
◊ The TAX TIMES ◊

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Tax News and Views in Plain English

May, 1998

ARENA AND CONVENTION CENTER UPDATE

Attending the well publicized information event for the Arena and Convention Center was very informative, and the history of the project was well covered. In addition, many people explained how this project *will not* cost the taxpayer money. The presentation covered the structure of the financing, the projections of income, the history of the room tax receipts, and the contract for each municipality.

The structure of the financing puts in place many reserve funds in the event that the room tax isn't enough to cover the bond fund payments. This is the biggest unknown and causes the largest fear in the project. There will be two reserve funds created with excess room tax during the first years of the project, a room tax stabilization fund and a debt service reserve fund. The prediction is to have both of these funds at capacity by the year 2009 with the stabilization fund at capacity by 2004. These funds are conservative in nature and offer protection to the taxpayer for future unforeseen events. Income projections are at room tax growth rates of 4.8% for 1999, 4.0% for 2000 through 2005, and 3.5% for the duration of the loan. These are well below the historical growth rate average of 8%. Money should not be a problem.

The income is predicted to be more than bond repayment requirements starting the first year and the plan indicates a payment of \$560,000 towards the principle the first year and a principle payment every year of the plan thereafter.

This method is one that we suggested over a year ago and I am pleased to see this form of repayment in the plan. Another issue is the Green Bay Visitor and Convention Bureau. How will they be funded with all the room tax (1% stays in Green Bay and Ashwaubenon) going to pay debt service? Initial funding will be from the existing surplus in the current room tax funds and later funding will be part of the management contract.

A draft of the Cooperation Agreement was covered. Of note was the inclusion that the Oneida Nation waive sovereign immunity for the purposes of the agreement. The waiver needs to be "absolute and unconditional".

In summary, this plan meets our concerns to have the user pay the payments and to keep the taxpayer from funding these new facilities. It also successfully deals with our expressed concern on financing with a negative principle payment as we saw last year. The remaining issues are the management contract and how the surplus funds will be handled.

The management contract is still being negotiated and will come before the County Board for approval. We need to stay on top of this issue to ensure that information on this public facility is available to the public. With a projected surplus of \$54,212,787 at the end of the payment period, it will be important to know how surpluses will be handled prior to their being surpluses. We, along with many others would be happy to help on this issue.

Frank Bennett, President,
Brown County Taxpayers Association

The BROWN COUNTY TAXPAYERS ASSOCIATION

Taxes in Wisconsin

Twenty years of taxes - what we paid, and what we could afford.

We have always been aware that local and state taxes in Wisconsin were higher than other states. The following from the April 6, 1998 "FOCUS" published by the *Wisconsin Taxpayers Alliance* explains a measure of comparison ranking both our taxes and ability to pay them in relation to the rest of the country.

The Federal Reserve Bank of Boston finds that Wisconsin taxes were 16% above national norms in 1994, while our capacity to pay taxes was 3% below and our service needs were 11% below average.

For years, the most anticipated interstate tax comparisons came from the U. S. Advisory Commission on intergovernmental relations (ACIR). Their estimates of state-local "tax effort" and "tax capacity" were widely used to gauge a state's tax burden relative to its "ability-to-pay." The last report was completed in 1993 before the federal government dissolved the commission for whatever reasons.

The Federal Reserve Bank of Boston recently published an update of the ACIR's respected work. Though forced to rely on 1994 tax data—the most recent available from the U. S. government—the report is welcome, for it continues a useful history of Wisconsin taxes dating back almost a quarter century.

Wisconsin taxes over time.

According to the Boston "Fed," Wisconsin's 1994 tax effort indexed at 116; which means we paid per capita state and local taxes that were 16% above the U. S. average (100). At the same time, our tax-capacity index—a measure of what we can afford to pay—was 97, or 3% below the national norm. This closely parallels the state's long-standing position of having below-average per capita personal income.

Put another way, Wisconsin's total state and local tax collections in 1994 were estimated at \$13.7 billion—almost \$2 billion more than its estimated tax capacity of \$11.8 billion.

Viewed over time, both the tax effort and tax capacity indexes reflect the severe recession of the early eighties and the economic recovery that has continued since 1986. The gap between the two was narrowest—14 points—in 1977 when tax effort was 114 and tax capacity was at the national average of 100. The gap was widest in 1983—50 points—when tax effort was 137 and tax capacity was only 87, and has been narrowing somewhat since that time. See graph at the bottom of this page.

