THE POLITICAL LANDSCAPE

...AND THE CHALLENGES IT PRESENTS FOR LOCAL GOVERNMENTS
DESCRIBING WISCONSIN'S POLITICAL LANDSCAPE IN ONE WORD:

VOLATILE!
OVERVIEW

- Wisconsin State Legislature
- State Budget Preview
- State Tax Structure
- Attitudes Towards Government
WISCONSIN STATE ASSEMBLY

Democrats, 36

Republicans, 63

0, 0
WISCONSIN STATE SENATE

Republicans, 19
Democrats, 14
ONE IN FOUR LAWMAKERS DID NOT SEEK RE-ELECTION TO THEIR CURRENT OFFICE
STATE ASSEMBLY TURNOVER

State Representatives Not Seeking Re-election

<table>
<thead>
<tr>
<th>Year</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>20</td>
</tr>
<tr>
<td>2012</td>
<td>19</td>
</tr>
<tr>
<td>2014</td>
<td>22</td>
</tr>
</tbody>
</table>
STATE SENATE TURNOVER

State Senators Not Seeking Re-election

- 2008: 2
- 2010: 3
- 2012: 2
- 2014: 7
TAKEAWAYS

- **GOP Legislative Majorities Remain**
  - Important for local governments to “frame” their priority issues in ways that relate to GOP priorities (e.g., economic development, tax cuts, government “reform”)

- **Unprecedented Legislative Turnover**
  - The 2015-2016 Wisconsin Legislature will be one of the least experienced in state history. Local governments must educate new and existing members early and often!
Timeline

- July 2014: Governor Released Budget Instructions to Agencies.
- September 15: Agency Budget Requests Submitted.
- November 20: DOA Required to Publish Agency Requests; Preliminary Revenue Estimates Released.
- February 2015: Governor’s Budget Introduced.
- June 2015: Budget Finalized.
State GPR Expenditures (FY 13)

- School Aids, 35.6%
- Medical Assistance, 14.8%
- Corrections, 8.1%
- UW System, 7.8%
- P.Tax Credits, 6.3%
- Shared Revenue, 5.8%
- Other, 21.6%
OUTLOOK

- State general fund facing a $1.76 billion structural deficit heading into 2015-17 state budget.
- State transportation fund facing a $680 million deficit heading into 2015-17 state budget.
- State Medicaid budget has $700-$800 million “cost to continue”
MAJOR BUDGET ITEMS/PRIORITIES

- Tax Reform
- Transportation Funding
- Workforce Development
- Economic Development
- Government “Reform”
TAKEAWAYS

➤ Significant Dollars Needed for Transportation and Medicaid
  ➤ Nearly all “new” revenue growth likely to be devoted to Medicaid
  ➤ Governor and legislature have indicated a desire to “fix” Wisconsin transportation funding

➤ Majority Party Priorities Unlikely to Change from Past Session
  ➤ GOP will continue to focus on reducing income and property taxes (i.e., tax reform)
  ➤ Has promised to limit spending growth
WISCONSIN’S TAX STRUCTURE
## STATE-LOCAL TAX MIX

State and Local Tax Collections (FY13)

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property taxes</td>
<td>$10,469.9</td>
<td>39.7%</td>
</tr>
<tr>
<td>Income taxes</td>
<td>7,496.9</td>
<td>28.3%</td>
</tr>
<tr>
<td>Sales taxes</td>
<td>4,707.7</td>
<td>17.8%</td>
</tr>
<tr>
<td>Motor vehicle taxes</td>
<td>1,396.1</td>
<td>5.3%</td>
</tr>
<tr>
<td>Corporate income taxes</td>
<td>925.4</td>
<td>3.5%</td>
</tr>
<tr>
<td>Other</td>
<td>1,425.1</td>
<td>5.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$26,393.8</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Wisconsin Department of Revenue
STATE TAX MIX

FY 13 GPR Tax Collections (Total $14 Billion)

- Income ($7.4 billion)
- Sales ($4.4 billion)
- Corporate ($0.9 billion)
- Excise Taxes ($0.7 billion)
- Public Utility ($0.3 billion)
- Insurance Companies ($0.2 billion)
- Miscellaneous Taxes ($0.1 billion)

Source: Wisconsin Department of Revenue
<table>
<thead>
<tr>
<th></th>
<th>Wis % of pers inc</th>
<th>U.S. % of pers inc</th>
<th>Wis rank</th>
<th>Amt above nat’l avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total tax collections</td>
<td>11.8</td>
<td>10.9</td>
<td>10</td>
<td>+ 9%</td>
</tr>
<tr>
<td>Property taxes</td>
<td>4.5</td>
<td>3.6</td>
<td>10</td>
<td>+ 26</td>
</tr>
<tr>
<td>Indiv income taxes</td>
<td>3.0</td>
<td>2.3</td>
<td>12</td>
<td>+ 28</td>
</tr>
<tr>
<td>General sales taxes</td>
<td>2.0</td>
<td>2.4</td>
<td>35</td>
<td>- 16</td>
</tr>
<tr>
<td>Corp inc taxes</td>
<td>0.4</td>
<td>0.4</td>
<td>18</td>
<td>--</td>
</tr>
<tr>
<td>Fees/charges</td>
<td>3.4</td>
<td>3.5</td>
<td>30</td>
<td>- 3</td>
</tr>
<tr>
<td>Taxes and fees</td>
<td>15.2%</td>
<td>14.4%</td>
<td>14</td>
<td>+ 6%</td>
</tr>
</tbody>
</table>

Source: Wisconsin Department of Revenue, United States Census Bureau
TAKEAWAYS

“Unbalanced” Tax System

- Wisconsin has very high income and property tax, but is below average on sales tax and fees

Locals Rely on “Dying” Tax

- Local governments have few revenue options at their disposal. Locals primarily rely on property taxes, which are most disliked and do not reflect wealth
COUNTY EXPENDITURES (2011)

- Health and Human Services: 41%
- Public Safety: 22%
- General Government: 14%
- Public Works: 10%
- Culture, Recreation & Education: 6%
- Debt Service: 7%
COUNTY REVENUES (2011)

- Property Taxes: 38%
- State Aids: 29%
- Public Fees: 15%
- Other Taxes: 7%
- Federal Aid: 3%
- Other: 8%
PUBLIC ATTITUDES TOWARDS GOVERNMENT
GOVERNMENT

If you think the problems we create are bad,
just wait until you see our solutions.
Congressional Job Approval Ratings Trend (1974-Present)

% Approve

GALLUP
Widening Gap in Views of Federal, State and Local Governments

Favorable view of...
- 68 Your local govt
- 66 Your state govt
- 38 The federal govt in Washington

1997 2001 2013

PEW RESEARCH CENTER March 13-17, 2013.
TAKEAWAYS

- Government Generally Not Popular
  - Congressional Approval Ratings Near Record Low. Opinion of local government significantly more positive than federal government

- Use Local Government Popularity to Your Advantage
  - Remind state and federal delegates of your influence at the local level
IN CLOSING . . .

GENERAL REVIEW
Significant Turnover in the Legislature

How are you local governments going to assure their voice is heard in the state capitol?

State Funding is at a premium

How are local governments going to assure the state funds local programs at adequate levels?

Are there ways to do things differently at the local level? Impossible to do more with less . . .
Tax Reform is Major Focus of 2015
- What voice is local government going to have in tax reform discussions?
- Do we have ideas for local tax “reform?”

Generally Negative Perception of Govt.
- People are generally skeptical of government
- Important to differentiate local government from state and federal government
QUESTIONS?