N O T I C E   O F   S P E C I A L   M E E T I N G

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

March 23, 2006
2:00 p.m.
1820 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin

A G E N D A

Discussion of Impact of the Proposed Taxpayer Protection Amendment on the University of Wisconsin System and Possible Action by the Board

Persons with disabilities requesting an accommodation to attend are asked to contact Judith Temby in advance of the meeting at (608) 262-2324

The meeting will be webcast at http://www.uwex.edu/ics/stream/regents/meetings/

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

March 13, 2006

TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Revenues of State and Local Governments Under Proposed Joint Resolutions (SJR 63/AJR 77)

This memorandum provides information on the revenues of the state and local governments under Senate Joint Resolution 63 (SJR 63) and Assembly Joint Resolution 77 (AJR 77).

The joint resolutions would apply to the state, counties, municipalities, school districts, technical college districts, and special districts and would limit the year-to-year increases in certain revenues and specifically exclude certain other revenues from the limitation. For counties and municipalities, the resolutions would first be effective with budgets adopted for 2009. For the state, school districts, and technical college districts, the limits would first apply to 2009-10 budgets. Revenues subject to the limitation would include taxes, fees, licenses, permits, assessments, fines, and forfeitures imposed by local governments or the state. In addition, most moneys received from bonds, except for moneys generated from municipal economic development bonds, from the refinancing of bonds, or from short-term cash flow borrowing, would be subject to the limitation. Revenues specifically excluded from the limitation would include moneys used for debt service on municipal economic development bonds, or intergovernmental revenues received from the federal, state, or local governments, or moneys from gifts, damage awards, or property sales. In addition, moneys received for the operation of a telephone, gas, electric, or water utility, or a hospital, nursing home, or assisted living facility, or from fees imposed for airport or mass transit systems would be excluded from the control. Towns that have budgeted revenue (as defined for purposes of the limit) of less than $1,000,000 for 2009 would not be subject to the limit in that year. The $1,000,000 threshold would be increased in subsequent years based on increases in the consumer price index (CPI).

Each type of government subject to the control would be allowed to increase its revenues by a percentage factor unique to the government plus the lesser of the percentage change in the inflation rate or in the state's personal income. The percentage change in the inflation rate would be based on the average of the annual percentage increases, if any, in the Milwaukee-Racine CPI for each of the three years preceding the previous year. The percentage change in the state's personal income would be based on the annual percentage increase, if any, in state personal income from the third preceding calendar year to the second preceding calendar year. Therefore, for determining allowable growth for 2009 calendar year budgets, the lesser of the average of the 2005, 2006, and 2007 calendar year increases in the Milwaukee-Racine CPI and the 2006 to 2007 calendar year increase in personal income would be used. For 2009-10 fiscal year budgets, the lesser of the average of the 2005-06, 2006-07, and 2007-08 fiscal year increases in the Milwaukee-Racine CPI and the 2007 to 2008 calendar year increase in state personal income would be used.

The lesser of those percentages would be supplemented with a percentage unique to each unit of government. For the state, counties, and technical college districts, the supplemental percentage would be equal to the percentage increase in their population from the first to the second of the two years preceding the previous year. Therefore, for budgets for calendar year 2009 or fiscal year 2009-10, the change in population between 2006 and 2007 would be used. For municipalities, the supplemental percentage would be equal to 60% of the percentage increase in the municipality's property value due to new construction (net of the value of any property removed or demolished) from the first to the second of the two previous years. Therefore, for municipalities' 2009 budgets, growth in values due to net new construction from 2007 to 2008 would be used. For school districts, the supplemental percentage would be equal to the average of the percentage increases, if any, in their five-year-old kindergarten through 12th grade enrollment for each of the three years preceding the previous year. Therefore, for school districts' 2009-10 budgets, the average of enrollment growth, if any, for the 2005-06, 2006-07, and 2007-08 school years would be used.

It is not possible to accurately project each unit of government's future revenues, either without the proposed limit or as allowed under that limit. This is due to the use of adjustment factors that are unknown at this time and that can vary significantly from one year to the next. Further, since the proposed limit would not take effect until either 2009 or 2009-10, the intervening budget decisions, which are unknown, will have a strong bearing on setting the base to be used under the limit. However, it may be possible to use historic data to understand the potential impact of the joint resolutions on the state and local governments. For local governments, this analysis examines revenues collected over five years between either calendar year 2000 or fiscal year 1999-00 and calendar year 2004 or fiscal year 2003-04 and assumes that the limitation would have become effective in calendar year 2001 or fiscal year 2000-01. For the state government, examples are presented over periods of 20, 15, 10, and five years.

Each year, counties and municipalities submit a comprehensive report on their revenues and expenditures in a standardized format to the Department of Revenue (DOR). However, the reports are not sufficiently detailed to allow a comprehensive determination of which revenue categories conform to those revenue sources enumerated in the joint resolutions. This is due, in part, to the recognition that the joint resolutions will require some enabling legislation. Also, local governments apply different interpretations to the report's revenue and expenditure categories because each local government utilizes a unique chart of accounts and may employ different accounting conventions, such as when revenues are recognized or accrued. Finally, some reported revenue categories include some revenues that would be subject to the limit and some that would not and there is no way to differentiate between the two categories using the reported data. For these reasons, the revenue categories on the DOR reports may not be comparable between local governments, and it would likely be misleading to use the DOR reports to estimate the joint resolutions' effect on individual counties and municipalities. Further, because revenues are volatile between years, an examination of one time period may produce significantly different results than an examination of a slightly different time period.

Each year, school districts submit revenue and expenditure data to the Department of Public Instruction (DPI) under the uniform financial fund accounting system prescribed by the Department. While the system follows generally accepted accounting principles, the comparability of data between school districts depends on similar uses and interpretations of the various revenue and expenditures codes among all the districts in the state. As noted for counties and municipalities, the joint resolutions would require some enabling legislation with respect to the school district limit. Finally, modifications to the accounting system between 1999-00 and 2003-04 may limit the comparability of data between the endpoints used in this analysis.

Due to the preceding reasons, it would likely be misleading to provide estimates of the effects of the joint resolutions on individual local governments. Instead, this analysis displays the resolutions' estimated distributional effects on counties, municipalities, school districts, and technical college districts. Thus, it provides some understanding of the joint resolutions' effects relative to the number of local governments that may have been affected and the impact on their revenues, but it does not attempt to estimate which individual local governments would have been constrained or the magnitude of those constraints.

County and Municipal Revenues

For this analysis, the county and municipal revenues subject to the limitation, based on the categories used in the DOR report, were tabulated for 2000 and 2004. Although the joint resolutions would exclude proceeds from long-term debt in the base year, but would include such proceeds in future years, this analysis excludes long-term debt proceeds from the revenues for both 2000 and 2004. This was done since the DOR report does not separately identify debt for economic development, the proceeds of which would be excluded from the limitation. The level of allowable county and municipal revenues in 2004 were calculated based on changes in the Milwaukee-Racine CPI, Wisconsin personal income, additional tax base due to new construction, and population growth for the corresponding years. Further, increases in allowable revenues were made to reflect any reductions in shared revenue, community aids, and general transportation aid payments between 2004 and the highest year from 2000 through 2003. Finally, 2004 actual revenues were compared to 2004 allowable revenues. Attachment 1 compares these amounts for towns, villages, cities, all municipalities, and counties. These local governments are grouped based on the percentage by which their allowable revenues would have differed from their actual revenues in 2004. For informational purposes, the final column in the attachment shows the long-term debt amounts that were reported in 2004 for each group.

