

Recent Shared Revenue Legislation

Discussion with Finance Committee

June 26, 2023

Background

Shared Revenue Legislation

Discussion with Finance Committee

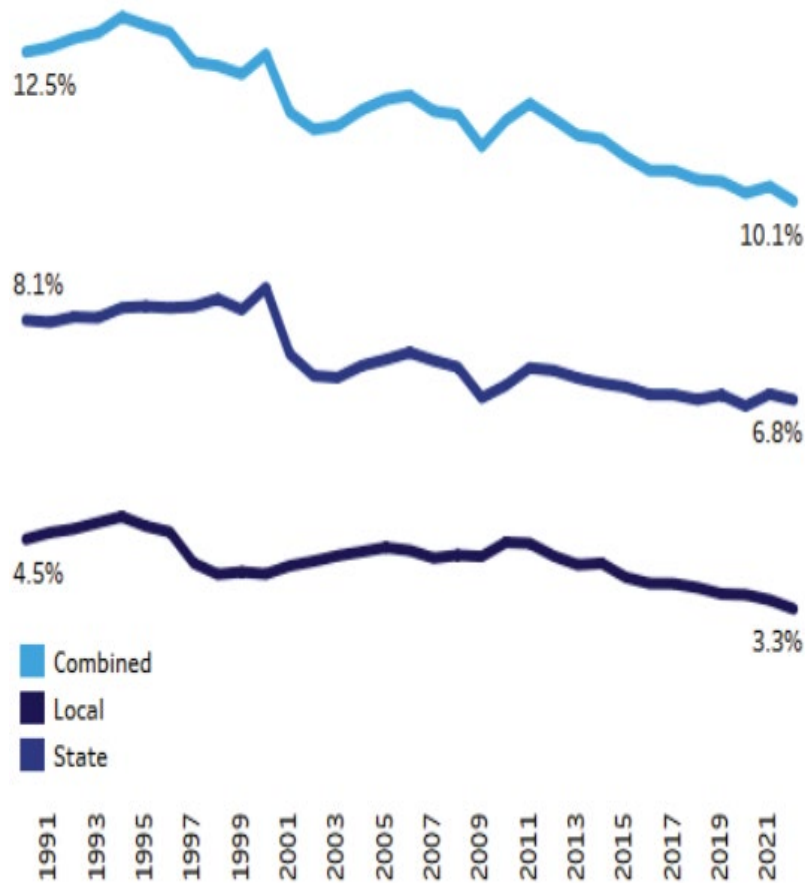
June 26, 2023

State and Local Tax Burden Falls to New Low after \$1 Billion Cut

Wisconsin Policy Forum – January 2023

Figure 1: Wisconsin Tax Burden Hits New Low

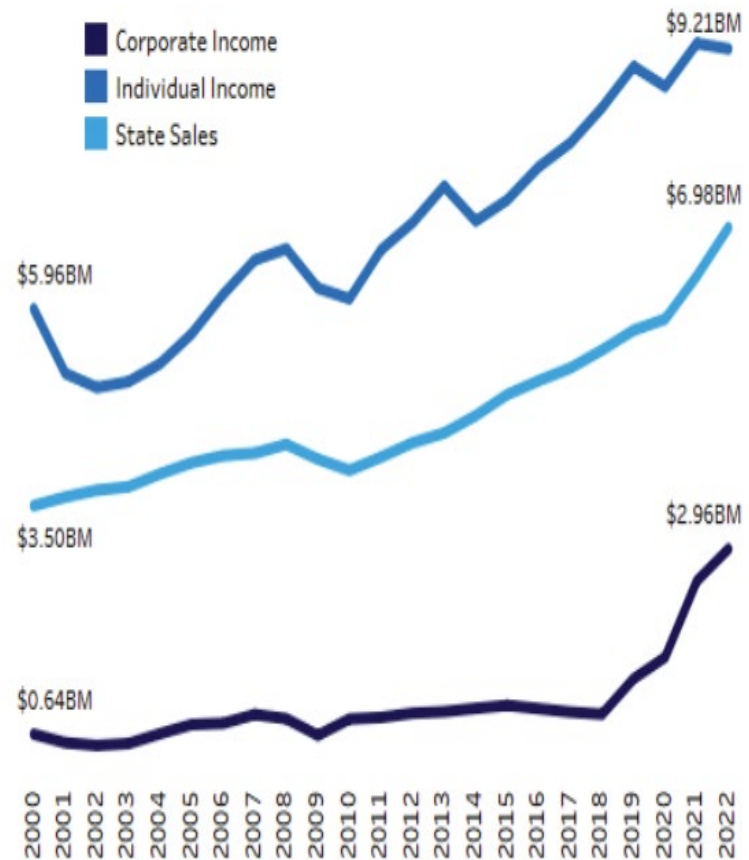
State, local, and state-local combined taxes as a % of Wisconsin income



Sources: State of Wisconsin agencies; Wisconsin Policy Forum research

Figure 3: State Revenue Growth Remains Strong Despite Pandemic and Income Tax Cut

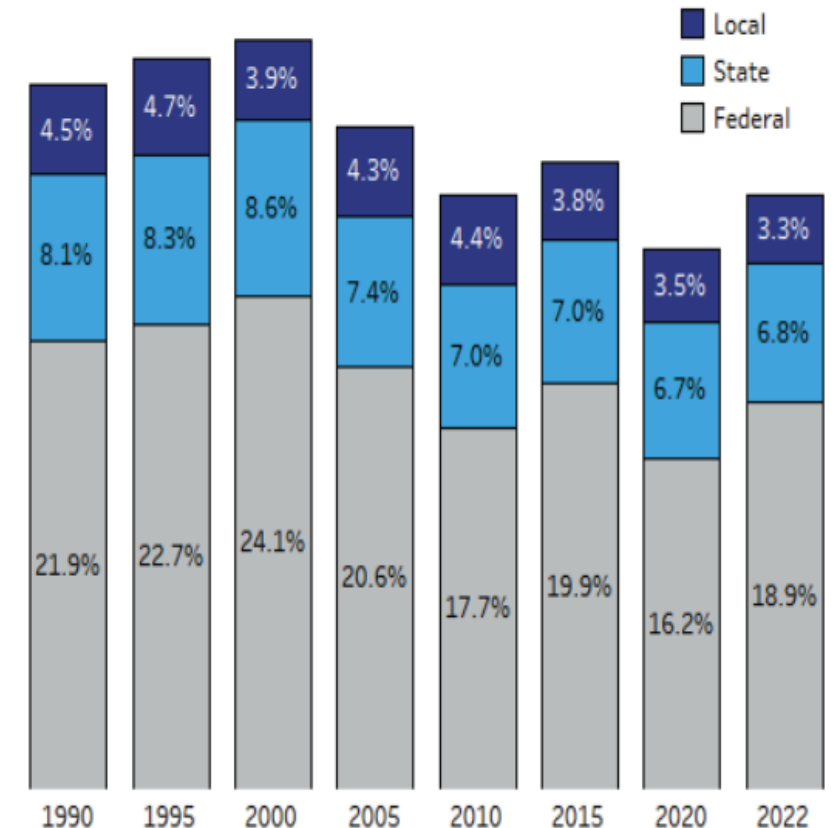
Collections from the largest three state taxes in billions (raw \$)



