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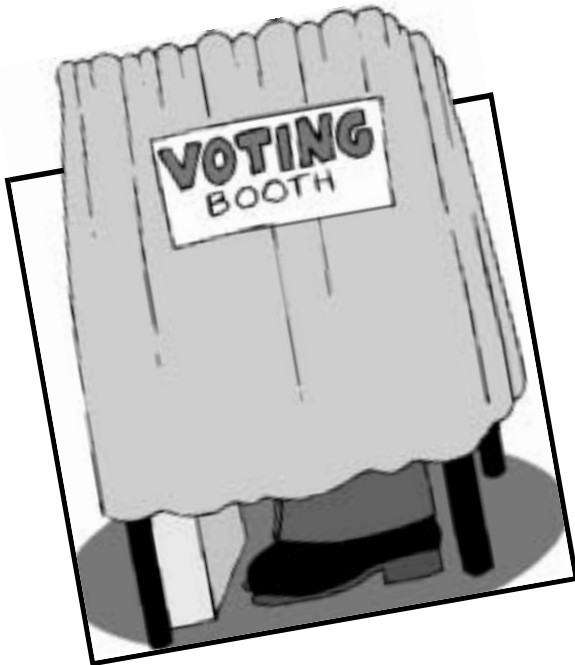
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Info Request



A monthly review of Wisconsin government, taxes, and public finance

The Wisconsin Taxpayer



Election 2006: Issues and Questions

IN BRIEF

In November, Wisconsin voters will fill 99 assembly seats, 17 senate seats, and the governor's mansion. Control of all three institutions hangs in the balance, making the 2006 elections unusually important. In an effort to inform voters, this report examines several major campaign issues, including the state budget, property taxes, and school finance. The discussion of each issue ends with potential questions for candidates, such as:

- How would you address Wisconsin's recurring structural deficits: by cutting spending, raising taxes, or some combination of the two?
- Wisconsin has a two-year property tax "freeze" on most local governments. Would you support or oppose continuing the freeze?
- Do you support the current revenue limits for schools? Should the state provide more or less than two-thirds of public school revenues?
- With the state now providing only a quarter of UW revenues, should the governor continue to appoint virtually all UW System regents?

Also in this issue:

Wisconsin Notes: Federal Funding Falls; School Days

WISTAX Focus: Running Out of College Students?; Sales Tax Holidays

Crime Rates

Wisconsin Notes

■ **Federal Funding Falls.** Wisconsin received \$0.82 in federal spending for every tax dollar it sent to Washington in 2004, according to a report from the Tax Foundation, a nonpartisan tax research group. Wisconsin's rate of return has fallen each of the past four years from a recent peak of \$0.91 in 2000. The Badger State ranked 39th in the nation in return on federal taxes.

Wisconsin's low rank is not unique in the region. Of the states bordering Wisconsin, only Iowa (\$1.11; 25th) received more from the federal government than it sent. Michigan (\$0.85; 38th), Illinois (\$0.73; 46th), and Minnesota (\$0.69; 47th) all received less. New Mexico (\$2.00) had the highest rate of return, while New Jersey (\$0.55) had the lowest.

On a per capita basis, Wisconsin received \$5,728 from the federal government in 2004, according to the Northeast-Midwest Institute (NMI). The Badger State was tied with Utah for 47th, well below the national average of \$7,108. Only Minnesota (\$5,644) and Nevada (\$5,469) received less per person. The NMI is a nonpartisan research group dedicated to funding equity for northeastern and midwestern states.

■ **School Days.** Wisconsin requires 180 days of school each year, one of 29 states with such a policy. Five states (Hawaii, Illinois, Kansas, Michigan, and Ohio) require more days, while 11 require fewer. Five (Delaware, Kentucky, Minnesota, Nebraska, and Oregon) do not regulate the length of school year.

Among Wisconsin's neighbors, Illinois and Michigan require a 185-day school year, Iowa requires 180 days, and Minnesota has no policy, according to the National Conference of State Legislators.

WISTAX Focus

■ **Running Out of College Students?** In 2004, 16.9% of freshmen in the University of Wisconsin (UW) System needed remedial education in math and 8.1% needed it in English. On a few UW campuses, more than half of incoming students needed remedial coursework. In "Supply of 'college-ready' tapped?" (*Focus* #16-06), WISTAX also cites national ACT benchmarks that raise further questions about college-readiness for some Wisconsin students.

