

A monthly review of Wisconsin government, taxes and public finance

The Wisconsin Taxpayer



In this issue:

Fast Facts: Lottery, Delinquent Taxes
and Reading Scores

Changing Demographics
Economic Competitiveness
State-Local Finances

Voter Resources

Election 2002: The Big Picture

In November, Wisconsin voters will elect a governor and new legislature. This and the next issue of The Wisconsin Taxpayer focus on major issues facing the state. Changing demographics, economic competitiveness and state-local finances are featured in this issue.

Nomination papers have been filed. Campaign organizations are in place. We know who wants to be our next governor, and legislators.

To help candidates and voters better understand the challenges Wisconsin faces, this and the next issue of *The Wisconsin Taxpayer* focus on selected campaign topics. This month, the state's changing demographics, economic competitiveness and fiscal policies are examined. Next month, education, health care and corrections will be featured.

There are other challenges, of course, but space limits consideration to only some of the more pressing ones. For more information relating to these topics, please see page 12.

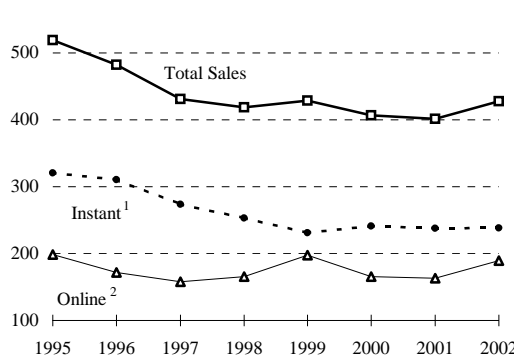
Large Jackpots Stem Lottery Decline

Driven by an \$18.5-million increase in Powerball revenues and an \$8.2-million jump in Megabucks sales, Wisconsin lottery sales rose in fiscal 2002 to \$427.6 million. Sales are typically spurred by large jackpots. In August 2001, the Powerball jackpot reached \$295 million and the Megabucks prize was \$21 million. Sales of instant games rose 0.1% in 2001-02 to \$238.2 million.

Wisconsin's 2001 per capita lottery sales of \$74.30 were higher than Iowa (\$60.31) and Minnesota (\$73.24), but below Michigan (\$161.47) and Illinois (\$113.90).

Lottery officials expect \$135 million of the proceeds to go to property tax relief. About \$240 million was distributed in prizes in fiscal 2002. □

Lottery Sales Rise
(In Millions, Fiscal Years 1995 - 2002)



¹ Scratch-off and pull-tab games.

² Ticket games with winning numbers determined in drawings.

Delinquent Taxes up Slightly in 2001

Delinquent taxes owed the state of Wisconsin totalled \$711.3 million in 2000-01, up 1.0% from \$704.2 million in 1999-00, according to the state Department of Revenue.

In 2000-01, delinquent individual income taxes were \$298.4 million, down 1.4% from \$302.8 million in 1999-00. Sales and use tax delinquencies increased 12.9% to \$181.5 million, while delinquent income tax withholding rose 9.9% to \$199.7 million. Corporate franchise and income tax delinquencies went up 8.4% to \$21.3 million. □

Third-Grade Reading Scores Drop

Scores on the 2002 state reading comprehension test fell slightly this year, with the percentage of third-grade students scoring in the "proficient" or "advanced" category down from 76.5% last year to 74.2% in 2002.

The mandatory test, which measures early literacy and the quality of reading instruction, was taken by 57,259 third graders statewide in March 2002. Five years ago, 64.8% of students scored in the top two proficiency levels. □

The Wisconsin Taxpayer

June 2002 Vol. 70 No. 6

Publication Number USPS 688-800

Periodical postage paid

at Madison, Wisconsin

Subscription Price:

One Year, \$12; Three Years, \$28

Published each month by the

Wisconsin Taxpayers Alliance

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Send address changes to *The Wisconsin*

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The Wisconsin Taxpayers Alliance, founded in 1932, is the state's oldest and most respected private government-research organization. Through its publications, civic lectures and school talks, WISTAX aims to improve Wisconsin government through citizen education. Nonprofit, nonpartisan and independently funded, WISTAX is not affiliated with any group—national, state or local—and receives no government support.