Source: Department of Administration

Figure 6: Federal Taxes Tick Up But Overall Tax Burden Remains Relatively Low

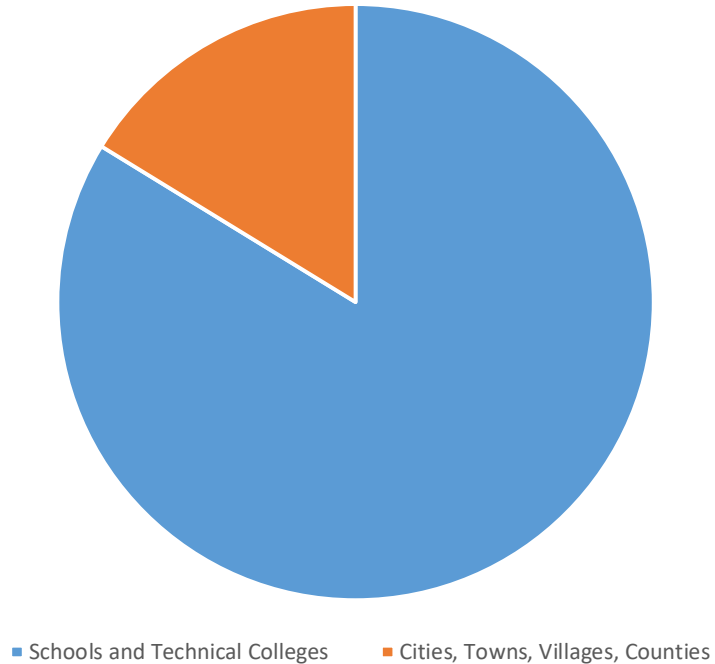
Local, state, and federal taxes as a share of personal income



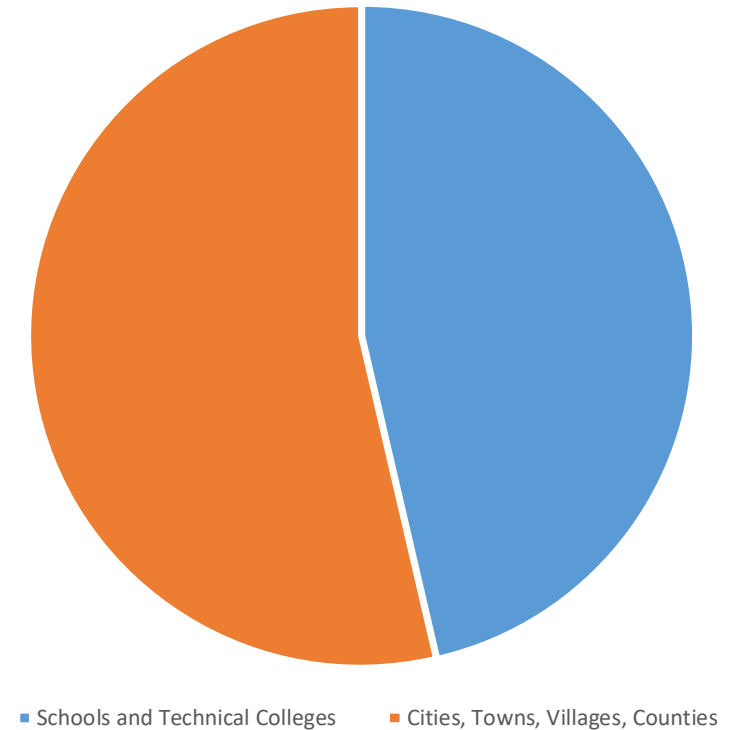
Sources: Internal Revenue Service & Office of Management and Budget. *Federal 2022 tax burden is estimated.

Property Tax Relief Focused on Education

**16% of State Property Tax Relief to
Cities, Towns, Villages and Counties**



**54% of Property Taxes Levied by
Cities, Towns, Villages and Counties**



State collects all major non-property tax revenue

- Income
 - Sales
 - Corporate income
 - Motor fuel
 - Excise
-
- ***Since mid-1990's, State has "shared" most of that revenue with schools only.***

Revenue Sharing Distribution Impacts Growth in Local Government Property Taxes

City, Town, Village and County Property Taxes would have been 20% Lower in 2019 with Equitable Revenue Sharing

