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**PRELIMINARY REVIEW OF 2001-2003**

**STATE BIENNIAL BUDGET**

**July 30, 2001**

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Department of Administration  
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## **2001-03 Wisconsin State Budget**

### GPR Appropriations & State Spending Limits

The Conference Committee budget includes a total of \$23.4 billion in GPR expenditures for the 2001-03 biennium. This represents an increase of \$1.023 billion over the 1999-01 biennium, or a 2-year increase of 4.6%.

Although the 2001-03 budget is balanced, the state will face a structural deficit as it enters the 2003-05 budget cycle. Spending commitments in the Conference Committee budget will exceed projected revenue by an estimated \$348 million.

The budget includes a provision that limits the amount of general purpose revenue that may be appropriated in any biennium. Under the proposal, a base year is established as the total amount of GPR appropriated in the second year of the prior biennium. The base is allowed to increase by the annual increase in the state's personal income.

Appropriations for certain agencies are excluded from the spending limit including the University of Wisconsin System, the Department of Public Instruction, the Higher Educational Aids Board and payments to the cash building projects fund.

### Tobacco Securitization Provision

The budget includes a provision to sell bonds that will be backed by the \$5.9 billion that the state is scheduled to receive over the next 25 years under the tobacco settlement. After expenses and other costs, the bond sale will raise an estimated \$920 million in revenue for the state.

Under the budget, \$450 million of the bond proceeds will be used to balance the state's 2001-2003 budget. The remaining \$470 million will be invested in a permanent, long-term endowment fund. Earnings from the fund will be used as general purpose revenue in future budgets. In addition, transfers will be made annually from the endowment fund to the tobacco control fund.

### State Aids to Municipalities, Special Charges & Area Cooperation Compacts

1. Shared Revenue Program – The budget includes a provision to freeze municipal Shared Revenue and increase funding by 1% annually. Under this provision, the census adjustments to the 2000 and 2001 Shared Revenue payments are eliminated. Beginning in 2002, the municipal Shared Revenue distribution is frozen at 2001 payment levels. Funding is increased by 1% in each year of the biennium. The additional funding is distributed by increasing the payments of each municipality by 1% annually.

The 1% funding increases will distribute an additional \$7.6 million to municipalities statewide in each year of the biennium. The City of Milwaukee's payment will increase

from \$235.9 million in 2001 to an estimated \$238.2 million (+\$2.3 million) in 2002 and \$240.6 million (+\$2.4 million) in 2003.

Without the budget provisions, the City's 2000 and 2001 Shared Revenue payments would have been reduced by an estimated \$3.1 million due to the 2000 census adjustments. In addition, the City's 2002 Shared Revenue payment would have declined by \$4.8 million to \$231.1 million.

2. Special Charges – The budget includes a provision that provides greater flexibility for municipalities to charge user fees. Under this amendment, municipalities are authorized to charge user fees for services that are available, without regard to whether they are actually rendered. This item was included in the final recommendations of the Kettl Commission.

3. Area Cooperation Compacts – Beginning in 2003, municipalities are required to enter into "area cooperation compacts" with at least 2 other municipalities or counties to perform at least 2 functions. Beginning in 2006, municipalities must enter into compacts with at least 4 other municipalities or counties to provide at least 5 functions.

Municipalities must be within the same "cooperation region" as the other municipalities or counties that are parties to the compact. Cooperation regions are defined as standard metropolitan statistical areas.

Eligible functions for the compacts include: public housing, law enforcement, emergency services, fire protection, solid waste collection & disposal, recycling, public health, animal control, public transportation, libraries, recreation & culture, human services and youth services.

The compacts must provide a plan for collaboration, benchmarks to measure the plans progress and outcome-based performance measures to evaluate the plan's success.

4. Expenditure Restraint Program – The budget provides 1% annual funding increases for the Expenditure Restraint Program (ERP). This provision will increase funding from \$57 million in 2001 to \$57.6 million in 2002 and \$58.1 million in 2003.

The City of Milwaukee's 2002 ERP payment is currently projected at \$9.8 million without the additional funding. The increased funding will add an estimated \$100,000 to the City's payment.

5. Payment for Municipal Services Program – The budget provides 1% annual funding increases for the Payment for Municipal Services Program (PMS). This provision will increase funding from \$21.6 million in 2001 to \$21.8 million in 2002 and \$22.0 million in 2003.

The City of Milwaukee's 2002 PMS payment is currently projected at \$1.8 million without the additional funding.

6. Computer Reimbursement Payments – Estimated payments to local jurisdictions for the property tax exemption for computers and related equipment are increased under the budget from \$70.3 million in FY2001 to \$77.0 million in FY2002 and \$81.2 million in FY2003.

The City of Milwaukee's reimbursement payment will increase from \$4.0 million in 2000 to \$5.4 million (+36%) in 2001. Total exempt computer value for Milwaukee has increased from \$404.7 million in 1999 to \$476 million in 2000 (+17.6%).

An Assembly provision to modify the depreciation schedule for exempt computers and related equipment from 8 years to 2 years was removed by the Conference Committee. This amendment would have reduced reimbursement payments to local governments by 50%.

