



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 20, 2004

TO: Representative John Gard
Room 211 West, State Capitol

FROM: Bob Lang, Director

SUBJECT: Constitutional Limitation on State and Local Expenditures

At your request, I am providing a description of a proposal to amend the Wisconsin Constitution to create a limitation on state and local expenditures.

Limit on State Expenditures

The proposal would limit the year-to-year percentage increase in the final budgeted state expenditures to 80% of the percentage change in statewide personal income, if positive. Any excess of allowable expenditures for a year over the amount budgeted for the year would be carried over for purposes of determining the allowable expenditures for the following year. Expenditures above the limit would be allowed if approved in a statewide referendum.

The limit would apply to total expenditures made by the state, except those that are specifically excluded by the Legislature in enabling legislation enacted following ratification of the constitutional amendment. The proposal would specify that the Legislature would not be allowed to exclude expenditures, other than expenditures for tax credits, that are funded from any revenue derived from a state tax, fee, license, tuition, or charge for services imposed or authorized by state statute or administrative rule on individuals, businesses, or agencies outside state government, or from any interest derived from these revenues, unless, under the 2003 Wisconsin Statutes, the revenue was deposited in a fund other than the general fund (including program revenue accounts), transportation fund, conservation fund, environmental fund, petroleum inspection fund, recycling fund, public benefits fund, or universal service fund.

Use of Excess State General Purpose Revenues

Under the proposal, any general purpose revenues received by the state in a fiscal year that are in excess of the amount necessary to fund general purpose revenue expenditures would first be deposited into a budget stabilization fund until the amount in the fund is equal to 3% of general purpose revenue expenditures. Once the 3% threshold is reached, any additional excess general purpose revenues would have to be used for tax relief as provided by law. Amounts in the budget stabilization fund could be appropriated for allowable expenditures as needed.

Limit on Local Expenditures

The proposal would limit the year-to-year percentage increase in the final budgeted expenditures for each type of local government (county, municipal, school district, and technical college district) to 80% of the percentage change in statewide total personal income, if positive. The Legislature would be allowed to provide for variation in the rate of allowable increases among individual local governments, provided that the statewide allowable increase for each type of local government does not exceed this percentage. Any excess of allowable expenditures for a year over the amount budgeted for the year would be carried over for purposes of determining the allowable expenditures for the following year. Expenditures above the limit would be allowed if approved in a local referendum.

The limit would apply to total expenditures made by each local government, except those that are specifically excluded by the Legislature in enabling legislation enacted following ratification of the constitutional amendment. The proposal would specify that the Legislature would not be allowed to exclude expenditures, other than expenditures for debt service or tax incremental financing districts, that are funded from any revenue derived from a local tax, fee, license, tuition, or charge for services imposed or authorized by a local government on individuals, businesses, or agencies outside local government, or from any interest derived from these revenues, unless, in 2003, the revenue was deposited in a fund other than the local government's general fund.

BL/FA/lah