Change in Gross Property Taxes – 1995 to 2019

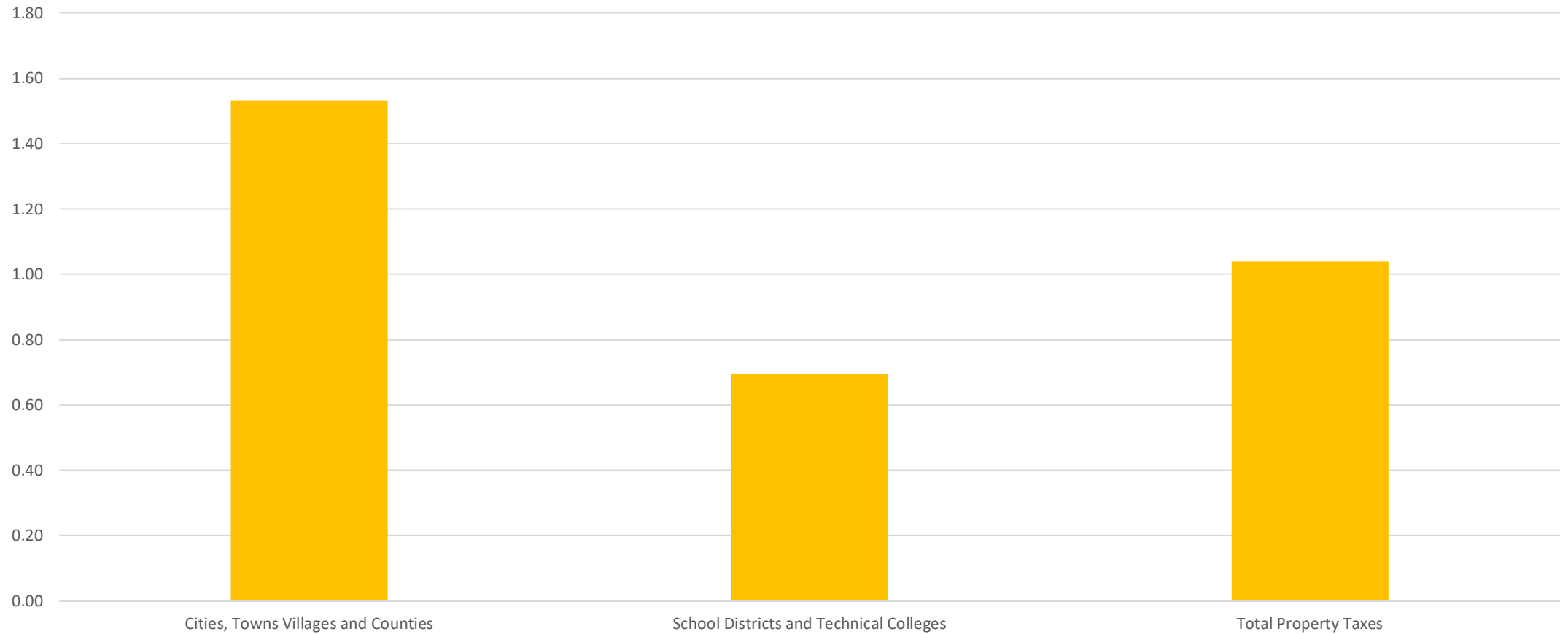
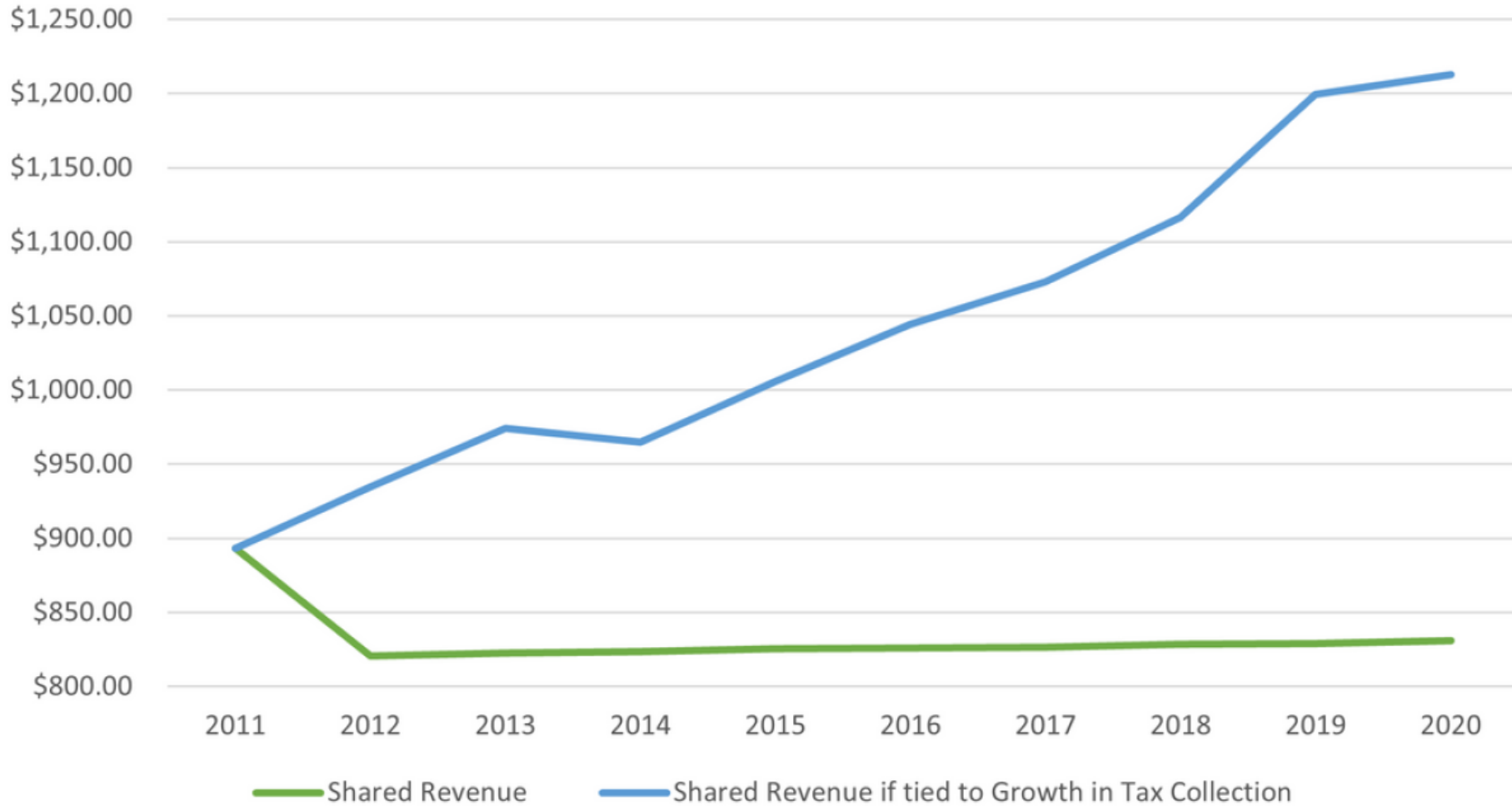
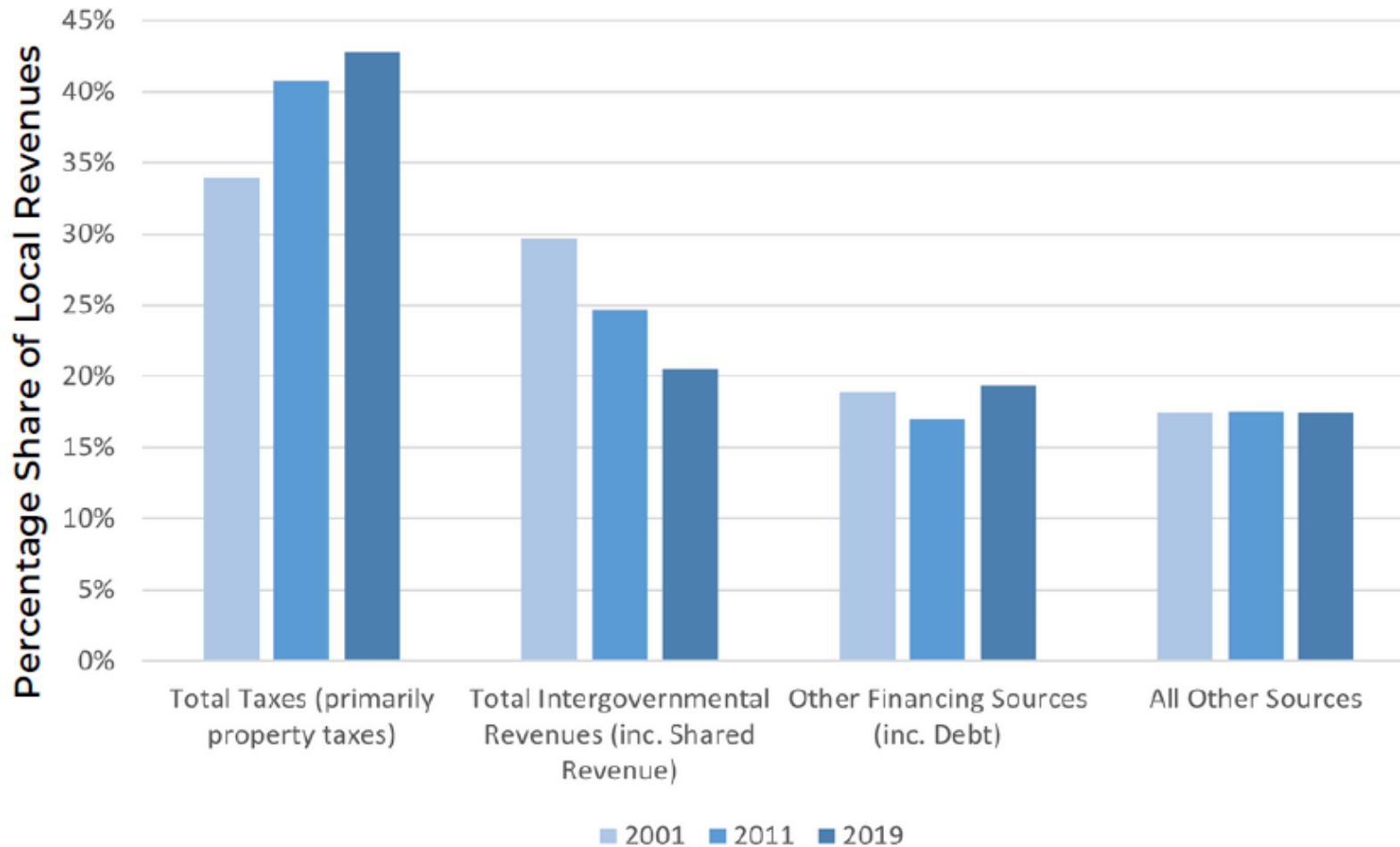


Table 5 - Actual Shared Revenue Trends Compared to Potential Shared Revenue Trends if Indexed to Increases in General Fund Tax Collections (in Millions)



