

**TOMMY G. THOMPSON**

Governor
State of Wisconsin

November 16, 1999

TO THE HONORABLE MEMBERS OF THE ASSEMBLY:

I have approved October 1999 Special Session Assembly Bill 1 as 1999 Wisconsin Act 10 and have deposited it in the Office of the Secretary of State. I have exercised my veto authority in Sections 2m and 6 (2) of the bill.

Section 2m, as it relates to tax years 1999 and 2000, modifies the property tax/rent credit to be 8.4% of the first \$2,000 of property taxes or rent constituting property taxes for most claimants. I am partially vetoing this section to set the property tax/rent credit at zero for both years and in future years because the Legislature did not provide for any specific expenditure reductions to reflect the \$410 million reduction in revenues that will result from these modifications.

Section 6 (2) requires the Department of Administration to recommend \$410 million in expenditure reductions for review by the Joint Committee on Finance by January 2001. I am vetoing this section because the partial veto of Section 2m eliminates the need to identify \$410 million in expenditure reductions. Additionally, if expenditure reductions of this large magnitude are to be made, they should be reviewed by the Legislature as a whole after going through a complete hearing and debate process, rather than being reviewed by only one committee.

Reductions of this magnitude would require major policy changes with significant impacts on state programs. For example, they would require us to make annual GPR spending reductions of over 40% to the University of Wisconsin System GPR budget or 40% of the Medical Assistance GPR budget. The total amount of \$410 million is the size of the GPR budgets of the Wisconsin Technical College System, the Department of Workforce Development, the Department of Agriculture, Trade and Consumer Protection, the Department of Commerce, and the Department of Tourism combined. Alternatively, we would have to eliminate 25% of the GPR operating budget of every single state agency, or we could reduce school aids by 10% or reduce other local aids, causing major increases in property taxes. Clearly, whatever alternative might be chosen, the impacts on important state programs would be substantial.

I support continuation of the property tax/rent credit if the Legislature is able to provide funding for it, so I have left the general language authorizing the property tax/rent credit in the statutes while setting the amount at zero. If the Legislature wants to make this credit a priority, the legislators can pass legislation to provide funding for it. It is not responsible to enact programs without making the tough decisions about how to pay for them. However, I will sign into law any proposal that the Legislature passes to reinstate funding for the property tax/rent credit that is accompanied by specific and credible spending reductions.

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As far as the record on spending control is concerned, it should be noted that in every biennium since I have been Governor I have submitted a budget with a spending level that has been increased by the Legislature, and in every biennium I have used my veto power to reduce the level of spending that has been passed by the Legislature. If my recommendations rather than the Legislature's had been enacted, overall spending would be much lower than it is. It is up to the Legislature to make the difficult decisions necessary to reduce and restrain spending. In the future, as in the past, I will propose balanced budgets that restrain spending, and I hope the Legislature will follow my lead in passing budgets with restrained spending levels.

It should also be noted that the budget as I signed it, along with the sales tax rebate bill, will provide for a total of over \$1 billion in tax reductions for Wisconsin citizens in the 1999-2001 biennium. I am committed to further substantial tax reductions in the future, but I believe they should be enacted in a responsible manner.

Sincerely,


TOMMY G. THOMPSON
Governor