



LEAGUE OF WOMEN VOTERS® OF WISCONSIN EDUCATION FUND

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To: Joint Committee on Finance

Re: AB 75, 2009-2010 Biennial Budget

Maintaining good government in these times is challenging. While it may be difficult to think beyond the bottom line of the current budget process, it is critical to use this opportunity to lay the groundwork for long-term sustainability. This requires attention to both the revenue and spending sides of the budget.

As citizens, we expect appropriately financed government services, and we must expect to pay for them. Likewise, business and industry should not be overtaxed but should pay their fair share. We all – individuals, families, corporations and communities – prosper in a state where government services are of high quality. So, as always, we must consider how to balance the importance of needed services against a fair and efficient system of taxation.

At the same time, we urge our government to spend wisely, supporting those programs and services that meet current needs and make Wisconsin a desirable place to live, learn, work and raise a family.

This statement lists our support of or opposition to selected items on which we have positions in AB 75, the 2009-2010 biennial budget bill currently being considered.

REVENUE

An effort both to raise revenues and, at the same time, to make the whole system more fair began in recent weeks with three bills passed as part of the “Budget repair bill” for the existing biennium–2007-09. The Sales Tax will now apply to internet sales and to electronic equipment. A “hospital assessment” will bring additional funds from the federal government. “Combined Reporting” of income by multi-state corporations will increase revenues by preventing corporations from hiding their Wisconsin profits in subsidiaries in other states where taxes are lower.

The League of Women Voter is very pleased to find in the Governor’s Budget a continuation of this effort. The League has sometimes been a lonely supporter of tax increases for revenue enhancement, but now we are joined by a growing number of citizen groups who are alarmed by the starving of government at a time when it is needed by so many people whose livelihood is threatened by the current financial crisis. It appears that the time has come to increase revenues and tax fairness. Several of the provisions would also take a step towards rebuilding Wisconsin’s State tax structure to meet the spending needs of the 21st Century. We urge the Legislature to continue this trend.

Income Tax. Taking advantage of the flexibility of an income tax, the Governor has changed the rates and brackets somewhat, relieving the lowest income group and shifting a little of the tax burden to wealthier payers. His proposal would create a new top bracket with a rate increase 1percentage point higher than the existing rate of 6.75%. It would yield increased revenues of \$175.5 million in 2009-10, and the rates would be increased in the second year of the biennium according to the present indexing

system Wealthier taxpayers do already contribute a very large portion of the State's total revenues, but it should be noted that what the wealthy have left after taxes is far more than is left after taxes for lower income payers. We trust that Wisconsin's wealthy will recognize their greater tax obligations as their contributions to a beneficent and just society.

Although the income tax is considered a "shared tax," the proposed income tax increase will go entirely to the State. It will not help municipalities; in fact, the Governor's Budget would give 1% less to municipalities, thus failing to provide relief from the property tax. The "hit" is reduced slightly by imposing lesser damage to poorer municipalities than on the wealthier ones.

Credits and Indexing. Among a number of credits allowed on the income tax, the Earned Income Tax Credit would be indexed to retain its effectiveness in the face of inflation, another assist that applies to lower incomes. We also support indexing the homestead credit, and funding a jobs credit to employers and to first time farmers.

Capital Gains. By changing the rate of taxpayers' capital gains that can be deducted from their federal tax liability (from 60% to 40%), the State will receive about \$180.6 million in the biennium. Such a change is acceptable because, in contrast to the federal government, states cannot borrow to balance their budgets.

CORRECTIONS

We continue to view the Corrections Budget with concern having watched expenditures almost double in the past ten years and seeing it still continue to rise. Wisconsin's move to base public safety policy on increased prison sentencing, while virtually ignoring rehabilitation and community corrections, has put us on a path of unsustainable costs. In 1982, one in 111 adults in our state was under correctional control; now it is one in 39. A great number of other states are developing strategies to make wiser use of criminal justice funds and our state needs to change its direction and join that effort.

We believe it is a move in the right direction to expand both the Earned Release Program and the change in name and duty of the Parole Commission to incorporate the early release efforts consistent with public safety. We also welcome the expansion of the Challenge Incarceration Program and other new programs which provide an avenue for rehabilitation and which decrease the prison population.

While we support the \$6.5 million Offender Reentry Initiative we believe there should be a major shift in focus, with the bulk of the funding going to aftercare county programs which already exist and also can be established where they do not exist, rather than just increasing department staff. Compared to the costs of incarceration the funding for these programs is very, very small, but the programs are an important shift to help offender reentry into the community. We need to plan for a greater application of resources in this area of Wisconsin's criminal justice in this budget and in future budgets.

DOMESTIC PARTNER BENEFITS

The proposal to give limited benefits to domestic partners in the state is the right thing to do. While a legal marriage contract gives extensive benefits to couples, these domestic partner benefits are minimal but would be a step toward fairness. In addition, domestic partner benefits would have minimum impact on the state budget for several reasons:

- The estimated number of people who would take advantage of these benefits is less than 5000 (based on registered relationships at city clerks' offices);

- Many of the proposed benefits would not have a budget impact, including the right to make one's partner's end-of-life decisions; inherit a partner's home and car; not testify against one's partner in court;
- Protections to let partners qualify for medical leave to care for each other, and adding partners and their children to health insurance coverage, are critical protections, vital to the health and well-being of domestic partners and their families;
- The State and the University would be more competitive for the best and brightest if we offered domestic partner benefits. This, alone, could compensate any expenses.