www.wistax.org

Election 2002: The Big Picture

Continued from page 1

CHANGING DEMOGRAPHICS

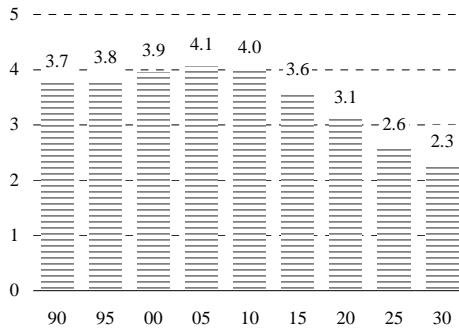
Population changes will likely affect the state's economy and finances in the coming decades. According to projections, the number of retired citizens will swell as the "Baby Boom" generation joins their ranks, and the state's birth rate will continue to decline steadily, as it has since 1980. These trends, which are more pronounced here than nationally, will likely result in a tight labor market, slowing growth in tax revenues and shifts in state spending pressures.

Baby Boomers Retire

Wisconsin's population in 2000 was 5.36 million, of which 703,000 (13.1%) were 65 or older. In the next ten years, the number of seniors is expected to rise 8.4%. Between 2010 and 2020, it will rise 33.3% and, in the following decade, another 30.8%. According to Department of Administration (DOA) estimates, by 2030, there will be 1.33 million Wisconsin residents age 65 or older, an increase of 88.9% from 2000.

This aging of the population can best be described by the rising share of the population that is 65+. In 2000, the percentage of the state's population age 65 or older was 13.1%. It is expected to rise slightly to 13.4% by 2010. After that, however, the share of seniors is expected to increase quickly, reaching 16.8% in 2020. Demographers expect the state's 65+ population share will be 20.9% by 2030, one to two percentage points higher than the U.S.

Workers Per Retiree Projected To Drop
Ratio of 25-64 Pop. to 65+ Pop., 1990 - 2030



Low Birth Rates

In addition to a growing elderly population, Wisconsin will continue to have below-average birth rates. Births peaked here in 1960 at 98,800, a rate of 24.9 per 1,000 population. The most recent peak was in 1980 (74,763 births), when the state's birth rate equalled the nation's (15.9). Wisconsin's rate declined over the next two decades, falling to 14.8 in 1990 and 12.7 in 2000, when there were 68,200 births. Nationally, birth rates climbed to 16.7 in 1990 and fell to 14.7 in 2000.

In 2000, the number of births in Wisconsin births was slightly greater than in 1976 (67,000). In contrast, births nationally increased 128% since 1976. Experts predict Wisconsin's birth rate will remain steady for a time, before declining to 12.1 births per 1,000 by 2025. Nationally, the birth rate is expected to remain above Wisconsin's at 13.5 in 2025.

Labor Shortage

One likely consequence of an aging population and declining birth rate is a labor shortage. The state is not expected to have enough young people entering the workforce to replace the growing number of retirees and continue to grow the labor pool. Moreover, those coming from other states and abroad will probably not be enough to fill the labor gap.

Midwestern states have had difficulty attracting new workers: Illinois, Michigan and Iowa either had a net loss or gained relatively few people through domestic migration in the 90's. Wisconsin has done slightly better. Of the state's 7.3% population growth between 1990 and 1999, 1.8 percentage points were from net domestic migration. However, that will not be enough to replace the large group of retirees in the years ahead.

The labor shortage will have several impacts on state and local governments. First, the size of the working-age population (24-65) relative to the retired population will decline (see chart on page 3). It is expected to fall from its 2000 level of 3.9 to 2.3 in 2030. This will mean fewer workers available to help pay for government services such as health care for a growing elderly population.

The labor shortage will also likely force wages, both private and public sector, higher,

just as state and local governments look to fill more vacancies left by retirees. In 2000, retiring workers were 2.2% of government employees, but this figure is estimated to rise 32% to 2.9% by 2012.

State Government Revenues

The increase in retirees will also affect state finances. Growth in income and sales taxes, two major sources of state revenue, are expected to slow.

