

SHARED REVENUE AND TAX RELIEF

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY01 Adjusted Base	FY02 Recommended	% Change Over FY01	FY03 Recommended	% Change Over FY02
GPR	1,717,508,900	1,715,169,400	-0.1	1,716,803,400	0.1
PR-S	54,000,000	51,244,500	-5.1	53,665,500	4.7
SEG-O	120,723,100	122,400,000	1.4	123,400,000	0.8
TOTAL	1,892,232,000	1,888,813,900	-0.2	1,893,868,900	0.3

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY01 Adjusted Base	FY02 Recommended	FTE Change From FY01	FY03 Recommended	FTE Change From FY02
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 consists of five appropriations. The shared revenue account appropriation distributes unrestricted state funds to all counties and municipalities based on relative fiscal effort and other factors. The expenditure restraint program account directs state aid to municipalities that restrain local spending growth and whose municipal tax rate exceeds five mills. Small municipalities' shared revenue provides state aid to certain municipalities with populations up to 5,000 and whose municipal tax rate is at least one mill. The county mandate relief account is paid to each county in proportion to population. Beginning in May 2000, the newly created computer appropriation provides annual state aid payments to local governments to offset the loss of tax base caused by the property tax exemption for computer equipment.

The Tax Relief Program contains a variety of tax credit appropriations. The homestead tax credit provides property tax relief for homeowners and renters. The farmland preservation and farmland tax relief credits provide property tax relief to owners of farm property. Wisconsin's earned income credit provides low-income workers with children a refundable credit based on their earnings. Development zone credits provide incentives for businesses to operate in certain designated areas. The appropriation for cigarette tax refunds pays to the Native American Tribal Council seventy percent of all cigarette tax collected on cigarettes sold to non-Indians on Indian reservations.

The State Property Tax Credits Program contains the two credits reflected on taxpayers' property tax bills. The school 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 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 in their municipalities.

SHARED REVENUE AND TAX RELIEF

GOVERNOR'S BUDGET RECOMMENDATIONS

RECOMMENDATIONS

1. Kettl Commission Recommendations on Municipal Shared Revenue
2. Kettl Commission Municipal and County Recommendations
3. Property Tax Exemption for Air Carrier's Hub Facility
4. Property Tax Assessment of Manufacturing Property
5. Property Tax Assessment of Telephone Company Property
6. Property Tax Exemptions: Treatment Plant, Pollution Abatement Equipment
7. Property Tax Treatment Under the Public Utilities Holding Company Act
8. Property Tax Exemption for Regional Planning Commission Property
9. Corrections to Municipal Lottery Credit Payments
10. Computer Aid Reestimate
11. Lottery and Gaming Credit Reestimate
12. Tax Relief Sum Sufficient Reestimates

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

	ACTUAL FY00	ADJUSTED BASE FY01	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY02	FY03	FY02	FY03
GENERAL PURPOSE REVENUE	\$2,393,891.6	\$1,717,508.9	\$1,717,508.9	\$1,717,508.9	\$1,715,169.4	\$1,716,803.4
Local Assistance	1,560,804.0	1,581,093.9	1,581,093.9	1,581,093.9	1,587,109.9	1,591,264.9
Aids to Ind. & Org.	833,087.6	136,415.0	136,415.0	136,415.0	128,059.5	125,538.5
PROGRAM REVENUE (2)	51,000.0	54,000.0	54,000.0	54,000.0	51,244.5	53,665.5
Aids to Ind. & Org.	51,000.0	54,000.0	54,000.0	54,000.0	51,244.5	53,665.5
SEGREGATED REVENUE (3)	217,145.1	120,723.1	120,723.1	120,723.1	122,400.0	123,400.0
Local Assistance	217,145.1	105,723.1	105,723.1	105,723.1	107,400.0	108,400.0
Aids to Ind. & Org.		15,000.0	15,000.0	15,000.0	15,000.0	15,000.0
TOTALS-ANNUAL	2,662,036.7	1,892,232.0	1,892,232.0	1,892,232.0	1,888,813.9	1,893,868.9
Local Assistance	1,777,949.1	1,686,817.0	1,686,817.0	1,686,817.0	1,694,509.9	1,699,664.9
Aids to Ind. & Org.	884,087.6	205,415.0	205,415.0	205,415.0	194,304.0	194,204.0

