

Taxpayer *Protection* Act

How can anyone not want to
protect the taxpayer?!

Ask a Simple Question, You Get a Simple Answer

- Should taxes be cut?
- Should services be maintained?
- Are these mutually exclusive?
(It would seem so.)

“Wisconsin Taxes Are Too High”

- What has been said: ***“We’re in the top 5 in taxation.”*** (WI Manufacturers and Commerce)
- What is the case? ***WI per capita taxes are 13th highest*** (US Census Bureau).
UW Prof. Reschovsky’s analysis – 15th.

“Wisconsin Taxes Are Too High”

- What has been said: *“Taxes are keeping business out of WI.”*
- What’s the case? *WI business taxes are among the country’s lowest.*

“Wisconsin Taxes Are Too High”

- What has been said: *“Taxes are driving our college educated out of Wisconsin.”*
- What's the case? *82% of UW graduates who are WI residents remain in WI.*

Current Provisions of TPA (and they change daily)

- Amendment would tie governments' revenue, including fees, to
 - inflation or ...
 - growth in personal income statewide, whichever is less, and other factors such as...
 - population growth,
 - increases in school enrollment
 - new construction.
- Bonding – only for economic development

This is Bad Legislation

- Legislators are elected to make decision about taxation and spending
- Taxation has no place in the state's constitution
- Suggests that the legislators in 2006 know all of the contingencies that we'll be facing 20 years from now. What makes them think they know that?

This is Bad Legislation

- "I have also long maintained that I don't need a constitutional amendment to do what I was elected to do."
- "In the absence of the statutory revenue limits, the total allowable levy under the joint resolutions would have been \$3.71 billion, which would have been an increase of \$117.8 million compared to the actual 2005-06 levy." That begs the question, why would we amend the constitution to *increase* property taxes more than \$100 million? How can that be labeled taxpayer protection?" *WI State Senator Mike Ellis*

What We Should Be Asking

- Assume the TPA had been enacted 10 years ago.
- That would have resulted in reduced revenue.
- What would you have cut in spending ...
- Specifically?

UNIVERSITY OF WISCONSIN SYSTEM

POTENTIAL IMPACT OF TPA LIMITATIONS

GPR Funding Required for Cost to Continue Versus Total GPR Included in State Budget

	GPR Share of Cost to Continue	GPR Funding Provided
2001-02	\$25,174,100	\$25,287,700
2002-03	(4,995,800)	26,933,700
2003-04	41,404,300	(70,182,200)
2004-05	1,537,100	(30,368,500)
2005-06	62,935,200	4,596,300
2006-07	4,245,600	2,832,200

Source: Associate Vice President for Budget and Planning Freda Harris

**Estimated Funding Increases Required
2007-09 Biennial Budget Versus Funding Available Under TPA**

GPR Costs Only	2007-08	2008-09
Cost to Continue	\$47,295,000	\$10,125,000
2% Pay Plan Increase for all Staff and Health Insurance Increases	26,582,700	28,972,600
Total GPR Needed	73,877,700	39,097,600
5 Yr Avg. TPA Increase*	31,685,200	32,667,400
GPR Funding Shortfall	42,192,500	6,430,200
State Support/Student	3,886	3,886
Enrollment Decrease to Maintain Support Per Student	(10,858)	(1,655)
Tuition Increase Required to Cover GPR Shortfall	7%to Replace GPR <u>4.25% for Fee Share</u> 11.25% Total Increase	1%to Replace GPR <u>2.5% for Fee Share</u> 3.5% Total Increase