In 1988, tax reduction was a key contributor

to closing the tax effort-capacity gap. In the six years following, the dynamics were different. Through 1994, tax effort had changed little; however, a strong state economy spurred a marked move toward the national average in terms of what we could afford to pay.

Expectations. Should these calculations be repeated for 1996-97, it is expected that the tax-effort index will fall due to a 9% drop in local property taxes that year. However, this will be counterbalanced, to a lesser degree, by growth in state tax collections in recent years. Since Wisconsin's per capita personal income has not moved appreciably closer to the U. S. average since 1995, change in tax capacity could be small.

Other States. In 1994, tax effort, or percentage above or below the U. S. Average was highest in New York at 159 and the District of Columbia at 149. Wisconsin was *third* at 116. It was noted that several states have cut taxes since 1994. The capacity, or ability to pay taxes was highest in Nevada at 141, followed by Connecticut at 136, Alaska 131, Wyoming 128 and New Jersey at 126. Wisconsin's rating of 97, or 3% below the national average was still much better than traditionally low income states such as Mississippi at 71, or Arkansas and West Virginia with 81. A comparison of tax effort and capacity with our neighboring states appears on the next page.

The effort-capacity gap. The difference between a state's tax effort and tax capacity says more about its tax load than tax effort alone. A state that ranks high in per capita taxes may not be viewed as a relatively high-tax state *if* it also has the income, economic activity and wealth — the capacity to pay more taxes.

The report acknowledges and takes into consideration that some states with natural resources such as Alaska or Wyoming, Nevada with Gambling, or Connecticut with high-income taxpayers have considerably more capacity to tax than is used. However, states such as New Hampshire and some of the southern states have a tradition of low taxes based largely on the levels of services provided which narrows the gap.

The "Need" for Services.

One of the more interesting aspects of the report was the calculation of "fiscal need." This approach applied the ACIR representative tax system method to representative ex-

Sell the Parking Ramps?

The BCTA has generally favored privatization of government services whenever it appeared that taxpayers could get a better deal for their money. Unfortunately there have been few opportunities so far at any level of government to give privatization a fair trial.

The city of Green Bay apparently is considering selling its existing parking facilities plus rights to metered parking to a private concern which would manage them with the objective of making themselves a profit. On the surface this would appear very attractive as this is now a money losing venture and the proceeds could be used for other purposes. We commend mayor Jadin for initiating discussion on this.

It would seem, however, that if the city proceeds with downtown development or re-development if you call it that this could create a few problems. If someone else owns all of the parking ramps, what happens if the city decides more parking is needed or structural changes are in order that the private owner doesn't necessarily agree to - - irregardless of what the contract says? If the convention center is built as planned, considerable changes could exist in parking patterns. Who would be responsible for checking meters and assessing fines? Although parking in Green Bay is probably inexpensive compared to larger cities, costs at the ramps and dislike of the meters already keeps many people from patronizing the downtown area. There are already a lot of empty retail spaces in Port Plaza Mall.

It seems that the real bottom line should be to encourage people to come downtown. Not set them up for parking meter fines while visiting the library or city hall, or pay ever-increasing fees while patronizing tax paying merchants. Taxpayers are already being asked to commit large funds of money to developing this area. Is it possible that if a greater ratio were designated to providing adequate inexpensive parking and more convenient access to the downtown it would encourage people back to the area and *stimulate more private investment*? In other words, could the city save money and perhaps reduce our tax bills by actually subsidizing parking rather than making other investments?

A recent report listed annual meter receipts at about \$135,000 annually. This hardly justifies their existence, cost of maintenance, business they discourage, and huge amounts of money being spent through other sources in futile attempts to enhance both the downtown and Broadway area. Price increases would only result in less usage. We are not defending the parking utility, and appreciate the problems created balancing the city budget. However, actually selling city owned facilities outright seems steps ahead of privatization. Would the fire department or sewage district be next?