■ **Sales Tax Holidays.** As summer draws to an end and parents purchase school supplies, sales tax holidays are politically popular. These holidays are used in 14 states and typically exempt clothing and school supplies from the sales tax during a weekend in August. "A summer vacation from taxes?" (*Focus* #17-06) evaluates the arguments for and against such a policy and offers other options to provide tax relief.

The Wisconsin Taxpayer

July 2006 Vol. 74 No. 7

Publication Number USPS 688-800

Periodical postage paid
at Madison, Wisconsin

Subscription Price:

One Year, \$15; Three Years, \$32

Published each month by the
Wisconsin Taxpayers Alliance

Postmaster:

Send address changes to *The Wisconsin Taxpayer*, 401 North Lawn Avenue, Madison, Wisconsin 53704-5033
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Election 2006: Issues and Questions

STATE FINANCE

Structural deficits, which occur when advanced tax cuts and commitments exceed revenues, have dogged Wisconsin for the past decade. Both Republican and Democratic administrations have used short-term solutions to balance the budget on paper, yet neither party has solved the recurring problem.

Throughout the 1990's, many states had large surpluses and put revenue into "rainy day" reserve funds, but Wisconsin did not. When the economy slowed, the state faced a large deficit without any rainy-day money.

Instead of addressing the deficits through permanent spending cuts or revenue increases, state leaders balanced the budget with one-time solutions, including questionable accounting, revenue from a tobacco law suit, and transfers from the state transportation fund. See the "Transportation" section on page 11 for details.

Does Wisconsin have a deficit now? According to state budget accounting, Wisconsin finished the 2005-06 year with a \$12 million surplus. However, this does not account for money spent but not "booked," one-time transfers from other funds, or reduction of required reserves.

A report from the state controller's office prepared using generally accepted accounting principles (GAAP) found that Wisconsin ended 2004-05 (the most recent year available) with a \$2.1 billion GAAP deficit, even though state budget figures claimed a \$4 million surplus in that year. Wisconsin has faced a GAAP deficit every

year since such reports were first produced in 1990. The \$2.1 billion deficit is the second largest in state history.

Another recent report, from the Legislative Fiscal Bureau (LFB), estimated that Wisconsin is carrying \$690 million in advanced commitments into 2007 due to prior budget promises. While natural revenue growth is expected to offset this, the estimate does not take into account any new state spending for such items as constantly increasing school aids and Medicaid.

Even under budget accounting, Wisconsin compares poorly with other states. The 2004-05 surplus was 0.0% of state spending, compared to a U.S. average of 8.7%. Only Oregon and Arkansas reported smaller surpluses than Wisconsin. Estimates for 2006-07 project a 0.1% balance for Wisconsin, with 46 states having a larger surplus.

Questions

1. Would you support state budgeting using generally accepted accounting principles rather than cash accounting? Given the size of the GAAP deficit, what would be your specific timeline for erasing it?
2. The state has had a rainy-day fund since 1986 to save surplus revenues for later recessions, but has never made a deposit. Would you support biennial payments to the fund? As a percentage of state general fund expenditures, what would be your goal, if any, for a rainy-day balance?
3. Are there specific programs you would cut or taxes you would raise to truly balance future budgets?

Wisconsin ended fiscal year 2005 with a \$2.1 billion GAAP deficit.

All but three states will have a larger budget surplus than Wisconsin in 2006-07.

PROPERTY TAXES

Wisconsin's property taxes are among the highest in the nation. Measured as a share of personal income, the property tax claimed 4.4% in 2003-04, eighth highest in the nation and 27% above the national average. Lowering property taxes is a perennial issue in Wisconsin.

Net property taxes rose 2.3% in 2005-06, the second-smallest increase in 20 years.

A property tax "freeze" was implemented in 2005, with mixed results. School district property taxes fell 0.5%, thanks to an infusion of state aid, while technical college (5.3%), municipal (4.1%), and county (3.5%) levies all rose. Net statewide levies increased 2.3%, the smallest increase in almost a decade and the second smallest in 20 years (see chart below). The only time in the past 20 years that levies increased less than 2.3% was in 1996-97, when the state increased aid to schools by \$1.2 billion. Levies fell 9.4% that year.