Income Tax. Because the state individual income tax provides over half of state general purpose revenues, changes in income levels affect state revenues significantly. Nationally, average household income for the 25-64 age group is about \$53,000, while the average for those 65 or older is less than half this amount, or \$25,000. An increase in retirees will adversely affect income tax revenues, placing more of the tax burden on a proportionally smaller working population.

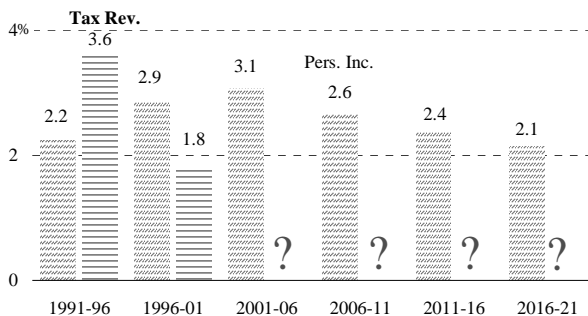
The graph below shows how real (inflation-adjusted) personal income has grown in the past decade and is expected to grow over the next two. From 1996-2001, real income increased by 2.9% annually. If the economy recovers, this growth is expected to continue between 2001-06 (3.1%). However, the Wisconsin Department of Revenue estimates that, after 2006, annual increases will moderate, with growth of 2.6% between 2006-11, and 2.1% between 2016-21.

The graph also shows average annual increases in state individual income tax revenue for the past two five-year periods. Revenues from 1991-96 grew 3.6%, or much faster than income. In the following five years, they increased an average of 1.8% per year.

However, that number masks the effects of various tax law changes. From 1996 to 1998, income tax revenues continued to grow quickly (7.0% per year). In 1999, the income tax was "indexed" (an annual adjust-

Slow Growth in Income Expected

% Real Annual Growth
Pers. Inc. and Inc. Tax Rev. ≡, 1991 - 2021



ment of brackets and deductions) for inflation. Due to this change and subsequent tax cuts, income tax revenues did not grow as fast as in the years prior. In fact, revenues fell 16.3% in 2001 due, in large part, to the tax law changes and a slowing economy. With income growth expected to slow, income tax revenues are also likely to experience only moderate growth.

Sales Tax. Sales tax collections currently account for about one-third of the state's general purpose revenues. As Wisconsin's population ages, sales tax growth might also moderate. Data from the National Consumer Expenditure Survey show that older households (65+) spend \$26,533 a year, compared to \$40,969 for younger households.

In addition to having smaller incomes, seniors spend a smaller share of their incomes on taxable items, such as household furnishings, food away from home, apparel and new vehicles (see table at right). Instead, a larger share is spent on nontaxable items, such as food at home and health care. In particular, seniors spend 12.2% of income on health-care related expenses, while the under-65 group spends only 4.3%.

With the 65+ population growing rapidly, spending less overall and purchasing nontaxable items, growth in state sales tax revenues will likely slow.

Changes in Spending

State officials will also confront changes in state spending needs.

Births are a significant factor in public school enrollment four to 17 years later. Wisconsin's two-decade fall in birth rates is beginning to affect enrollments, which have hovered around 878,000 for the last four years. The U.S. Department of Education predicts that Wisconsin's public school enrollment will fall 3.2% from 1999 to 2011. This decline could help relieve school spend-

65-and-Over Population Spends Less 2000 U.S. Avg. Annual Household Expenditures

	Under 65		65 and Over	
Inc. Before Taxes	\$49,585		\$25,220	
Avg. Annual Exp.	\$40,969		\$26,533	
<i>Category</i> ¹	<i>Avg. Exp.</i>	<i>Share of Inc.</i>	<i>Avg. Exp.</i>	<i>Share of Inc.</i>
Apparel & Serv.	\$2,093	5.1%	\$ 925	3.5%
Food at Home ²	3,167	7.7	2,448	9.2
Food Outside Home	2,374	5.8	1,205	4.5
Health Care ²	1,766	4.3	3,247	12.2
House Furn., Equip.	1,718	4.2	882	3.3
Vehicle Purchases	3,803	9.3	1,904	7.2

¹Not all categories are included in table.

²Generally tax-exempt.

ing pressures if budgets are adjusted accordingly.