7. Gross Receipts Tax – A provision that authorized municipalities to charge a 2% gross receipts tax on telephone companies was removed from the budget by the Conference Committee. This provision would have generated an estimated \$60 million for municipalities statewide.

#### Property Taxation

1. The budget modifies the property tax exemption for computers to exclude automatic teller machines. Under this provision, the tax status of an estimated \$45.5 million in value statewide would be changed from exempt to taxable. The decrease in the City's reimbursement payment for exempt computers and related equipment will be offset by the increase in property value.

2. The budget expands the current tax exemption for digital broadcasting equipment to include cable television equipment. The City Assessor's office estimates that this will remove \$12 million in value from the City's property tax roll and shift \$126,000 in City tax levy to other property taxpayers.

3. The budget provides a property tax exemption for property owned by YMCAs and YWCAs. The exemption is limited to no more than 40 acres for property located in towns and no more than 10 acres for property located in cities and villages.

Under current law, YMCAs and YWCAs are exempt as property owned and used by a benevolent organization. The budget provision does not retain the current requirement that the property be used exclusively by a YMCA/YWCA. As a result, the amendment will also exempt all property that a YMCA/YWCA may acquire in the future that will not be used exclusively by the organization.

4. The budget includes a provision that exempts fax machines and cash registers from property taxation. Under the amendment, local governments will be reimbursed for the lost property tax revenue attributable to the exemption.

5. The budget includes language that provides an ad valorem tax exemption for Midwest Express Airlines. This provision will reduce the state transportation fund by \$2.5 million annually.

6. A provision to exempt restaurant and kitchen equipment from property taxation was removed from the budget by the Conference Committee. This amendment would have removed \$220 million from local property tax rolls statewide and shifted \$4.7 million in property taxes to other taxpayers. The City Assessor's office estimates the value of restaurant and kitchen equipment at \$45.1 million in Milwaukee.

7. A provision to expand use value assessment of agricultural land to include swamp, waste and forest land was removed from the budget by the Conference Committee. This amendment would have removed an estimated \$765 million in value from local tax rolls across the state and shifted \$13.5 million in property taxes to other taxpayers. City of Milwaukee taxpayers would have been affected through a decrease in Shared Revenue and General School Aid payments.

### Recycling

The Conference Committee increased the state recycling tipping fee from the current 30 cents/ton by \$2.70 to \$3.00 per ton, effective January 1, 2002.

The municipal recycling grant fund will distribute \$24.5 million in each year of the biennium. This is \$11.5 million more than the Governor had proposed and is equal to the 2000-2001 grant level.

The grants will be distributed on a per capita basis to all responsible units of local government that operate effective recycling programs. This is a change from the previous share-of-costs distribution method. The per capita payment is set at \$5.30, however, that amount will be prorated based on available revenues.

For grant year 2002, DNR will distribute the grant awards in two installments, instead of the current single payment by June 1. DNR will distribute \$19.5 million by June 1, 2002, from the 2001-02 appropriation and the remaining \$5 million by December 1, 2002 from the 2002-03 appropriation.

In 2003, the DNR is directed to distribute \$3.8 million in Recycling Efficiency Incentive Grants. DNR will promulgate rules for the distribution of those funds. The incentive grant funds would be in addition to the municipal recycling grant program.

In 2002, it is estimated that the City of Milwaukee would receive a grant award of approximately \$2.75 million, \$50,000 less than the City's 2001 grant award. It is estimated that after the City's tipping fee costs are factored in, the City will net approximately \$2.5 million, or \$300,000 less than the 2001 grant award.

## Transportation

1. General Transportation Aid – The budget includes a provision to freeze the 2001 General Transportation Aid (GTA) distribution and increase funding by 3% in 2002 and 4% in 2003. Under this provision, the additional funding is distributed by increasing the 2001 payments of each municipality by 3% in the first year and 4% in the second year of the biennium.

The 3%/4% funding increases will distribute an additional \$8 million to municipalities statewide in 2002 and \$11 million in 2003. Under this provision, the City of Milwaukee's payment will increase from \$25.1 million in 2001 to an estimated \$25.8 million (+\$753,000) in 2002 and \$26.9 million (+\$1 million) in 2003.

Without the budget provisions, the City's payment would have declined in 2002 by an estimated \$1.1 million.

2. Local Road Improvement Program – Funding for this program is increased from \$21.3 million in 2001 to \$23.0 million (+8%) in 2002 and \$23.9 million (+4%) in 2003.

3. Transit Operating Assistance – The Budget increases Transit Operating Assistance from \$93.0 million in 2001 to \$96.7 million (+4%) in 2002 and \$98.7 million (+2%) in 2003. The 4-tier distribution method based on population is maintained. Funding for tier A1 (Milwaukee County Transit System) is \$55.7 million in 2002 and \$56.8 million in 2003.

4. Connecting Highway Aids – Funding for Connecting Highway Aids is maintained at \$12.9 million in both years of the biennium.