OR

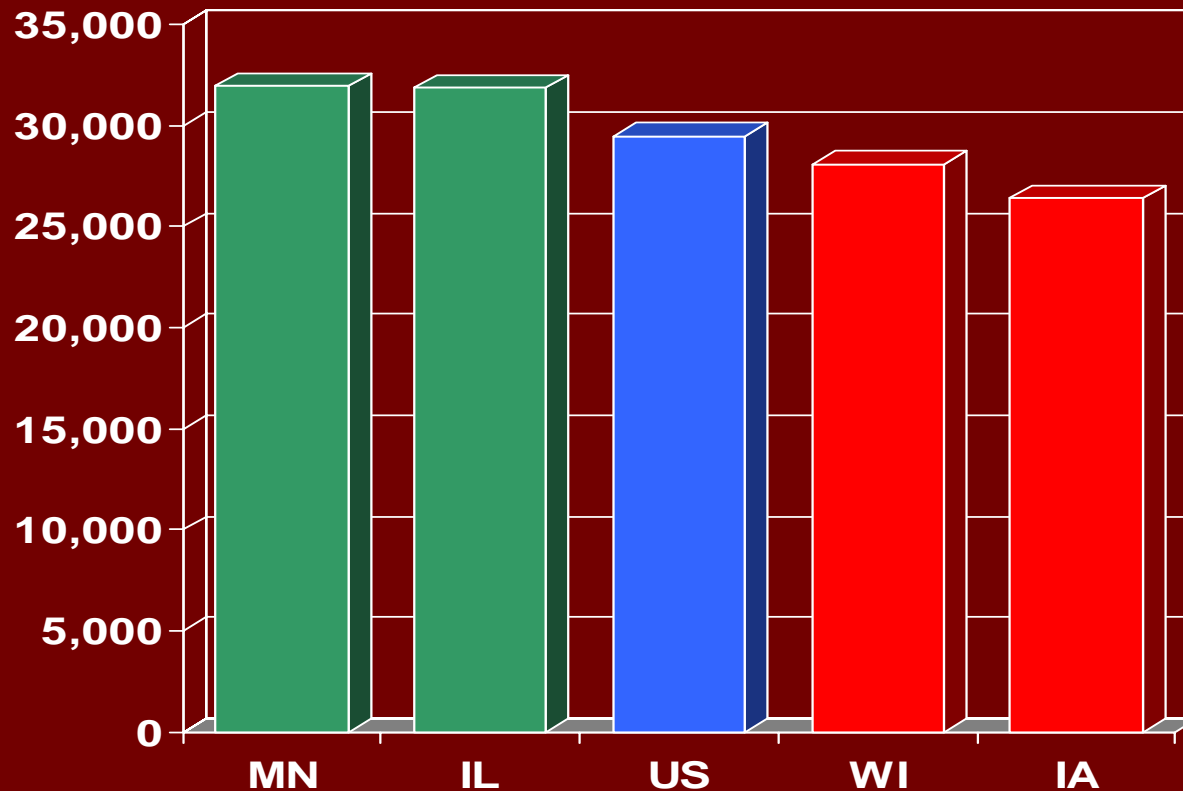
*Uses 3.1% 5 year average increase allowed under TPA per LFB.

UW System Board of Regents Action

Oppose TPA

WI Personal Income is Below National Average

We need to catch up!



MN
\$31,913

US
\$29,451

WI
\$28,066

Impact of Below Average Income

- Achieving the U.S. average in per capita income would yield **\$7,745,146,700 in higher income** for Wisconsin families.
- This amount of income would yield additional tax revenue of \$388,000,000

...without raising taxes.

Below Average in Four-year Degrees

State	Rank	%
Minnesota	7	31.2
Illinois	17	27.1
U.S. Ave.	-	26.0
Wisconsin	31	23.8

- Budget cuts mean fewer WI students can be enrolled.
- Lower enrollment means fewer WI residents have degrees.
- Fewer residents with degrees means lower per capita income.

Potential Effects of TPA on UW Colleges and UW Extension

- A classic double whammy
- UWC and UWEX is a partnership between local municipalities (counties and cities) and the state of WI
- Revenues to both go down → support from both goes down

Potential Effects of TPA on UW Colleges and UW Extension

- As a result of reduced state assistance ...
- Tuition would go from \$3997 to ~\$5000 per year (in first year of TPA)
- As a result of reduced county assistance ...
- Fees would need to be instituted for operational support and maintenance would be reduced

How Bad is This WI “Tax Hell?”

- **Wisconsin leads the Midwest in new job creation.** (U.S. Dept. of Labor)
- **Smart and safe** (Morgan Quitno Press)
- **Most Livable State** (Morgan Quitno Press)
- **Low insurance rates** (Nat'l Assoc. Insurance Carriers).

Colorado's Experience (Let's Learn from Other's Mistakes)

After 14 years of TABOR ...

- Dropped from 30th to 50th in teacher salaries
- HS graduation rate dropped from 76% to 70%
- Dropped from 20th to 40th in percent adults without health insurance
- Dropped to 50th in support for higher ed.