FINANCING OF EDUCATION

Wisconsin's school funding system needs a fundamental overhaul. The League has long advocated for basic reform, and has partnered with other groups to develop a realistic proposal to provide a solid financial foundation for the state's public schools. For the most part, the Governor's budget for k-12 education is business as usual. With the current economic challenges, this may be the best that can be done this biennium. But now that statewide coalitions have concrete proposals to improve Wisconsin's school funding system, we encourage the Governor to work with the legislature to redesign our school funding system to assure a quality education for all students throughout the state.

General School Aids and Revenue Limits. The Governor proposes very small increases in K-12 funding over the biennium – one-tenth of one percent in 2009-2010, and four-tenths of one percent in 2010-2011. Most budget areas sustain a 1% cut. Given the economic crisis, it is appropriate to constrain spending, but it is also vital to preserve public services that sustain families and communities in these challenging times. The Governor's budget appropriates \$291 million from the American Recovery and Reinvestment Act to offset General Purpose Revenue for school funding. The League of Women Voters endorses using these federal funds to maintaining our strong public education system. However, we encourage the legislature to study recommendations for long-term funding reform. We must find a better way to provide quality public education for all students.

The League of Women Voters also supports the Governor's proposals to

- include an increasing percentage of choice students in the membership count for the Milwaukee Public Schools.
- increase funding for High Poverty Aid recognizes the growing need for this program in the current economy.
- raise the low revenue ceiling to provide adequate and equitable education to all children. (However, few districts will be able to take advantage of this increase as long as the equalization formula applies to prior year rather than current year spending.)
- authorize local school boards to implement nonrecurring revenue limit increases for school safety expenditures, school nurse compensation, and transportation.

Categorical Aids. The Governor's budget proposes an across-the-board 1% reduction in most categorical aids. However, three programs receive increased or new funding; SAGE, 4K Grants, Tribal Language grants. Over the years, the League of Women Voters has been concerned as the state has moved away from full funding for categorical programs, and, for the most part, this trend continues with this budget.

School District Operations. The League supports the Governor's proposal to eliminate the QEO and to allow contracts up to four years. The League also supports the increased high school graduation requirements, but notes that the requirement is not accompanied by changes to the revenue limits. If

schools are expected to provide additional services, there should be some effort to address the increased cost of these services.

Choice and Charter. The League of Women Voters supports the increased accountability for choice and charter schools and students. Since these students are being educated with taxpayer dollars, the schools have a responsibility to demonstrate that the tax dollars are being used well. The League also supports the new requirements to retain pupil records so that students participating in these schools are not at a disadvantage when they move to another educational institution.

EARLY CHILDHOOD CARE AND EDUCATION

Investment in parents and children, birth to five, will save the state money in the years ahead. Research shows a 7% to 17% return on every dollar spent during these critical early years on quality care and education. For this reason the League believes strongly that the present economic downturn should not be an excuse to limit funding in the 2009-2011 budget for programs that will improve care and education for Wisconsin's children. This includes supporting parents, the child's first teacher. Therefore, the League of Women Voters of Wisconsin supports the following initiatives in Governor Doyle's budget proposal while expressing concern about others:

Quality Care for Quality Kids

- Quality rating system of day cares
- Child care scholarships and stipends
- Child care resources and referral
- Technical assistance

Wisconsin Shares. We are pleased to see an increase in funding but concerned about the Governor's proposals for staying within budget level, including: attendance policy, 10% increase in co-pays, counting child support income when determining income eligibility, and authority to impose a waiting list if necessary.

Licensing. We are concerned that the proposed increase in licensing per child fees from \$10.33 to \$16.94 for licensed group day care centers would increase costs for both providers and parents.

4K Start Up and Head Start. The proposed \$1 million per year for 4K start up, with priority for community approaches, is a sharp decrease from the \$3 million in 2008-09. Also, we believe the DPI request for a per pupil increase for state supplemented Head Start, which was not included in the Governor's budget, should be funded.

Home Visiting. We believe additional funding is needed for the Family Foundations home visiting program, which provides family support which is badly needed in the current stressful times.

HEALTH CARE

We support the inclusion of a workplace smoking ban to include all bars and restaurants, as well as the inclusion of an additional 75 cent tax on tobacco products to reduce health care costs and encourage people to quit. These measures are good for people and good for the budget.

We support focusing proceeds from the hospital assessment on the expansion of Badger Care Plus to low-income childless adults, to support the Medicaid budget, and to give hospitals supplements. We support the continuance of the Senior Care program without any changes in eligibility requirements.

We support the expansion of Family Care to continue in the next two years to the extent that 90% of the population will be included by the end of the biennium, and that implementation of the remaining 13 counties will not begin until the 2011-2013 budget.

