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To: Joint Finance Committee

From: Ken Taylor, Executive Director, Wisconsin Council on Children and Families

Re: Budget Paper #642: Use of Revenues from Other Funds to Support Transportation

Budget Paper #644: Deposit Sales Tax from Sales of Motor Vehicle and Motor Vehicle Parts into Transportation Fund

Budget Paper #651: Mass Transit Operating Assistance – Funding Level and Convert Funding to GPR

We urge the Joint Finance Committee to avoid shifting revenues from the general fund to the transportation fund, and also avoid shifting costs from the transportation fund to GPR.

The Governor's budget proposes weakening the general fund by shifting sales tax revenue from the sale of motor vehicles to the transportation fund, and shifting transit costs in the opposite direction. We oppose both moves.

Recommendation on Shifting Sales Tax Revenue: We recommend Alternative #5 on Paper #644, which will keep all sales tax revenue going into the state's general fund.

Discussion: Starting in fiscal year 2013, the Governor's budget proposes moving 7.5 percent of sales tax revenue generated from motor vehicles and motor vehicle parts and accessories to the transportation fund. This amount is estimated to be \$35.1 million in 2013. That percent would increase each year until half of sales tax revenue from motor vehicles and parts go to the transportation fund in fiscal year 2022 and thereafter – about \$292 million per year.

This shift increases the structural deficit by decreasing revenues to the general fund now and in future budget periods. It's taken longer than we would like for the state's tax revenue to recover from the effects of the recession, and this proposal would further slow the growth of tax revenue deposited into the general fund. This proposal creates a larger budget hole by reducing the support available for schools, local governments, and higher education.

Recommendation on Moving Transit Aids to the General Fund: We recommend Alternative #6 in Paper #651, which would delete the proposal to shift transit aids from the transportation fund to GPR.

Discussion: The Governor has proposed shifting \$106.4 million in transit aid to GPR starting in fiscal year 2013. When coupled with the shift in sales tax revenue and \$115.4 million in state highway rehabilitation bonds in 2012 that are being shifted to GPR, the general fund is squeezed, with less available to support other important state functions. Programs supported by the general fund are already making significant sacrifices, and shifting new costs to the general fund contributes to those cuts.