As the proportion of senior citizens in the state's population grows, the costs of such programs as Medical Assistance (Medicaid), which offers health coverage for eligible seniors, and SeniorCare, the state's newly-created prescription drug program for low-income seniors, will increase. Both are funded by state and federal money. A discussion of health care spending will appear in the July issue of *The Wisconsin Taxpayer*.

It is difficult to project the spending implications of a growing senior population. Seniors have traditionally had higher voting rates than other groups, giving them political influence. As their numbers grow, they could pressure legislators to provide more programs to serve their population.

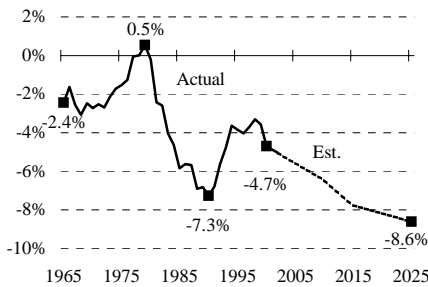
ECONOMIC COMPETITIVENESS

Wisconsin lags the nation in average wages, wealth and per capita personal income (PCPI). Yet, family incomes are above average because the state has more dual-income households. The Badger State has traditionally been strong in manufacturing and agriculture. However, the national economy has shifted to technol-

ogy and information, raising questions about Wisconsin's ability to stay competitive. Can family incomes stay competitive here without further increases in the number of two-earner families?

Ensuring full participation in a growing national economy over the next 25 years will be a continuing state concern. Data from

Wisconsin's Eroding Personal Income PCPI, Wis. Relative to U.S.



the DOR's long-term forecast show state PCPI falling to 8.6% below the U.S. average by 2025 (see chart above). Changing that will require a highly educated workforce, increased capital investment in emerging companies, and retention of the state's income and wealth.

Rising Participation, Lagging Wages

Wisconsin, like the nation, prospered in the 1990's, as PCPI rose 54.5%. Part of the reason for the economic strength here was a surging national economy. But rising per capita incomes also resulted from an increase in the percentage of the population working, particularly females. U.S. Census Bureau figures show that, in 1990, 70.0% of males and 60.1% of females age 16 and older in Wisconsin were in the workforce. By 2000, the male rate had increased slightly to 70.8%, but the female rate jumped to 64.1%. In 2000, 68.4% of families with children under six had all parents working, compared to 63.4% ten years earlier.

This increase in family work effort helped propel state PCPI during the 1990's. Wisconsin had 64.1 jobs for every 100 residents in 2000, 12th highest in the nation and 7.9% above the national average. If Wisconsin's job-to-population ratio were reduced to the U.S. average, 2000 state incomes would have been 9.4% (instead of 4.7%) below the national average.

Lagging Wages. One reason for the state's lagging PCPI and high workforce participation is below-average wages. In 2000, the average wage in Wisconsin was 13.3% below the national average. It has been falling relative to the nation since 1970. Faced with eroding wages, families are turning to a second wage earner to keep family incomes near the national average.

These numbers highlight the state's work ethic in the face of eroding relative wages. But rising labor force participation can provide only a temporary economic boost. Some individuals will choose not to work regardless of the state of the economy. Therefore, longer-term prosperity for Wisconsin residents will need to come from other sources.

Can We Keep Our College-Educated?

As the nation's economy becomes more information- and technology-based, the value of post-secondary education will continue to rise. Having a large and growing share of the workforce college-educated will also benefit the state.

The movement of college-educated workers out of the state is commonly referred to as the "brain drain." Many officials point to the state's brain drain as one of the state's most serious problems.

Measuring Brain Drain. One way to measure the loss of the college-educated is to compare the increase in the number of state residents with a college degree to the number of degrees granted in Wisconsin

during that same time. Between 1989 and 1999, the number of state residents with a bachelor's degree rose 218,875. During that same time, Wisconsin colleges and universities granted 269,647 bachelor's degrees. Thus, on net, the state lost 50,772 (18.8%) potentially high-skilled workers over ten years. The state's net retention rate (81.2%) ranked 28th in the nation.

