



The Wisconsin

**FiRSt**

Amendment

***Fiscal Responsibility and Stability** for Wisconsin's State Budget*

Developed by Rep. Mark Gottlieb

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Throughout the 1990s, Wisconsin's state taxes grew at a much faster pace than the personal income of its residents. Between 1991 and 2000, state taxes grew by 80 percent, compared to personal income growth of only 63 percent. These additional taxes were used to build up a base of spending that proved unsustainable during the years leading up to and including the current recession. As Wisconsin emerges from the recession, we should enact serious long-term budget reforms to make sure the mistakes of the past are not repeated.

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The **Fiscal Responsibility and Stability Amendment** creates a constitutional fund called the **Fiscal Responsibility Fund**. The Fund serves three purposes. It is:

**A LIMIT ON STATE TAX REVENUE.** Any general fund taxes collected in excess of 6.5 percent of statewide personal income must be deposited into the Fiscal Responsibility Fund, not spent on new programs, thus providing a limit on taxes and spending in a healthy economy. In the years where tax collections do not exceed 6.5 percent of personal income, a minimum contribution is still made into the fund.

**A RAINY DAY FUND.** Money can be withdrawn from the fund only when the economy enters a recession, as defined by two quarters of declining Gross Domestic Product.

**A POTENTIAL SOURCE OF PROPERTY TAX RELIEF.** If the balance in the Fiscal Responsibility Fund grows to 10 percent of annual tax collections, the excess must be returned to taxpayers in the form of an across-the-board property tax credit, similar to the current lottery credit.

To account for emergencies and other unforeseen circumstances, the terms and conditions of the fund can only be altered with the approval of 2/3 of both houses of the legislature, and the governor.

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What does the Fiscal Responsibility and Stability Amendment Accomplish?

- **SPENDING CONTROLS**, by prohibiting the state from spending excess revenue in a strong economy.
- **RESPONSIBLE BUDGETING**, by mandating the creation and funding of a rainy day fund.
- **PROPERTY TAX RELIEF**, by returning certain excess revenues as a property tax credit.

# The Wisconsin **FIRST**

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## General Fund Taxes as Percent of Personal Income

