

Overview of Shared Revenue and the Expenditure Restraint Program

(Legislative Fiscal Bureau -- June 7, 2018)

Total Shared Revenue Funding* (\$ in Millions)

<u>Year</u>	<u>Municipalities</u>		<u>Counties</u>		<u>State Totals</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
2001	\$761.5		\$189.7		\$951.2	
2002	769.1	1.0%	191.6	1.0%	960.7	1.0%
2003	776.8	1.0	193.5	1.0	970.3	1.0
2004	719.2	-7.4	174.3	-9.9	893.5	-7.9
2005	719.1	-0.0	174.4	0.1	893.5	0.0
2006	721.4	0.3	176.9	1.4	898.3	0.5
2007	721.9	0.1	177.3	0.2	899.2	0.1
2008	722.1	<0.1	177.5	0.1	899.6	<0.1
2009	731.2	1.3	185.7	4.6	916.9	1.9
2010	708.1	-3.2	181.0	-2.5	889.1	-3.0
2011	710.3	0.3	182.7	0.9	893.0	0.4
2012	665.2	-6.3	155.6	-14.8	820.8	-8.1
2013	665.9	0.1	156.4	0.5	822.3	0.2
2014	666.8	0.1	157.0	0.4	823.8	0.2
2015	668.1	0.2	157.6	0.4	825.7	0.2
2016	668.2	<0.1	157.8	0.1	826.0	<0.1
2017	668.5	<0.1	158.1	0.2	826.6	0.1
2018 (est.)	667.9	-0.1	157.5	-0.4	825.4	-0.1
2018 Change from 2001	-\$93.6	-12.3%	-\$32.2	-17.0%	-\$125.8	-13.2%

*Consists of utility aid and county and municipal aid in 2004 and thereafter. Payments do not reflect the \$4.0 million reduction to Milwaukee County's county and municipal aid payment specified in 2015 Act 60 (Bucks Arena). The \$4.0 million reduction begins in 2016 and will continue through the 2035 calendar year payment.

Shared Revenue Structure and Funding in 2001

Funding by Program Component (In Millions)

	<u>Municipalities</u>	<u>Counties</u>	<u>Total</u>
Aidable Revenues	\$604.9	\$154.5	\$759.4
Per Capita	142.7	20.8	163.5
Minimum Guarantee	28.1	25.3	53.4
Maximum Growth	-28.1	-25.3	-53.4
Utility Aid	<u>13.9</u>	<u>14.4</u>	<u>28.3</u>
 Total	 \$761.5	 \$189.7	 \$951.2

Four Components of the Formula (Computed Separately for Municipalities and Counties):

- Aidable Revenues
 - Equalizing formula based on per capita property values and three-year average local revenues
 - Only municipalities or counties with per capita property value below a "standard value" received aid
 - 59% of municipalities and 63% of counties received aid under this component
- Per Capita (Termed Mandate Relief for Counties)
 - Distributed to all municipalities or counties, regardless of per capita property value
 - \$26.71 per capita for municipalities and \$3.91 per capita for counties
- Minimum Guarantee/Maximum Growth
 - Minimum guarantee limited year-to-year payment declines to 5%
 - Maximum growth limited in order to fund minimum guarantee
- Utility Aid
 - Formula based on value of utility property; not included in minimum guarantee/maximum growth calculation
 - Only program component retained after 2003, but since modified so that payments for most generating plants are based on capacity, rather than value

Distributional effect of these formulas is still present to a certain degree in current aid payments.

Shared Revenue in 2002 and After

Funding and Formula for 2002 and 2003 Distribution

- Formula for municipalities frozen in 2002 and 2003 (except utility aid)
- Each municipality received a 1% increase each year from their prior year payment
- County formula continued to operate, with a 1% annual increase in funding

Funding and Formula for 2004

- Creation of the county and municipal aid program
- 2003 aid under the program (excluding utility aid) was the starting point for 2004 aid
- Total reduction of \$90 million in 2004, or 9.5% from 2003
 - \$40 million reduction for all local governments on a per capita basis (\$3.64)
 - Additional \$50 million reduction for payments to municipalities
 - Additional reduction taken on a per capita basis, subject to a maximum reduction of 15.7%
 - Municipalities that had the full reduction received a \$12.78 per capita reduction
- Aid payments in 2005 through 2009 equal to 2004 aid payments
- Utility aid continued as a separate program and appropriation