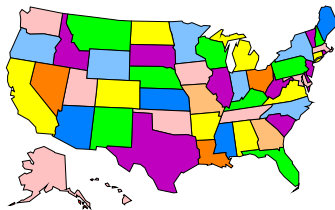
Could the city and downtown merchants get together with more emphasis on co-existing and solving their problems rather than just keeping the parking utility solvent. It is difficult to imagine the taxpayers actually coming out ahead with this deal. There have to be better solutions available. **JF**

penditures. It asked: "What would each state and its municipalities have to spend, in per capita terms, to provide a standard bundle and level of services?"

The study concluded that Wisconsin's "fiscal need" index was 89, or 42nd lowest in the country. This would mean Wisconsin could provide a "standard" level of public services per capita by spending 11% less than the U. S. average. Vermont was lowest at 83, while the District of Columbia at 116 and Louisiana at 115 were at the top.

Obviously there are a lot of questions raised in any report of this type, and the spending bureaucrats usually manage to produce a dazzling array of statistics defending their fiscal programs while questioning the methodology used in whatever study they are defending against.. The fact still remains, however, that from whatever source these reports come, Wisconsin always seems to rank at or near the top as a high tax state in which to live.

It would be interesting to apply the methodology from this study in a comparison of the various cities of Wisconsin, and hopefully the Taxpayers Alliance will cover this in future reports. Whether or not you believe it is worth it, or if your tax dollars are being spend prudently is a matter of communication between you and your elected officials. If you would additional information on this report, you can contact the **Wisconsin Taxpayers Alliance, Madison, WI 53703, WWW.wtaxes@itis.com.**



"The current tax code is a daily mugging."

... Ronald

Reagan

"Our Founding Fathers objected to taxation without representation. They should see it today with representation."

... Forbes

"The wheel that squeaks the loudest is the one that gets the

Congressional "PIG BOOK" Summary.

As official Washington ponders what to do with a federal "Budget Surplus," and how to respond to a court decision finding the line-item veto law unconstitutional, a group called Citizens Against Government Waste (CAGW) presents a dose of reality. Their *1998 Congressional Pig Book Summary* illustrates that the only "surplus" is the excessive amount of pork being served on Capital Hill.

This year's book lists 302 projects as the most egregious examples of the more than 2,100 appropriation bills identified as "pork barrel" in the current budget. In order to qualify for CAGW "Pig Book" recognition, an appropriation bill should have at least one of the following criteria:

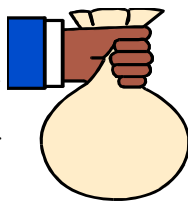
- Requested by only one chamber of congress -
- Not specifically authorized -
- Not competitively awarded -
- Not requested by the President -
- Greatly exceeds the President's budget request of the previous year's funding.
- Not the subject of congressional hearings; or
- Serves only a local or special interest.

Following are just a few of the items we are all paying for:

\$150,000 added by the House for the National Center for Peanut Competitiveness. **\$127,000** added by Sen. Bumpers, D-Ark., to "research" potential foreign markets for Arkansas products. **\$7,000,000** added by Senator Cochran, R-Miss., for the National Center for Natural Products (in Mississippi.)

\$3,800,000 for development of a national resource center at Mt. Washington by Sen. Judd, R-NH. **\$1,000,000** added by the Senate for the Gambling Impact Study Commission. **\$720,000,000** by Sen. Lott, R-Miss. for an additional ship at a Mississippi shipyard. **\$30,400,000** added in conference for two CH-60 helicopters, even though the Navy failed to justify the need for the program. **\$26,400,000** for various projects by Sen. Inouye, D-Hawaii, including **\$1,000,000** for the eradication of Brown Tree Snakes.

\$100,000 added in conference for the preservation and protection of a Revolutionary War gunboat at the bottom of Lake Champlain (our newest Great Lake?) **\$8,000,000** added by the Senate for the federal payment for City government management reform to the District of Columbia. **\$10,100,000** added by Rep. Fazio, D-Cal., for general construction at the Natomas American River watershed in his district. **\$900,000** by Rep. Livingston, R-LA., for general construction at the Louisiana State Penitentiary. **\$500,000** by Rep. Harman, D-Cal., for operation and maintenance of an Army Corp of Engineers project in Marina Del Ray. **\$19,600,000** added by the House for the International Fund for Ireland. **\$3,000,000** by Sen. Shelby, R-Al., for the International Fertilizer Development Center, (in Alabama.)