The following material describes each column on the attachment:

Column One. This column identifies the type of local government (towns, villages, cities, all municipalities, and counties). The governments are further grouped according to the percentage by which their allowable 2004 revenues differ from their actual 2004 revenues (column twelve). Towns with 2004 revenues below $1 million comprise an additional grouping.

Column Two: Number. This column displays the number of towns, villages, cities, all municipalities, and counties that are included in each grouping (row).

Column Three: Percent. This column calculates the percentage that each group (row) represents of the corresponding governmental type. Therefore, the percentages within each governmental type sum to 100%.

Column Four: 2000 Base Revenues. These amounts represent actual 2000 revenues reported by local governments to DOR. They include those revenues enumerated in the joint resolutions, given the limitations of the financial report form data, as discussed above. Long-term debt proceeds are not included.

Column Five: 2004 Actual Revenues. These are the same revenue categories included under Column Four, but these are actual amounts that were received in 2004. Long-term debt proceeds are not included, so these amounts under-report the revenues subject to the limitation under the joint resolutions.

Column Six: Change to 2000 Base Revenues -- Amount. This column reports the difference in revenues between 2000 and 2004 (Column Five minus Column Four).

Column Seven: Change to 2000 Base Revenues -- Percent. This column represents the percentage change in revenues from 2000 to 2004 (Column Six divided by Column Four).

Column Eight: 2004 Allowable Revenues. This represents the amount of estimated revenues that local governments would have been allowed to receive in 2004, assuming the joint resolutions had become effective in 2001. The estimated revenues were calculated for each local government based on allowable percentages calculated for that government.

Column Nine: Change to 2000 Base Revenues -- Amount. This column reports the change between 2000 base revenues (Column Four) and 2004 allowable revenues (Column Eight).

Column Ten: Change to 2000 Base Revenues -- Percent. This column represents the percentage change in revenues between 2000 base revenues and 2004 allowable revenues (Column Nine divided by Column Four).

Column Eleven: 2004 Allowable vs. Actual. This column equals the difference between 2004 allowable revenues and 2004 actual revenues (Column Eight minus Column Five). Consequently, positive amounts indicate that allowable revenues exceed actual revenues, and negative amounts indicate that actual revenues exceed allowable revenues.

Column Twelve: Difference / 2004 Actual Revenues. This column represents the percentage by which 2004 allowable revenues differ from 2004 actual revenues (Column Eleven divided by Column Five). Therefore, a negative percentage indicates the percentage by which allowable revenues were less than actual revenues and a positive percentage indicates the percentage by which the allowable revenues exceeded the actual revenues.

Column Thirteen: 2004 Long-Term Debt. This column shows the long-term debt proceeds, net of refunding bonds, that were reported by the local governments in each group. The portion of this amount generated from municipal economic development bonds, which is not identified in the DOR report, would not have been subject to the revenue limits in 2004.

School District Revenues

School district revenues subject to the limitation were determined based on the revenue codes used by school districts under the uniform financial fund accounting system prescribed by DPI for 1999-00 and 2003-04. Although the joint resolutions would exclude proceeds from long-term debt in the base year, but would include such proceeds in future years, this analysis excludes long-term debt proceeds from the revenues for both 1999-00 and 2003-04. The level of allowable school district revenues in 2003-04 was calculated based on changes in the Milwaukee-Racine CPI and enrollment growth, if any, for the corresponding years. The enrollment for current law revenue limits was used for this analysis. Under revenue limits, enrollment is based on the pupil count from the third Friday of September. The summer school enrollment percentage that applied in a given year is also included. Enrollment in four-year-old kindergarten programs has been removed from each year's enrollment count, consistent with the provisions of the joint resolutions. Referenda-approved debt levies have also been removed from the calculations, but are included in the total revenues shown in Attachment 2. Further, increases in allowable revenues were made to reflect any reductions in general and categorical aid payments between 2003-04 and the highest year from 1999-00 through 2002-03. Revenues resulting from interfund transfers are excluded from the attachment. Finally, 2003-04 actual revenues were compared to 2004 allowable revenues.

Attachment 2 compares these amounts for school districts. Districts are grouped based on the percentage by which their allowable revenues would have differed from their actual revenues in 2003-04. For informational purposes, the final column in the attachment shows the long-term debt amounts that were reported in 2003-04 for each group. Each column on Attachment 2 reflects the same information as Attachment 1.

Some school districts with a difference between actual revenues and the revenues under the joint resolutions may have passed a referendum under current law to exceed their current law revenue limit during the time period shown. Under the joint resolutions, a school district can also increase its revenue limit if the voters in the district approve the referendum. It is possible that voters in some of these districts would have passed a referendum under the provisions of the joint resolutions. This would reduce the difference between the actual and the possible revenues, but is not included in the data in Attachment 2. Also, the data in Attachment 2 do not include the effect of current law statutory revenue limits on the revenues of districts under the joint resolutions. While over 40% of districts are shown in Attachment 2 as having revenues at or below the limit under the joint resolutions, the increase in allowable revenues shown may not be realized by the districts because of the restriction of the statutory revenue limits.

Technical College Districts

The joint resolutions would be effective for the 2009-10 fiscal year for technical college districts. The definition of revenue described for counties and municipalities would also apply to technical college districts. Tuition or fees imposed on students to support technical college functions, however, would be specifically excluded from the definition of revenue. Because most fees received by technical college districts either derive from payments by students or by businesses on behalf of students, this analysis focuses on the property tax levy that supports district operations, which would be the primary revenue source subject to the proposed revenue limit.

In addition to the growth based on either the Milwaukee-Racine CPI or state personal income, technical college districts would be allowed an increase equal to the percentage increase in their respective populations from the first to the second of the two years preceding the previous year.

Under the joint resolutions, a technical college district would be allowed to collect additional revenue in the current fiscal year if it receives less in state aid in that year than it received in any previous year beginning with the 2008-09 fiscal year. Because most categorical aids received by Wisconsin Technical College System (WTCS) districts are treated as one-time grants, this backfill provision was calculated using only WTCS general aid.

Table 1 shows the potential effect of the joint resolutions on technical college districts in 2003-04, had the limit first applied beginning in 1999-00. As shown in the table, one district would have generated less revenue than allowable in 2003-04, while revenues for one other district would have exceeded the revenue limit by more than 25%. The remaining 14 districts would have exceeded the revenue limit by a range of 5% to 25%. In total, the allowable levy would have been $69.5 million less than the actual levy in this example.

TABLE 1

Possible Effect of Joint Resolutions on WTCS Districts
($ in Millions)

2003-04 Revenues	Number of Districts	Actual Levy	Allowable Levy	Difference
At or Below the Limit	1	$15.4	$15.5	$0.1
Over the Limit by:				
Less than 5%	0	0.0	0.0	0.0
5% to 10%	3	137.1	127.7	-9.4
10% to 15%	5	240.0	212.7	-27.3
15% to 20%	3	59.5	50.5	-9.0
20% to 25%	3	69.8	57.8	-12.0
More than 25%	1	43.6	31.7	-11.9
Total	16	$565.4	$495.9	-$69.5

State of Wisconsin

Because state revenues vary significantly with changes in the economy, this memorandum presents examples of the proposed limit over periods of 20, 15, 10, and five years. These differing time periods are used to provide examples of the potential effects of the limit if it had applied during years with greater or lesser revenue growth for the state.

