

SHARED REVENUE AND TAX RELIEF

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY13 Adjusted Base	FY14 Recommended	% Change Over FY13	FY15 Recommended	% Change Over FY14
GPR	2,147,889,100	2,136,517,700	-0.5	2,157,370,700	1.0
PR-S	43,664,200	70,664,200	61.8	70,664,200	0.0
SEG-O	189,795,300	203,298,000	7.1	196,098,400	-3.5
TOTAL	2,381,348,600	2,410,479,900	1.2	2,424,133,300	0.6

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY13 Adjusted Base	FY14 Recommended	FTE Change Over FY13	FY15 Recommended	FTE Change Over FY14
TOTAL	0.00	0.00	0.00	0.00	0.00

AGENCY DESCRIPTION

Shared revenue and tax relief appropriations provide significant tax relief through unrestricted state aid to local governments and through tax credits to individuals.

The Shared Revenue Program delivers state aid primarily to municipal and county governments to provide property tax relief, offset the impact of exempt property on local tax bases, and supply additional payments for certain municipalities that limit spending. The county and municipal aid account is the largest appropriation under this program. This account distributes unrestricted state funds to counties and municipalities and is the successor program to shared revenue equalization payments. The Expenditure Restraint Program account directs state aid to municipalities that restrain local spending growth and have a municipal tax rate that exceeds five mills. The tax exempt property appropriation provides annual payments to all local governments to offset the loss of tax base caused by the property tax exemption for computer equipment. An additional appropriation under this program directs payments to municipalities and counties hosting power plants and other utility property.

The Tax Relief Program contains a variety of tax credit appropriations. The homestead tax credit provides property tax relief to homeowners and renters. The farmland preservation program encourages owners of farm property to meet farmland preservation and soil and water conservation standards. Wisconsin's earned income tax credit provides low-income workers with children a refundable credit based on their earnings. Enterprise zone jobs credits provide incentives for businesses to operate in certain designated areas. The appropriation for cigarette tax refunds pays to the tribes 70 percent of all cigarette tax revenue collected on cigarettes sold to non-Native Americans on Native American reservations.

Shared Revenue and Tax Relief

The State Property Tax Credits Program contains three credits reflected on taxpayers' property tax bills. The school levy tax credit provides relief for all taxpayers based on their taxation district's proportion of the state's total school levy. The lottery credit distributes lottery proceeds to homeowners. The first dollar credit reduces property taxes on improved parcels based upon the applicable school tax rate.

The Payments in Lieu of Taxes Program consists of payments for municipal services. This appropriation provides payments to municipalities to offset the costs of certain local services provided to state-owned buildings located within their boundaries.

SHARED REVENUE AND TAX RELIEF

GOVERNOR'S BUDGET RECOMMENDATIONS

RECOMMENDATIONS

1. Tax Fraud Initiatives
2. Property Tax Credit Funding
3. Veterans and Surviving Spouses Property Tax Credit Expansion
4. Biogas Energy Systems Property Tax Exemption
5. County and Municipal Levy Limits
6. Technical College Levy Limits
7. Repeal Operating Rate Limits for Counties and Technical Colleges
8. Expenditure Restraint Program Budget Adjustment for Contracted Services
9. Municipal Service Payments Review Procedures
10. Eliminate Residency Requirements
11. Earned Income Tax Credit Funding
12. Lottery Administration
13. Current Law Sum Sufficient and Tax Credit Reestimates
14. Permanent GPR Reductions

Shared Revenue and Tax Relief

Table 1
Department Budget Summary by Funding Source (in thousands of dollars)