A second way to measure brain drain is to look at a particular group of graduates. A 1999 Indiana study of 1993-94 bachelor-degree recipients found that 61.6% remained in Wisconsin 12 to 18 months after graduation. Some degree recipients from other states moved here, resulting in a net retention rate for this group of 75.9%, second lowest among the states studied.

The Wage Effect. Several factors may account for the state's difficulty in attracting and retaining college graduates. Some observers cite the decline in the number of corporations headquartered here that provide high-paying white collar jobs. A second related factor is below-average wages in Wisconsin for many education-intensive jobs.

U.S. Bureau of Labor Statistics data indicate that average state pay for management positions was 9.3% below the national average in 2000. Average pay in computer and mathematical occupations was 13.7% below; business and financial operations 12.3% below; architecture and engineering 9.8% less; and occupations in the sciences 8.3% below the U.S.

Pay for these types of jobs can be compared to two neighbors, Minnesota and Illinois. These neighboring states boast average wages near or above national norms for these occupations. The pay differentials put Wisconsin at a disadvantage in keeping recent college graduates.

Wisconsin has a well-regarded public university system, and several notable private

colleges and universities. State taxpayers subsidize resident students, making in-state tuition among the lowest in the region. But, if the state is to get a return on this investment, graduates must remain here. Reducing the brain drain could make the state more economically competitive and increase the state's return on its education investment.

Between 1989 and 1999, the state had a net loss of more than 50,000 college graduates.

Need for Capital

Fostering new businesses, particularly in technology industries, requires capital investment, in addition to skilled workers. While large firms are likely to have access to capital, smaller firms typically need help from "angel" investors, venture capitalists or other nontraditional investments to expand.

By any measure, Wisconsin lacks its share of venture capital. Activity peaked here and nationally in 2000. In that year, 18 Wisconsin companies received \$163.3 million, an average investment of \$9.1 million per firm. Nationally, 6,366 firms received \$105.9 billion, an average of \$16.6 million, 83.4% higher than in Wisconsin.

Not only are investments smaller here, but fewer firms receive venture capital. In 2000, 16 firms received venture capital for every 100,000 small firms (fewer than 100 employees) in the state. Nationally, the investment rate was 115 per 100,000, or about seven times as high.

The combination of a smaller average investment and fewer companies receiving money means investment per small-firm worker here is well below average. As shown in the chart on page 8, in 2000, venture capital firms invested \$181 per Wisconsin small-company worker, less than one-fourteenth the national average (\$2,613).

One reason the state gets fewer venture capital dollars is the dearth of local firms willing and able to make the investments. In 2001, Minnesota had 31 investments from venture capital firms located there. Wisconsin had eight from local sources.

Retaining Our Wealthy

State residents can be another source of capital for small start-up businesses. Does Wisconsin have its share of potential investors to provide needed capital to growing companies?

One way to measure this is to compare the number of individuals with incomes over \$1 million to the number of small companies in the state. By that measure, Wisconsin lacks potential investors. In 2000, Wisconsin had 2.61 income tax filers with incomes over \$1 million per 100 small companies. That was significantly less than the national average of 4.38. Of the surrounding states, only Iowa (1.48) was lower.

Over the last several years, Wisconsin's share of million-dollar earners has fallen. In 1997, the state had 1.44% of the nation's millionaires. In the three years following,

the shares were: 1.41% (1998); 1.30% (1999); and 1.20% (2000).

Although it is important to have individuals with high incomes, wealth may be more critical for these types of investments. The latest wealth data for the state shows Wisconsin lacking.

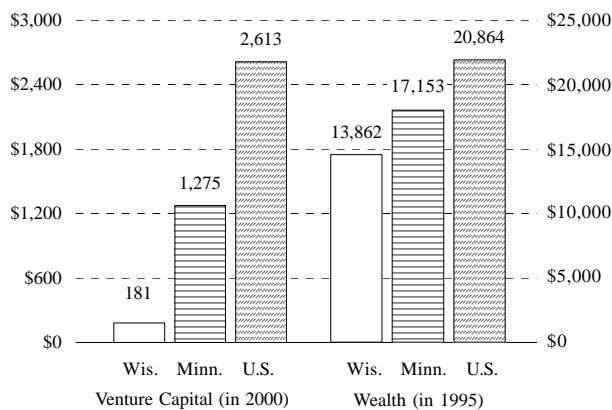
Internal Revenue Service estimates based on estate sizes show Wisconsin had \$71.2 billion in personal wealth in 1995. That was \$13,862 per person, 41st in the nation (see graph). The U.S. average was \$20,864.