Attachment 3 shows each of these examples and identifies estimated state revenues in the base year, the actual amount in 2003-04, and the amount that would have been allowable in 2003-04 under the joint resolutions. In addition, for each example, the attachment shows the cumulative change in actual revenues compared to the amount of revenues allowable under the proposed limit, as well as the average annual percentage and dollar change.

For purposes of these examples, this office used accounting information for major revenue sources over these years that would have been subject to the proposed limit, had it applied during the relevant time period. These revenues include: (a) general fund tax collections; (b) transportation fund tax and fee revenues; (c) conservation, petroleum inspection, environmental, recycling, and agricultural chemical management fund revenues, excluding interest earnings, bonding, and federal monies; (d) lottery proceeds; (e) tribal gaming monies; (f) public benefits assessments; (g) universal service fund assessments; (h) revenues for the Department of Regulation and Licensing; (i) revenues for the Public Service Commission; (j) penalty, State Crime Lab and DNA surcharges; (k) court-related surcharges, fees, fines, and forfeitures; and (l) program revenue for State Fair Park, safety and buildings, fire dues, and air emissions tonnage fees.

The proposed constitutional amendment would include revenues from bonding under the limit. However, bonding approved by the voters at a referendum would be outside of the limit. Because it is unknown whether voters would have approved this bonding, the examples exclude revenues from bonds. To show the potential magnitude of this factor, Table 2 shows the amount of bonding that has been authorized by the Legislature in each biennium since 1983-85, excluding refunding bonds.

TABLE 2

Biennial Bonding Authorizations
($ in Millions)

		Revenue Bonds			Appropriation	
	General Obligation	Transportation	Clean Water Fund	PECFA	Obligation-- Pension	Total
1983-85	$482.6	$166.2	$0.0	$0.0	$0.0	$648.8
1985-87	415.5	126.7	0.0	0.0	0.0	542.2
1987-89	525.3	90.4	0.0	0.0	0.0	615.7
1989-91	1,053.7	93.7	729.4	0.0	0.0	1,876.8
1991-93	715.8	188.9	568.4	0.0	0.0	1,473.1
1993-95	628.1	284.9	0.0	0.0	0.0	913.0
1995-97	654.3	172.8	0.0	0.0	0.0	827.1
1997-99	864.1	224.4	0.0	0.0	0.0	1,088.5
1999-01	1,395.4	99.0	0.0	270.0	0.0	1,764.4
2001-03	1,644.8	306.0	100.6	72.0	0.0	2,123.4
2003-05	840.6	342.5	217.6	94.0	1,500.0	2,994.7
2005-07	1,311.5	228.8	0.0	0.0	0.0	1,540.3

BL/bh
Attachments

ATTACHMENT 1

Possible 2004 Effect of SJR 63 and AJR 77 on County and Municipal Revenues Assuming Initial Applicability in 2001
($ in Millions)

			2000	2004	Change to 2000		2004	Change to 2000		2004	Difference/	2004
			Base	Actual	Base Revenues		Allowable	Base Revenues		Allowable	2004 Actual	Long-
	Number	Percent	Revenues	Revenues	Amount	Percent	Revenues	Amount	Percent	vs. Actual	Revenues	Term Debt
Towns												
2004 Revenues Under $1 Million	1,186	94.1%	$183.0	$231.2	$48.2	26.3%	$225.8	$42.8	23.4%	-$5.4	-2.3%	$16.6
2004 Revenues at or Below the Limit	14	1.1	33.8	37.8	4.0	11.8	40.1	6.3	18.6	2.3	6.1	9.9
2004 Revenues Over the Limit by:												
- Less than 5%	12	1.0	15.2	18.8	3.6	23.7	18.3	3.1	20.4	-0.5	-2.7	8.2
- 5% to 10%	10	0.8	25.5	33.4	7.9	31.0	30.7	5.2	20.4	-2.7	-8.1	5.8
- 10% to 25%	24	1.9	39.8	55.8	16.0	40.2	47.2	7.4	18.6	-8.6	-15.4	11.0
- More than 25%	14	1.1	11.9	22.4	10.5	88.2	14.4	2.5	21.0	-8.0	-35.7	3.6
Total Towns	1,260	100.0%	$309.2	$399.4	$90.2	29.2%	376.5	$67.3	21.8%	-$22.9	-5.7%	$55.1
Villages												
2004 Revenues at or Below the Limit	194	48.6%	$148.1	$158.6	$10.5	7.1%	$177.8	$29.7	20.1%	$19.2	12.1%	$36.5
2004 Revenues Over the Limit by:												
- Less than 5%	52	13.0	102.2	123.6	21.4	20.9	120.8	18.6	18.2	-2.8	-2.3	35.7
- 5% to 10%	32	7.8	53.0	67.6	14.6	27.5	62.5	9.5	17.9	-5.1	-7.5	29.8
- 10% to 25%	83	20.8	95.0	137.5	42.5	44.7	115.0	20.0	21.1	-22.5	-16.4	65.6
- More than 25%	38	9.8	27.8	51.2	23.4	84.2	34.8	7.0	25.2	-16.4	-32.0	24.6
Total Villages	399	100.0%	$426.1	$538.5	$112.4	26.4%	$510.9	$84.8	19.9%	-$27.6	-5.1%	$192.2

	Number	Percent	2000 Base Revenues	2004 Actual Revenues	Change to 2000 Base Revenues Amount	Change to 2000 Base Revenues Percent	2004 Allowable Revenues	Change to 2000 Base Revenues Amount	Change to 2000 Base Revenues Percent	2004 Allowable vs. Actual	Difference/ 2004 Actual Revenues	2004 Long-Term Debt
Cities												
2004 Revenues at or Below the Limit	87	45.8%	$601.5	$661.5	$60.0	10.0%	$711.6	$110.1	18.3%	$50.1	7.6%	$150.4
2004 Revenues Over the Limit By:												
- Less than 5%	38	20.0	558.1	681.5	123.4	22.1	662.0	103.9	18.6	-19.5	-2.9	216.1
- 5% to 10%	33	17.4	272.6	341.5	68.9	25.3	318.3	45.7	16.8	-23.2	-6.8	85.6
- 10% to 25%	27	14.2	399.0	552.7	153.7	38.5	462.7	63.7	16.0	-90.0	-16.3	127.7
- More than 25%	5	2.6	6.6	11.0	4.4	66.7	7.8	1.2	18.2	-3.2	-29.1	0.2
Total Cities	190	100.0%	$1,837.8	$2,248.2	$410.4	22.3%	$2,162.4	$324.6	17.7%	-$85.8	-3.8%	$580.0
All Municipalities												
2004 Town Revenues Under $1 Million	1,186	64.1%	$183.0	$231.2	$48.2	26.3%	$225.8	$42.8	23.4%	-$5.4	-2.3%	$16.6
2004 Revenues at or Below the Limit	295	16.0	783.4	857.9	74.5	9.5	929.5	146.1	18.6	71.6	8.3	196.8
2004 Revenues Over the Limit By:												
- Less than 5%	102	5.5	675.5	823.9	148.4	22.0	801.1	125.6	18.6	-22.8	-2.8%	260.0
- 5% to 10%	75	4.1	351.2	442.5	91.3	26.0	411.4	60.2	17.1	-31.1	-7.0	121.2
- 10% to 25%	134	7.2	533.8	746.0	212.1	39.8	624.9	91.1	17.1	-121.1	-16.2	204.3
- More than 25%	57	3.1	46.3	84.6	38.3	82.7	57.0	10.7	23.1	-27.6	-32.6	28.4
Total Municipalities	1,849	100.0%	$2,573.2	$3,186.1	$612.9	23.8%	$3,049.7	$476.5	18.5%	-$136.4	-4.3%	$827.3
Counties												
2004 Revenues at or Below the Limit	9	12.5%	$538.0	$587.6	$49.6	9.2%	$615.0	$77.0	14.3%	$27.4	4.7%	$65.8
2004 Revenues Over The Limit By:												
- Less than 5%	16	22.2	400.8	481.5	80.7	20.1	474.6	73.8	18.4%	-6.9	-1.4%	23.8
- 5% to 10%	18	25.0	430.4	551.0	120.6	28.0	511.0	80.6	18.7	-40.0	-7.3	22.4
- 10% to 25%	26	36.1	513.0	715.4	202.4	39.5	608.7	95.7	18.7	-106.7	-14.9	63.0
- More than 25%	3	4.2	19.1	31.5	12.4	64.9	22.9	3.8	19.9	-8.6	-27.3	4.5
Total Counties	72	100.0%	$1,901.3	$2,367.0	$465.7	24.5%	$2,232.2	$330.9	17.4%	-$134.8	-5.7%	$179.5