County and Municipal Aid Reduction of 2010

- Total reduction of \$29.9 million, or 3.5% from 2009
 - \$24.4 million reduction for municipalities
 - \$5.5 million reduction for counties
- Reductions based on each municipality's/county's share of the total equalized value, capped at a maximum reduction of 15% of prior year payment
- Aid payments in 2011 were equal to 2010 payments

County and Municipal Aid Reduction of 2012

- Total reduction of \$76.8 million, or 9.2% from 2011
 - \$47.7 million for municipalities, or 7.0%
 - \$29.1 million for counties, or 19.2%
- Formula for reductions had a property value and per capita component, with maximum reduction caps
- Generally, larger municipalities were subject to larger reduction factors and caps
- Aid payments since 2013 have equaled 2012 payments

**Distribution of Estimated 2018 County and Municipal Aid
and Utility Aid (Shared Revenue) Payments
(In Millions)***

<u>Type of Government</u>	<u>County and Municipal Aid</u>	<u>Utility Aid</u>	<u>Total</u>	<u>Percent of Total</u>
Towns	\$42.4	\$9.7	\$52.1	6.3%
Villages	63.0	8.3	71.3	8.6
Cities	<u>525.1</u>	<u>19.4</u>	<u>544.5</u>	<u>66.0</u>
Municipalities	\$630.5	\$37.4	\$667.9	80.9%
Counties	<u>122.6</u>	<u>34.9</u>	<u>157.5</u>	<u>19.1</u>
Total	\$753.1	\$72.3	\$825.4	100.0%

*Based on the Department of Revenue's September, 2017, estimates of 2018 payments. Payments do not reflect the \$4.0 million reduction to Milwaukee County's payment specified in 2015 Act 60 (Bucks Arena).

Funding Sources

County and Municipal Aid. A GPR, sum sufficient appropriation funds most of the aid payment. However, a portion of the payments is funded from a SEG appropriation with revenues from the police and fire protection fee. The fee is imposed on each active retail voice communications service connection with an assigned telephone number at a rate of seventy-five cents per month. The fee has been imposed since September 1, 2009, and provides over \$50 million in funding annually for county and municipal aid payments. In addition, \$5 million annually is paid in the form of medical assistance reimbursements for emergency medical transportation services provided by local governments.

Utility Aid. A GPR, sum sufficient appropriation funds this aid payment. There is no direct connection between the funding level of the aid and state utility taxes, which are imposed by the state in lieu of local property taxes.

Expenditure Restraint Program

Funding level between 2003 and 2018 has been \$58,145,700, paid from a general fund appropriation. Beginning in 2019, total funding is increased by \$1,166,000 (for total funding of \$59,311,700) each year through 2023 to make separate, annual payments of \$583,000 to the Village of Maine in Marathon County and the City of Janesville in Rock County. These payments are in addition to any formula amounts received under the program and are not included in the total funding amount distributed to all municipalities under the formula.

Eligibility Criteria

1. Municipal tax rate in excess of five mills.
2. Year-to-year general fund budget growth less than the sum of:
 - a. change in the Consumer Price Index (cannot be less than zero); and
 - b. 60% of the percentage change in the municipality's equalized value due to new construction, net of any property removed or demolished (cannot be less than zero or more than 2%).

Expenditure Restraint Budget Test, 11-Year History

<u>Budget Year</u>	<u>Consumer Price Index*</u>	<u>Statewide Net New Construction*</u>	<u>60% Adjustment 2% Max</u>	<u>Combined</u>
2008	2.35%	2.39%	1.43%	3.78%
2009	4.44	1.88	1.13	5.57
2010	0.00	1.27	0.76	0.76
2011	1.68	0.82	0.49	2.18
2012	2.65	0.72	0.43	3.09
2013	2.42	0.74	0.44	2.86
2014	1.63	0.89	0.53	2.16
2015	1.62	1.12	0.67	2.29
2016	0.31	1.21	0.73	1.04
2017	0.93	1.43	0.86	1.79
2018	2.05	1.60	0.96	3.01

* The CPI factor cannot be less than 0.00%, and the net new construction factor is unique for each municipality, based on its own equalized value.