Critics of Wisconsin property taxes generally focus on two complaints: property taxes are too high here, and costly state programs to relieve them have been ineffective. Our highly complex state-local finance system also draws criticism for lacking taxpayer accountability and even encouraging local spending.

Wisconsin has 3,000 units of local government—almost all of which use the property tax.

One solution that addresses both problems is to remove one or more local units of government from the property tax. This

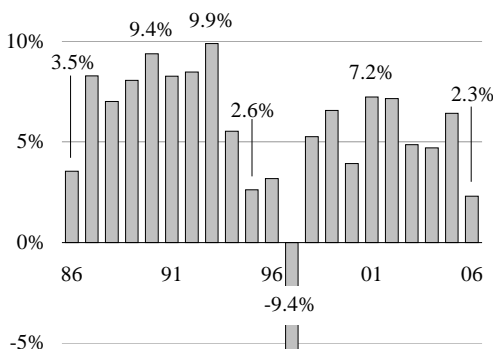
could lower the total levy, simplify the property tax bill, and promote citizen understanding. Currently, at least five units of government (school district, municipality, county, technical college, and state) appear on all bills. In some cases, fees and special purpose levies are added, as well.

Another way to lower local spending and property taxes is to consolidate local government services. With over 1,800 municipalities and 3,000 total units of local government, Wisconsin has more units of government than all but 10 states.

For example, Wisconsin is one of just seven states where county and town governments both spend more than \$500 million each year. Most states have one or the other: towns are common in the northeast, while counties are preferred in the south and west. Some reformers advocate eliminating either towns or counties to save money and simplify service delivery.

Since eliminating a layer of government is often unpopular, a less drastic option might be to encourage neighboring communities to share services, such as police and fire protection. Some communities already share some services and often find that they can reduce costs without lowering the quality of service.

Tax "Freeze" Slows Levy Growth
Net Property Tax Increases, 1986-2006



Questions

1. Wisconsin has a two-year property tax "freeze" on most local governments. Would you support or oppose continuing the freeze?
2. If one or more types of local government should stop using the property tax, which would you propose, and how would they be funded?
3. If local government consolidation can lower property taxes, what services, if any, do you think the state should force to consolidate?

SCHOOL FINANCE

Wisconsin's K-12 schools are financed with a combination of local property taxes, student fees, state aids, and federal money. Since 1993-94, state law has placed revenue limits on schools, restricting the revenue they can raise from the combination of state general aids and property taxes.

A district's revenue limit is adjusted each year based on a state-imposed allowable increase and the number of students in the district. For districts with declining student enrollments, the total revenue cap can remain unchanged or even fall.

Shrinking revenue caps can create budget difficulties. School districts have many fixed or semi-fixed costs, such as transportation, utilities, and administration, that can not always be cut in line with enrollment declines. With fixed costs generally rising each year, declining enrollment districts often struggle to match revenues with expenditures.

Districts can exceed state-imposed caps with voter approval at referendum. The alternative is to cut spending. In 2004-05, 98 of Wisconsin's 426 districts had enrollment declines lasting at least three consecutive years.

The combination of revenue limits and varying increases in state aid can cause school property taxes to fluctuate. The chart (right) shows the relationship between state aid changes and property tax changes. For example, when state aid increases are limited, such as the 1.7% increase in 2003-04 and 1.0% in 2004-05, school property taxes climbed to make up the difference (5.5% and 7.3% in those same years). Large aid increases, such as in 1997 (35.9%), 1995 (14.3%), 1996 (11.9%), and 2006 (6.9%) led to small increases or even drops in the property tax.

From 1996-97 through 2002-03, the state was required to provide two-thirds of "partial school revenues," which were essentially aids and local property taxes. That requirement was repealed in the 2003-05 state budget. Although no longer a requirement, "two-thirds funding" remains a goal for many lawmakers.

Due to this large commitment from the state, state funding of K-12 schools has grown from 33.0% of state general purpose revenues (GPR) in 1996 to an estimated 40.1% in 2005-06. When school levy credits are included, school-related expenditures climb to 43.8% of GPR.