ATTACHMENT 2

Possible 2003-04 Effect of SJR 63 and AJR 77 on School District Revenues Assuming Initial Applicability in 2000-01
($ in Millions)

	Number	Percent	1999-00 Base Revenues	2003-04 Actual Revenues	Change to 1999-00 Base Revenues Amount	Change to 1999-00 Base Revenues Percent	2003-04 Allowable Revenues	Change to 1999-00 Base Revenues Amount	Change to 1999-00 Base Revenues Percent	2003-04 Allowable vs. Actual	Difference/ 2003-04 Actual Revenues	2003-04 Long-Term Debt
School Districts												
2003-04 Revenues at or Below the Limit*	184	43.2%	$962.7	$1,081.4	$118.6	12.3%	$1,159.1	$196.3	20.4%	$77.7	7.2%	$429.8
2003-04 Revenues Over the Limit By:												
- Less than 5%	82	19.2	724.0	860.8	136.8	18.9	838.9	114.9	15.9	-21.9	-2.5	184.4
- 5% to 10%	86	20.2	853.9	1,073.1	219.2	25.7	990.2	136.3	16.0	-82.9	-7.7	546.1
- 10% to 25%	69	16.2	430.9	590.5	159.6	37.0	505.1	74.2	17.2	-85.3	-14.5	136.6
- More than 25%	5	1.2	6.5	11.1	4.6	71.1	7.6	1.1	17.2	-3.5	-31.5	7.4
Total School Districts	426	100.0%	$2,978.0	$3,616.8	$638.8	21.4%	$3,500.9	$522.9	17.6%	-$115.9	-3.2%	$1,304.5

*The effects of current law statutory revenue limits are not considered in this attachment. Based on the individual revenue limit calculations for each of the 184 districts, the $77.7 million in additional allowable revenue shown may not be realized by these districts.

ATTACHMENT 3

Comparison of Actual State Revenues with Allowable Revenues under SJR 63 and AJR 77
($ in Millions)

20-Year Example

		State Revenues	
1983-84	Base Year	$5,148.0	
2003-04	Actual	13,070.6	
	Less Allowable	-11,128.4	
	Actual Over Allowable	1,942.2	
1983-84 to 2003-04		Actual	Allowable
Cumulative Change			
Amount		$7,922.6	$5,980.4
Percent		153.9%	116.2%
Average Annual Change			
Amount		396.1	299.0
Percent		4.8%	3.9%

10-Year Example

		State Revenues	
1993-94	Base Year	$8,741.2	
2003-04	Actual	13,070.6	
	Less Allowable	-12,597.3	
	Actual Over Allowable	473.3	
1993-94 to 2003-04		Actual	Allowable
Cumulative Change			
Amount		$4,329.4	$3,856.1
Percent		49.5%	44.1%
Average Annual Change			
Amount		432.9	385.6
Percent		4.1%	3.7%

15-Year Example

		State Revenues	
1988-89	Base Year	$6,492.5	
2003-04	Actual	13,070.6	
	Less Allowable	-11,480.4	
	Actual Over Allowable	1,590.2	
1988-89 to 2003-04		Actual	Allowable
Cumulative Change			
Amount		$6,578.1	$4,987.9
Percent		101.3%	76.8%
Average Annual Change			
Amount		438.5	332.5
Percent		4.8%	3.9%

5-Year Example

		State Revenues	
1998-99	Base Year	$11,795.5	
2003-04	Actual	13,070.6	
	Less Allowable	-13,742.3	
	Actual Under Allowable	-671.7	
1998-99 to 2003-04		Actual	Allowable
Cumulative Change			
Amount		$1,275.1	$1,946.7
Percent		10.8%	16.5%
Average Annual Change			
Amount		255.0	389.3
Percent		2.1%	3.1%

The Taxpayer Protection Amendment:

An Analysis of its Impact on the UW System

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What is the TP Amendment?

- A variant on TABOR
- A limit on the growth of revenue of every level/type of government in the state
- Any relaxing of the limits would have to be approved by referenda

How the TP Amendment Would Work

- Formulas placed in the Constitution
  - Increase in **revenue** of state, counties, & tech colleges limited to Consumer Price Index (CPI) plus population growth
  - School districts limited to CPI plus enrollment growth in **5-year old** K through 12th grade
  - Cities and villages by CPI plus 60% of value of net new construction
- Rainy-day fund for state government only

How the TP Amendment Would Work (cont.)

- "Revenue" defined as taxes, fees, licenses, fines, and revenue generated from bonds
  - Bond proceeds excluded in base year
  - UW and tech college tuition and fees are excluded

