

## **Summary of the Proposed 2021 -23 State Budget**

Gov. Tony Evers unveiled his 2021-23 budget, a \$91 billion two-year spending plan for the state, giving a first glimpse into the governor's tax, spending and policy priorities for the next two years. The budget represents a nearly 10% increase in total spending, and would leave an estimated deficit of about \$1 billion at the end of the 2022-23 fiscal year, according to generally accepted accounting principles. The budget bill will now go the Republican-controlled Legislature, where lawmakers are likely to largely rewrite the proposal. The governor's budget contains many troubling tax and policy items that would make businesses less competitive, and hamper their efforts to recover from the economic downturn brought on by the pandemic. Upon initial review, the following business and economic development-related items should be of interest to Oshkosh Chamber of Commerce members.

### **Tax Increases**

- **Manufacturing Tax Hike:** The governor's budget significantly diminishes the value of the Manufacturing & Agricultural Credit (MAC) for manufacturers. This will result in an estimated tax increase of \$481 million over the biennium.
- **Capital Gains Tax Hike:** Eliminates the capital gains exclusion for higher-income earners, resulting in a tax increase of \$350 million over the biennium.
- **Business Tax Hike:** Selectively conforms Wisconsin's tax code to a series of internal revenue code provisions, including the adoption of the loss limitation for pass-through taxpayers and the limitations on interest deduction, which will increase business taxes by \$540 million over the biennium.
- **Sales Tax Hike:** Gives all counties and municipalities with populations over 30,000 the ability to impose a 0.5 percent local sales tax each, creating the potential to increase Wisconsin's sales tax to 6.5 percent in some taxing jurisdictions.
- **Property Tax Hike:** Allows counties and municipalities to increase their property tax levies by 2% each year, or net new construction, whichever is higher, increasing property taxes.
- **Business Property Tax Hike:** Implements "dark store" property tax assessment standards, allowing business property to be taxed on its income producing potential and value of intangible business assets instead of the value of the property.

### **Employment & HR Policies**

- **Repeal Right to Work:** Forces workers to join labor unions and pay dues as a

condition of their employment in a unionized workplace.

- **Repeal Act 10:** Repeals signature initiative of former Gov. Scott Walker that has saved taxpayers more than \$13 billion. Restores collective bargaining for public sector workers.
- **Restores Project Labor Agreements:** Allows local governments to require contractors to use only union workers.
- **Unemployment Benefit/Tax Increase:** Increases weekly unemployment benefits to \$409 per week, and escalates the benefits to 75% of average wages by 2024. This would require a massive UI tax increase to pay for these benefits.
- **Unemployment Eligibility Expansion:** Repeals the one-week waiting period for benefits, repeals the “substantial fault” benefit exclusion, repeals drug testing for UI benefits, allows workers to use marijuana off premises and remain eligible for benefits, and provides UI benefits to those receiving Social Security Disability benefits.
- **Worker’s Compensation:** Creates a presumption for worker’s compensation claims that COVID-19 injuries for “critical workers” occurred on the job, overturning longstanding worker’s compensation requirements that an injury must occur on the job.
- **Family Medical Leave Expansion:** Applies the state FMLA law to businesses with 25 or more employees, expands qualifying events that trigger leave to include closure of a school or day care facility, and makes caring for grandparent, grandchildren and siblings eligible for leave.
- **Marijuana Legalization:** Legalizes both recreational and medical marijuana, and protects the off premises use of marijuana during non-work hours under the Fair Employment Act for employment discrimination purposes.

## Energy & Environment

- **PFAS Regulations:** Allows the DNR to enforce PFAS regulations that have never been codified in a statute or rule. The DNR would be allowed to enforce a “recommended” standard from the Department of Health Services. This short-circuits the rulemaking process, and cuts the regulated community out of the standard-setting process.
- **New PFAS Standards:** Directs the DNR to promulgate standards for five different PFAS compounds without holding a public hearing or receiving the approval of the governor prior to the standards taking effect.
- **Energy Tax Hike:** The budget would double the current energy tax on monthly

electric and heating bills from 1.2% to 2.4%.

- **Social Cost of Carbon:** Requires the Public Service Commission to establish the “social cost” of carbon emissions to serve as a bias against deploying energy derived from fossil fuels like clean-burning natural gas and clean coal.
- **Local Plastic Bag Bans:** Allows local governments to apply for an exemption from state law and impose fees or ban auxiliary containers such as plastic bags or soda cups.

## Economic Development

- **Small Business Assistance:** Provide the Wisconsin Economic Development Corporation (WEDC) with \$200 million to assist small businesses in recovering from the COVID-19 pandemic, including assistance for the retention of current employees and the rehiring of former employees.
- **Venture Capital:** Create a venture capital program overseen by WEDC with \$100 million in one-time funding. The program will be required to be a fund of funds investment program.

## Workforce

- **Workforce Housing:** Establish a \$50 million affordable workforce housing grant program to provide resources to local municipalities to encourage the development of additional affordable workforce housing in the state.
- **Expanding Tax Incremental Financing:** Modify current tax incremental financing (TIF) law to allow municipalities to use TIF districts to spur the creation of workforce housing.
- **Youth Apprenticeship:** Provide \$250,000 annually to expand youth apprenticeship opportunities to more school districts and youth throughout the state.
- **Worker Training:** Provide \$10 million for Wisconsin Fast Forward grants to fund worker training programs for individuals and organizations.
- **UW System:** Increase of \$190 million in state funding for UW System campuses through 2023.
- **Technical Education:** Increase funding for the Wisconsin Technical College System by \$36 million.
- **Unemployment System:** Provide \$79.5 million in funding to overhaul the state's unemployment insurance system.

## Transportation Revenue/Bonding Overview

- Budget proposal does not include any new transportation-dedicated state revenues.
- State transportation revenues are down approximately \$260 million due to the pandemic (people are driving less).
- Budget proposal includes \$556 million in new bonding, which while low, is the largest amount of bonding since the 2015-17 budget (which included \$805.4 million in bonding).

## Transportation Funding

- **County General Transportation Aids:** \$124.6 million in FY22 & \$126.14 million in FY23
- **Municipal General Transportation Aids:** \$391.17 million in FY22 & 398.9 million in FY23
- **Highway Rehabilitation Program:** \$1.98 billion over biennium
- **Major Highway Development Program:** \$565.68 million over biennium and includes the enumeration of I-94 E-W between the Marquette and Zoo interchanges in Milwaukee County.
- **Harbor Assistance Program Bonding:** \$15.3 million in transportation fund-supported general obligation bonding.
- **Freight Rail Preservation Program Bonding:** \$20 million in transportation fund-supported general obligation bonding.
- **Design-Build Bonding:** \$20,000,000 in transportation fund-supported general obligation bonding to fund projects using alternative delivery contracts commonly known as "design-build."

## Transportation Policy

- **Eminent Domain Changes:** Reestablishes authority for the Department of Transportation to use eminent domain to acquire land to create bike paths and other "non-motorized transportation facilities."
- **Intermodal Grant Program:** Changes the intermodal freight assistance program to require that the Department may not make a grant unless the grantee agrees to provide adequate intermodal freight services at the facility funded by the grant, subject to remedial transfer of the facility to the Department.
- **Electric Vehicles:** The proposal includes \$5 million in bonding for electric vehicle infrastructure.