	ACTUAL FY12	ADJUSTED BASE FY13	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY14	FY15	FY14	FY15
GENERAL PURPOSE REVENUE	\$2,172,588.2	\$2,147,889.1	\$2,159,551.5	\$2,171,506.5	\$2,136,517.7	\$2,157,370.7
Local Assistance	1,872,589.3	1,800,111.0	1,803,743.2	1,806,791.2	1,817,681.6	1,820,454.6
Aids to Ind. & Org.	299,998.9	347,778.1	355,808.3	364,715.3	318,836.1	336,916.1
PROGRAM REVENUE (2)	\$43,664.2	\$43,664.2	\$43,664.2	\$43,664.2	\$70,664.2	\$70,664.2
Aids to Ind. & Org.	43,664.2	43,664.2	43,664.2	43,664.2	70,664.2	70,664.2
SEGREGATED REVENUE (3)	\$204,034.9	\$189,795.3	\$194,654.6	\$194,129.6	\$203,298.0	\$196,098.4
Local Assistance	203,945.0	189,795.3	194,654.6	194,129.6	203,298.0	196,098.4
Aids to Ind. & Org.	89.9	0.0	0.0	0.0	0.0	0.0
TOTALS - ANNUAL	\$2,420,287.3	\$2,381,348.6	\$2,397,870.3	\$2,409,300.3	\$2,410,479.9	\$2,424,133.3
Local Assistance	2,076,534.3	1,989,906.3	1,998,397.8	2,000,920.8	2,020,979.6	2,016,553.0
Aids to Ind. & Org.	343,752.9	391,442.3	399,472.5	408,379.5	389,500.3	407,580.3

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

Table 3
Department Budget Summary by Program (in thousands of dollars)

	ACTUAL FY12	ADJUSTED BASE FY13	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY14	FY15	FY14	FY15
1. Shared revenue payments	\$1,027,892.5	\$954,894.7	\$954,937.4	\$957,460.4	\$954,937.4	\$957,460.4
2. Tax relief	\$343,753.3	\$391,452.3	\$399,482.5	\$408,389.5	\$389,510.3	\$407,590.3
3. State property tax credits	\$1,030,057.2	\$1,016,417.4	\$1,024,866.2	\$1,024,866.2	\$1,047,448.0	\$1,040,498.4
5. Payments in lieu of taxes	\$18,584.2	\$18,584.2	\$18,584.2	\$18,584.2	\$18,584.2	\$18,584.2
TOTALS	\$2,420,287.3	\$2,381,348.6	\$2,397,870.3	\$2,409,300.3	\$2,410,479.9	\$2,424,133.3

Shared Revenue and Tax Relief

1. Tax Fraud Initiatives

Source of Funds	Agency Request				Governor's Recommendations			
	FY14		FY15		FY14		FY15	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-3,000,000	0.00	-3,000,000	0.00
TOTAL	0	0.00	0	0.00	-3,000,000	0.00	-3,000,000	0.00

The Governor recommends reducing funding for tax credit payments to reflect estimated savings from additional fraud prevention efforts to be undertaken by the Department of Revenue as follows: (a) earned income tax credit (-\$2,000,000 in each year); and (b) homestead tax credit (-\$1,000,000 in each year). See Department of Revenue, Item #2.

2. Property Tax Credit Funding

Source of Funds	Agency Request				Governor's Recommendations			
	FY14		FY15		FY14		FY15	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	14,850,000	0.00	14,850,000	0.00
TOTAL	0	0.00	0	0.00	14,850,000	0.00	14,850,000	0.00

The Governor recommends modifying current law to fully fund the school levy tax credit with GPR and to eliminate the lottery fund's portion of the payment, which will be allocated to increasing the lottery and gaming credit in an equal amount.

3. Veterans and Surviving Spouses Property Tax Credit Expansion

Source of Funds	Agency Request				Governor's Recommendations			
	FY14		FY15		FY14		FY15	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	9,500,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	9,500,000	0.00

The Governor recommends expanding eligibility for the veterans and surviving spouses property tax credit to include unremarried surviving spouses who receive dependency or indemnity payments from the federal government relating to a military service-connected death of the survivor's spouse. The first year for this expanded eligibility will be tax year 2014. The fiscal effect of expanding the credit will be an increase in expenditures of approximately \$9.5 million in FY15 and an increase in revenues in FY15 of \$930,000 due to decreases in the utilization of other credits.

Shared Revenue and Tax Relief

4. Biogas Energy Systems Property Tax Exemption

The Governor recommends expanding the existing solar energy system and wind energy system personal property tax exemption to include biogas energy systems beginning with 2014 property tax assessments. See Department of Revenue, Item #8.

5. County and Municipal Levy Limits

The Governor recommends renewing the supermajority vote requirements for the utilization of unused county and municipal levy limit authority, limited to the lesser of the prior year's unutilized capacity or 0.5 percent of the prior year's actual levy. All other provisions of the current county and municipal levy limits will remain in place.