Other examples of Congress in Action include appropriations of **\$3,752,000** added by Rep. Skeen, R-NM, for construction at Carlsbad Caverns National Park, **\$2,2245,000** by Rep. Murtha, D-Pa. for access and parking at Fort Necessity Battlefield. **\$1,000,000** to digitize the card catalog for the New York Public Library. **\$22,250,000** by Rep. Paston D-Az., for bachelor enlisted quarters at the Yuma Marine Corp. Air station and purchase of the Goldwater Range near Luke Air Force Base, and **\$20,600,000** by Rep. Packard, R-Cal., for enlisted quarters and a child development center at Camp Pendleton.

No doubt some of these projects are in the national interest, and would be beneficial to all of us. These should be proposed and debated on their own merits. Possible justification is that most of the items are relatively small and insignificant compared to the federal budget as a whole. However, the 1,200 items identified as pork-barrel by the CAGW total \$13.2 billion for 1998, which is a pretty good chunk of our money going to waste. Many of them appear to be of the type that will be forgotten about as soon as the money is spent.



Also, there seems to be no difference in the amount or size of projects proposed by either Democrats or Republicans. The common thread, however, is that the primary beneficiary of proposed government pork-barrel spending is usually the representatives home state or district, and usually has all the appearance of being either a campaign promise payment or with the next election in mind. Oddly there were no Wisconsin projects covered in the 302 listed, but we assume our representatives in Washington quickly learn how the system operates. Also how to preach economy while practicing spending. Maybe there is an explanation here someplace as to why we are at the bottom of the list when it comes to receiving federal dollars but at the top when state and local taxes are considered.

We realize that little is likely to be done to change how things are done, and most of these pork-barrel projects are tucked away in the annual budget which is often approved under pressure with little chance of responsible scrutiny. Closely monitoring the votes of our representatives, paying attention to the content of spending measures, and demanding explanations if not satisfied is probably the best way to let them know we are concerned.

Copies of "1998 Congressional Pig Book Summary" are available from Taxpayers Network, Inc. Cedarburg, WI 53012-2768, (414) 375-4190, or Citizens Against Government Waste, 1301 Conn. Ave., N.W., Washington D.C., 20036. It's very understandable and interesting reading.

JF

"One of the evils of democracy is that you have to put up with the man you elect whether you want him or not."

. Will Rogers

"It has been said that democracy is the worst form of government except all those other forms that have been tried from

Taxpayers Network, Inc. Lobbies for Social Security Reform.

Mike Riley of Taxpayers Network, Inc. was in Washington D. C., May 4-5 to lobby for Social Security restructuring based on the Chilean model. He had scheduled 24 calls with various legislative assistants to discuss "Our broken Social Security System and How to Fix it," as well as presenting facts on the system used in Chile which permits privatization of retirement accounts and by all indications is working quite well. We look forward to hearing of the reception he received at our next BCTA meeting, and hopefully will have a report for the "TAX TIMES." Information on how the government is misusing Social Security funds and how the Chilean system works if available from TNI, N248 Washington Ave., Cedarburg, WI 53012, (414) 375-4190.

The Social Security Shell Game (or) How to hide a hundred billion dollar deficit.

The Social Security system is now generating large surpluses, \$81.3 billion in fiscal 1997 and an estimated \$96.3 billion in 1998. These surpluses are spent on all of the Federal governments obligations, and those Treasury IOUs are given to the Trust Fund.

These funds can be spent only once, and if it were not for the government's strange accounting methods, there would be no talk about a (1999) budget surplus (*last estimate \$50 billion*) and what to do with it. By real world math, the budget deficit would be over \$100 Billion, not shown as a surplus - - and that's still a lot of money.

Another bizarre gimmick is the interest paid on those IOUs in the Social Security Trust Funds. Theoretically the Treasury pays interest on those notes - - but not in cash. It makes a bookkeeping entry that it owes another \$41.2 billion to the fund, and (subsequently) the fund has another \$41.2 billion in IOUs. The original "payment-in-kind" shuffle. But, under government accounting, this is not an expense - - and not chargeable to the budget.

Combining the spent Social Security surplus and the \$41.2 billion payment-in-kind "interest expense" the federal deficit is roughly \$130 billion, possibly more. The "surplus" has mutated into a still larger deficit.

From *Taxpayers Network BiMonthly*, and the *FLEET STREET LETTER*.