Distribution Formula

Municipal excess levy = municipal tax rate minus five mills x municipal equalized value

Each eligible municipality receives a share of the \$58,145,700 total formula distribution equal to its share of total excess levies for all eligible municipalities. 2018 estimated payments range from \$92 (Village of Exeland in Sawyer County) to \$9,133,638 (City of Milwaukee).

Ten-Year Expenditure Restraint History

	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Average</u>
2009					
Towns	13	4.74%	\$146,056	0.25%	\$11,235
Villages	120	43.80	4,352,872	7.49	36,274
Cities	<u>141</u>	<u>51.46</u>	<u>53,646,772</u>	<u>92.26</u>	380,474
Total	274	100.00%	\$58,145,700	100.00%	\$212,211
2010					
Towns	14	4.38%	\$138,517	0.24%	\$9,894
Villages	149	46.56	4,876,499	8.39	32,728
Cities	<u>157</u>	<u>49.06</u>	<u>53,130,684</u>	<u>91.37</u>	338,412
Total	320	100.00%	\$58,145,700	100.00%	\$181,705
2011					
Towns	15	4.67%	\$176,544	0.30%	\$11,770
Villages	153	47.66	5,017,072	8.63	32,791
Cities	<u>153</u>	<u>47.67</u>	<u>52,952,084</u>	<u>91.07</u>	346,092
Total	321	100.00%	\$58,145,700	100.00%	\$181,139
2012					
Towns	18	5.34%	\$176,312	0.30%	\$9,795
Villages	159	47.18	5,034,773	8.66	31,665
Cities	<u>160</u>	<u>47.48</u>	<u>52,934,615</u>	<u>91.04</u>	330,841
Total	337	100.00%	\$58,145,700	100.00%	\$172,539
2013					
Towns	23	6.18%	\$162,949	0.28%	\$7,085
Villages	185	49.73	5,735,112	9.86	31,001
Cities	<u>164</u>	<u>44.09</u>	<u>52,247,639</u>	<u>89.86</u>	318,583
Total	372	100.00%	\$58,145,700	100.00%	\$156,306
2014					
Towns	29	8.08%	\$239,214	0.41%	\$8,249
Villages	171	47.63	5,811,945	10.00	33,988
Cities	<u>159</u>	<u>44.29</u>	<u>52,094,541</u>	<u>89.59</u>	327,639
Total	359	100.00%	\$58,145,700	100.00%	\$161,966
2015					
Towns	28	8.02%	\$192,230	0.33%	\$6,865
Villages	168	48.14	5,762,632	9.91	34,301
Cities	<u>153</u>	<u>43.84</u>	<u>52,190,838</u>	<u>89.76</u>	341,117
Total	349	100.00%	\$58,145,700	100.00%	\$166,607
2016					
Towns	24	6.70%	\$170,290	0.29%	\$7,095
Villages	178	49.72	5,814,276	10.00	32,664
Cities	<u>156</u>	<u>43.58</u>	<u>52,161,134</u>	<u>89.71</u>	334,366
Total	358	100.00%	\$58,145,700	100.00%	\$162,418
2017					
Towns	22	7.10%	\$133,523	0.23%	\$6,069
Villages	152	49.03	5,640,260	9.70	37,107
Cities	<u>136</u>	<u>43.87</u>	<u>52,371,917</u>	<u>90.07</u>	385,088
Total	310	100.00%	\$58,145,700	100.00%	\$187,567
2018 Estimate					
Towns	29	8.84%	\$168,848	0.29%	\$5,822
Villages	156	47.56	4,820,454	8.29	30,900
Cities	<u>143</u>	<u>43.60</u>	<u>53,156,397</u>	<u>91.42</u>	371,723
Total	328	100.00%	\$58,145,700	100.00%	\$177,273

Related Information

Additional information about the topics covered in this presentation can be found in the following informational papers prepared by the Legislative Fiscal Bureau:

Shared Revenue Program (County and Municipal Aid and Utility Aid) (Informational Paper 18)

Targeted Municipal Aid Programs (Expenditure Restraint and Computer Aid) (Informational Paper 19)