6. Technical College Levy Limits

The Governor recommends renewing levy limits on technical college districts. The maximum growth factor is calculated as the greater of 0 percent or the change in equalized value within the technical college district due to net new construction. The amount of net new construction will be calculated as the percentage change in equalized value due to the net new construction within the municipalities wholly located within the boundaries of the technical college district. The Governor also recommends allowing technical college districts to utilize unused carryover levy limit authority up to a maximum of 0.5 percent of the prior year actual levy subject to a three-quarters vote by the district board. See Technical College System Board, Item #4.

7. Repeal Operating Rate Limits for Counties and Technical Colleges

The Governor recommends repealing operating rate limits for property taxes levied for general program operations by counties and technical college districts in order to promote consistency in property tax limitations. See Technical College System Board, Item #5.

8. Expenditure Restraint Program Budget Adjustment for Contracted Services

The Governor recommends modifying current law related to the expenditure restraint program to exclude expenditures provided by one unit of government on behalf of another via a contract, from being counted as an increase toward the program's budget growth test. This modification will first apply to payments made in 2014.

9. Municipal Service Payments Review Procedures

The Governor recommends modifying reporting requirements related to negotiations of payments for municipal services. See Department of Administration, Item #23.

10. Eliminate Residency Requirements

The Governor recommends prohibiting local governmental units from requiring that any employee or prospective employee reside within the jurisdictional boundaries of the unit except as provided under state law. Any existing residency requirements in effect by a local governmental unit no longer apply and may not be enforced. The Governor also recommends that local governmental units be prohibited from bargaining over residency requirements.

Shared Revenue and Tax Relief

11. Earned Income Tax Credit Funding

Source of Funds	Agency Request				Governor's Recommendations			
	FY14		FY15		FY14		FY15	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-27,000,000	0.00	-27,000,000	0.00
PR-S	0	0.00	0	0.00	27,000,000	0.00	27,000,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	0	0.00

The Governor recommends increasing the amount of temporary assistance for needy families program funding used to support the state earned income tax credit and reducing the amount of GPR funding by \$27 million in each year of the biennium. See Department of Children and Families, Item #1.

12. Lottery Administration

Source of Funds	Agency Request				Governor's Recommendations			
	FY14		FY15		FY14		FY15	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	0	0.00	0	0.00	-276,700	0.00	-354,900	0.00
TOTAL	0	0.00	0	0.00	-276,700	0.00	-354,900	0.00

The Governor recommends reestimating the lottery and gaming credit to reflect the costs of the additional position authority provided to the Department of Revenue to improve lottery administration and performance. See Department of Revenue, Item #9.

13. Current Law Sum Sufficient and Tax Credit Reestimates

Source of Funds	Agency Request				Governor's Recommendations			
	FY14		FY15		FY14		FY15	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	13,365,300	0.00	25,320,300	0.00	5,481,500	0.00	16,834,500	0.00
SEG-O	4,859,300	0.00	4,334,300	0.00	13,779,400	0.00	6,658,000	0.00
TOTAL	18,224,600	0.00	29,654,600	0.00	19,260,900	0.00	23,492,500	0.00

The Governor recommends reestimating the following appropriations to reflect anticipated utilization: county and municipal aid account, public utility distribution account, state aid for tax exempt property, claim of right credit, woody biomass harvesting and processing credit, homestead tax credit, enterprise zone jobs credit, farmland preservation credit, veterans and surviving spouses property tax credit, beginning farmer and farm asset owner tax credit, cigarette and tobacco product tax refunds, earned income tax credit, lottery and gaming credit, lottery and gaming late credit applications, police and fire protection fund, jobs tax credit, and dairy manufacturing facility investment credit.

Shared Revenue and Tax Relief

14. Permanent GPR Reductions

Source of Funds	Agency Request				Governor's Recommendations			
	FY14		FY15		FY14		FY15	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	-1,702,900	0.00	-1,702,900	0.00	-1,702,900	0.00	-1,702,900	0.00
TOTAL	-1,702,900	0.00	-1,702,900	0.00	-1,702,900	0.00	-1,702,900	0.00

The Governor recommends reducing funding to create additional efficiencies and balance the budget.