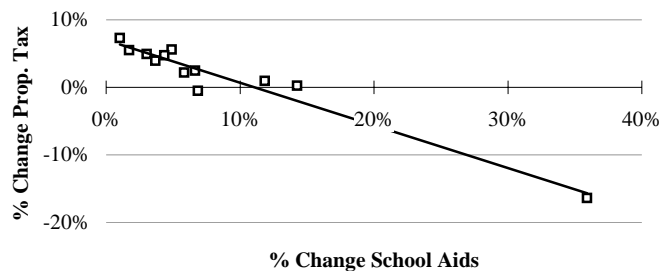
Nearly one-quarter of Wisconsin's school districts have had declining enrollments at least three straight years.

Questions

1. Do you support the current revenue limits for schools? If so, should the limits be loosened for districts with declining enrollment or other unusual problems?
2. Should the state provide more or less than two-thirds of public school revenues? If more, where would you turn for money? If less, how might you limit the impact on local property taxes?
3. Federal special education aids have risen dramatically since the late 1990's. However, projections show those dollars declining over the next several years. Would you favor increasing state special education aids to ease the impact on school districts? Where would the money come from?

K-12 school aids account for more than 40% of state GPR spending.

School Aid Changes Impact School Property Taxes
% Chg. in School Aids and Prop. Taxes, 1993-94 to 2004-05



HIGHER EDUCATION

Spending on higher education has grown much slower than other state appropriations and at rates below those expended by colleges and universities in other states. Tuition, while still below peer campuses elsewhere, has risen 52% at UW-Madison since 2002-03. Yet the UW System is largely governed today the way it was in the 1970's.

The UW System received 26% of its revenue from the state in 2005, down from 52% in 1974.

The UW System receives one-quarter of its revenue from the state, down from more than half in 1973-74 (see chart on page 7). This has resulted from a state spending shift from higher education to K-12 schools. The state spends about 7% of its general purpose revenues (GPR) on UW, down from 17% in 1973. Meanwhile, spending on primary and secondary education is 41% of GPR, up from 22%.

Despite the financial reliance of most school districts on the state, they have more flexibility in personnel, purchasing, and building decisions than UW. UW is run by a 17-member board of regents, with 15 regents appointed by the governor. Correctly or incorrectly, elected officials tend to view UW as a state agency, even though 75% of its funding comes from elsewhere.

Historically, UW has had low tuition and relatively high levels of state support. However, tuition increases have averaged 9% per year over the past decade. If they continue at this pace, UW schools will no longer be low-tuition institutions.

Some argue that this change is good, as low tuition subsidizes education for high-income students that could afford to pay more. They advocate increasing both tuition and financial aid so that high-income students finance a greater share of their instructional cost and low-income students could still afford to attend college.

continued on page 7

NOVEMBER REFERENDA: MA

Wisconsin voters will decide two referenda this November. One is a constitutional amendment in language regarding marriage, and the other is an a

Defining Marriage

The first referendum would add the following clause to the state constitution: "*Only a marriage between one man and one woman shall be valid or recognized as a marriage in this state. A legal status identical or substantially similar to that of marriage for unmarried individuals shall not be valid or recognized in this state.*"

This resolution passed both houses of the legislature earlier this year. By approving it in two consecutive sessions, state lawmakers cleared the way for a final "say" from the electorate.

If a majority approves the referendum, it would alter the constitution so that only a marriage "between one man and one woman" will be recognized in Wisconsin, and a "substantially similar" legal arrangement would not be valid.

Supporters of the amendment, including the Family Research Institute of Wisconsin, claim the it is necessary to prevent "activist" judges from legalizing same-sex marriage, as they did in Massachusetts. Opponents, such as Fair Wisconsin, argue that the amendment is discriminatory and would deny couples, regardless of sexual orientation, deserved benefits and legal protections. Given the wording of the referendum, there is debate over whether the amendment would outlaw civil unions and partner benefits.

In 2004, after the Massachusetts Supreme Court decision, similar referenda were placed on the ballot and passed in 13 states.

MARRIAGE & DEATH PENALTY

November. One would add to the state constitution an advisory question on reinstating the death penalty.

Death Penalty

The referendum on capital punishment asks: "Should the death penalty be enacted in the state of Wisconsin for cases involving a person who is convicted of first-degree intentional homicide, if the conviction is supported by DNA evidence?"

This referendum is not binding and serves only as a way for legislators to gauge public opinion. If passed, the referendum would not reinstate the death penalty, though it could influence future actions of the state legislature.

