# The TAX TIMES

*Volume 13, Issue 6* *April, 1998*

## Another Term

Now that we have elected our local representatives for the next two years, we will have the opportunity to measure their performance records against their campaign promises. We will be able to see if they do what they said they would do.

Many questions are being asked if the integrity of a candidate is important. We have seen the issue on the national level and recognize the lack of integrity. How do we measure it at our level? Do our friends and neighbors that we have elected vote the way we want them to? Do we have representatives that look at the total cost and vote with their pocketbooks in mind? Do we have representatives who say they want to stop spending and then vote in a way that adds to our tax burden? Many times we hear about how a program will reduce our taxes only to find out that it did just the opposite.

Do we have friends who say they will do something and then it doesn't get done? Do we have workers who say they will be a certain place at a certain time and don't show up? Do we know people who commit to do something and then it never happens? These are all measures of integrity. If we have acquaintances whom we doubt will keep their commitments, do we than have acquaintances that lack integrity? Do we have politicians that tell us a project will cost X dollars and when it is finished it cost X + Y dollars. Do we have politicians that claim as a principle that they want less government and then add people to the same government they want less of? Does our school district work toward education improvement or are they just throwing money at a poorly defined problem? Does our government compete against private enterprise when they look for ways to increase revenue? Does our government grant groups of people special privilege because they are assumed to be a special class in such a way that the rest of us pay for that classification. Should we have asked these questions before we went to the ballot box?

The only way to get a person to vote the way we want them to is to be the candidate and win the election. Next to that, we must influence the winner of the election process t o vote as we would. Now is the time to develop the relationship with the elected official and share with them your wishes. Contact the winners that are in your district and let them know what you expect as they start the new term. Even long term politicians will be appreciative of hearing from their constituents at this time. As we proceed from another chance at the ballot box we enter another term in our lives.

***Frank Bennett,*** President

**The BROWN COUNTY TAXPAYERS ASSOCIATION**

# State Makes Money the "Old-fashioned" Way.

From "FOCUS"

*On top of "natural" tax growth from a strong economy, it can be argued that the state — through legislated tax and fee increases and "revenue enhancements" — has boosted revenues by over $700 million since 1995.*

There are many ways for government to raise money without raising taxes. With spending on schools and prisons both doubling between 1991 and 1999, the state has had to use many of them:

- Surpluses have been reduced to small balances;
- Some spending for school tax relief in one year has not been "booked" until the following year;
- And actual or projected tax windfalls have been tapped and largely spent. The windfalls resulted from a robust economy, and especially from income tax collections which outpaced personal income growth.

When these fiscal "tools" have proven insufficient, state government has had to turn to old-fashioned ways of generating money — tax and fee increases.

Since mid-1995, state budgets have claimed more than one-half billion dollars in new revenues from tax and fee increases and "revenue enhancements" for the state's general and other funds. This figure is from memoranda the Legislative Fiscal Bureau (LFB) released after enactment of both the 1995-97 and 1997-99 state budgets.

When the 1995-97 state budget became law, the Fiscal Bureau estimated that an additional $184million could be expected by mid-1997 from a variety of new or expanded taxes and fees. Legislated increases from all sources in the 1997-99 budget amounted to $331million. Increased taxes account for $111m, new and higher fees are projected to raise $130m, and revenue "enhancements", including more aggressive enforcement of tax collections is expected to raise $90m.

There are scores of individual tax and fee changes in the past two state budgets, but just a few of them account for much of the additional money to be raised. In 1995, the cigarette tax was raised from 38 to 44 cents per pack, which raised $44.6m during 1995-97. Raising the tax to 59 cents per pack past year is estimated to raise an additional $108million.

Raising the gas tax one cent per gallon last November is expected to raise $74.2million and is being raised again April 1 of this year. Tuition fees for the University system were increased $33m during the last budget and $26.5 million in 1997-99. Higher registration fees for cars and trucks is expected to raise $41million during 1997-99 plus additional amounts from increased title, and operator license fees. Increased court fees are estimated to raise $17.3m during this budget period, and they even expect to make $6million from fees on probationers and parolees to reimburse the state for services.

