

JUDICIARY & LEGISLATION COMMITTEE

STATE BUDGET DISCUSSION

APRIL 4, 2005

Water/Environmental Funding

- The Environmental Improvement Program provides low interest loans to municipalities for environmental projects. AB 100 plans to lend \$172 million in 2006 & \$187 million in 2007 through this program.
- AB 100 increases funding for its Non Point Source Pollution Abatement program. This \$27 million program provides grants to municipalities and landowners to reduce pollution from stormwater runoff.
- AB 100 expands its Aquatic Invasive Species Program, which among other things, fights the spread of zebra mussels in Lake Michigan. While this program, does not affect city government operations, it provides grant money that could be tapped by local environmental groups.

Earned Income Tax Credits

- AB 100 reduces funding for the Earned Income Tax Credit (EITC) by \$5,100,000 in the first year and \$4,500,000 in the second.
- Although popular, filings have decreased in recent years. Projected increases in claims due to W-2 changes in the late 1990's have not occurred.
- Wisconsin's EITC is covered more than 80% through the use of TANF funds. Due to the structural deficit in the state's TANF budget, this funding source continues to create challenges for its programs and for Wisconsin's working poor.
- In 2000 21.9% of City of Milwaukee residents filed for the EITC. The total amount of EITC earned was \$84,867,786. Total Wisconsin filings were 9.6%.

Library Update

- AB 100 provides for a slight increase in library system aid to 8% of total library expenditures statewide. The statutory requirement and the DPI budget request are at 13%. We are seeking an amendment to fund system aid at a compromise level of 10% - which would alleviate the ongoing problems with MCFLS as well as other systems in the state.
- AB 100 freezes funding for Milwaukee Public Library's two contracts with the state: the Regional Library for the Blind and Physically Handicapped and Interlibrary Loan services. This level of funding will likely result in the elimination of interlibrary loan altogether and a reduction in services for the blind. We are seeking an increase of about \$450,000 over the biennium to fully fund these two contracts.

In-State Tuition for Illegal immigrants

- AB 100 includes a provision that would allow a student who is not a citizen or a legal permanent resident to pay resident tuition if they:
 - ✓ Graduated from a Wisconsin high school or received a high school graduation equivalency from Wisconsin
 - ✓ Was continuously present in Wisconsin for at least three years following the first day of attending a Wisconsin high school
 - ✓ Enrolls in a UW System institution and provides the institution with an affidavit stating that he or she has filed or will file an application for permanent residency with U.S. Citizenship and Immigration Services as soon as he or she is eligible to do so.

Homeless Veterans Proposal

- The Department of Veterans Affairs is proposing \$250,000 in funding for a program that meets the needs of homeless veterans while utilizing existing Housing Authority resources.
- The program would be administered by the Milwaukee Housing Authority who would subsidize housing for homeless veterans in the following facilities: Southlawn, Northlawn, & Berryland.

Transportation Aids

- AB 100 provides a 2% increase in GTA payments in each calendar year. However, the Budget Office projects the formula distribution will result in a decrease of \$550,000 in 2006 compared to the 2005 level.
- The Alliance of Cities passed a resolution to support the 2% increase while freezing the aid distribution at 2005 levels.

Shared Revenue

- AB 100 maintains the City's 2005 level of Shared Revenue (SR). This does not address the need for non-property tax revenue growth. The City's inflation-adjusted level of Shared Revenue has declined almost 20% since 1995. The proposed amount is funded with GPR and does not require transfers from other funds.
- Key political challenge may revolve around potential attempts to modify the SR distribution formula. Maintaining the current distribution with respect to "baseline" SR, as proposed, is essential to the City's interests.
- AB 100 proposes eliminating the Expenditure Restraint Program (ERP; \$10 million in 2005) and converting it to a Levy Restraint program. An Alliance of Cities resolution opposes this change and proposes continuing the ERP program. AB 100 creates an ongoing levy constraint to qualify for this funding which is set at 85% of the 2-year levy limit proposal.

- Beginning in 2007, AB 100 includes \$10 million for a “levy restraint bonus” program. An Alliance of Cities resolution proposes to reallocate this funding to increase the base Shared Revenue payment based on a new formula. The formula would distribute funding above the Shared Revenue baseline using factors such as per capita property value, poverty rate, and per capita adjusted gross income in addition to population. In general the distribution of the \$10 million according to the Alliance formula would be equalizing and helpful to relatively poor communities.

Levy Limits

- AB 100 includes a manageable levy freeze proposal that allows growth related to regional new construction and completely excludes (or is intended to completely exclude) all debt service payments from the levy limit. This is critical and must be part of any levy limit. This proposal limits non-debt service levies to the sum of an inflation factor plus a growth factor. The inflation factor is the most recent July 1-June 30 CPI-U change. The growth factor is 60% of net new construction in the region to which the municipality is assigned. The City's growth factor would be positively influenced by our regional assignment that includes several high growth counties.
- The Budget Office estimates that AB 100 would allow tax levy growth of 3.8%, plus levy requirements for debt service. If the new Levy Restraint program is enacted, the City would need to limit its levy to an estimated 3.2% increase to qualify for this aid.
- In response to levy limit proposals from both the Governor and Legislature, the Alliance of Cities has passed a resolution regarding levy limits that would support a 2-year levy limit similar to the Governor's proposal, but only if the limits are accompanied by continuation of the current ERP and an exclusion of levy increases for losses in all forms of State aid. The City abstained from voting on this proposal due to previous J&L Committee action to oppose levy limits in all forms.

Real Estate Transfer Fee

- AB100 reassigns approximately \$1.2 million in Real Estate Transfer fee revenue generated from transfers within city limits from the County to the City.
- This proposal addresses taxpayer equity by aligning revenues with the entity performing the real estate activities.