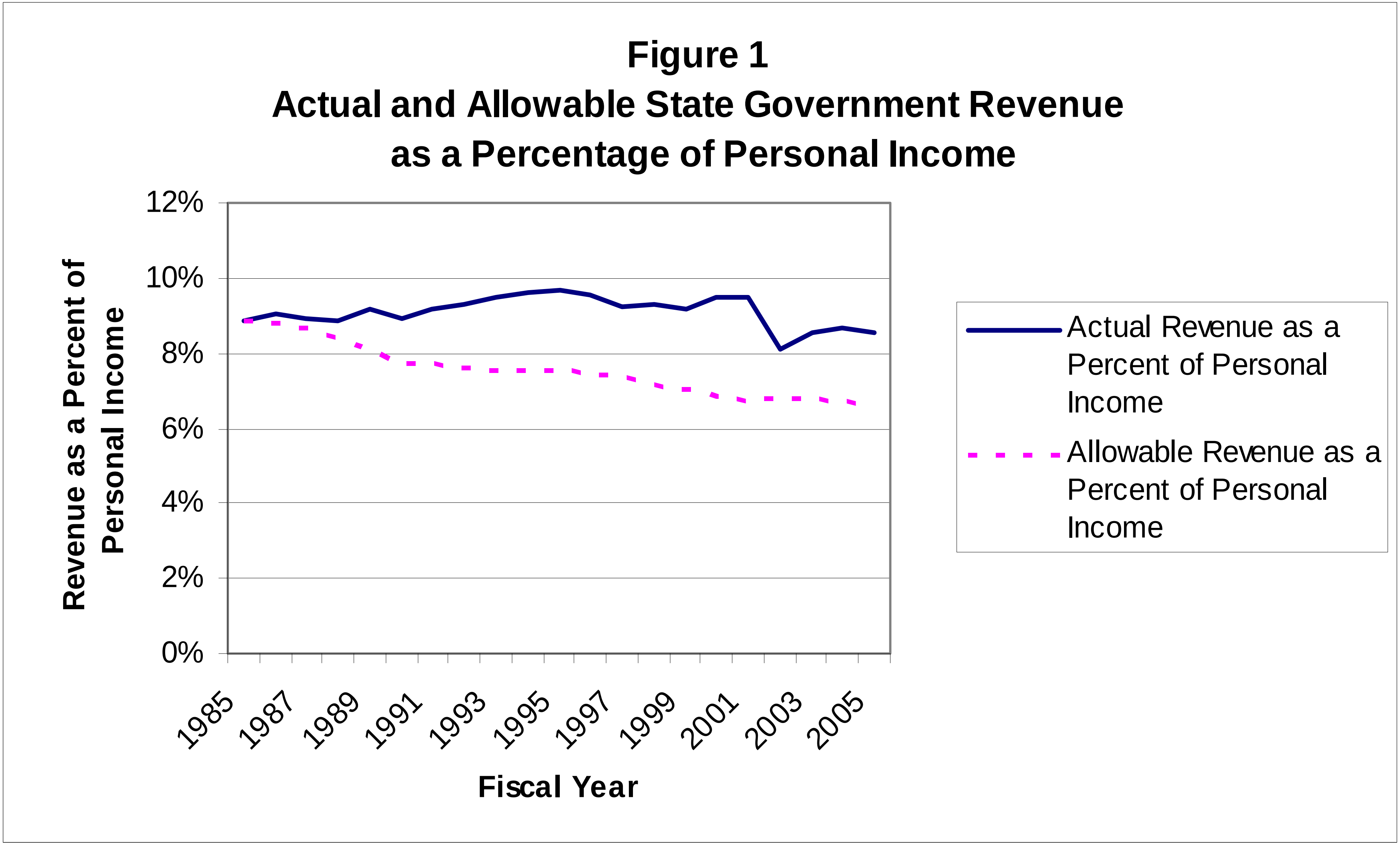


Figure 1
Actual and Allowable State Government Revenue
as a Percentage of Personal Income
Revenue as a Percent of Personal Income
12%
10%
8%
6%
4%
2%
0%
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
Fiscal Year
Actual Revenue as a Percent of Personal Income
Allowable Revenue as a Percent of Personal Income

Figure 2

Actual State Government Tax and Fee Revenue Compared to Revenue Allowable with Taxpayer Protection Amendment

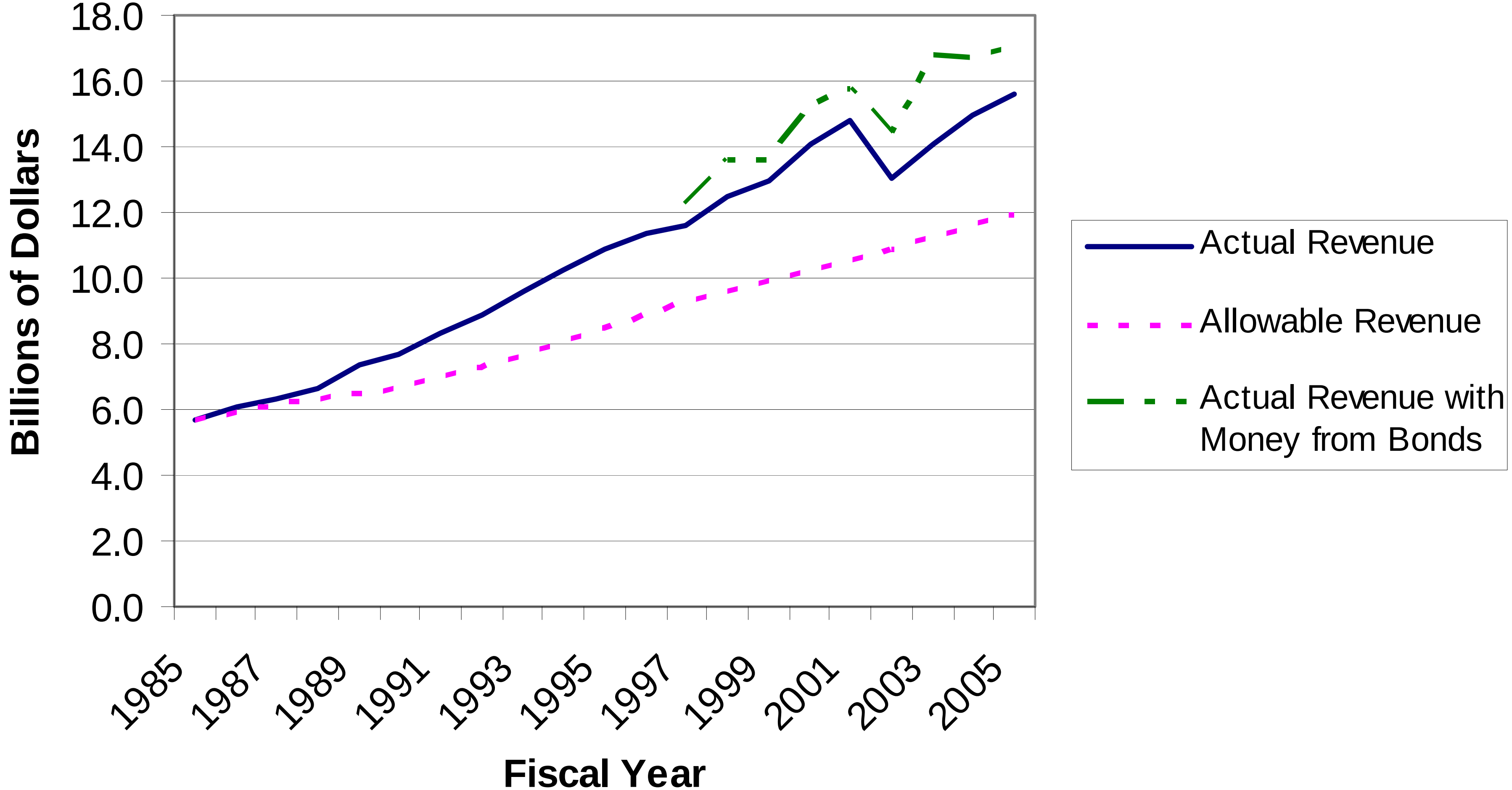
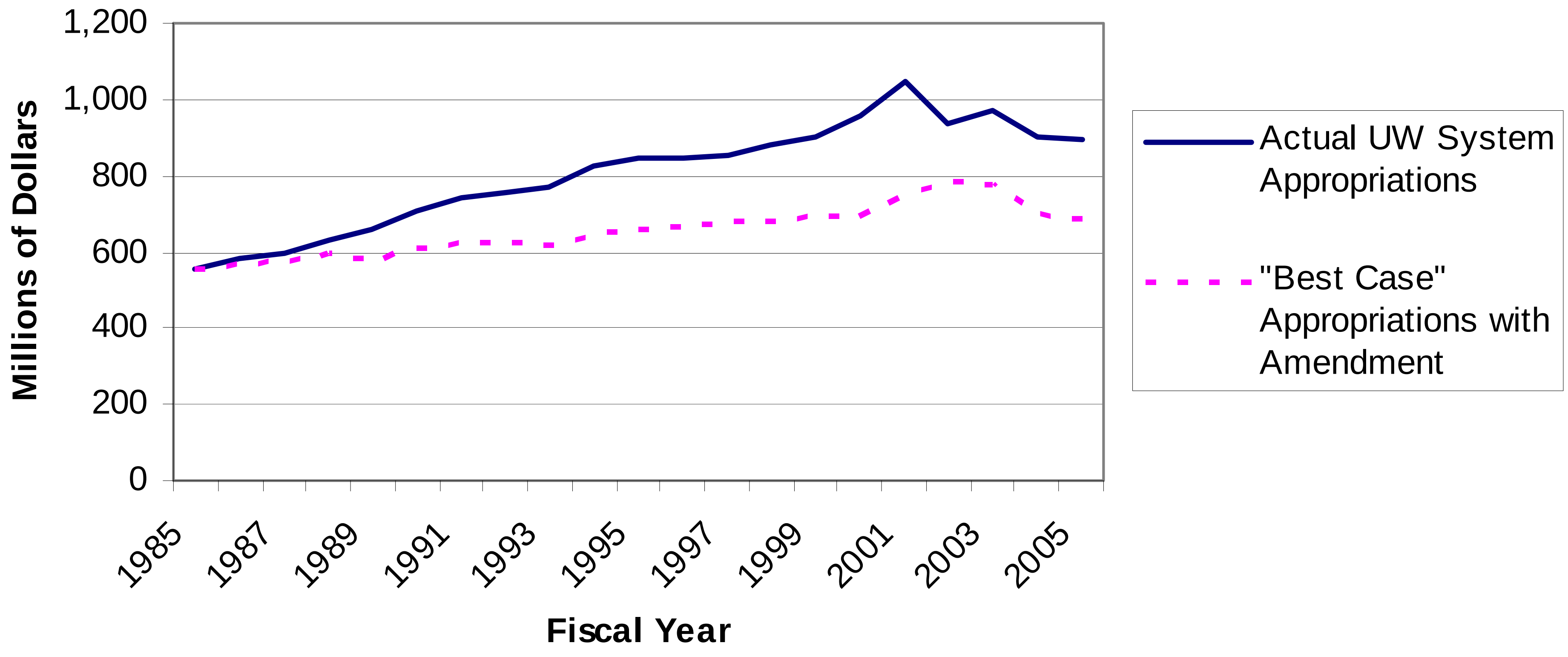