We support the proposed increase of 2% in the first year of the budget, and 3% in the second year for elderly and disability transportation programs. We are pleased to see funding for a relocation ombudsman to provide services to seniors in long-term care facilities that are downsizing or closing, and we support expanding ombudsman services to seniors living in Residential Care Apartment Complexes, as well as an increase in the Medigap Helpline funded by the OCI.

We oppose the elimination of funding for the Guardianship Support Center operated by the Coalition of Wisconsin Aging Groups (-\$200,000). We support the proposal to eliminate the 5% supplemental dispersing fee to pharmacies for Senior Care (-\$3,955,600 each year). We also support an increase of \$333,000 each year to establish a statewide quality home care authority to address workforce shortages and expand access to caregivers.

Finally, we recommend increasing the tax on beer and other alcoholic products. This is not an unreasonable burden that will help raise revenue.

NATURAL RESOURCES

Great Lakes - Great Lakes Compact

We support increasing the DNR budget to include 2.0 FTE employees and the spending of \$187,400 program revenue in year 2010; and an increase of 2.0 FTE employees and spending authority of \$1,099,500 program revenue in year 2011 in order to begin implementation of the Great Lakes Compact and a statewide water conservation and efficiency program.

We also recommend creating the following fees, effective January 1, 2011, that would fund the resources needed to implement the compact.

- **Statewide Water Use Base Fee** allows for the implementation of a statewide sustainable water use annual base fee of \$125 assessed on any person with a water supply system that has the capacity to withdraw an average of 100,000 gallons per day or more in any 30-day period.
- **Great Lakes Basin Withdrawal Fee** allows for the implementation of a graduated water use fee on persons withdrawing more than 50 million gallons of water per within the Great Lakes Basin. This would be in addition to the base fee and would be graduated based on amounts of water withdrawn.
- **Diversions Application Fee** allows implementation of a flat fee of \$5000 for the application to divert water out of the Great Lakes Basin, and then an application fee for the review of the application determined by the time involved by the DNR staff.

The League also supports the Governor's proposal for Great Lakes **Ballast Water Permitting and Treatment**:

- Provide 3.0 FTE positions and \$248,900 in program revenue in ongoing spending authority to implement a compliance monitoring and inspection program for ships that could discharge ballast water in Wisconsin ports, specifically those that are 79 feet or greater in length; and to establish a \$1,200 application fee for 5 years of general permit coverage for each ship plus a \$345 annual fee,

Waste Programs

- **Clean Sweep Program:** We oppose the Governor's budget proposal to repeal the Clean Sweep Grant Program. In 2007 alone Wisconsin Clean Sweep collection sites collected 730,000 pounds of agricultural, business and household hazardous wastes, dangerous materials which otherwise may have ended up in our landfills and our water. Clean Sweep programs in smaller communities and those which serve farmers will be particularly hard hit as they rely on state grants for much or all of their funding. While we recognize the current financial pressures on our state budget, in this case saving money in the short run poses too great a risk of irrevocably harming our environment and ultimately costing us much more.
- **Increased Tipping Fees:** The League supports the Governor's proposal to increase the tipping fee on total municipal waste disposed in Wisconsin landfills by \$6/ton (from \$4 to \$10). The current tipping fee is too low. A more competitive tipping fee for waste disposal is the only constitutionally viable option left to counter an increasing flow of waste from neighboring states. Such an increase would serve the dual purpose of reducing significantly the waste dumped in Wisconsin by neighboring states as well as increasing state funding for local recycling programs.

Regional Transit Authorities

The League supports the creation of Regional Transit Authorities (RTA) as proposed by the Governor. These cooperative initiatives by local and county governments save money, serve residents and use resources wisely. By offering regional systems, including local and express bus systems, shared ride taxis, vanpools, park-and-ride lots and commuter trains, RTAs reduce the need for Wisconsin residents to commute in private cars. This decreases gasoline consumption, traffic congestion and auto emissions into our environment. Communities that are seeking RTA designation include: the Fox Cities and counties; Kenosha-Racine-Milwaukee cities and counties; Dane County and cities, the Greater Beloit area and the Greater La Crosse area.

UNIVERSITY OF WISCONSIN

As a result of overall cuts to the University, all departments are facing a 1% reduction. The impact of the continual erosion of state support for the University will be compounded by the effect it has on support from other sources. Foundation grants and individual, private support are essential to maintaining the quality of the University, but donors look for evidence that the State intends to maintain that quality and the historic prestige of the University.

For that reason we support special provisions in the Governor's budget for recruitment and retention of "high value faculty" and for two special programs – over \$8 million for the Wisconsin Institute for Discovery and \$6 million for the Wisconsin Bioenergy Initiative.

Nationally, education is being proposed as a major solution for the present economic crisis. Who can deny the benefits that accrued from the "GI Bill" following World War II? Yet reductions in state support of the University lead to pressure to increase tuition. Therefore, the League supports the Governor's effort to ameliorate the situation by proposing a \$6 million fund for annual grants to students who qualify for aid.