The state's 1995 assets represented 1.30% of the national total. By comparison, Wisconsin accounted for 1.86% of personal income, 1.84% of gross state product, and 1.95% of population.

Questions Remain

While Wisconsin's economy was strong during the 1990's, questions remain about the future. Can incomes keep pace with the nation without increasing the number of two-worker families? What can the state do to attract and retain skilled workers? Can the state attract more investment capital and potential investors who have the means to provide capital to growth companies?

Wealth and Venture Capital
Per Capita Wealth* and Per Worker Venture Capital



*IRS estimates based on estate sizes.

STATE-LOCAL FINANCES

Recent state fiscal problems have focused attention on Wisconsin's state and local finance system. Issues of taxation, state spending, the state-local relationship and deficits have come to the forefront.

Of immediate concern is how state leaders will choose to balance the next state budget—through tax increases, spending reductions or some combination. Longer term, the size and funding of state and local governments have to be addressed.

Taxes and Spending in Context

State rankings are typically used to put Wisconsin's taxing and spending in a national

context. Using combined state-local numbers is important because states vary in whether they finance services at the state or local level.

Tax Burden. Wisconsin's state-local taxes in 1998-99 were 12.7% of personal income, third highest in the nation. The state was 15% above the national average (11.0% of personal income). Only New York (14.0%) and Maine (13.1%) had higher tax burdens.

Although the tax rankings account for all state-local taxes, most discussions center around income and property taxes. In fiscal 1999, Wisconsin ranked sixth in individual income taxes as a percentage of personal income and 11th in property taxes. The Badger State was 15th in corporate income taxes, and 29th in sales taxes. Decisions made by state and local leaders, and lack of federal dollars, combine to explain the state's tax rankings.

Spending Matters. Explaining Wisconsin's high tax ranking starts with spending. States that spend more will generally tax more. In 1998-99, Wisconsin's state-local government general expenditures were 20.5% of personal income. That was 8.0% higher than the national average of 18.9% of income (see table). Wisconsin ranked 20th in general fund spending.

Two categories in particular drove Wisconsin spending. Education spending, as a share of personal income for both K-12 (19.9% above U.S. average) and higher education (29.5% above) was significantly above the national average. State leaders have opted for a larger-than-average higher education system, and have chosen to allocate an above-average share of resources to K-12 education.

Transportation spending was also higher here. In particular, state-local spending on roads and highways was 38.2% above the national average, accounting for nearly all of the transportation spending difference. If Wisconsin spent at the national average on

education and transportation, total general spending would be about average.

Higher spending is part of the explanation for Wisconsin's high taxes. The other factor is the way the state funds its spending.

In 1998-99, Wisconsin's state-local government spending was 20.5% of personal income, 8.0% higher than the U.S. average.

Taxes, Fees or the Feds. Wisconsin general fund revenues, which are used to fund general expenditures, come from four sources: taxes, current fees and charges, federal government aids and miscellaneous revenues. Wisconsin gets fewer federal dollars, putting more pressure on taxes and fees to fund state spending.

In fiscal 1999, federal aids to Wisconsin state-local governments were 3.4% of personal income. That was 8.1% below the national average (3.6% of income).

The ever-smaller share of federal funds flowing to the state is one reason Badger State taxes have remained high (see chart on page 10). In fiscal 1987, federal dollars received by the state were 12.5% above the national average. By 1997-98, they had fallen

State Spending Above U.S.
Expenditure Share of Personal Income, 1998-99

	Wis.	U.S.	% +/- U.S.
General Expend.	20.5%	18.9%	8.0%
Higher Ed.	2.2%	1.7%	29.5%
K-12 Ed.	5.5	4.6	19.9
Other Ed. Serv.	0.4	0.4	7.7
Social Serv.	4.3	4.6	-7.3
Transportation	1.9	1.5	25.9
Public Safety	1.9	1.7	6.6
Environ./Housing	1.6	1.5	8.3
Gov't Admin.	1.0	1.0	-1.8
Other Gen'l Exp.	1.8	1.9	-9.7

to 13.5% below average, before rising slightly in 1998-99.