State Senator Alan Lasee (R-De Pere), sponsor of the advisory referendum, has argued that life sentences do not provide adequate justice for the most heinous crimes. Others argue that, in the case of those imprisoned for life, the death penalty is the only way to combat the killing of guards or inmates. More generally, supporters argue that the death penalty deters violent crime.

A diverse group of opponents, including the American Civil Liberties Union and the Wisconsin Catholic Conference of Bishops, note Wisconsin's long history without capital punishment and point out that Wisconsin's crime rate is consistently below both the national average and that of the states that execute people most frequently.

On August 21, 1851, Wisconsin performed the only execution in state history. The death penalty was abolished just two years later. Only Michigan and Rhode Island have had longer prohibitions on capital punishment.

continued from page 6

Wisconsin's other public higher education institutions, the technical colleges, also face questions in the coming years. While state aid has increased modestly, technical college property taxes have grown quickly in the past decade.

Multiple proposals have been made to fund and govern technical colleges. Some suggest complete state funding. Since their unelected boards levy property taxes, others suggest either electing the boards or ending their use of property taxes. Others prefer the current funding approach, but want technical college levy growth to be limited, as is the case for other local units.

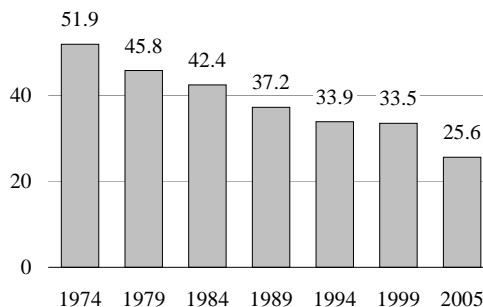
Technical college property taxes are the fastest-growing levies in Wisconsin.

Questions

1. With the state now providing only a quarter of UW revenues, should the governor appoint virtually all regents?
2. Historically, higher education in the Badger State has been principally funded with state dollars and tuition. If relative state support is declining and there is political opposition to tuition hikes, how would you fund the UW and technical colleges? If revenue is insufficient, how would you reduce public college and university costs?
3. Should technical college boards be appointed or elected? Should technical colleges have tougher property tax limits to slow the growth in their levies?

State Funding for UW Falls

% of UW Budget from State, 1974-2005



HEALTH CARE

The cost of health care has increased rapidly in the past decade. Providing health insurance is hard for all employers and especially difficult for public employers that have traditionally offered excellent coverage at little cost to employees. In short, the state of health care in Wisconsin, as elsewhere, is a major public concern.

From 1970 to 2000, health spending as a share of GDP increased from 7.0% to 13.3%.

As the chart below shows, health care is taking an increasing share of gross domestic product (GDP) and will continue to do so. To further complicate policymaking, Wisconsin's population is aging quickly. See the "Demographics" section on page 10 for details.

During the debate to impose revenue limits on state and local government, advocates argued that public expenses should not grow faster than inflation. Opponents noted that health insurance costs, a major local expenditure, were rising far faster.

Wisconsin's uninsured rate (9.7%) was below the 2004 national average (15.9%).

There are several comprehensive plans to reform the state's health care. One would create a single-payer health care program, where the state would pay the costs of all "reasonable medical service." Another plan would guarantee coverage for all employed Wisconsinites. This plan would have co-payments similar to many current health insurance plans. Fees would be set by a board appointed by Wisconsin Manufac-

turers and Commerce (for business interests) and the AFL-CIO (for labor).

Another plan would give all state residents a health savings account (HSA). An HSA is paired with a high-deductible insurance plan, and its money is used to pay for medical expenses. Any unused money remains in the HSA and earns interest. Under Wisconsin's plan, all adults between 18 and 64 would receive \$500 in their HSA from the state each year and a credit to allow them to purchase health insurance.

