



555 West Washington Ave, Suite 200
Madison, WI 53703

www.wccf.org
608-284-0580
608-284-0583

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To: All Members of the Legislature
From: Charity Eleson, Executive Director
Re: Supporting Senate Bill 62, the Budget Repair Bill

On Wednesday, you will take a vote on SB62. That action will be an important first step toward addressing the state's budget shortfall. As we've said from the beginning of this financial crisis and the looming state budget deficit, it's important to balance the state's budget with a combination of revenue increases and cost containment with an eye to preserving the services most critical to the well-being of our citizens and our state. If the state budget is balanced by spending cuts alone, many more jobs will be lost and the state will be unable to protect the very things its citizens need to weather this economic crisis: strong schools, safety net services, transportation infrastructure and services that keep communities safe and healthy.

While it's tempting to adopt a "no new tax" approach to the current challenges, policy makers are now faced with circumstances that require new solutions and hard choices. These hard choices involve making some targeted changes in tax policy changes, improving program integrity in public programs across the board and preserving critical programs for citizens. SB62 takes the right steps in that direction.

We are writing to encourage you to vote for this bill and, in particular, wish to stress the importance of two provisions, combined reporting and Wisconsin Shares.

Combined Reporting

Combined reporting is a matter of tax fairness. It levels the playing field for Wisconsin businesses by making sure that all businesses pay their fair share of taxes. Many large, very profitable corporations pay

no Wisconsin income tax because current policy allows them to shift profits into subsidiaries in other states.

You are hearing that combined reporting, one of the new taxes proposed in this bill will result in job loss. Yet, Minnesota has combined reporting and has not suffered job loss as a result. A study that was done a few years ago found that nine out of the top 10 states in job growth in the manufacturing sector had combined reporting.

You may be tempted to think combined reporting is a radical new idea. But, former Governor Tommy Thompson proposed it in the 1990s, and there are 22 other states that have combined reporting (almost half of those with a corporate income tax).

Finally, during a recession, it makes sense to increase taxes that are largely paid by people outside the state, rather than adopting tax increases—or spending cuts—that fall exclusively on Wisconsin citizens. A 2005 study by the Wisconsin Department of Revenue found that 64 percent of our state's corporate income taxes are paid by non-Wisconsin residents.

Wisconsin Shares

Wisconsin Shares child care tuition assistance makes it possible for low-income working families to work and pay for safe, adult supervision for their children while parents are at work. We support the increases in funding of \$20 million in SB62 in order to prevent a projected budget shortfall for Wisconsin Shares in this fiscal year. This program provides an essential support to ensure that the parents of roughly 60,000 children are able to secure child care for their children while they work.

The program has come under increased scrutiny as of late as a result of a series run by the *Milwaukee Journal Sentinel* on individual stories about possible fraud and inappropriate use of funds. As a result of the issues that series brought to light, we further support changes and improvements that are offered under the bill to increase the effectiveness of the administration of the program. We will recommend to the Joint Legislative Committee on Audit that the audit on Wisconsin Shares that is currently being considered include a review of the effectiveness of the changes that will be implemented under SB62.

Thank you.