

February 15, 2006

Senator Glenn Grothman and  
Members of the Senate Select Committee

**Re: LRB-3511/1 Proposed Constitutional Amendment**

Dear Senator Grothman and Members of the Senate Select Committee,

Thank you for the opportunity to provide input regarding the proposal to amend the Wisconsin Constitution creating a revenue limit for state and local government. The following are the initial questions, suggestions and concerns that I submit for your review and consideration:

- The proposed revenue limit formula does not correlate with the expense increases Counties have experienced related to providing state mandated services such as the courts, juvenile justice and many health and human services. For example, Sheboygan County provides \$2.1 million of tax levy to implement state mandated court functions, and \$10.8 million of tax levy for state mandated health and human services. These two areas alone represent 30% of Sheboygan County's total property tax levy. *The amendment should require the State to provide sufficient funding for existing mandated programs, and at minimum, provide for an annual percentage increase in CPI plus the percentage increase in population for each mandated program. In addition, until the major issue of unfunded or under funded mandates is addressed, the amendment should provide for a more generous levy limit formula or other means to offset unfunded or under funded State and Federal Mandates.*
- The proposal prohibits the State from imposing any new unfunded mandates on Counties. However, the State is the sole determiner as to what the reasonable costs incurred by a local government are. Though it is refreshing to see a proposal where the State will accept responsibility for any new programs it requires, the State's track record of determining what the reasonable costs are to implement has not been good. *To be fair and address the crux of the problem, the amendment should require the State to implement a process of assessing all current State mandated programs and prohibit it from imposing any mandates that it cannot reasonably fund. In addition, the local unit of government impacted should have input on determining the costs incurred to comply with a State mandate.*
- The proposal excludes any new State mandate that is enacted in order to comply with a requirement of federal law. If a new State mandate is enacted in response to a federal requirement, and that is exempt from the State providing payment to a local unit of government for the reasonable costs to administer the program, should not the associated cost necessary to implement also be excluded from the imposed revenue limit? *The amendment should allow for some relief regarding unfunded or under funded mandates imposed due to federal law.*

- The proposal excludes revenue from bonding in the base year (2008). However, in subsequent years, bonding is included in the definition of revenue, which will guarantee the failure of local government to adequately maintain capital equipment, and infrastructure that is critical to the citizens of Wisconsin. General obligation bonds are used for capital projects and are not available to fund operating costs. In addition, the Governmental Accounting Standards Board does not classify borrowed dollars as revenue. Though the proposal excludes “municipal economic development bonds” from the definition of revenue, there is no definition included to describe municipal economic development bonds. *The amendment should clarify that all bond proceeds are not defined as revenue. In addition, specifically exempt from the revenue limit pre-existing debt service requiring larger payments in future years, or the refinancing of existing debt to reduce long-term cost to taxpayers by accelerating larger payments in a shorter time frame.*
- The proposal provides the State with an “emergency reserve fund” to retain excess revenue. Why is the State allowed to place some excess revenue into a stabilization fund while other units of government may not? This is an important and responsible management tool that should be provided to all levels of government in order to respond to emergencies as well as maintain a healthy bond rating. *The amendment should provide a similar stabilization or emergency reserve fund for County government.*
- In general, the proposal discourages the expansion of services that pay for themselves from special assessments or fees. For example, if the public would like a County to add more campsites to a local park, and the camp rental fees pay for the campsites, the fees from the campsites would be included in the revenue, which is subject to the cap. *The amendment should exempt special assessments or fees. As this and other examples above illustrate, it is difficult to account for or anticipate everything.*
- The proposal does not address the manner by which excess revenue is to be returned. *The amendment should clarify that excess revenue may be used the following year to reduce the property tax levy.*

Please note that I have other concerns with the proposal. One of the problems of fast tracking this proposal is that it does not allow for a thorough opportunity to consider all of the implications and anticipate all situations. Thus, what I am offering here should be considered as a partial list of concerns.

In summary, thank you again for the opportunity to provide input today. With all due respect, though I appreciate and share your desire to reduce the tax burden for Wisconsin Citizens, I do not support an amendment to the State Constitution as the vehicle for the proposed changes. I believe it is much more appropriate for statutory language.

However, if the suggestions and concerns identified above are included in the proposal, they will help ensure that this approach may truly be a step forward. If current unfunded or under funded State mandates and related responsibilities are not addressed in this proposal, the legislature is failing to address the problem and setting up Wisconsin for failure.

Sincerely,

Adam Payne  
County Administrative Coordinator