"When the president does it, that means it is not illegal."
 Richard M. Nixon

BCTA Needs Members. The Brown County Taxpayers Association always welcomes new members. Basically, the only requirement is a concern about how your tax dollars are being spent, and payment of \$12.00 dues, (*amounts to \$1.00 a month*). If you members know of anyone who would be interested, send their names to us at PO Box 684, or call Jim Frink at 336-6410. We will send them information and put them on the mailing list for the "TAX TIMES."

APRIL MEETING NOTES

Copies of the new report, *1998 Congressional Pig Book Summary*, were distributed by Mike Riley of Taxpayers Network, Inc. (See article on page 4 of this "TAX TIMES"). It was pointed out that of \$526.6 billion in discretionary spending proposed in the 1998 federal budget, only \$483 million, or less than 0.1% was vetoed by the President.

State representative Frank Lasee reported on unfunded liabilities to the Wisconsin Retirement System (WRS) for local units of government. Interest on the outstanding balances is computed at 8% annually, making the option of paying off the unfunded balances with lower cost bonds an attractive option. Doing nothing keeps the unfunded balances growing at 8 percent per year. At present, communities and other government units in Brown County owe over \$60 million to the Wisconsin retirement fund for their employees as follows:

UNIT	Balance Due	UNIT	Balance Due
City-DePere	\$1,239,034	Denmark Schools	898,193
City-Green Bay	12,857,432	DePere School	898,193
Village-Allouez	501,749	Green Bay School	20,660,625
Vill-	456,772	H-Suamico Schools	2,553,676
Village-Howard	39,665	Pulaski Schools	2,378,175
Brown County	10,921,070	Wrightstown Sch.	512,842
Ashwaub.	3,701,140	Green Bay MSD	1,106,817

SOURCE: 1996 Comprehensive annual report of the Wisconsin Dept. of Employee Trust Funds.

Representative Lasee pointed out that these liabilities would have to be dealt with eventually by each unit of government. (*NOTE: This problem was discussed in the April, 1996 TAX TIMES, and will be further studied and reported by the BCTA.*)

The next BCTA meeting will be held May 21, and will feature 8th District Congressional Candidates Chuck Dettman and

Snapshot of Taxes on One and Two Income Family.

American families saw yet another rise in their total tax burden. According to the Tax Foundation, federal state and local taxes will claim over 38% of the income of a median two-income family in 1997, up from just over 37% in 1996. The median one-income family's tax burden is projected to be 35.6% of its income, up from 35.6% in 1996.

The current level of taxes for the median two-income family is nearing the historic highwater mark established before the massive 1981 tax cuts. Taxes then took a 38.9% bite from the two income family. *January 1998-Tax Foundation.*

"The best way to get a bad law repealed is to enforce it"

BCTA Meeting & Events Schedule

**Thursday - May 21, 1998 - DAYS INN - Downtown
12:00 Noon - Monthly Business Meeting**
Program - Chuck Dettman and Mark Green
Candidates for U. S. Congress

**Thursday - June 18, 1998 - DAYS INN - Downtown
12:00 Noon - Monthly Business Meeting**

Friday- May 15, 1998 - Payment for Packers Tickets Due.

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 information.

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.

Congressional Candidates to speak at May 21 meeting.

Chuck Dettman and **Mark Green**, candidates for the 8th Wisconsin congressional seat will appear at our May 21, meeting to discuss their reasons for running for this important position. We will try to hold their presentation to 10 minutes each and allow time for questions in order that we may discuss other matters of importance.

All members of the BCTA, and other interested parties are invited to attend.

← See meeting notice at the left.

"The short memories of American Voters is what keeps our politicians in office." . . . **Will Rogers**

"If you like laws and sausages, you should never watch either one being made." . . . **Otto Von Bismarck**

"The one thing sure about politics is that what goes up comes down, and what goes down often comes up." . . . **Richard Nixon**

The TAX TIMES

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Inside This Issue

Update on Arena and Convention Center.
What Wisconsin residents pay and can afford to pay in taxes.
Sell the Parking Ramps? Government in action.
Congressional "PIG BOOK" summary. The pork barrel report.
Taxpayers Network, Inc. Lobbies for Social Security reform.
Social Security revenues change deficit to surplus. (on paper)
Family taxes keep rising.
Congressional candidates to speak at May BCTA meeting.
and more.