacrificed. Children are our most valuable resource we can nurture that vulnerable population now or at much greater costs in the future.

137 River Drive
Wausau, Wisconsin 54403
Phone (715) 848-2927
Fax (715) 848-2929

*To improve the quality of life for individuals and families
in our communities*

**CITY OF WAUSAU TESTIMONY TO JOINT FINANCE COMMITTEE
FEBRUARY 20, 2002
WAUSAU, WISCONSIN**

RAMIFICATIONS OF LOSING \$6,237,547 OF SHARED REVENUES

The City of Wausau uses shared revenues to fund critical general fund services such as police, fire, public works and parks operations. Revenue sharing provides 24.46% of the General Fund budget. Without shared revenues or replacement revenue sources, the City will be forced to dramatically cut services and reduce the maintenance of infrastructure.

The elimination of \$6.2 million dollars of shared revenue equates to approximately 95 positions within the City's 388 FTE work force. This represents 18 police officers, 15 fire personnel, 18 street crew members, 12 park personnel and 32 "other" government personnel. Without these positions, services will be severely limited.

The City has lived without increases in shared revenues since 1995. These frozen revenues along with small increases in assessed valuation have already forced the City to examine the way we deliver services. For example, we have steadily decreased our work force through attrition, early retirement programs and innovative techniques such as combining positions. Our 2002 work force is already down 12 positions, or 3%, from 2001 approved positions!

We have been approved for participation in the Department of Revenue's Pilot Performance Review Program and have convened a group of five citizens to review city service delivery and possible privatization or consolidation efforts.

Along with the Village of Weston and Township of Rib Mountain leadership, about one year ago we convened a group of staff and citizens to provide a road map for creation of an urban-metro fire and ambulance utility. In about one month we expect a report from the steering committee, along with a fiscal impact analysis from Baird Corporation.

The Village of Weston and I have been in dialog regarding consolidation of urban governments. To that end, we have secured sponsorship from the local newspaper and support from a local foundation to pursue a serious course of action. "An Assessment of Community Options" was conducted by the Schaefer Center of Public Policy, University of Baltimore, in 1994, and we shall use this as the basis to proceed. We realize we cannot afford not to.

These are only a number of efforts we made before the governor's Budget Repair Bill proposal. As local elected officials, we take very seriously our ability to tax peoples' income, as former DOR Director Mark Bugher once remarked, their by-word was, "We've got what it takes to take what you've got..."

Without adequate time to implement further consolidation activity along with being stymied from making local fiscal decisions, such as a county or regional sales tax of .50% which could be shared with local units of government to

supplant lost shared revenues, we have no choice but to shut down critical municipal services. While this makes for a good sound-byte from the state executive office, it is not realistic and eventually gouges the very constituents that Governor McCallum purports to protect!

Thank you for the opportunity to comment. I wish to leave you with a few critical points:

- we did not create this fiscal problem, nor should we bear an inordinate brunt of the cuts;

- local government has operated under a state-local partnership for shared revenues since 1911, one which cannot be ripped away from under our feet in three short years;

- the erosion of property tax base over the years due to exemptions granted in the state legislature cannot continue, and we should be enabled to charge service fees for fire and ambulance to non-profits such as a "public safety utility" in addition to local county or regional options taxes which are shared with cities, towns and villages;

- local government must be involved early and often to create workable solutions unlike the governor has done with special interest groups and a consultant.

We look forward to an ongoing dialog and appreciate your awareness of how we have the same constituency, all of whom rely on the basic services local government delivers.

[li-jointfin0220]

A handwritten signature in cursive script, appearing to read "Linda Lawrence".



Ashland

W I S C O N S I N

COPY

January 23, 2002

copy

Governor Scott McCallum
State Capitol
P.O. Box 7863
Madison, WI 53707

Dear Governor McCallum:

I am writing in response to your proposed plan to balance the state's budget shortfall by eliminating shared revenues to Wisconsin cities. As you must know, your proposal will have varying impacts on cities depending upon their reliance on shared revenues. For example, the City of Ashland, experiencing little or no growth, relies upon shared revenues for a full 51% of its General Fund budget. On the other hand, some larger cities with rapid growth or alternative revenue sources may have only a slight reliance on shared revenues to meet service demands.

Eliminating shared revenues pursuant to your proposal would simply cripple the City of Ashland. My staff has examined the impacts of your proposal and I can assure you that I am not exaggerating this point. For example, Ashland's shared revenues of \$3.8 million represents 63% of the City's total personnel costs. In fact, the City of Ashland could completely eliminate its Police Department, Fire Department, Ambulance service, Leisure Services, Parks Department, and Public Library and still not make up the loss resulting from these proposed cuts. Such cuts would devastate our already struggling local economy, decimate property values, and imperil the public safety of Ashland residents and others across the great State of Wisconsin at a time when our nation is at war with terrorists to restore that very thing.

I applaud your view that local governments should make themselves as efficient as possible and do their part to help balance our state's budget. Ashland has been a leader in local government reform during the past eight years. We have already consolidated services, reduced staffing, cut property taxes, led regional service efforts, and asked our remaining employees to do more with less than at any time in our history. It is a matter of public record that property tax dollars collected in Ashland for the year 2001 were 6.75% lower than in 1994. In 1994, our city had the third highest tax ranking in the state; in 2001, we had dropped to 80th highest. This reduction took place in the face of normal inflation. There is simply no reasonable area in which we can cut our General Fund operating budget by a whopping 51%!

CITY OF ASHLAND • 601 Main Street West • Ashland, Wisconsin 54806
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Governor Scott McCallum
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Similarly, I believe expenditures for state services are proposed to be cut by 10%, yet Ashland is expected to shoulder a far greater burden. This is not only unfair and dangerous to our community, I strongly believe that the residual economic devastation to Ashland and similarly situated regions will actually exacerbate the state's budget shortfall within a very short time. I know that cannot be your goal or that of our state legislature.

Accordingly, I implore you to reconsider your proposal and its disparate devastating effects on the historic Lake Superior port City of Ashland. I am gravely concerned for the welfare of this community and hope that a more reasonable solution can be found.

I look forward to hearing from you or your staff and I am eager to help propose alternative solutions that might achieve the state's objectives while preserving our capacity to provide the essential services upon which our citizens rely.

Very truly yours,

Lowell J. Miller, Mayor