### Political rules for finding revenue

In an era when lawmaking is often a full-time career, there are unwritten rules that political decision-maker seem to follow in deciding which taxes and fees can be increased without serious repercussion:

- ***Don't increase general tax rates.*** State income and sales tax rates have not been increased, even temporarily, since the early eighties.
- ***Most sin taxes aren't taxes.*** There is no difference between a dollar from income or tobacco; both are "no-strings attached" general fund revenues. Tobacco has been taxed heavily in recent years. In fact 1998-99 tax cuts are offset largely by cigarette tax increases. A new 5% gross receipt tax on "adult entertainment' takes effect in April.
- ***Closing loopholes isn't raising taxes.*** One person's loophole is another's indispensable exemption. The legislature scaled back the senior citizen income tax credit, and ended a number of sales tax exemptions, including those for telephone company central office equipment, specified interstate telecommunication, certain telephone answering services and non-student university food contracts. At the same time, there have been new sales tax breaks created, e.g., those for medicine samples and time-share properties.
- ***"No-vote" tax increases are OK.*** Tax increases that don't require recorded votes are preferred. Examples are, linking gas tax increases to rising consumer prices, and leaving state income tax laws unchanged through 1998 in the face of "bracket creep" and related inflationary pressures.
- ***Fees don't count.*** That the largest source of new revenue in the past two budgets has been fees is not surprising. User charges make sense to many people, for they tie payment to a service when it is received. Politically, fees also have the advantage of being highly targeted and not particularly visible to the general public.
- ***Small is better.*** Finally, "under-the-radar" tax and fee hikes are preferable to one large increase.

From the Feb. 29, 1998 ***"FOCUS"*** published by the **Wisconsin Taxpayers Alliance**, Madison, WI 53703. (608) 255-4581.

__Editors Note__*: While the legislature seems preoccupied with looking for new revenue to fund all of the programs they propose, there is still a surplus of funds in the state treasury. (See the March **"TAX TIMES"**) In view of Wisconsin's reputation as a high tax state, shouldn't more steps be taken to lower taxes than to keep raising them. What happens when there ever is a real financial crisis?*

"Common sense is the knack of seeing things as they are, and doing things as they ought to be done."
. . . . .**Josh Billings**

"You can't legislate intelligence and common sense into people." . . . . .**Will Rogers**

# Eliminate The Sales Tax on Clothing?

Recent proposals by legislators to eliminate the 5% state sales tax on purchases of clothing items under $100 is interesting, but leaves a lot of questions to be answered if it is to proceed.

First, we certainly agree that if the state has a surplus of funds due to its policies of over-taxation, some equitable method should be devised to reduce this burden where it would be most effective while still providing for adequate and necessary government services.

The Wisconsin 5% sales tax is a $2.8 billion annual money machine for the state, and as often pointed out, can also be an impediment to certain retail sales and the economy.

Having been witness to the original imposition of the Wisconsin Sales Tax back in 1962 from a desk at the Dept. of Revenue (then taxation) in Madison, I can see several problems with this proposal no matter how popular and appealing it may be.

Recall that originally our sales tax rate was 3%, and on the sale of items considered to be non-essential or a luxury to the average taxpayers. ***(The tax was also supposed to be "temporary".)***

Sporting goods were considered a luxury and subject to tax while clothing was an exempt necessity. It was quickly pointed out that certain items of apparel mostly sold at sporting goods stores and considered taxable such as field jackets and footwear were also intended as everyday clothing by many purchasers. Similar problems also came to light in determining whether certain food items were ready to eat when sold at a grocery store, or if items sold at a restaurant for take-out preparation would qualify as exempt grocery items. What items would qualify as "farm use" exempt and tools "used in manufacturing" were also questionable. Most merchants were greatly confused even though they were trying to cooperate with the new law.

What followed was a rather confusing series of bulletins and interpretations from the Dept. of Revenue in an effort to explain what was taxable and what was not. It made little difference for it was not long before the tax was made "general" rather than "selective" and the rate was quickly jacked up to 5%.

The appeal of reducing the sales tax on clothing would be that it would help low income families in particular while returning some of the surplus back to the people. *The legislature probably should have thought of this in the first place.*

Looking back to 1962, however, this could create an administrative and bookkeeping nightmare far in excess of its value. Examples: Would there again be a distinction between clothing and luxury items? What about swimsuits, or for that matter, Packer apparel? Would running shoes and sweat shirts be considered clothing? People wear them all day long. How would you impose the $100 limit? If an item is $105, do you pay tax on the whole purchase or just the difference. Necessary children's winter jackets can easily cost over $100. Would the counties that have learned to depend on the county sales tax for their spending habits accept a cut in revenue if it were still tied to the state sales tax? How would merchants, including mail order firms like *LANDS END* and others selling to Wisconsin residents cope with the bookkeeping requirements?