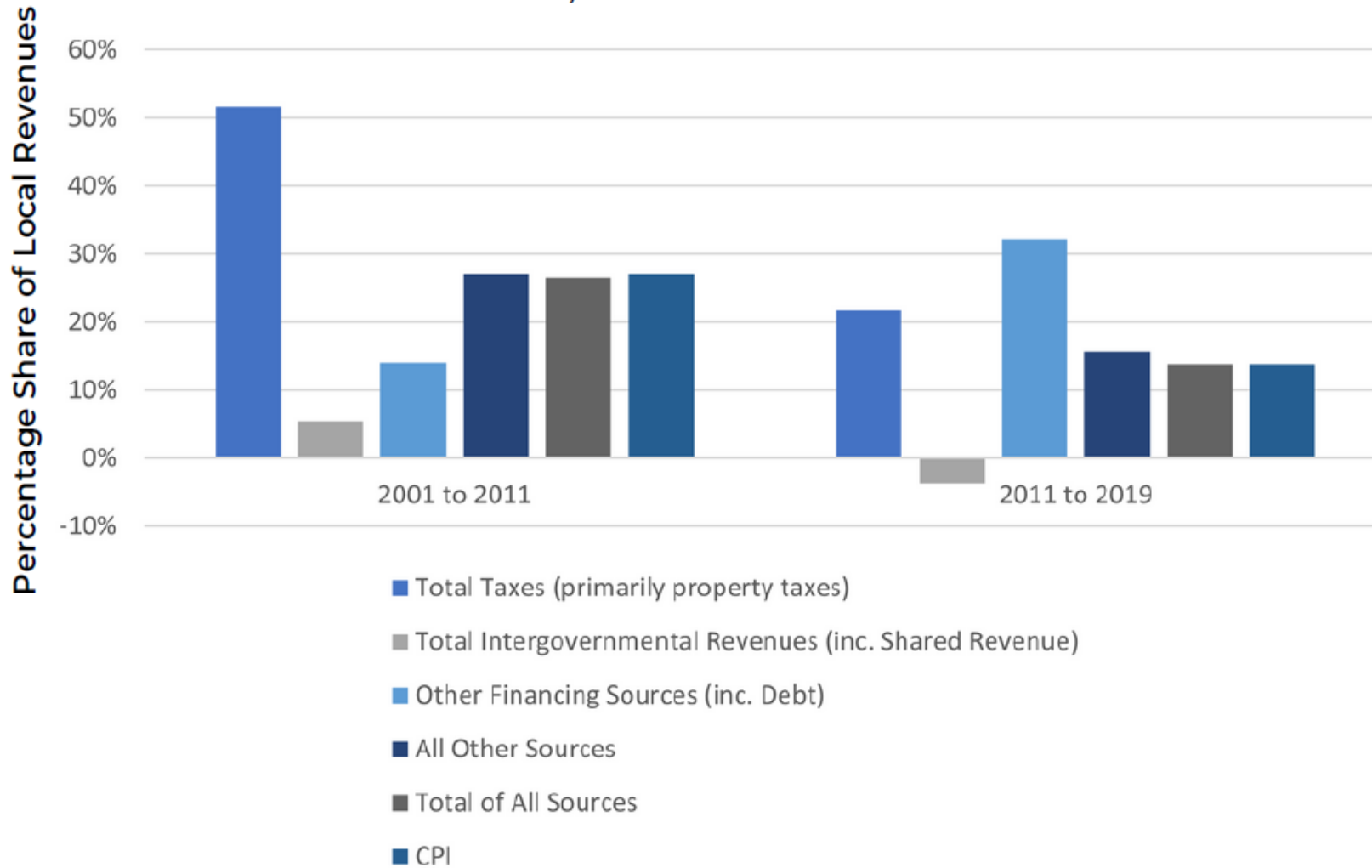
Source: Legislative Fiscal Bureau

Table 1 - Property Tax Share of Local Revenues has Increased While Shared Revenue has Decreased



Source: DOR Local Government Dashboard; LFB Informational Papers on State General Fund Tax Collections

Table 3 - Shared Revenue Has Not Kept Pace with Property Taxes, Other Local Revenues, or the Consumer Price Index.



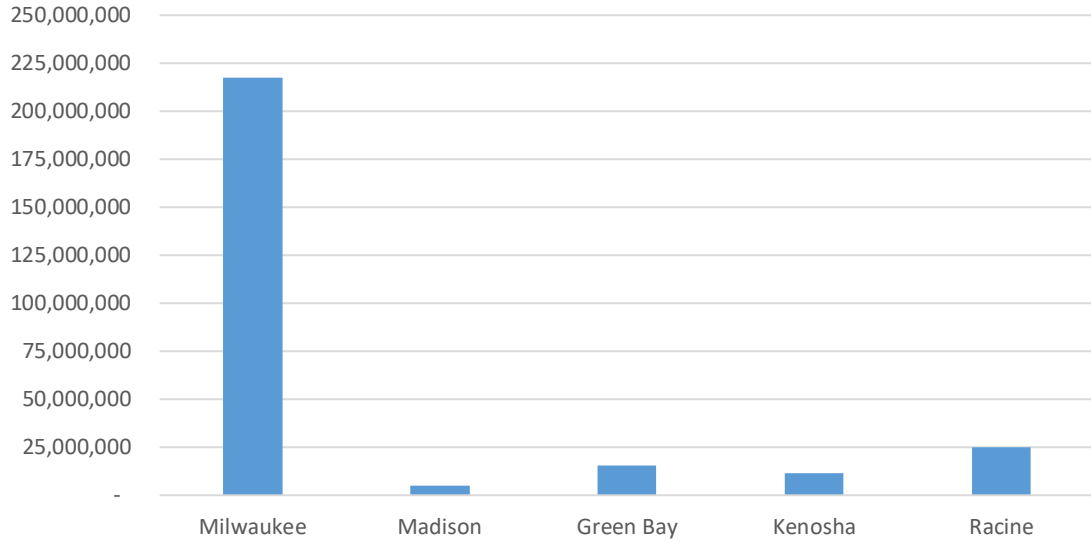
Source: DOR Local Government Dashboard; LFB Informational Papers on State General Fund Tax Collections

**Table 4 - Shared Revenue Has Not Kept Pace with State Income and Sales Taxes
2001-2019**

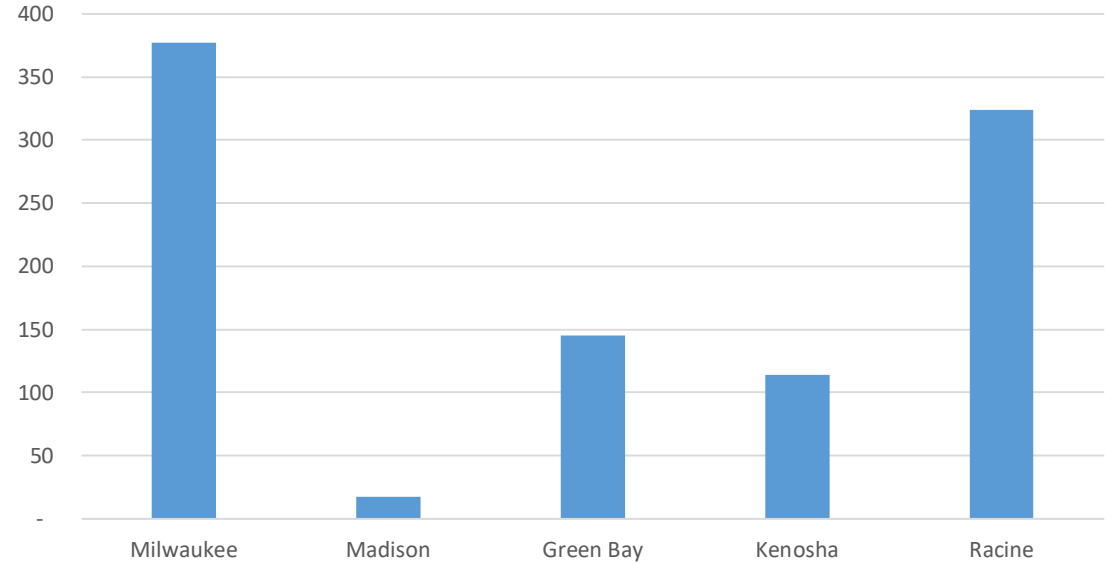


Source: DOR Local Government Dashboard; LFB Informational Papers on State General Fund Tax Collections