Another reason for the higher tax level is that state policymakers have not used fees and charges to the same degree as other states. In 1985-86, state charges relative to personal income were 21.0% above the national average. In 1985-86, state charges relative to personal income were 21.0% above the national average. In fiscal 1999, they were a more modest 3.6% above average.

Between fiscal years 1986 and 1999, fees and charges in Wisconsin rose from 13.6% of general revenues to 14.3%. Nationally, they jumped from 12.5% to 14.7% of revenues.

The lesser use of fees, a declining share of federal dollars, and spending that has remained above average have combined to keep the tax burden high here. In fiscal 1990, Wisconsin's state and local taxes relative to income were 11.4% above the national average. In 1996, the gap rose to 18.2%. The most recent information has Wisconsin taxes 15.4% above the national average.

A Decade of Deficits

The surprisingly strong economy and ever-increasing tax revenues during the 1990's helped mask growing state budget

problems. During the decade, state lawmakers typically spent more during the second year of the biennium than was expected in revenues. These "structural deficits" were filled during these years primarily with unexpected tax revenues. The slowing economy in 2000 and 2001 highlighted the state's revenue-spending imbalance.

Wisconsin has a history of such imbalances, but their sizes have grown in recent years. The fiscal 2001 structural deficit was a record \$663 million, or 6.4% of revenues (see chart on page 11). When initially passed, the 2001-03 budget had a deficit of \$310 million, or 2.7% of revenues.

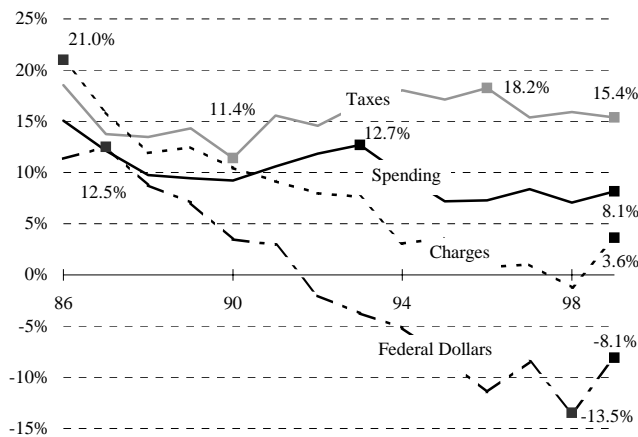
The economic slowdown that began in 2000 exacerbated the state's fiscal problems. With fewer revenues for state coffers, the estimated 2001-03 budget shortfall grew to \$1.1 billion by January 2002. After using \$450 million of one-time tobacco settlement monies to fund 2001-03 spending, state lawmakers used an additional \$800 million of tobacco monies to plug the budget hole. This will make balancing the next budget more difficult.

Income, Taxes To Slow. Some argue that the state will be able to grow itself out of the deficit problem. However, with a slow economic recovery looming, state tax revenues are not likely to grow as rapidly over the next few years as they did in the 1990's. This makes that scenario less likely.

Changes in state general fund tax revenues are closely tied to changes in personal income. Between 1991 and 1996, state taxes outpaced income due largely to income tax brackets and deductions not being adjusted for inflation (see chart on page 4). Tax revenues lagged during the next five years due to numerous tax law changes that included inflation indexing and tax reduction.

Income forecasts for the next 20 years show inflation-adjusted income growth in

Federal Money and Fees Fall, Taxes Remain High
Wisconsin Spending and Revenues Relative to National Averages



Wisconsin slowing. In calendar 2001, real personal income increased only 0.6%, the smallest rise since 1991. Forecasters expect Wisconsin's real personal income to grow 3.1% per year for the next five years, and eventually slow to 2.1% annual growth between 2016 and 2021.

The expected slowdown in income growth will affect state taxes. It will also raise questions about what state residents can afford.