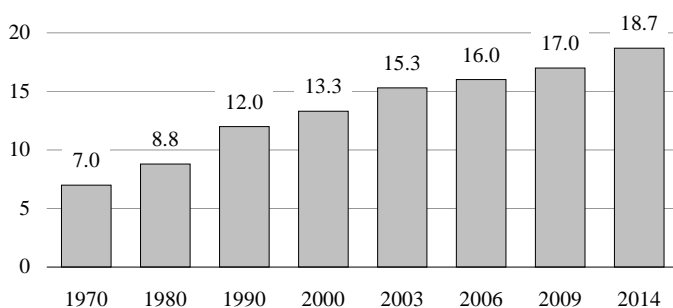
One reason the cost of health insurance rose so quickly over the last 10 years was the price of prescription medication. Wisconsin lawmakers responded by creating SeniorCare in 2002 to allow those 65 and older to purchase drugs at a reduced rate. However, with the passage of a similar federal prescription drug benefit, SeniorCare may lose its federal subsidy.

Wisconsin fares better than most states in health coverage. Here, 9.7% of people were uninsured in 2005, versus 15.9% nationally. From 2003 to 2005, only three states (Minnesota, Hawaii, and Iowa) averaged a lower rate than Wisconsin.

In order to continue to receive federal assistance for SeniorCare, state officials must prove that their program is cheaper and more efficient than the federal plan.

Health Care Costs Rising

Health Care Spending as a % of U.S. GDP, 1970-2014



Questions

1. Given Wisconsin's smaller share of uninsured relative to other states, do we need a state-operated, single-payer health insurance program? If not, what steps should be taken to tackle the problem? Are you satisfied with the health care status quo? What changes would you support?
2. Should SeniorCare be extended beyond 2007? Is there a need for SeniorCare, given that seniors are eligible for prescription drug benefits from the federal government?

JOBS & WORKFORCE

Wisconsin's economy has evolved considerably in recent decades and will continue to change in the future. Whereas manufacturing and other "blue collar" jobs were once extremely common, they have been gradually replaced by service jobs. To effectively prepare for this change, Wisconsin needs a well-educated and highly skilled workforce.

Manufacturing has traditionally driven the Wisconsin economy, but its share of total employment has fallen in recent years. In 1970, manufacturing accounted for 26.1% of Wisconsin's total employment. By 2000, it was down to 18.4%. Over the same period, service employment surpassed manufacturing, increasing from 16.1% to 27.4%.

State leaders must ensure that Wisconsin adds quality jobs. High-income employment leads to a strong economy and significant tax revenue. One area where Wisconsin has struggled to create and attract these jobs is the high-tech sector.

Creating and retaining high-tech jobs is a serious concern for Wisconsin. In 2004, the state ranked 37th in the share of its job market devoted to high-tech employment.

At 3.3% of all employment, Wisconsin's high-tech sector is well below the national average (5.2%) as well as neighboring Minnesota (5.6%), Michigan (4.9%), and Illinois (4.2%). Despite its larger population, Wisconsin has about 40% fewer high-tech jobs than Minnesota.

One of the key ingredients to attracting good, high-paying jobs is an educated and competent workforce. The state must ensure that workers have the necessary knowledge and skills to perform challenging jobs. A highly-skilled workforce is a major attraction for potential employers.

Although Wisconsin frequently rates near the top of the nation in test scores, efforts to maintain a talented workforce are being undermined by the migration of college graduates from the Badger State. The state's high test scores are inconsequential if students leave Wisconsin upon graduation.

During 1995 to 2000, one of every eight college graduates left Wisconsin. Although some college-educated citizens moved into Wisconsin as well, the state still lost 13,500 bachelor's degrees to migration, 1.8% of its degree-holding population. The share was nearly as pronounced for those with advanced degrees (1.6%). By contrast, Wisconsin added 15,400 citizens with less than a bachelor's degree.

These college graduates are leaving at a time when they will be needed to help grow the economy. In 2000, 26% of jobs in Wisconsin required at least an associate's degree. However, of the 275,000 jobs that the state expects to add between 2000 and 2010, at least an associate degree will be needed for more than 40% of them. If the state's workforce cannot provide sufficient college graduates, these potential jobs may never be created.

The migration of college graduates from Wisconsin can negatively impact state competitiveness. In addition to their attractiveness to employers, educated citizens invest in new Wisconsin companies, engage in the political process, and pay more taxes.

Questions

1. What role, if any, do you think manufacturing should play in Wisconsin's future economy? What steps are necessary to preserve jobs here?
2. What specific steps can be taken to retain and attract more college graduates to Wisconsin?

Wisconsin's high-tech sector trails the nation and three of four neighboring states.

Wisconsin lost almost 2% of its college-educated population to migration from 1995 to 2000.