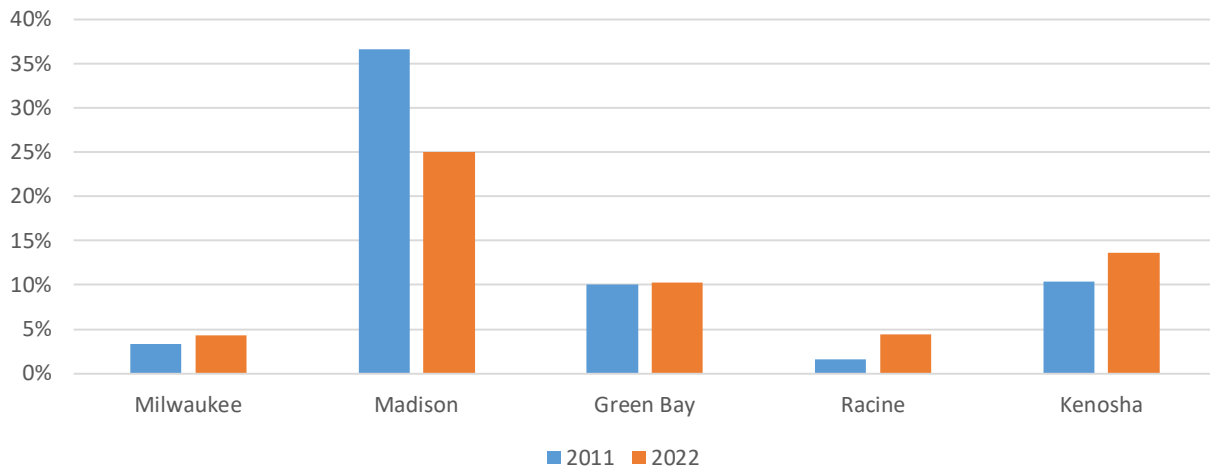
2022 County and Municipal Aid



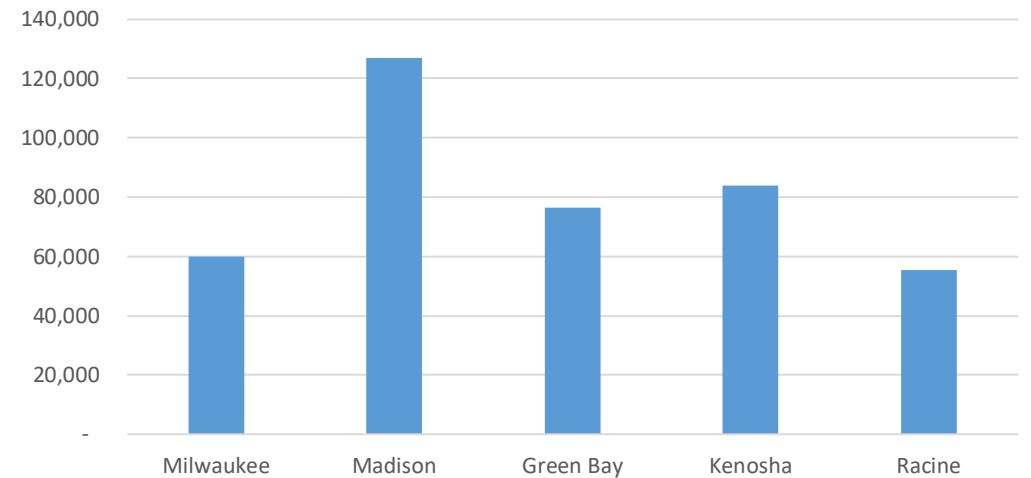
2022 County and Municipal Aid -- Per Capita



Decrease in County & Municipal Aid -- 2000 to 2011 to 2022

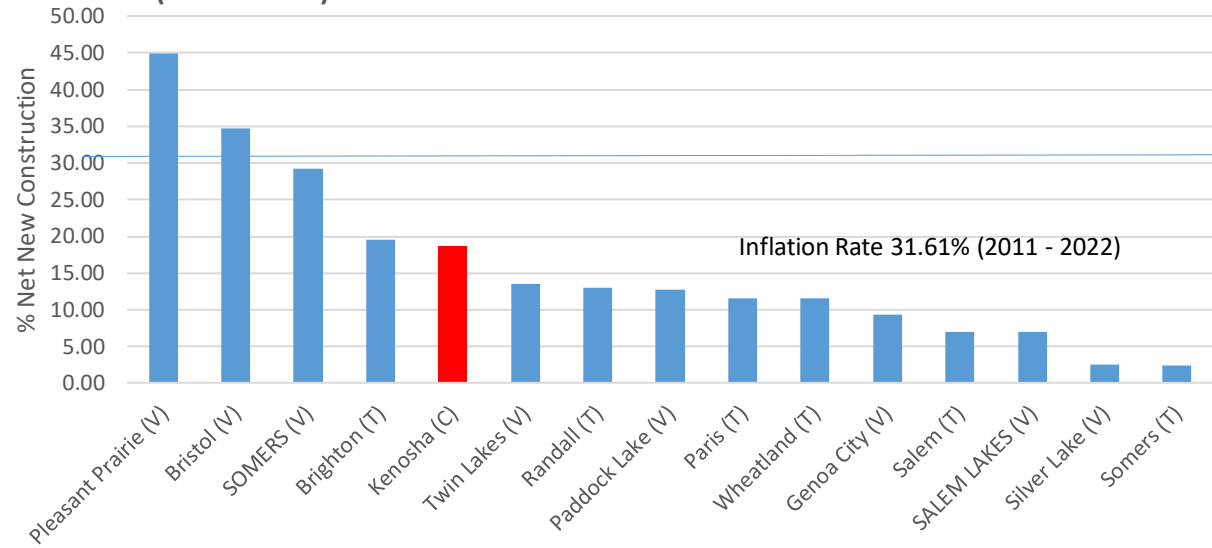
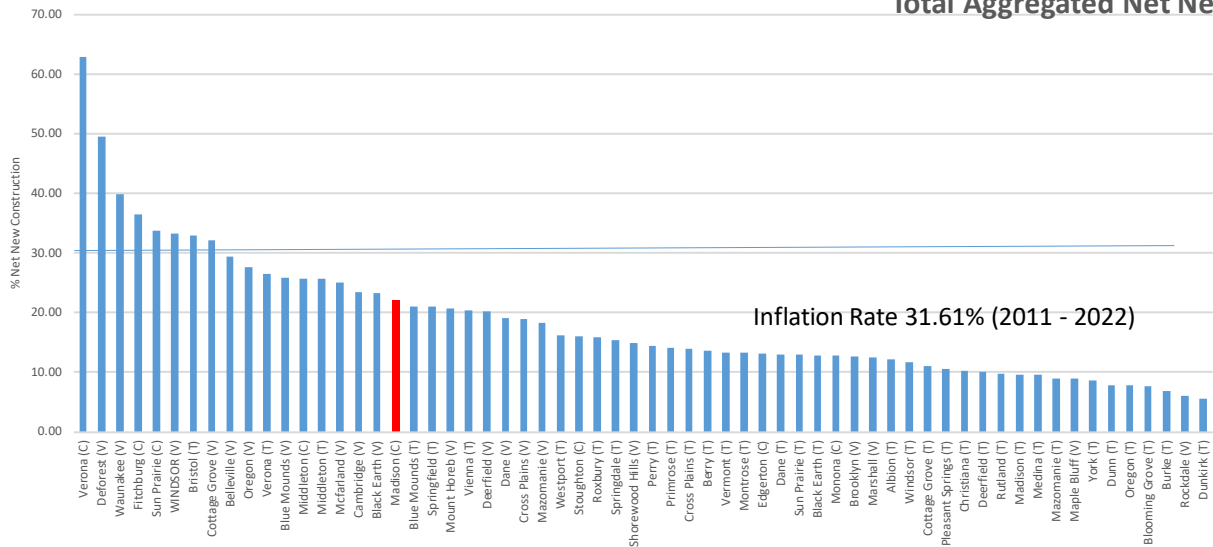