(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 FY00	ADJUSTED BASE FY01	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY02	FY03	FY02	FY03
1. Shared revenue payments	\$1,073,433.7	\$1,090,223.6	\$1,090,223.6	\$1,090,223.6	\$1,096,239.6	\$1,100,394.6
2. Tax relief	884,087.6	205,415.0	205,415.0	205,415.0	194,304.0	194,204.0
3. State property tax credits	686,450.1	575,028.1	575,028.1	575,028.1	576,705.0	577,705.0
5. Payments in lieu of taxes	18,065.3	21,565.3	21,565.3	21,565.3	21,565.3	21,565.3
TOTALS	2,662,036.7	1,892,232.0	1,892,232.0	1,892,232.0	1,888,813.9	1,893,868.9

1. Kettl Commission Recommendations on Municipal Shared Revenue

The Governor recommends implementing the municipal shared revenue recommendations of the Wisconsin Blue-Ribbon Commission on State-Local Partnerships for the 21st Century (Kettl Commission). To implement the commission's recommendations, the Governor recommends: replacing the current per capita payment with a growth sharing payment; and replacing the current equalization formula with a "Badger Basics" formula.

The Kettl Commission identified the following goals for the shared revenue program:

1. Continue the commitment to equalization.
2. Continue the commitment to limit tax rate disparities.
3. Eliminate incentives to spend.
4. Reward performance.
5. Increase accountability.
6. Encourage collaborative efforts.
7. Reward economic growth.
8. Move Wisconsin to a more competitive tax environment.

The Governor recommends promoting and protecting these principles through the following specific changes to municipal shared revenue beginning in 2002:

1. Growth Sharing Payments. Dedicate an amount equal to one quarter percentage points of the state sales tax to municipalities. End the current per capita payments. Distribute the dedicated sales tax revenue to growth sharing regions as defined by the Legislature (or by the Department of Revenue if the Legislature does not define the regions). Each region will annually receive an amount in proportion to its contribution to the state's sales tax revenues. The amount distributed to each region will be subsequently distributed to each municipality within the region on a per capita basis. A municipality will receive a payment if it limits its spending growth to the increase allowed under the Expenditure Restraint Program and it enters into an area cooperation compact. The compacts must specify a plan for collaboration and include performance measures to gauge progress in implementing the plan. The compacts will advance the state's smart growth initiative by producing significant savings for taxpayers and by being consistent with comprehensive plans.
2. Badger Basics. Transform municipal equalization aid from aidable revenues to aidable expenditures. Focus municipal shared revenue on basic services by only aiding expenditures for general government, law enforcement, fire protection, ambulance, other public safety, and health and human services. Spending increases beyond the growth allowed under the Expenditure Restraint Program will not be considered in determining a municipality's aid.
3. Minimum Guarantee. Each municipality will be guaranteed to receive at least 95 percent of the amount received in the prior year.
4. Expenditure Restraint Program. Increase the Expenditure Restraint Program by \$6 million by reallocating funding from municipal shared revenue.
5. Funding. In 2002, maintain the current law combined funding level for municipal shared revenue and expenditure restraint at \$818,478,000. In 2003 and beyond, increase payments to municipalities based on the growth in the dedicated one quarter percent sales tax.

2. Kettl Commission Municipal and County Recommendations

The Governor recommends the following efforts to implement or advance the recommendations of the Wisconsin Blue-Ribbon Commission on State-Local Partnerships for the 21st Century (Kettl Commission):

1. Special Charges. Allow municipalities to impose a special charge on real property for services available, whether or not actually rendered. This more closely links those who pay for a service to those for whom a service is provided.
2. Sale of Utility Property. Eliminate unnecessary interference in local affairs by removing state requirements that a municipality must complete prior to selling municipal utility property. Instead, allow a municipality to follow any procedure for selling municipal utility property that it deems appropriate.
3. Certification of Copies. Increase the fee for certifying copies of documents recorded in a Register of Deeds office to place the cost of this service on its beneficiaries rather than on county taxpayers.
4. Study on Promoting Economic Growth. Require the Department of Revenue by January 1, 2003, to submit a report on options to restructure shared revenue and tax incremental financing to encourage high growth sectors of the economy and encourage the creation of high-quality jobs in Wisconsin.
5. Study of Fringe Benefit Partnerships. Require the Department of Employment Relations and the Employment Relations Commission to form study groups to evaluate strategies to contain local fiscal pressures and consider options for local governments to expand their fringe benefit partnerships with both the state and other local governments.
6. Office of State-Local Partnerships. Create an office for state-local partnerships to ensure the state speaks in a clear manner to local governments. See Department of Administration, Item # 21.
7. County Shared Revenue. Increase citizen understanding of the state-local relationship by requiring counties to use county shared revenue and mandate relief payments to first pay probation and parole hold costs, circuit court expenses and youth service costs not otherwise funded by state or federal aid or fees. Require counties to use any remaining funds from shared revenue and mandate relief to pay for costs that would otherwise be paid for by property tax dollars.
8. County Recommendations. Request the Joint Committee on Legislative Organization to review and make recommendations to the Legislature on the Kettl Commission report as it relates to state aid to counties for human services and justice services.

