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EDUCATION FUND
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GOVERNMENT FINANCING

The general aim of League positions in the area of government financing through the years has been toward support of tax revenues based on need and the total tax burden. Action efforts have been directed toward strengthening the income tax, reducing the property tax, minimizing the regressive features of the sales tax and promoting an educational aids formula that eliminates the ability to pay as an influence on education.

As long ago as 1949, the League recognized the inequities in the shared tax system. During this period, the League supported income tax increases by means of surtax, and opposed use of a sales tax. League recognized that increasing population and a complex economy would lead to demands for increased state services.

As a result of a 1965-67 study of state responsibility to local government, League members agreed that three criteria should be used to help evaluate any legislative proposals for local government: 1) Will inequality of local services and inequity in tax burden among the various communities be reduced? 2) Will governmental units of sufficient size for an adequate local tax base be promoted? 3) Will citizens be given a reasonable opportunity for effectiveness in influencing policies appropriate to the governmental unit?

As a result of the 1979 study, members reaffirmed the existing position on the general philosophy of taxation: tax sources based on the ability to pay and distribution based on need and the total tax burden. Members analyzed the advantages and disadvantages of various taxes and considered the role of user fees. They examined measures intended to enhance the tax base of local governments, particularly borrowing, tax incremental financing and industrial revenue bonds. The new positions were adopted in 1981.

Specific positions are as follows:

The League favors the use of the income tax on the grounds that it is a fair and progressive tax based on ability to pay. Support for the sales tax to help generate needed revenue is coupled with emphasis on sales tax exemptions on necessary items, such as food and prescription drugs, to keep this tax from falling hardest on those least able to pay.

State Income and Sales Tax

The League's first position in 1947 opposed use of a general sales tax to finance a veteran's bonus; this was soon enlarged to oppose both the veteran's bonus and a general sales tax. When a general sales tax was proposed to meet booming state revenue needs in 1957, the state League opposed the legislation. Member agreement emphatically supported the income tax and the "pay-as-you-go" (income tax withholding and one-half pre-payment, adopted in 1961) as a method of strengthening the income tax. Because of the pressing need for additional state revenue and the desirability of influencing the selective sales tax, already adopted by the legislature, the League restudied the issue in 1963 and reversed its long-standing opposition to a general sales tax.

One of Leagues long-term goals -- the financing of essential state services through a strengthened income tax based on ability to pay -- was achieved in part in 1971 when a tax bill raising the individual tax rate passed. In 1969 the League had supported proposals for a small income tax increase, along with expansion and/or increases in the sales tax, but the bill passed without the income tax increases. The increase was enacted in 1971 however, with the top rate raised to 11.4%.

Local Government Financing
Property tax relief is a sum local governments receive which must be applied directly against the local tax levy. Shared revenues are returned to each local government to spend as it chooses.

League opposition to the traditional formula for shared revenues resulted began as studies showed the inequities of the formula. Initially League supported a distribution formula that would take into account where the money was earned as well as the taxpayer's residence. The present position supports a distribution method for state-collected funds that not only takes these factors into consideration, but also considers tax effort and population, since it is people who require services.

Improved equity in the shared tax system came 22 years after League first began to call attention to its shortcomings. In 1971 the legislature enacted a significant change in the shared tax formula, replacing it with a plan that distributes them according to population and need for property tax relief.

Tax Incremental Financing
Legislation passed in 1975 authorized cities and villages to utilize Tax Incremental Financing (TIF), a funding mechanism to encourage development in urban areas. It was intended to be a sophisticated financing tool to be used by communities to stimulate industry, rehabilitate declining areas, and reverse blight.

Abuses and misuses of the TIF program were reported and in 1981 the legislature tightened the regulations. The League supported the tightened rules.

Periodic Review of Tax Credits and Exemptions
During the 1979-81 study of taxation, local Leagues agreed that the legislature should review tax credits and exemptions periodically, using the following criteria:

- Is the credit or exemption easy to administer?
- Is it equitable?
- Are the expected goals being met? Have conditions changed so that the exemptions or credit are no longer needed?
- What are the impacts on:
  a. State and local finances?
  b. Environment and energy conservation?
  c. Economic climate?
  d. Social climate (i.e., health, welfare, housing, and safety)?

Highway Aids
Leagues who participated in the 1984 Update generally felt that the current highway aids formula appeared to be equitable, except for its "hold harmless" provisions, but that it is so complicated that it is very difficult to analyze. Therefore it may not be as equitable as it appears.

Assessment
Strong League support for equity in local property taxation has been responsible for League action to seek improved standards and procedures for the assessment of taxable property to make the assessment process professional, equitable, and efficient. The Wisconsin Constitution (Art.VIII, Sect. 1) requires, with limited exceptions that all property be taxed uniformly. The local assessor has the responsibility for discovering assessable property and for fair and equal treatment by applying the same standards to each property. Full market value (equalized valuation) is set by the Wisconsin Department of Revenue. It also assesses all manufacturing property.

League recognition that equity in assessment is basic to fair taxation has been translated into support for state standards for assessor certification, continuing professional training and a recertification process. The League has opposed legislative efforts to weaken or delay the process.

The League believes that assessors should be professionally trained and appointed based on ability. Since 1977, assessors must pass an examination and be certified by the state. The League supported this as well as the 1983-85 state budget tightening of re-certification requirements.

The League supported the standards adopted in 1986, requiring each taxation district to have an assessment ratio (the percentage that the assessed valuation is to full market value) of at least 90% and not more than 110%. In the 1987-88 legislative session, the League opposed a bill which would have changed the standard to 75%. The bill failed to pass.

League support for larger assessment districts together with its support for strengthening county government resulted in support for a 1971 law providing for a county assessor system. The bill included formula funding by the state and provided for a 60% vote by the county board to adopt the system. There is no "opt out" provision. The League supported legislation for a simple majority vote as an incentive. It has taken no position on bills to allow withdrawal from the system. Member agreement on this issue was not a part of the League's 1984 update on assessment but in discussion some members suggested that the inclusion of an "opt out" provision might encourage more counties to experiment with the system.

To date only Kenosha County has adopted the county assessor system (1972). Experience there suggests that the system may produce better assessment practices.

The 1987-88 governor's budget recommended the phase out of the county assessment program by 1990 and included an "opt out" provision by a 60% vote of the county board. The League opposed the phase-out of funding, pointing out that at a time when so much attention and study are focused on the property tax, the state should be encouraging measures to ensure accuracy, equity and uniformity in assessment. The measure failed to be enacted.

A 1989 bill requiring tax assessors to prepare a map showing the tax-exempt real property in the taxation district received League support under our "citizen's right to know" position. The bill died in committee.

User Fees

Leagues participating in the 1984 Update expressed dissatisfaction with our users’ fee position for a wide variety of reasons. Generally, Leagues recommended that when a conflict arises between funding a vital public service with users’ fees and funding a service with tax dollars, the issue be resolved in favor of the service being offered at a reasonable cost to users. This could mean at no cost at all.

(For a discussion of school financing, see *Education*.)