Equalized Value Per Capita

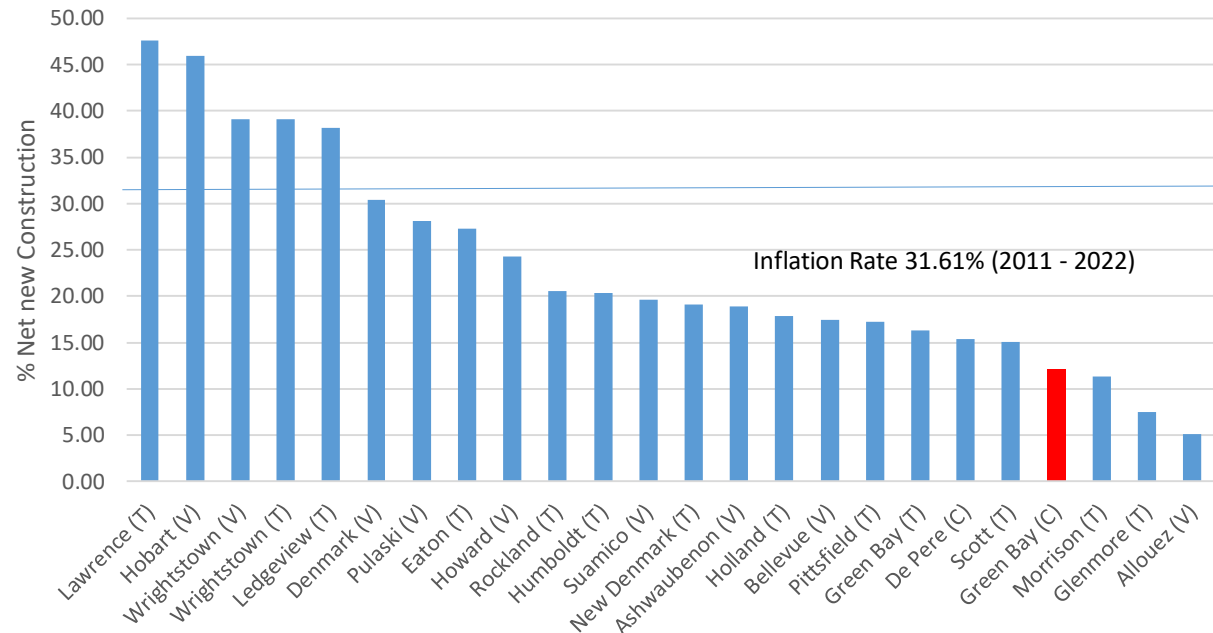


Net New Construction has Not Kept Pace with Inflation for Most Municipalities

Total Aggregated Net New Construction (2011 - 2022)