3. Property Tax Exemption for Air Carrier's Hub Facility

The Governor recommends creating a property tax exemption for a hub facility operated by an air carrier. This change will reduce revenues to the transportation fund by \$2.5 million annually.

4. Property Tax Assessment of Manufacturing Property

The Governor recommends four changes to the manufacturing assessment law: (1) allow municipalities to pay a refund of taxes on manufacturing property in five installments if the payment exceeds \$10,000 or represents at least 0.0025 percent of the municipality's tax levy; (2) provide that the state, instead of municipalities, pay interest on refunds; (3) require a property owner to file supplemental information to support any objection within 60 days of the date the objection was filed; and (4) revise the penalty for late filing. There is no state fiscal effect associated with these changes.

5. Property Tax Assessment of Telephone Company Property

Effective January 1, 2003, the Governor recommends basing the classification of telecommunications buildings on the predominant use rather than requiring assessments by both state and local assessors. For example, if a building is more than 50 percent telephone company operating property, it would be assessed only by the Department of Revenue (-\$22,500 GPR revenue in FY03).

6. Property Tax Exemptions: Treatment Plant, Pollution Abatement Equipment

The Governor recommends eliminating the requirement that property owners of waste treatment plants and pollution abatement equipment apply for the property tax exemption on this type of property. Instead, require only utilities and certain insurers to apply for the exemption. There is no state fiscal effect associated with this change.

7. Property Tax Treatment Under the Public Utilities Holding Company Act

The Governor recommends that property, excluding land, owned or leased by a corporation providing services in accordance with the Public Utility Holding Company Act to an affiliated light, heat and power company subject to taxation under s. 76.28, Wisconsin Statutes, be assessed for taxation only at that portion of the fair market value of property that fairly measures and represents the portion of the property not used in providing such services. This statutory language change is revenue neutral.

8. Property Tax Exemption for Regional Planning Commission Property

The Governor recommends creating a property tax exemption for the property of Regional Planning Commissions to treat this property the same as that of cities, villages, towns, school districts and other local governments.

9. Corrections to Municipal Lottery Credit Payments

The Governor recommends allowing corrections to municipal lottery credit payments to be made in a more timely manner. Under current law, corrections are not made until the next year's payment, thus creating unnecessary hardship on municipalities for errors in reporting the amount of lottery credits claimed within their jurisdictions.

10. Computer Aid Reestimate

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	6,016,000	0.00	10,171,000	0.00
TOTAL	0	0.00	0	0.00	6,016,000	0.00	10,171,000	0.00

The Governor recommends a current law reestimate of computer aid payments to \$77,016,000 in FY02 and \$81,171,000 in FY03. These payments compensate local governments for the reduction in tax base caused by the exemption of computer equipment from the property tax.

11. Lottery and Gaming Credit Reestimate

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	0	0.00	0	0.00	1,676,900	0.00	2,676,900	0.00
TOTAL	0	0.00	0	0.00	1,676,900	0.00	2,676,900	0.00

The Governor recommends a current law reestimate of proceeds available for the lottery and gaming credit to \$107.4 million in FY02 and \$108.4 million in FY03.

12. Tax Relief Sum Sufficient Reestimates

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-8,355,500	0.00	-10,876,500	0.00
PR-S	0	0.00	0	0.00	-2,755,500	0.00	-334,500	0.00
TOTAL	0	0.00	0	0.00	-11,111,000	0.00	-11,211,000	0.00

The Governor recommends a current law reestimate of the following tax credits: claim of right credit, homestead tax credit, development zones investment credit, development zones location credit, development zones jobs credit, development zones sales tax credit, farmers' drought property tax credit, farmland preservation credit, cigarette and tobacco product tax refunds, earned income credit - GPR, and the earned income credit – temporary assistance for needy families.