Financing State-Local Government

Wisconsin's recent financial difficulties have also sparked discussions about state aid policies and the relationship between state and local governments. Of the state's \$11.1-billion general fund expenditures in fiscal 2001, \$6.7 billion, or 60.3%, were aid payments to local governments. Of that total, \$4.4 billion went to school districts, and \$1.0 billion went to counties and municipalities in shared revenue payments.

Sound fiscal policy usually suggests that government revenues should be raised by the entity that spends them, increasing accountability. Sometimes equity issues, such as the desire to equalize tax bases, can get in the way of this ideal. Much of Wisconsin's aid to local governments is based on equalizing property tax base.

Our Unusual Approach. Wisconsin's state-local finance system is unusual in that the state generates more than 60% of state-local revenues, but local governments do more than 60% of state-local spending.

U.S. Census Bureau figures show that, in fiscal 1999, state-level revenues were 43.8% more than was needed to fund state-level expenditures. Only Michigan (+46.8%) had a higher percentage.

On the other hand, locally-raised revenues accounted for only 50.2% of local spending. Only Vermont, New Mexico and Michigan had lower percentages.

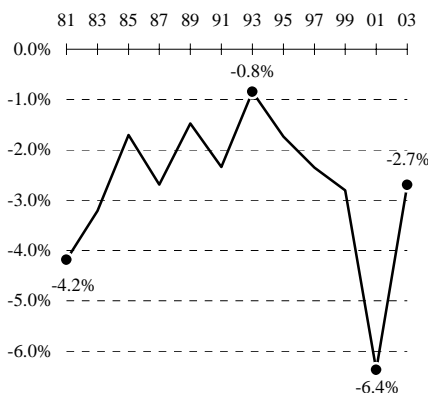
Troubled state-local relationships stem from this unique approach. Despite talk of local control, local governments lack fiscal autonomy and flexibility. And state officials, because they hold the purse strings, tend to mandate and preempt local decisions.

This approach to state-local finance also allows state and local officials to blame each other for fiscal problems. State leaders can claim that local governments do most of the spending. And local officials cite state mandates and lack of funding. The result is confusion concerning the source of Wisconsin's fiscal difficulties.

Lingering Questions

The state's fiscal condition remains in question in the years ahead. How will the next state budget be balanced? What can be done to ease the tax burden here? How will state-local relations change?

Wisconsin Structural Deficits
Percentage of General Fund Revenues



DATA SOURCES

Wisconsin Departments of Administration, Employee Trust Funds, Public Instruction and Revenue; U.S. Census Bureau, National Center for Health Statistics, National Consumer Expenditure Survey, U.S. Bureaus of Economic Analysis and Labor Statistics, Indiana Fiscal Policy Institute, National Venture Capital Association and U.S. Internal Revenue Service.

Voter Resources

For those wishing more in-depth discussion of election issues, *The Wisconsin Taxpayer* (WT) and *Focus* (F) are excellent resources. To provide citizens and candidates an opportunity for a deeper understanding, the Wisconsin Taxpayers Alliance offers three packets of previously published work. Each packet is \$5.00, or all three can be purchased for \$12.50. The packets are:

Economy/Demographics

Wisconsin’s Eroding Personal Income (WT), Wisconsin’s Labor Shortage (WT), Wisconsin’s Wealth Gap (F) and Population Projections Tell Much (F).

Fiscal Issues

Snapshots of State Fiscal Health (WT), Federal Spending in Wisconsin (WT), Wisconsin Finances in a National Context (WT), Public Spending Trends Recapped (F), State Spending Insights (F) and How High Are Wisconsin Taxes (F).

Education/Health Care

Declining Enrollment (WT), School Surpluses (F), Wisconsin Tuition (F), New Educational Finance Findings Surprise (F), UW Dropouts (F), The Giants of State Street (F) and BadgerCare (WT).

Yes, I want to read more about the issues facing the Badger State.

Enclosed is \$ _____ for _____ reading packets (selected at right) at \$5 each or 3 for \$12.50, plus tax.* Please mail my packets to the address below.

- Economy/Demographics
- Fiscal Issues
- Education/Health Care

Name & Title _____

Organization _____ Phone _____

Address _____

City/State _____ 9-Digit Zip _____

*For credit card orders, call 608-255-4581.

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