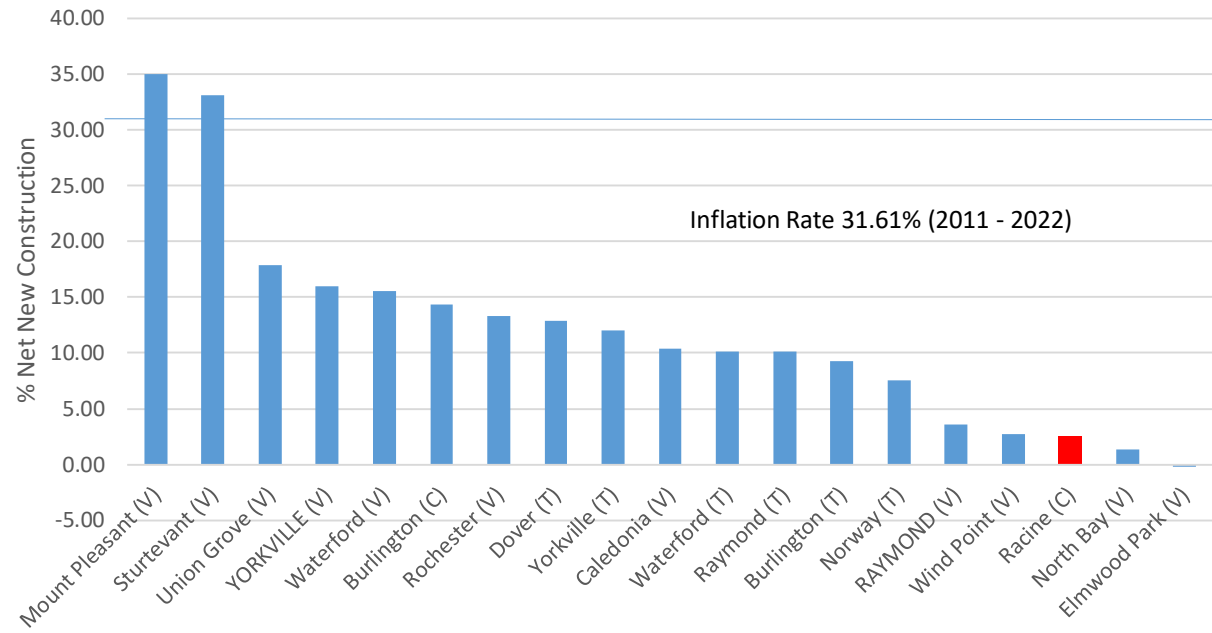


Dane County Municipalities



Brown County Municipalities

Kenosha County Municipalities

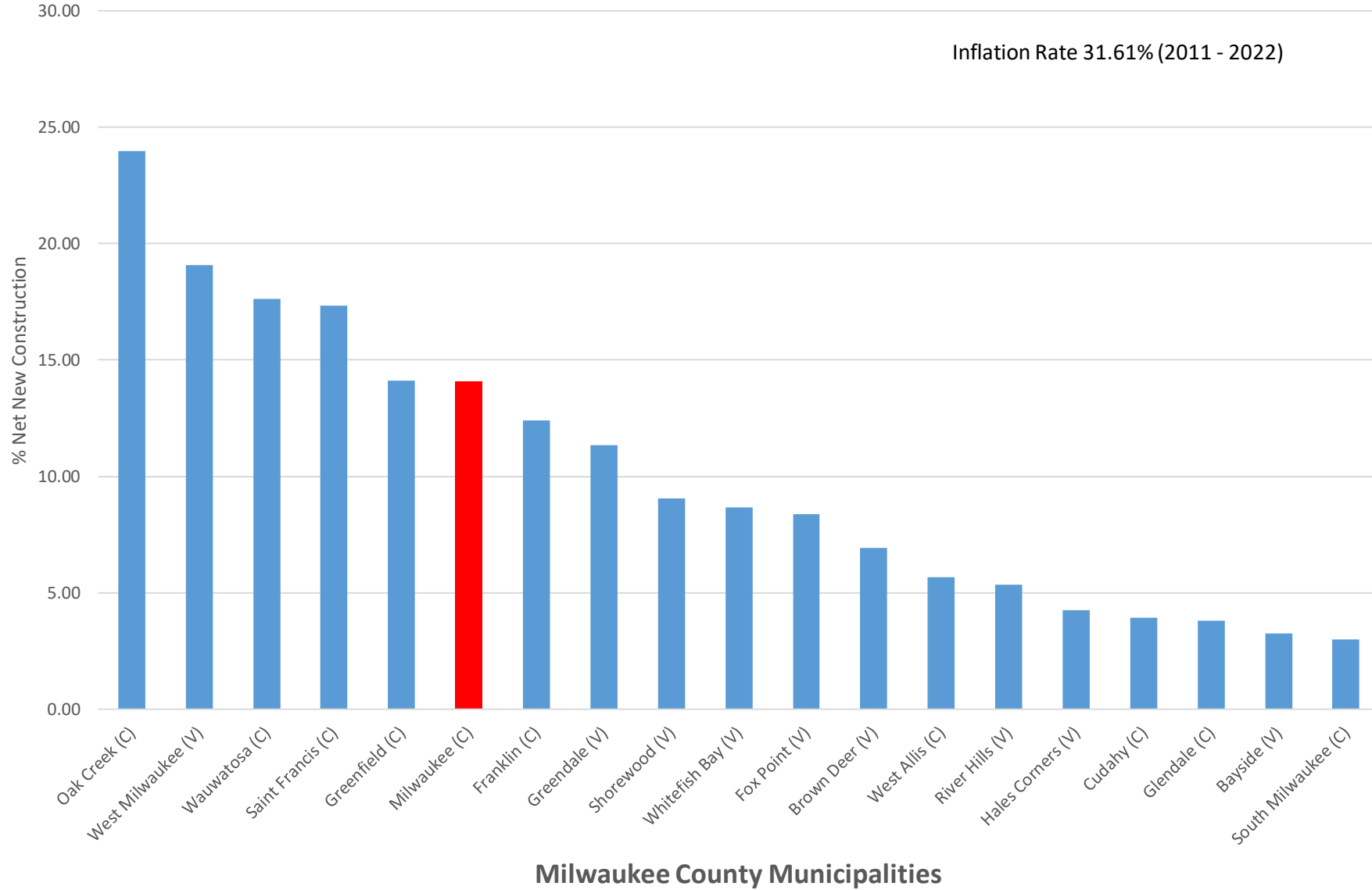


Racine County Municipalities

Total Aggregated Net New Construction (2011 - 2022)

Split Districts NNC are combined

Inflation Rate 31.61% (2011 - 2022)



