

# UNDER THE DOME

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## Illinois Tax Increase to Impact Wisconsin Finances

Wisconsin lawmakers will have \$51 million less to spend in the next two-year budget cycle thanks to a massive income tax increase passed recently by the Illinois state legislature. The news comes as GOP lawmakers remain at odds over the budget, now weeks overdue, with transportation funding being the main sticking point. According to a memo released by the Legislative Fiscal Bureau, Illinois' individual income tax rate increase from 3.75% to 4.95%, estimated to increase their individual income tax collections by almost \$5 billion next year, will require Wisconsin to make a larger payment to the state to meet the terms of a reciprocity agreement in place. Illinois and Wisconsin are required to make a payment to the other when the net forgone revenues of one state exceed those of the other state. Wisconsin makes a payment to Illinois each year because the state has more residents earning personal income in Illinois than they have in Wisconsin. GOP lawmakers downplayed the news, with Rep. Jim Steineke predicting Wisconsin will ultimately come out ahead as Illinois residents and businesses will look to Wisconsin to avoid the states onerous taxes.

## Walker to Sign Opioid Legislation

Governor Walker plans to sign into law 11 bills the legislature passed recently as part of a special session Walker called for in January to address the state's opioid epidemic. Part of state Rep. John Nygren's ongoing HOPE Agenda, the bills are based on recommendations from the Governor's Task Force on Opioid Abuse, co-chaired by Nygren and Lt. Gov. Rebecca Kleefisch, which met across the state last year before releasing a series of findings in January. The measures include additional funding for treatment programs, allow for the creation of recovery charter schools, authorize new positions at the Department of Justice for criminal investigations, grant immunity for drug possession to a person who calls 911 to report another person who is experiencing a drug overdose, and extend Department of Health Services programs currently used to treat alcoholics to drug users, including voluntary treatment programs. The task force is continuing its work and Walker said more needs to be done to table the opioid and heroin problem.

## Finance Committee May Resume Work on Budget as Transportation Deal Eludes Lawmakers

Republican leaders from both houses suggested the Joint Finance Committee (JFC) may move forward on the state budget despite being no closer on a deal to fund the state's roads in the next biennium. The transportation impasse continued with Assembly Speaker Robin Vos reaffirming the Assembly GOP position that no additional borrowing should be approved without increased revenues to pay down the debt. Republican senators and Governor Walker have said a gas tax or fee increase is a non-starter. They continue to advocate for increased borrowing to make sure projects remain on schedule, with Senate Republicans looking at approximately \$700 million in new borrowing, while Walker proposed \$500 million. Both Vos and Senate Finance Co-chair Alberta Darling told reporters they're ready for the JFC to meet on other pending budget items, although an agreement has still not been reached on the issues of education funding and taxes. The main points of contention there are whether to fund income tax cuts, as Walker proposed, shift those dollars to instead pay for personal property tax cuts, or a combination. On education, they are at odds over school choice program income limits and eligibility, and how to distribute the \$650 million increase Walker proposed in his budget for K-12. The JFC is not expected to meet this week with a number of key lawmakers traveling to a legislative conference, but could resume work the following week.