Figure 3
Actual UW System State Appropriations Compared to "Best Case" Appropriations with Taxpayer Protection Amendment



UW System State Appropriations as a Percentage of Total GPR Spending

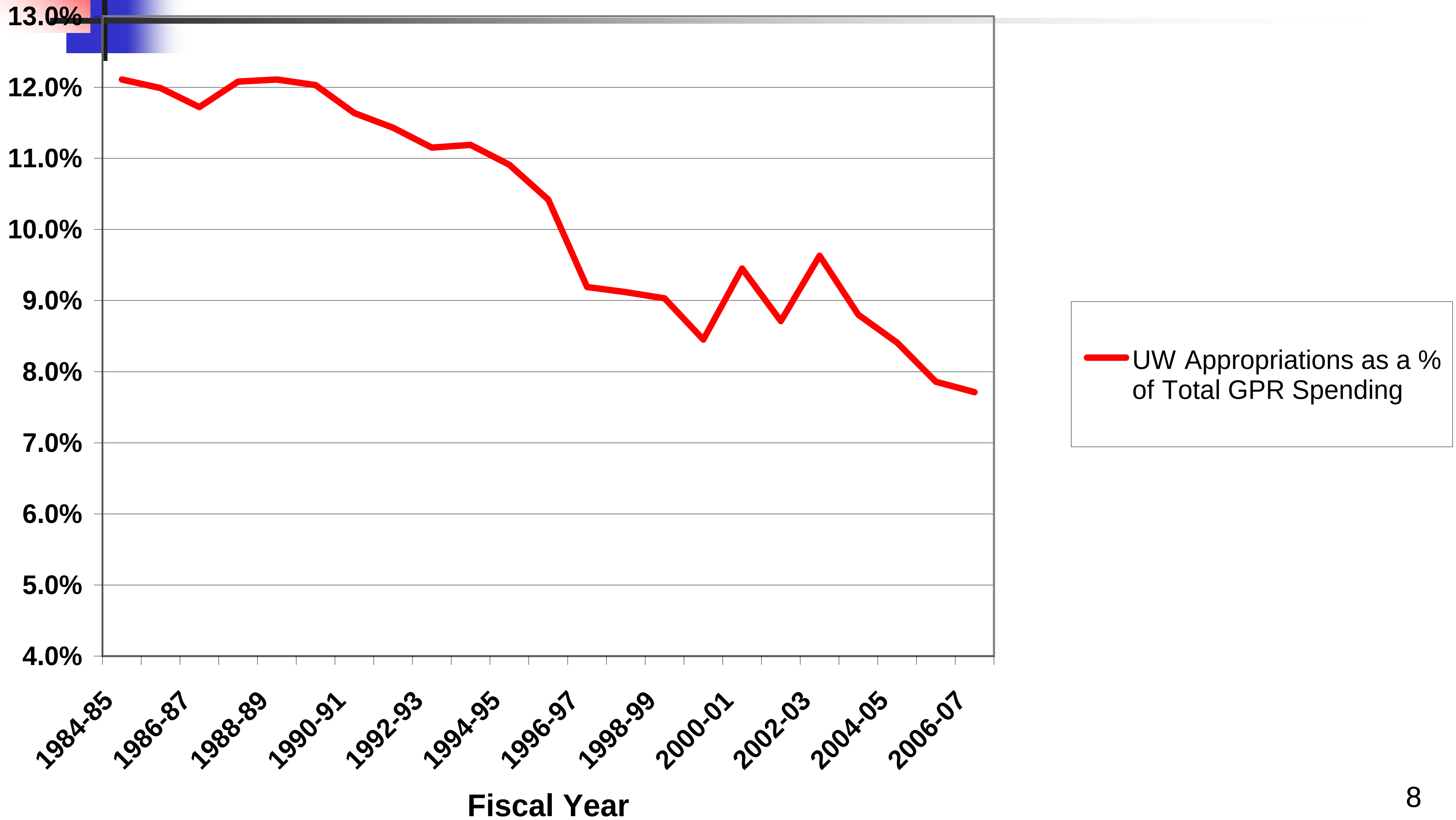
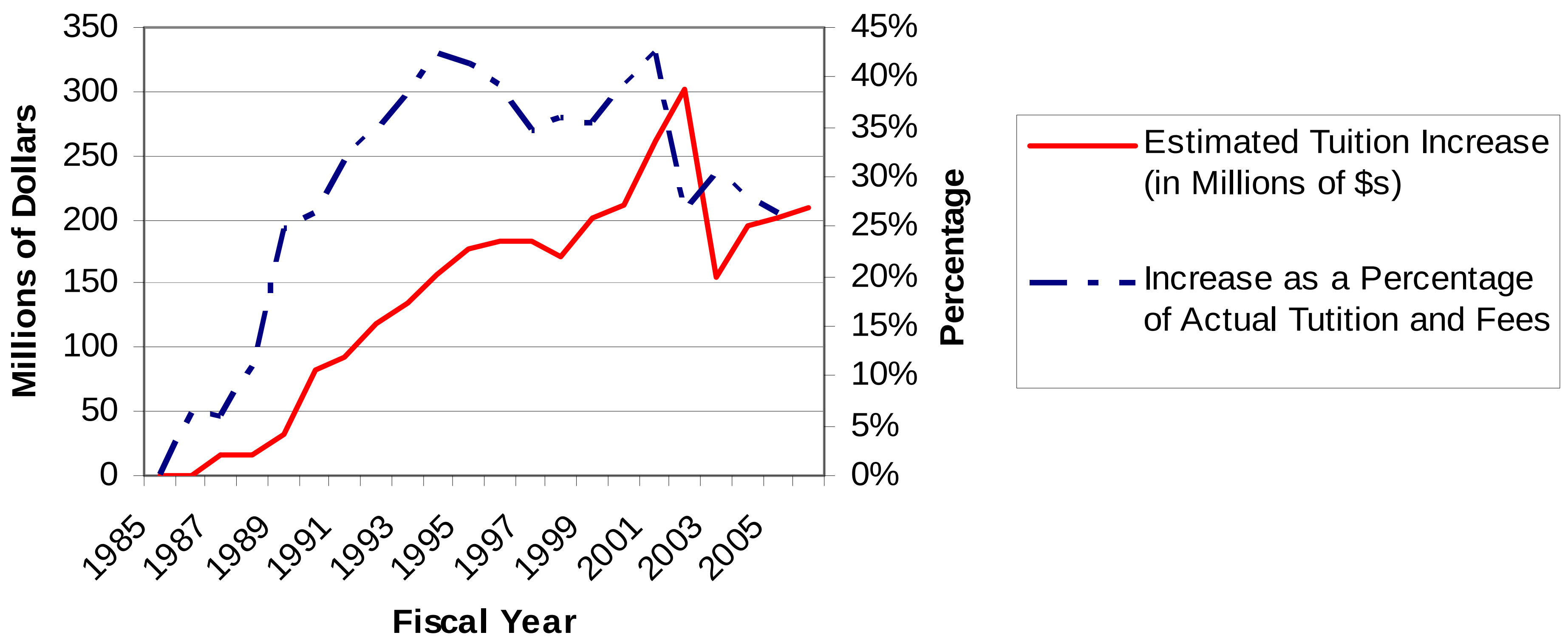