Elements of Legislation

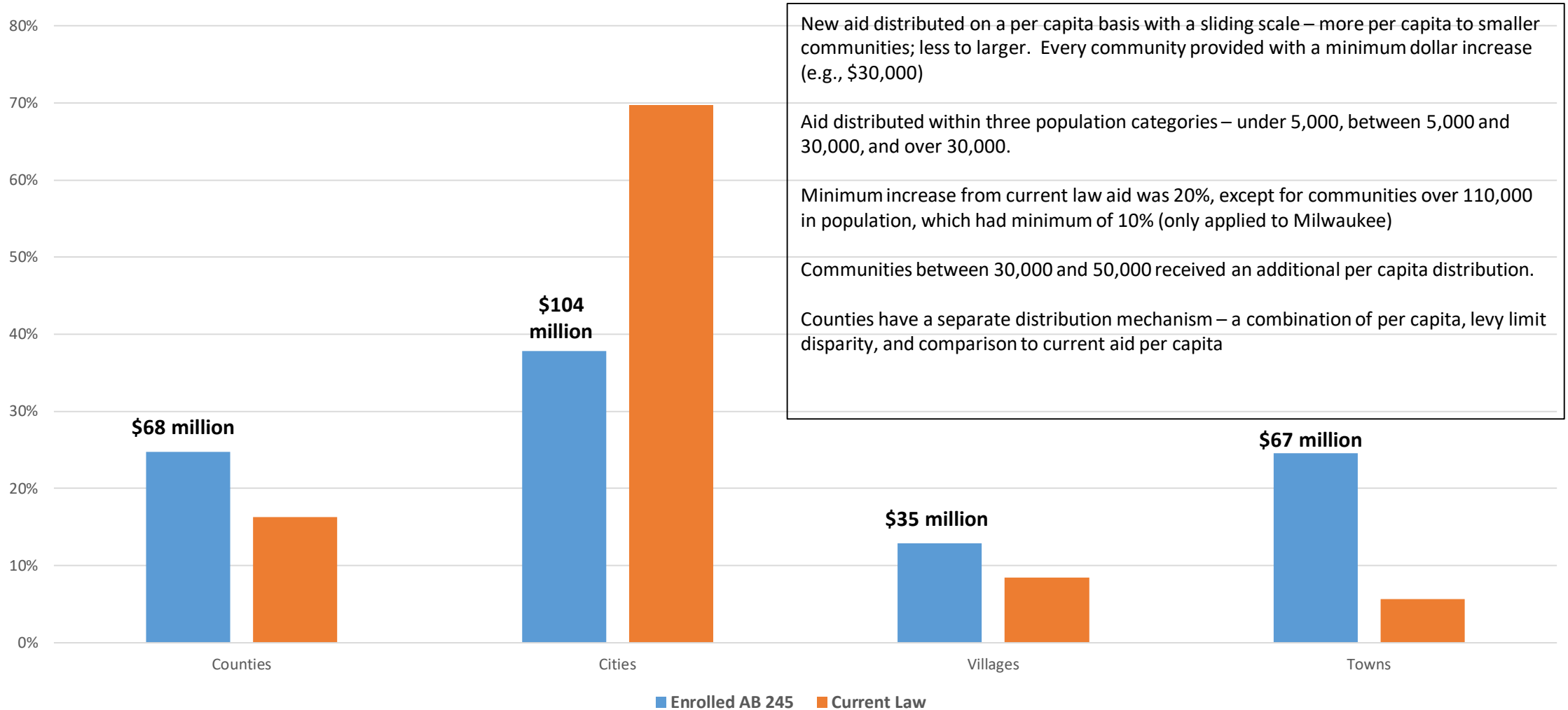
Shared Revenue Discussion

Discussion with Finance Committee

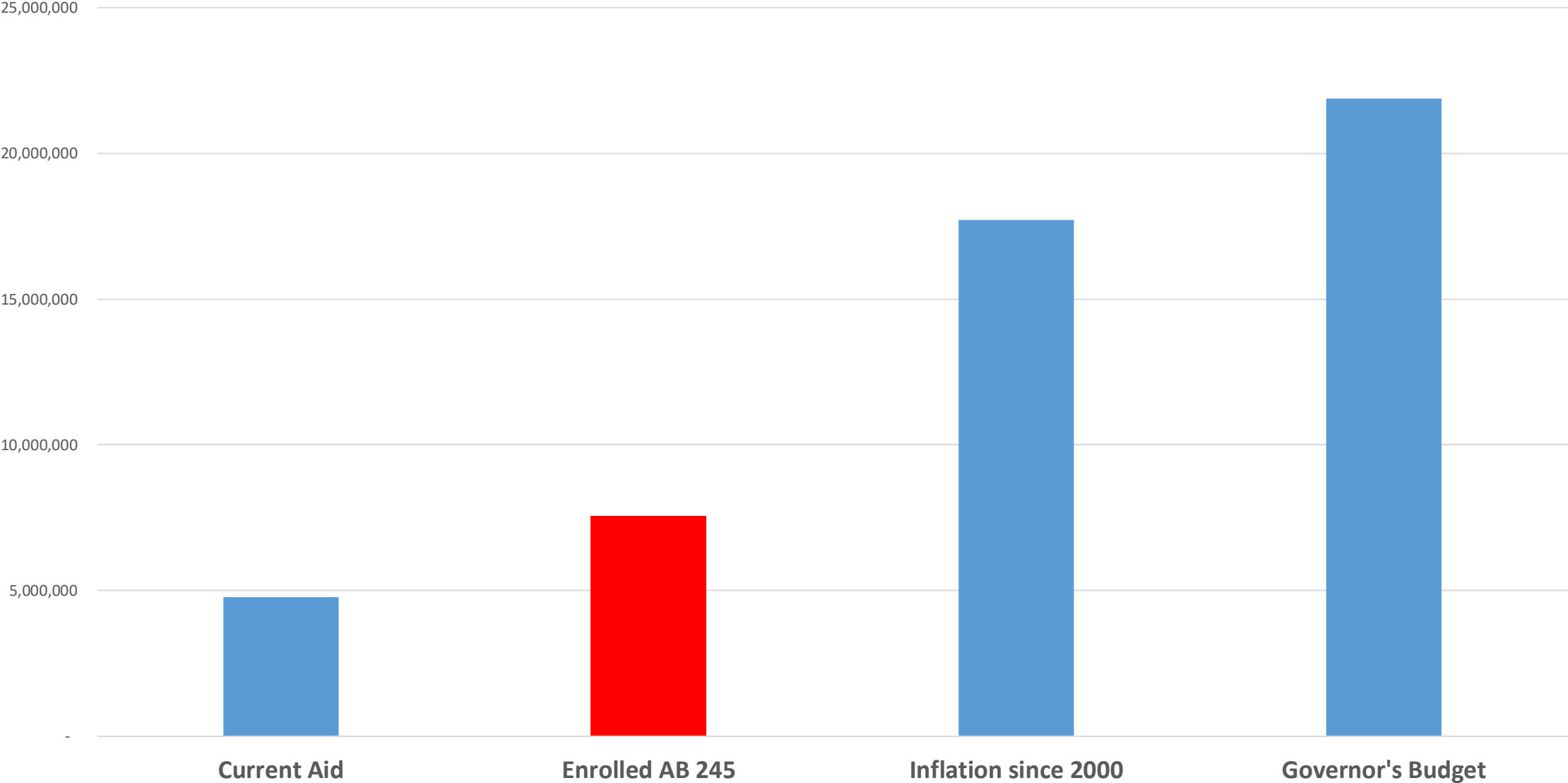
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\$275 million for Shared Revenue primarily benefits Towns, Counties and Villages

Distribution of New Aid compared with Current Law Distribution

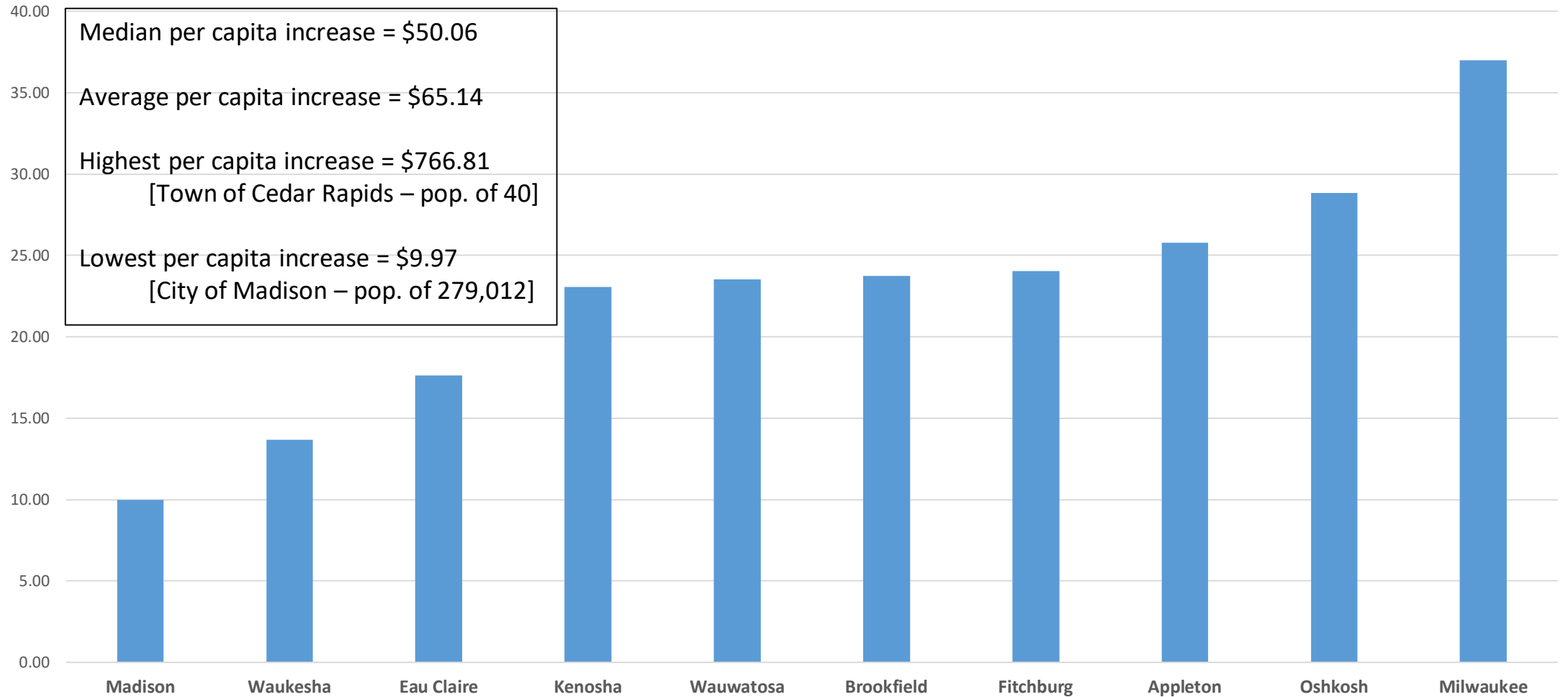


New Aid for Madison much less than Inflation and Governor's Original Proposal



Madison has lowest increase per capita

New Funding Per Capita



Other Key Elements of Shared Revenue Bill

(Enrolled Assembly Bill 245)

- New funding must be used for specific purposes.
- Maintenance of effort for police, fire and EMS.
- 20% of state sales tax dedicated to local aid into the future.
- New local sales tax authority for City and County of Milwaukee
- Creates “Innovation Grant” program to promote consolidation of services.
- Repeals personal property tax; provides state aid to replace lost taxes.
- Tightens state levy limit related to value in Tax Increment Districts
- Prohibits most advisory referenda.
- Prohibits preferences in hiring and contracting.
- Limits local public health authority related to epidemics