5. Elderly & Disabled Transit Aid – Funding for Elderly & Disabled County Aid is increased from \$7.4 million in 2001 to \$7.7 million in 2002 (+3.0%) and \$7.9 million in 2003 (+3.4%). Elderly & Disabled Capital Aid is maintained at the 2001 level of \$922,000 in both years of the biennium.

6. Marquette Interchange – The budget provides \$160.6 million in funding for the Marquette Interchange reconstruction project (\$27.7 SEG; \$57.8 FED-formula; \$75.2 FED-ICE). The Wisconsin Department of Transportation is required to design the project to include an interchange at Plankinton Avenue and to allow for future expansion of capacity. In addition, reconstruction will be performed on a 24-hour basis.

7. Canal Street – The budget includes \$10 million for the reconstruction of West Canal Street with money coming from Marquette Interchange funds, tribal gaming funds, and the local roads improvement program. The City is required to come up with a \$10 million match.

8. Park East Demolition – The Budget includes \$8 million in state money (including \$6.8 million in federal ICE money received by the state) for the demolition of the Park East

Freeway from 4<sup>th</sup> Street to the east end, a new bridge, and surface street improvements. This reflects the state's commitment made in 1999.

9. Fond du Lac Avenue – The Budget requires an economic development study of the Fond du Lac corridor from North Avenue to Capitol Drive by the UWM Center for Economic Development. No funding is provided for the study.

10. Capitol Court – The Budget includes \$250,000 in transportation funding for preliminary engineering, reconstruction, or construction of transportation improvements, or "associated economic development activity", or "other functionally related or auxiliary facilities or structures" associated with the Capitol Court project.

11. Light Rail – Prohibits expending any federal or state money on light rail until June 30, 2002. Requires the Milwaukee County Board to authorize any light rail construction in a resolution that would also require approval in a countywide referendum.

### Economic Development

1. Milwaukee Development Zone – This provision grants tax credits of up to \$4.7 million to Saks Fifth Avenue for the Grand Avenue Boston Store. This represents the state's commitment to that project.

2. Brownfields – The state Department of Commerce is required to make grants of \$375,000 each to both MEDC and Menomonee Valley Partners in each year of the biennium (total \$1.5 million). There were several technical changes to the brownfields laws regarding liability and clean-up.

3. Tech Star – The Budget includes \$1.5 million for a consortium of local higher educational institutions for grants for research related to emerging technologies that would promote industrial and economic development in southeastern Wisconsin.

4. Technology Zone Tax Credits – The state can create up to nine technology zones in Wisconsin in which high-technology businesses created or expanded can claim up to \$3 million in tax credits in each zone.

5. M7 Development Corporation – A grant of up to \$1 million will be awarded to the M7 Development Corporation for the construction of a multipurpose center at Lincoln Park. M7 submitted a request of \$250,000 from Community Development Block Grant Administration (CDBG). (Policy Committee scheduled to address funding issue on 7/31/01).

### General Government Provisions Added

1. Police Interrogation – The Milwaukee Police Department will be prohibited from interrogating officers suspected of wrongdoing except between the hours of 7:00 a.m. and

5:00 p.m. on weekdays. This provision does not apply to interrogations that are part of criminal investigations.

2. Elections – Local governments may permit employees to serve as election officials without penalty or salary loss. School district referenda laws are not changed, so there is no restriction on the dates when school referenda can be held.

3. Urban Forestry – Allocates \$150,000 to Greening Milwaukee in each year of the biennium for urban forestry.

4. Juvenile Drivers License – Starting with forfeitures levied in October, allows the municipal court to authorize the suspension of juvenile drivers licenses for non-payment of forfeitures that are not traffic related.

5. Low Speed Vehicles – Authorizes "low speed vehicles" to operate on all streets with speed limits of 25 mph or lower. Permits municipalities to allow these vehicles on streets with speed limits of up to 35 mph. Low speed vehicles are defined using the federal safety regulations that say they can go no faster than 25 mph on a flat surface and must have specified safety equipment.

6. Great Lakes – Prohibits oil and gas drilling beneath the Great Lakes.

7. African American Family Resource Center – Provides \$125,000 annually for DHFS as a grant for development and implementation of an African American Family Resource Center in the City of Milwaukee. The center would target activities toward the prevention and treatment of HIV infections and related infections, including hepatitis C virus infection, of minority group members.

Modified funding under the senate provision to provide \$62,500 annually for the development and implementation of an African American family resource center.

8. Community Justice Center – Requires the Office of Justice Assistance to distribute \$50,000 to a community justice center in Milwaukee.

9. United Community Center – The state Commerce Department is required to make a grant of \$160,000 to the United Community Center.

10. Cutting Trees – The Budget allows affected parties to cut trees and vegetation in a highway right-of-way that blocks the view of businesses or signs (billboards) by passing motorists.

#### General Government Provisions Deleted

1. Residency – Republican Caucus voted not to include Representative Gunderson's motion rescinding local residency requirements.



2. Provision that converts the Office of the City Comptroller in the City of Milwaukee from an elected to an appointed position.

3. Provision to merge the Bradley Center and Midwest Express Center boards into one 9-member local exposition center district board.

4. Liquor License – Provision to increase the licensing municipality's role in collecting outstanding debts to beer wholesalers was removed.