The Taxpayer Protection Amendment: An Analysis of its Impact on the UW System

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What is the TP Amendment?

- A variant on TABOR
- A limit on the growth of revenue of every level/type of government in the state
- Any relaxing of the limits would have to be approved by referenda
How the TP Amendment Would Work

- Formulas placed in the Constitution
  - Increase in *revenue* of state, counties, & tech colleges limited to Consumer Price Index (CPI) plus population growth
  - School districts limited to CPI plus enrollment growth in 5-year old K through 12th grade
  - Cities and villages by CPI plus 60% of value of net new construction
- Rainy-day fund for state government only
How the TP Amendment Would Work (cont.)

- “Revenue” defined as taxes, fees, licenses, fines, and revenue generated from bonds
  - Bond proceeds excluded in base year
  - UW and tech college tuition and fees are excluded
Figure 1
Actual and Allowable State Government Revenue as a Percentage of Personal Income

Revenue as a Percent of Personal Income

Fiscal Year

Actual Revenue as a Percent of Personal Income
Allowable Revenue as a Percent of Personal Income
Figure 2
Actual State Government Tax and Fee Revenue Compared to Revenue Allowable with Taxpayer Protection Amendment

Billions of Dollars

Fiscal Year

1985 1987 1989 1991 1993 1995 1997 1999 2001 2003 2005

Actual Revenue
Allowable Revenue
Actual Revenue with Money from Bonds
Figure 3
Actual UW System State Appropriations Compared to "Best Case" Appropriations with Taxpayer Protection Amendment
UW System State Appropriations as a Percentage of Total GPR Spending
Figure 4
Annual Tuition and Fee Increase Needed to Make Up For Appropriation Cuts due to Taxpayer Protection Amendment
Cutting Enrollment to Close the Funding Gap Caused by the TP Amendment

- "Best case" would be a 12 percent enrollment cut
- In 2005: equivalent to 16,250 students
- This is equivalent to total enrollment at:
  - UW-Stout plus Whitewater OR
  - UW-Green Bay, Parkside, Platteville, and Superior
Consequences of Reduced UWS Budgets Due to TP Amendment

- Reduced ability to attract and retain the best scholars
  - At UW-Madison in past 2 years, outside offers have doubled and % retained has fallen to 50%
  - Faculty who stay at UW-Madison on average generate $3.50 in outside grants for every $1.00 of university support
  - Increased turnover reduces “rate of return”
Consequences of Reduced UWS Budgets Due to TP Amendment

- State appropriations for UW are critical for maintaining and enhancing state’s competitive position.

- Lower investment in UWS because of TP amendment would result in the creation of fewer high-skill jobs in Wisconsin and in slower economic growth.
Figure 5
Actual County Tax and Fee Revenue Compared to Revenue Allowable with Taxpayer Protection Amendment
Figure 7
Actual Local School District Tax, Fee, and Bond Revenue Compared to Revenue Allowable with Taxpayer Protection Amendment

<table>
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<tr>
<th>Fiscal Year</th>
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<th>Actual Local School District Revenue (With Bond Revenue)</th>
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Figure 8
Actual State and Local Public School Revenue Compared to Revenue Allowable with Taxpayer Protection Amendment

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Billions of Dollars

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