## Lawmakers Propose DOT Reform Package

A group of Republican lawmakers proposed a major overhaul of the Department of Transportation (DOT), arguing the state should seek efficiencies before increasing revenue or borrowing more to pay for roads. It comes as Republican leaders remain at an impasse on the state budget, primarily over the issue of transportation funding. The proposal provides additional options to the DOT for project delivery, creates a Technical Review Committee to review contracts, creates a scoring process that places emphasis on transparency and low project cost, along with an incentive program to utilize Wisconsin-based contractors, limits the amount of engineering work the department can do with in-house staff to 20%, requires the DOT to devise a new funding formula for regions that is based on need rather than baseline funding, and directs the Dept. of Administration to develop a plan for issuing an RFP to conduct a thorough operational and financial audit of the entire DOT agency. Several of the bill's other provisions have already been introduced as standalone legislation. They would fully repeal the state's prevailing wage law, require local approval of roundabouts, create an inspector general position at the DOT, require local governments to get voter approval before enacting a wheel tax, swap federal funds for local transportation with state highway repair dollars, and require an outside audit of the DOT. Proponents of the measure argue reforms are needed at the DOT following a critical audit of the agency's highway program in January that showed the agency underestimated by \$3.8 billion the costs for major highway work completed over the past decade or still in progress. A spokesperson for the DOT said they welcome all ideas to make the agency more accountable and efficient. Assembly Speaker Robin Vos, a proponent of increasing revenues to shore up a \$1 billion transportation fund shortfall, said that while he supports many of the reforms in the package, they alone won't resolve the transportation funding issue. A spokeswoman for Senate Majority Leader Scott Fitzgerald said he is pleased to see GOP legislators looking to improve the DOT's efficiency.

## Lawmaker Proposes Legalizing Marijuana

Democratic state Rep. Melissa Sargent held a press conference to announce she will introduce legislation legalizing marijuana for both medical and recreational purposes. Sargent argued legalization would provide significant economic benefits, while reducing costs for the courts and state corrections system. Under the bill, marijuana would be regulated similar to alcohol, residents would be required to be 21 years of age to possess, and individuals could not possess more than two ounces of marijuana. The measure also provides employment and benefit protections for marijuana users, requires insurance coverage for medicinal marijuana for terminal illness, treats marijuana as an agricultural product, and requires the state Department of Agriculture to conduct periodic inspections and promote best practices for producing, harvesting, and packaging. The proposal, the third of its kind to be introduced, is not expected to advance in the GOP-controlled legislature. Another marijuana-related measure was introduced recently by Republican state Rep. Adam Jarchow, decriminalizing possession of small amounts.

## Gronik Announces Gubernatorial Run

Milwaukee-area businessman Andy Gronik announced he will run for governor in 2018 as a Democrat. Gronik founded the Mequon-based consulting firm AccuVal in 1988 and sold it in 2013. He is the first to announce a bid but is all but certain to face an opponent in the primary in 13 months. State Senator Kathleen Vinehout, state Rep. Dana Wachs, Madison Mayor Paul Soglin, Department of Public Instruction Superintendent Tony Evers, former Wisconsin Democracy Campaign Director Mike McCabe, and firefighter Mahlon Mitchell, who ran unsuccessfully for Lt. Governor in the 2012 recall election, have all said they are seriously considering bids. Walker has not formally announced but is expected to seek a third term. Shortly after Gronik's announcement, the Walker campaign released a memo showing they've raised \$3.5 million through the first half of the year. The Republican Party of Wisconsin previewed the strategy they may use against Gronik, sending a mailer to voters hitting him for past business deals, calling him a con artist. They also sent a mailer criticizing Wachs for being a trial attorney who they say exploits the system for his own gain, along with supporting higher taxes and reckless spending.

## State Officials Court Taiwanese Electronics Manufacturer

Local, state and federal officials have been meeting with representatives of Foxconn recently in an attempt to lure the manufacturer and thousands of jobs to Wisconsin. Best known for making Apple's iPhone, Foxconn is looking to build a display panel factory in the U.S. that reportedly could employ over 10,000 workers. President Donald Trump first floated the prospect of them coming to the state during a visit to Waukesha last month. Since then, local officials from Racine County met with company officials, along with U.S. House Speaker Paul Ryan, who said he did so at Governor Walker's request. Foxconn was also hosted by the governor at the executive residence, an event that included a number of his cabinet members and legislative leaders. It's unclear what incentives the state would provide, however, Senate Majority Leader Scott Fitzgerald has said legislation would likely be needed to land the manufacturer, without indicating what that measure would look like. Foxconn is said to be in negotiations with other states as well, including Michigan and Texas.