

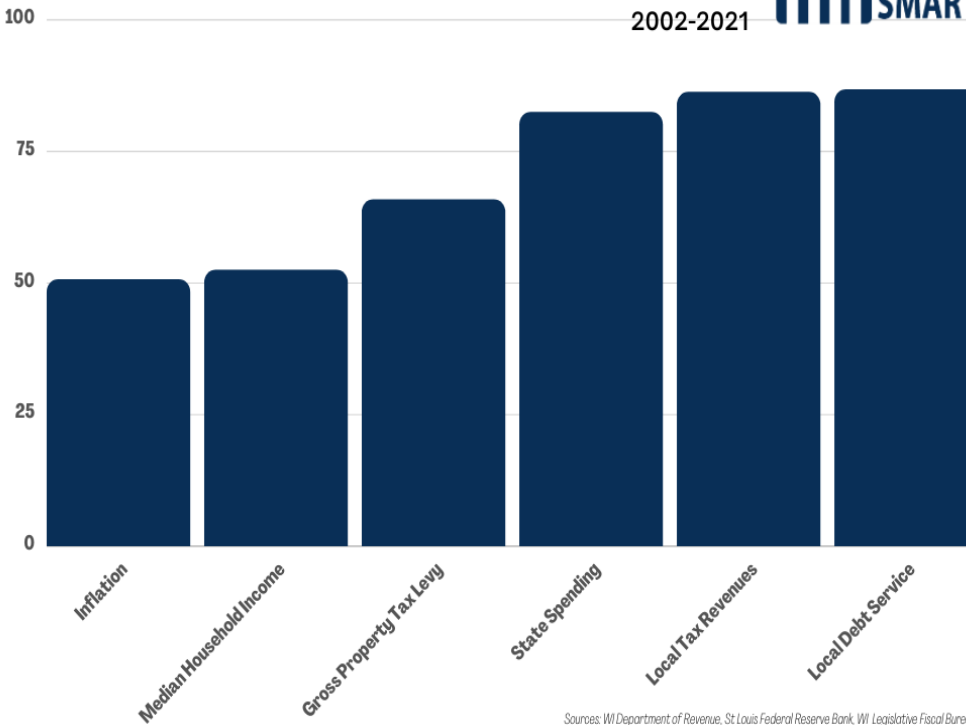


# MacIver Institute

The Free Market Voice for Wisconsin

## 23-25 State Budget Plows More Tax Dollars Into Local Governments

Percent Increase in Selected WI State and Local Government Fiscal Measures, WI Median Household Income, Inflation 2002-2021



Sources: WI Department of Revenues, St. Louis Federal Reserve Bank, WI Legislative Fiscal Bureau

Local officials have been frustrated at caps on spending and taxation since they were imposed, even though - as chart left shows - the local levy, tax collections and debt payments far outpaced household income and inflation in recent years.

But this year, with a \$7 billion budget surplus and worried about new district maps, the legislature gave locals a windfall.

Along with a record 11%+ increase in state spending, the state budget also increased funding for local governments by 36.5% and earmarked 20% of the state sales tax for them going forward.

Some local officials are saying the record-breaking increase is only 'a start,' but many conservative-minded officials worry the windfall makes it harder to say no to unnecessary spending.

With that in mind, we are reminding responsible local officials - and their constituents - of some local government budgeting options that don't further perpetuate waste, excess and government growth.

## Responsible Budgeting Options for Local Government

Applying Common-Sense Family Budgeting Principles to Spending Tax Dollars

Build Adequate "Rainy Day" Fund Balance	Reduce Debt	Invest to Prepare for Capital Projects	Provide Tax Relief
<p>Legislators have increased the state rainy day fund from under \$2 million to nearly \$2 billion.</p> <p>Locals may maintain fund balances sufficient to minimize borrowing, provide fiscal stability, and manage emergencies.</p>	<p>Because local governments can increase property taxes to repay debt, many borrow to end-run levy limits, and local debt is at a record high.</p> <p>The state windfall would allow elected officials to save money by paying down local debt.</p>	<p>Capital improvement plans allow communities to set priorities and financial forecasts for future projects.</p> <p>Locals investments (e.g. in the local government investment pool) to grow funds and minimize the need to borrow.</p>	<p>Taxpayers sent the state a \$7 billion surplus and they sent back almost no tax relief.</p> <p>Local governments do not have to 'tax to the max' and can cut taxes (property, wheel, sales, etc). Paying off older debt also provides tax relief.</p>

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