DEMOGRAPHICS

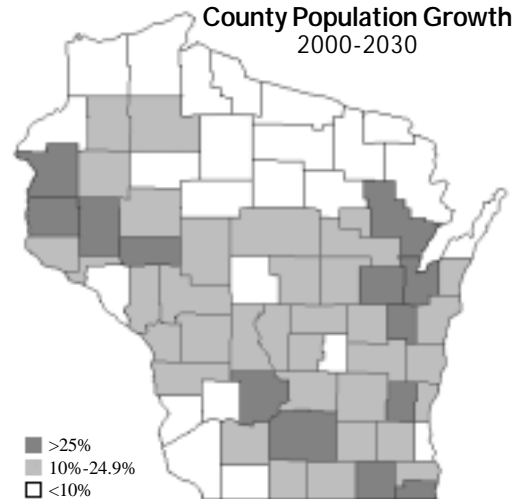
Over the next 25 years, Wisconsin will undergo significant change in its population. The implications for worker availability, economic and tax revenue growth, and education and human service programs will be significant.

In 2000, the average age in Wisconsin was 36.3. By 2030, it will be over 40. In 2000, 59% of the population was of working age (20-64) and 13% were retirees (65 and older). The mix in 2030 will be 54%-21%. As the ratio of workers to retirees falls, employers will find it difficult to find skilled workers in some fields. State and local governments may face difficult financial decisions as tax revenues slow.

Retired citizens will become a more powerful political force. Seniors are more likely to vote than all other age groups, and as they comprise a larger part of the population, their influence will grow. Politicians, eager to earn votes and build support, may pass legislation offering more benefits to the retired. Increased service costs and slowing tax growth could present the public sector with financial problems.

Demographic shifts will impact Wisconsin regions differently. Metropolitan areas in the western and northeastern parts of the state, as well as suburban southern Wisconsin, will grow rapidly. As the map (above, right) shows, populations in 13 counties in these areas will grow more than 25% from 2000 to 2030. Increases in Calumet and St. Croix will be greater than 45%. From 2000 to 2006 alone, St. Croix has grown an estimated 23.5%, while Calumet's population increased 12.5%.

Other areas, especially in northern and southwestern Wisconsin, will see little growth. Populations in Price and Iron counties are projected to decrease over the period, while those in Rusk, Marinette,



Forest, Florence, and Taylor will grow less than 5%. From 2000 to 2006, Milwaukee County's population shrank 0.4%, the only drop in the state. Ashland County had the smallest increase, 0.2%. Every other county's population grew at least 1%.

As elsewhere in the U.S., migration and new births will increase Wisconsin's racial diversity, though the state will continue to lag the nation in minority populations. In the 30 years from 1995 to 2025, Wisconsin's black population will rise from 5.5% to 8.5% of the total state population. The Hispanic share will grow from 2.2% to 4.0%, and the Asian population will increase from 1.4% to 3.6%. Meanwhile, the state's white population will fall from 90.0% to 82.9% of the total. Nationally, the white population is expected to fall from 72.4% to 61.7% over the period.

Questions

1. Given the shrinking workforce in the years to come, what steps should be taken to encourage an adequate supply of skilled labor?
2. What policies can the state adopt now to balance the future funding needs of schools and the elderly?

Wisconsin's average age will increase from 36.3 in 2000 to 40 in 2030.

Student enrollment declines of at least 10% are projected in 39 of 72 counties from 2000 to 2015.

TRANSPORTATION

Wisconsin's segregated transportation fund has been the subject of much controversy in recent years. Its revenues have been used repeatedly to balance the general fund budget. Recently, the state ended automatic indexing (increases) of gas taxes, and now Wisconsin faces an apparent shortfall in transportation funding.

According to a report from the Legislative Fiscal Bureau, current funding for "Wisconsin State Highway Plan 2020," the state's long-term construction guidelines, will not meet program goals. Due to budget cuts and rapidly rising construction costs, Wisconsin needs an additional \$545 million annually to achieve targets for accessibility and safety established in 2000. An additional \$153 million per year is needed to meet goals for maintenance, local aids, and mass transit assistance.

Wisconsin has used a high-tax, low-fee approach to fund transportation projects. In 2003-04, 64.9% of the \$1.44 billion in the transportation fund came from the gas tax, while vehicle registrations funded 28.8%. The remainder (6.3%) came from small taxes, fees, and interest. The state also received \$616 million in federal highway aid.