Please appreciate that I would welcome any cutbacks in the sales tax, (or any other tax for that matter). Further, if the state does have a unexpected surplus in its treasury, it should be returned to the people from whom it was taken rather than wasted by new forms of spending.

Unfortunately, it seems that through the years the legislature and the bureaucrats backing them have been preoccupied with fine-tuning the tax collecting apparatus to the point where it would be very difficult to make meaningful changes. Hopefully the sponsors of this legislation have done their homework and have the answers.

**Jim Frink**

# Bits and Pieces.

We notice television advertising, apparently sponsored by the U. S. Government urging certain people to respond to a **"Census 2000"** questionnaire they are supposed to receive that will be the basis for distribution of government funds. Although at this time it seems premature to be working on the year 2000 census, we will likely be hearing more in the months to come, including stories about what a huge task census taking is and how many people have to be hired to do the job. My suggestion to Uncle Sam: Farm the job out to **Publishers Clearing House.** They seem to have the ability to advertise, locate every living person in the country, and turn enough of a profit to create a few millionaires in the process.

We notice the UW-Madison faculty has their publicity machine working overtime publicizing the beliefs that Wisconsin administrators and professors are underpaid. This could very well be true, but a "study" comparing their nine-month annual salary with only 11 other schools throughout the country would hardly seem adequate to draw conclusions. Questions as to workload, average class size, scholastic results, average income of the taxpayers supporting them plus many other economic factors should be built into the equation. Also, the study should probably include more than 12 other Universities.

By the time you receive this, the April 7, election is probably history. we hoped you took the time to vote. The Brown County board was the top attention-getter in this area, and undoubtedly there will be a few new faces thereon. It was interesting to note that in the profiles published in the papers, most if not all of the candidates didn't even hint at tax increases of any kind. Economic growth and better communication with constituents were most often mentioned. Proceeding as quickly as possible with a new jail and mental health center were given as top action priorities. Remember this when the next election comes around. Our congratulations to the winners.

# Unfunded Wisconsin Employee Pension Liability Burden for Taxpayers,
## (Part 2.)

In the March ***"TAX TIMES"*** we printed a copy of a letter from Michael Riley to State Representative Michael Lehman, Chairman of the Ways and Means Committee, questioning a $2 billion unfunded pension liability in the Wisconsin Dept. of Employee Trust Funds. This amount is supposedly drawing interest paid by taxpayers money, and is apportioned as a liability to various units of government across Wisconsin.

Mr. Riley requested a response from Rep. Lehman and we promised to keep you informed accordingly.

*On March 5, he wrote to Mr. Riley, including the following:* ". . . . .One point I do want to make, however, is that municipalities are free to "shop" around for a better interest rate and refinance their portion of the liability, to make a lump sum payment or to pay off interest. Some communities have borrowed or bonded to pay off the debt. If bonding is done, the municipality would have to issue taxable bonds.

As we look at the investment gains of the Wisconsin Retirement System and its utilization of these gains, I feel that the Board's response to your inquiries has highlighted the concerns that have to be monitored. Be assured your views on these issues will be carefully considered as we address WRS-related issues. . . . "

Rep. Lehman also sent Mr. Riley a memorandum from Mr. Dave Stella, Administrator of the Division of Retirement Services in answer to his letter of Feb. 3, which reads in part:

"Let me first address the issue of using investment gains to pay off unfunded liabilities. The financing structure of the WRS is very complex because it is a defined pension plan. The entire investment gains (or losses) reported to the Investment Board are not immediately recognized as assets to the WRS. Instead they are recognized at 20% per year to allow "smoothing" of investment gains and losses to avoid adverse impacts on the contribution rates paid by employers and employees. Consequently, only a portion of the $4 billion gain will actually be recognized each year as an asset to the WRS.

Further, the actuarial assumptions used to set contribution rates paid by employers and employees assume that WRS assets will earn an 8% annual return. This means that at least 8% must be earned by the Fixed Fund to avoid contribution rate increases in the following year. Therefore, if all of the funds that are credited to the employer reserve are used to payoff the unfunded liability of the WRS there would be a contribution rate increase to employers and employees for current service. . . . . .