Figure 4
Annual Tuition and Fee Increase Needed to Make Up For Appropriation Cuts due to Taxpayer Protection Amendment



Cutting Enrollment to Close the Funding Gap Caused by the TP Amendment

- “Best case” would be a 12 percent enrollment cut
- In 2005: equivalent to 16,250 students
- This is equivalent to total enrollment at:
  - UW-Stout plus Whitewater **OR**
  - UW-Green Bay, Parkside, Platteville, **and** Superior

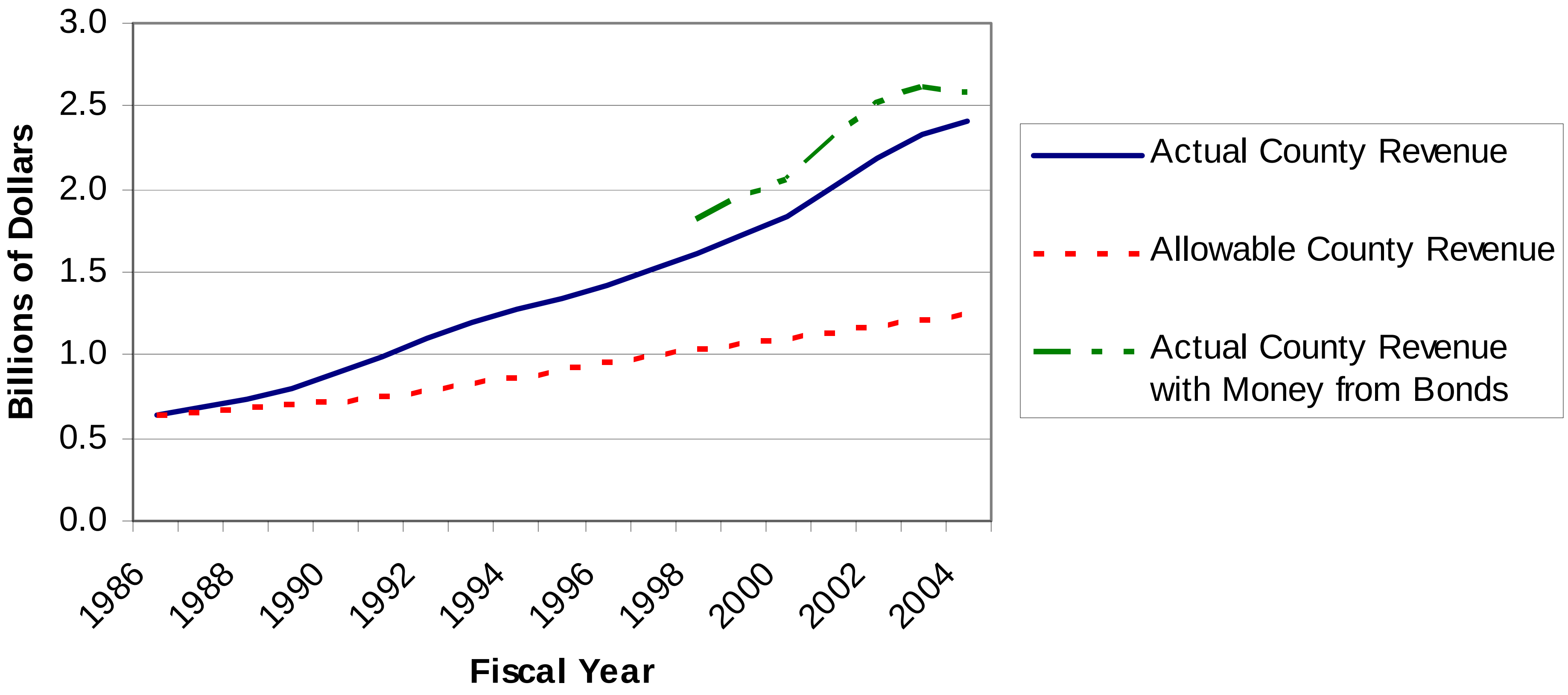
Consequences of Reduced UWS Budgets Due to TP Amendment

- Reduced ability to attract and retain the best scholars
  - At UW-Madison in past 2 years, outside offers have doubled and % retained has fallen to 50%
  - Faculty who stay at UW-Madison on average generate $3.50 in outside grants for every $1.00 of university support
  - Increased turnover reduces “rate of return”

Consequences of Reduced UWS Budgets Due to TP Amendment

- State appropriations for UW are critical for maintaining and enhancing state's competitive position
- Lower investment in UWS because of TP amendment would result in the creation of fewer high-skill jobs in Wisconsin and in slower economic growth

Figure 5
Actual County Tax and Fee Revenue Compared to Revenue Allowable with Taxpayer Protection Amendment



