

Why the Greater Madison Chamber of Commerce Opposes the Taxpayers Protection Amendment

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The Greater Madison Chamber of Commerce (GMCC) Board of Directors opposes the Wisconsin Taxpayer Protection Amendment and has urged legislators to vote against SJR 63 and AJR 77.

What the Wisconsin Taxpayer Protection Amendment (WTPA) proposes and what the likely outcome will be are two different things. While we believe that limiting or reducing taxes is a laudable goal, we disagree that this proposed amendment is the best way to achieve that. The GMCC's intent is to bring balance to the discussion.

It is our position that the state constitution is not a place to implement permanent limitations that are sure to have major long term consequences. There are many unresolved questions and arguments raised by others related to WTPA which are outlined below. GMCC shares many of these questions and concerns.

Economic Development

- Physical improvements to infrastructure or the construction of new buildings or roads are only part of the economic development equation for municipalities. Economic growth is often facilitated by local government employees. Government may be forced to cut such positions because strict revenue limits will force local governments to prioritize spending towards debt service, matching funds, and emergency services leaving little or no funds for economic or community development staff.
- According to public finance experts, Ehlers and Associates, municipalities have little control over annual revenues received from prepaid special assessments, impact fees, connection fees and building permit fees. WTPA requires a community which collects excess revenues to refund the amount to taxpayers the following year. It is possible for a municipality to collect these types of fees to pay for capital improvements, but be forced to refund the revenue instead of paying related construction costs because revenues were collected sooner than anticipated.
- According to Denise Brown, executive director of the Colorado Bioscience Association, Colorado's TABOR forced cuts to all but essential services during the recession of 2001 and the ensuing economic recovery period. The state had little or no incentives available for economic development which hurt competitiveness in recruiting and retaining companies. The loss of funds and resulting loss of opportunities for economic development is a very real concern of the Greater Madison Chamber of Commerce if WTPA is approved in Wisconsin.

Education

- A highly trained and educated workforce is essential to business growth and the tax base. Wisconsin's K-12, technical college system and University of Wisconsin System currently face severe funding shortfalls. Passage of WTPA will make it worse.
- K-12 schools are already subject to revenue caps and the Qualified Economic Offer (QEO). Many school districts are struggling and have been forced to referendum to exceed the cap for operating expenses. Less K-12 funding would mean larger class sizes, restricted course offerings, and a diminished ability to compete for high-quality teachers.
- The Technical college system is currently subject to levy limits and is required to get public approval before spending more than \$1 million on new or remodeled facilities. Demand already exceeds the training capacity for many healthcare-related professions. Technical colleges provide training for our police, firefighters, EMT's, building trade apprentices and numerous other skilled positions. Why are WTPA revenue limits needed here?
- As the technical and community college for portions of 12 counties in south central Wisconsin, Madison Area Technical College serves more than 44,000 individuals annually with technical training, liberal arts and sciences, adult basic education and continuing education. MATC prepares students for more than 100 careers, including such high tech fields as biotechnology, broadcast captioning, electron microscopy, webpage design, Internet development and computer networking. MATC is a leading provider of customized training for employers, serving nearly 300 businesses and 9,000 employees last year, and has helped Wisconsin businesses win more than \$1.5 billion in government contracts.
- Although the UW System is not directly mentioned in the WTPA legislation, it will suffer greatly if WTPA is adopted. The State will be forced to prioritize spending first for its own debt service, and then for federal matching funds, two-thirds of K-12 education and other statutorily required programs. It is very likely that the State will decrease funding to the UW System, forcing them to substantially raise tuition and fees for students and impose enrollment caps.
- If WTPA had been in effect for the past 20 years, UW tuition for 2005 would have been 25% higher. At an average of about \$5200 per year, a college education for a university in the UW System is already too expensive for many low and middle-income families. WTPA will price more students out of a college education at a time when employers require college degrees for increasing numbers of their employees. Already the state is beginning to

experience shortages of health care professionals, math and science teachers, and engineers. The UW System educates 90% of the state's pharmacists, 72% of the state's nurses, and 60% of the state's teachers.

- According to UW System President Kevin Reilly, if WTPA had been in place for 30 years, revenues available to the university could be as much as \$200 million less than what the university actually received, assuming that the university revenues had declined at the same rate as those available to the state as a whole. It would mean the university would look very different today and could look very different ten years from now. Two hundred million dollars is the equivalent of the state tax support for 50,000 undergraduate resident students, the total state tax support for at least seven of the four-year comprehensive campuses, the equivalent of a 33% increase in tuition, or a decrease in revenues at each campus of 20% or some combination of the above.
- UW-Madison is renowned worldwide for its research. State revenue limits would certainly impact the state's ability to match federal research funds which contribute to solutions for our future health, homeland and economic security, and spin-off jobs to keep our children employed in Wisconsin.

Transportation

- Several major transportation projects are being discussed to ease traffic congestion in the Greater Madison area. Each project will cost millions of dollars and will require federal, state and local funding. Some of these projects include the north Mendota Parkway, Verona Road/Beltline interchange, and improvements to the Stoughton Road Corridor. In addition, there are ongoing discussions about improving the bus system, beginning a commuter rail line and creating a Madison trolley system. If WTPA is adopted, finding state and local funding for these projects will be all but impossible.
- Since state, county and municipal governments will be subject to strict revenue limits, the prospects for more government funding for roads, bridges and other transportation infrastructure would be diminished regardless of whether the additional funds would be used for maintenance or expansion of facilities.

Public Approvals

- WTPA allows local government to ask the voters for permission to exceed revenue limits. However, the legislation caps the amount that voters can approve for multi-year commitments. The authors of WTPA claim that the

Legislature cannot be trusted to make tough budget decisions. It appears that they also do not trust the ability of voters to make long-term decisions.

State Aids

- WTPA does not require increases in state aid to local government. So, over time, inflation will erode the value of current levels of state assistance for education, transportation, Medicaid, social programs, corrections, etc.
- If state revenues grow, it does not mean that all expenditures grow equally. The state can set priorities and spend less in one area in order to spend more elsewhere. If the state does not increase spending for local aids (currently equal to about half the general fund), other programs can receive more money. The state will be able to claim that it lived with WTPA revenue limits, but it will be left to local governments to make the tough decisions about how to backfill the state funding shortfall while staying within the revenue caps.

Miscellaneous

- WTPA supporters claim the constitutional amendment would have only required state and local government to spend an average 1% less each year over the past 20 years. Cumulatively, that would have required a 20% cut equal to \$4.8 billion. Which popular programs should have gone unfunded over the last 20 years to fill the gap?
 - Should the state repeal its obligation to provide 2/3 funding for K-12 schools?
 - Would the state have been able to create BadgerCare or SeniorCare?
 - Would the state have been able to increase corrections spending in order to pay the costs of the “Three Strikes and You’re Out” law?
- Funds collected by local governments for law and ordinance violations will count towards the revenue cap. How can local government accurately predict the amount they will collect annually for these types of forfeitures?
- County sales tax collections are included in the revenue cap even if the sales tax was earmarked for a special purpose when initiated.
- Even though WTPA shortens the time needed to amend the Constitution in the future, it would realistically take about a year to accomplish from the time a proposal was discussed until a public referendum was held. This is too long of a reaction time for emergency-related issues.