The second request is for a restructuring of the WRS so that unfunded liabilities are prohibited. This can actually be accomplished now if the legislature did not apply benefit improvements to past service earned by participating employees. There is no requirement that benefit improvements be applied to service earned in the past. The Legislature can avoid creating additional past service (unfunded) liabilities by only improving benefits for future service earned by participating employees on and after the effective date of the benefit improvement legislation. . . . . . "

*The following comments were received from Mike Riley.*

"Related to Rep. Lehman's letter..
The Wisconsin Government Pension System has been made so complicated that the Legislators don't understand it. They immediately turn to the government employees running the WI Dept. of Employee Trust Funds to answer any questions.

Rep. Lehman's letter further notes that *"municipalities are free to shop around for a better interest rate and refinance their portion of unfunded pension liabilities."* Unfortunately, money saved by this action is not returned to taxpayers, but is used for more government spending. Can anyone name an instance where refinancing unfunded pension liabilities caused a reduction in government spending? I think not.

Wisconsin's government managers (including department managers AND legislators) can hide behind fancy semantics, GAAP principles, and convoluted financial structures, but the bottom line is this: Our Wisconsin government has abandoned it's fiduciary responsibility to taxpayers ! They have pushed debt into the future and let unfunded pension liabilities get out of control."

**Michael Riley, Cedarburg, WI**

Editors Note: Mr. Riley would appreciate your comments on this matter, and can be reached at W55 N774 Cedar Ridge Dr., Cedarburg WI 53012, (414)375-4190.

"Why does a slight tax increase cost you two hundred dollars, and a substantial tax cut save you thirty cents?'
**. . . Peg Bracken**

"The power to tax is the power to destroy." **. . . John Marshall**

# Tax Increases Outpace Personal Income.

In 1955, which doesn't seem like so long ago, the median income of a two-earner family in the U.S. was $5,250. $1,489, or 28.4% of that went to pay various federal, state and local taxes.

By 1997, the two-earner median had climbed to $54,910, with $22,521, or 41% going for taxes. Despite the substantial increase in personal income, after tax income has fallen from 71.6% to 59% of the total earned.

From the
***Wisconsin Taxpayer*, Feb. 1998.**

## A Solution for Broadway?

Much is said of revitalizing the Broadway area of Green Bay's west side. We acknowledge this area presents a problem, and probably not contributing its share to the overall economy of the city.

Unfortunately it seems that all of the proposed solutions call for massive influxes of public funds ($3.1 million city bonding at present) to satisfy the plans presented by our visionary consultants.

Having spent over 40 years of my life working in and involved in the Broadway area, I would like to offer some observations and comments of just a few of the changes effecting the economy and character of this district.

First, construction of the Tilleman bridge directly over the intersection of Mason and Broadway and the removal of many business establishments as a result effectively eliminated one anchor of a once busy business thorougfare. The unfortunate recent closing (even though temporary) of the Main Street Bridge did the same for the other end.

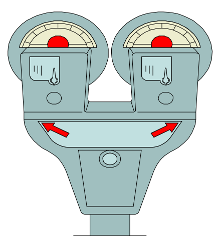
Although the bawdy image image of Broadway and it's bars have given the area a unique reputation, this is being gradually cleaned up on its own by economic reality and public attitudes. Also, on the positive side, the adjacent residential areas have been largely renovated and preserved, largely through the efforts of existing neighborhood organizations and owner pride. However, many residential support businesses such as drug and grocery stores no longer exist discouraging many classes of residents from the area.

Several large employers, such as the White Store, Northwest Engineering, Fairmont Foods, Vocational School, and C&NWRR to name a few have either left or downsized over the years, greatly reducing the traffic flow and economic base. Without the business or the traffic, there has been a general deterioration.

Aside from the above, my personal feeling that one of the biggest determents to attracting and retaining business to the area is the lack of convenient parking, compounded by the presence of parking meters. Although these devices are generally accepted as a way of life if virtually all downtown areas, they certainly haven't done anything for Broadway. With the possible exception of a couple of establishments providing their own customer parking, it is difficult to name any successful new ventures of any size in the area during the past 20 or 30 years. Fort Howard Square held great promise but turned out to be more fodder for the city parking utility.