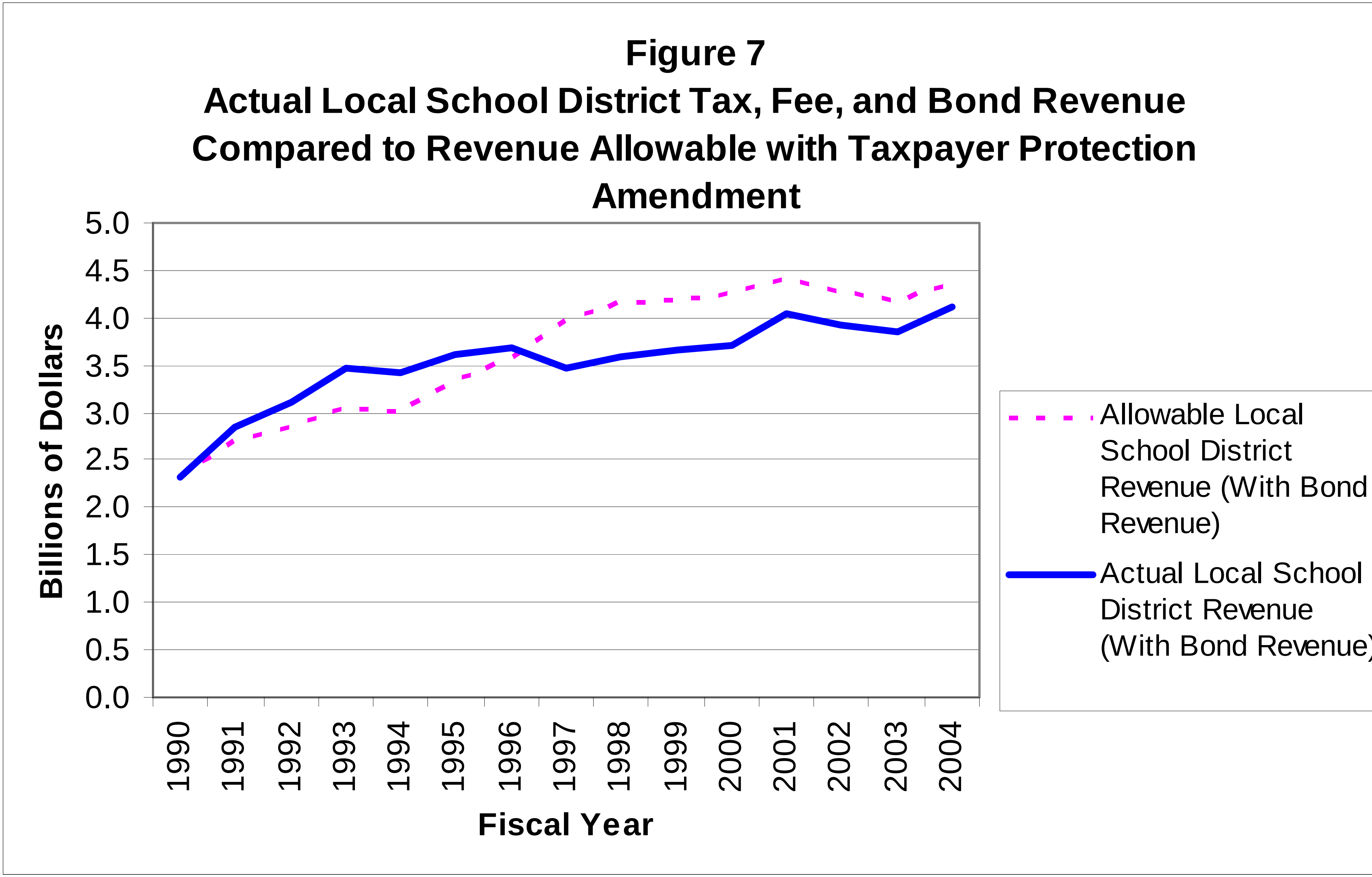


Figure 7
Actual Local School District Tax, Fee, and Bond Revenue Compared to Revenue Allowable with Taxpayer Protection Amendment
Billions of Dollars
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
Fiscal Year
Allowable Local School District Revenue (With Bond Revenue)
Actual Local School District Revenue (With Bond Revenue)

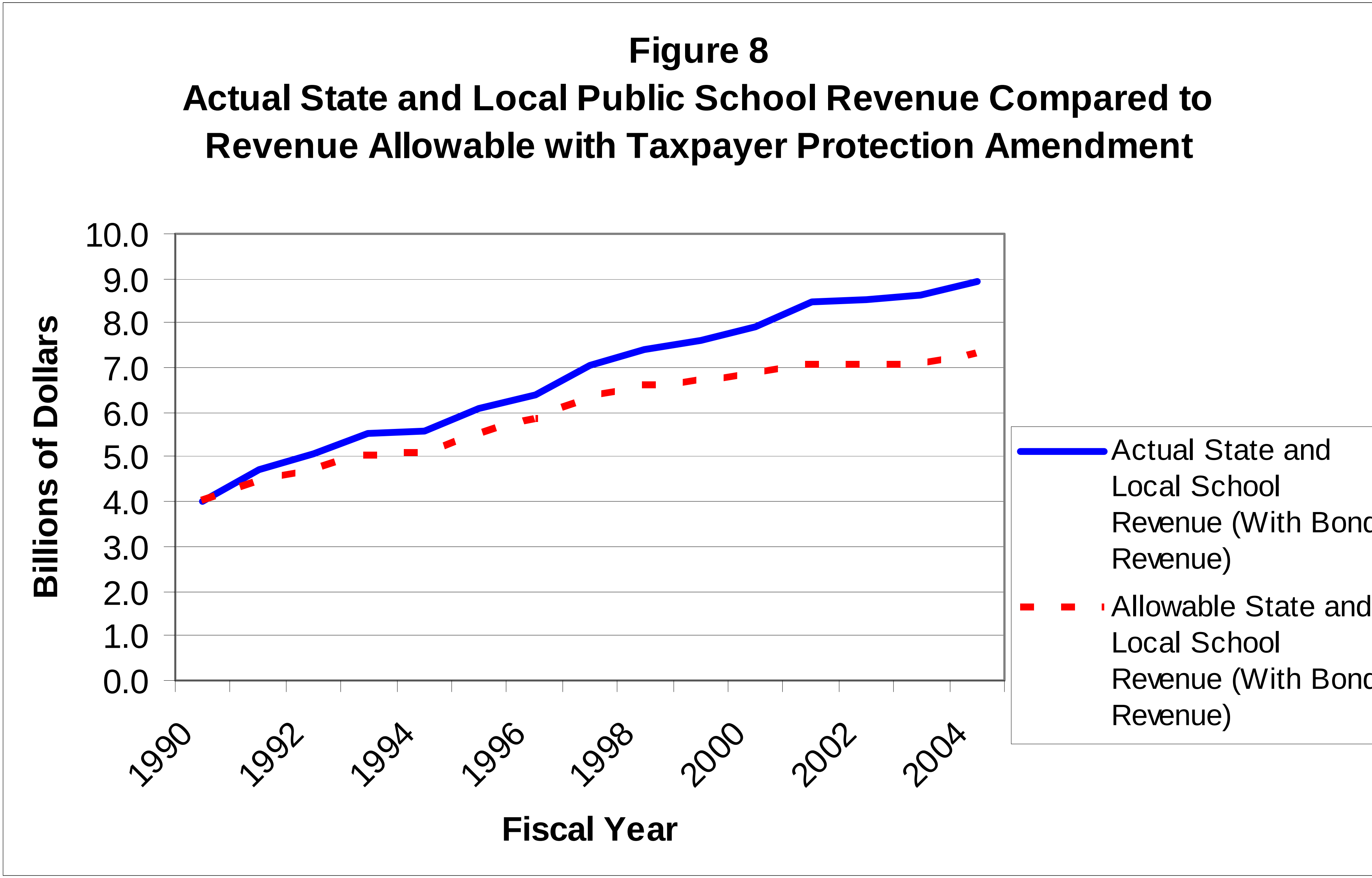


Figure 8
Actual State and Local Public School Revenue Compared to Revenue Allowable with Taxpayer Protection Amendment
Billions of Dollars
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
1990
1992
1994
1996
1998
2000
2002
2004
Fiscal Year
Actual State and Local School Revenue (With Bond Revenue)
Allowable State and Local School Revenue (With Bond Revenue)