The state's fuel tax is 32.9¢ per gallon. By some measures, it is the nation's highest. Furthermore, until a law change in 2005, the tax rate was indexed to inflation, meaning that it increased automatically each year.

The repeal of gas tax indexing was a popular, but arguably shortsighted, move. Indexing provided a reliable increase in transportation revenues, albeit a slower growth rate than income or sales taxes. To keep pace with the rising cost of highway construction, that revenue must be replaced.

To generate more revenue, one alternative is an increase in vehicle registration fees; Wisconsin's \$55 annual fee is relatively low. Raising the fee to \$65, along with increases in fees for trucks, would generate \$47 million annually.

According to the Wisconsin Department of Transportation, registration fees on a midsize sedan are significantly higher in all neighboring states: Iowa (\$210), Minnesota (\$194), Illinois (\$153), and Michigan (\$101). One reason costs are higher in other states is that some states charge additional fees based on vehicle weight, age, and value.

Alternatives exist to both higher gas taxes and higher motor vehicle fees. Some states fund part of their transportation budget through general funds (e.g., income and sales taxes), instead of relying only on a transportation fund. One problem with this approach is that recurring state deficits make it difficult to shift general revenues to the transportation fund.

Questions

1. Do you favor taking revenue from the transportation fund to balance the general fund budget? If so, how would you fund Wisconsin's major transportation projects?
2. Should Wisconsin increase spending on transportation and fully fund its long-term highway plan? If so, how should the additional \$698 million be raised? Do you favor a gas tax increase, higher fees, toll roads, road privatization, or something else? If not, how would you maintain state highways?

DATA SOURCE:

University of Wisconsin System; Wisconsin Departments of Administration, Revenue, Transportation, and Workforce Development; Legislative Audit and Fiscal Bureaus; U.S. Census Bureau; American Electronics Association; and U.S. Centers for Medicare and Medicaid Services.

The state transportation fund needs an additional \$545 million per year to meet 2020 transportation goals.

Wisconsin's gas tax is among the nation's highest; vehicle registration fees are low.

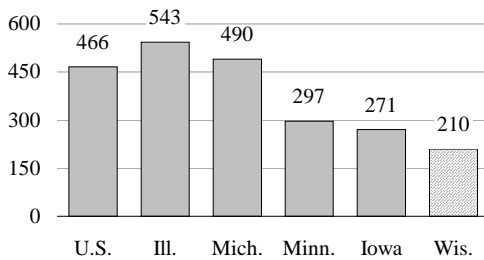
Crime Rates

Wisconsin's 2004 crime rates remained among the lowest in the nation, as measured by both violent and property crimes. Though crime fell nationally in 2004, Wisconsin's rates fell faster in every major crime category.

Wisconsin's 2004 violent crime (murder, rape, robbery, and aggravated assault) rate was 210 per 100,000 residents in 2004, less than half the national average of 466. The rate dropped 5.2% from its 2003 level.

Wisconsin had the fifth-lowest violent crime rate in the nation, above only North Dakota, Maine, New Hampshire, and South Dakota. As shown in the chart below, all of Wisconsin's neighbors had higher rates.

**Violent Crimes per 100,000 Residents
2004**



On a per capita basis, murder decreased the most in Wisconsin, falling 16.4% in 2004. There were 154 murders and nonnegligent manslaughters in 2004, down from 183 in 2003. Rates of rape (-6.1%), robbery (-8.1%), and aggravated assault (-2.7%) fell as well.

Wisconsin also had a low rate of property crime (burglary, larceny, and theft). There were 2,663 property crimes per 100,000 Wisconsinites in 2004, 13th lowest nationally and below Illinois (3,186), Michigan (3,058), Minnesota (3,039), and Iowa (2,905). Each state in the region was well below the 2004 U.S. average of 3,517.

The Badger State's property crime rate fell 7.5% from its 2003 level. Burglary decreased the most (-10.7%), but larceny (-6.7%) and motor vehicle theft (-8.6%) also had significant drops in 2004.

Nationally, the violent crime rate fell 2.2% in 2004, while property crimes decreased 2.1%. □

DATA SOURCE:

Federal Bureau of Investigation; and WISTAX calculations.



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