Now we all realize that it is necessary to control parking on public streets to be fair to everyone, and that it is dreadfully expensive to purchase land and develop it for parking purposes. Further, increased traffic and safety requirements impose limitations on availability. The relatively small amount you pay for parking shouldn't really be an objection, but does it really work that way?

A recent tour of Broadway early one afternoon found only about 20% of the meters in the six block area with them being used. Whether this was lack of need or deliberate avoidance would require some study. My guess is that meter revenue from Broadway is insignificant, and the parking utility could probably give us some answers.



Does, or can, the Broadway area generate sufficient income from parking revenue to offset the large amounts of money the city is proposing to inject to "stimulate economic development?' Wouldn't potential entrepreneurs be more willing to risk investment if customer parking was friendlier?

There have to be other solutions such as enforcement of two-hour street parking, or off street public parking supported by business and/or the city in areas such as between the museum and Broadway. It seems to work for DePere, and some of the ideas might even work for downtown. Does anyone else agree? **JF**

"No wonder Americans hate politics, when year in, year out, they hear politicians make promises that won't come true because they don't even mean them." . . . . . . **Bill Clinton,**
Speech to the Economic Club of Detroit,

## March Meeting Notes.

Green Bay Mayor Paul Jadin, Brown County Executive Nancy Nusbaum, and Brown County Finance Director Pat Webb gave an update on the new arena and convention center projects.

Mayor Jadin outlined the history of the project and Executive Nusbaum explained that the Ashwaubenon Community Development Auth. would issue the bonds funding the new arena.

Finance Director Webb discussed details of the project financing. Brown County is to guarantee the arena bonds, which should not effect the credit rating of it's general obligation bonds. All room tax revenues, except for one percent going to Ashwaubenon for infrastructure costs and one percent going to Green Bay for convention center parking will go to debt financing. A Debt Service Reserve (DSR) will be cash funded at bond issuance at the maximum annual debt service through 2004. Earnings on the DSR will be retained until the DSR is at maximum annual debt service for the issue, which is estimated to be about 2010.

Room tax revenues are projected to be at least 120 percent of debt service costs. . The extra 20 percent will be accumulated to provide a room tax stabilization fund, operating and maintenance amounts to required amounts, and thereafter for bond redemption.

Mayor Jadin continued by explaining that the Green Bay convention center is planned to be a regional more than a national conference facility. Two major hotels are already looking at Green Bay because of the projects. The parking problem is being addressed, and it is estimated that the present ramps have 35% of their capacity available.

The speakers combined to explain that the new arena and convention center financing is a unique partnership of municipal governments and the Oneida Tribe of Indians. The Oneidas will waive their tribal sovereignty, a necessity for the bond sales, and all of the partnership units must sign the same agreement, approved by all the sponsoring governments.

***Dave Nelson*** **- Secretary**

## BCTA Meeting & Events Schedule

**Tuesday - April 7, 1998 - Election Day. VOTE!**

**Wednesday - April 15, 1998 - 11:59 P. M.** Federal and State Income Returns due.

**Thursday - April 16, 1998. DAYS INN - Downtown 12:00 Noon - Monthly Business Meeting.**

**Thursday - May 21, 1998. Days Inn - Downtown 12:00 Noon - Monthly Business Meeting.**

***All members of the BCTA, their guests, and other interested persons are invited to attend and participate in these open meetings.***

***Phone 499-0768, 499-7866, or 336-6410 for reservations.***
(We apologize for listing 499-7373 in the previous TAX TIMES - This number was incorrect.)

**All meetings will be at the DAYS INN - Downtown (East Room) at 12:00 Noon. Price, $6.50* per meeting, (Payable at Door).**

*Includes hot buffet with all the trimmings.

# April, 1998

# Think Spring

"To live under the American Constitution is the greatest political privilege that was ever accorded to the human race." . . . **Calvin Coolidge**

"Never teach a pig to sing. It wastes your time and annoys the pig." . . . **Murphy's Laws**

"Journalists do not live by words alone, although sometimes they have to eat them." . . . **Adlai Stephenson**

**The TAX TIMES**
**Brown County Taxpayers Association**
**P. O. Box 684**
**Green Bay, WI 54305-0684**

**BULK RATE**
U. S.Postage
**PAID**
Green Bay, WI

### *Inside This Issue*