



WISCONSIN ALLIANCE OF CITIES

REVENUE SHARING AND WISCONSIN

A New Vision for the future

Edward J. Huck, executive director, June 2, 2008



SHARED REVENUES v. LOCAL-OPTION TAXES

The issues:

- Equity among local units of government.
- Tax rate disparities.
- Land use impacts.
- Level of taxation.
- Separation of wealth and poverty.
- Ability of some to avoid the tax by moving.

HISTORY OF REVENUE SHARING

- Revenue sharing starts in 1901 with a statewide property tax to equalize education.
- It's expanded in 1911, using a state income tax to eliminate personal property and farm equipment taxes.
- In 1931 a motor fuel tax is implemented and automobiles are removed from the property tax.

Property tax exemptions are intimately tied to increases in funding.

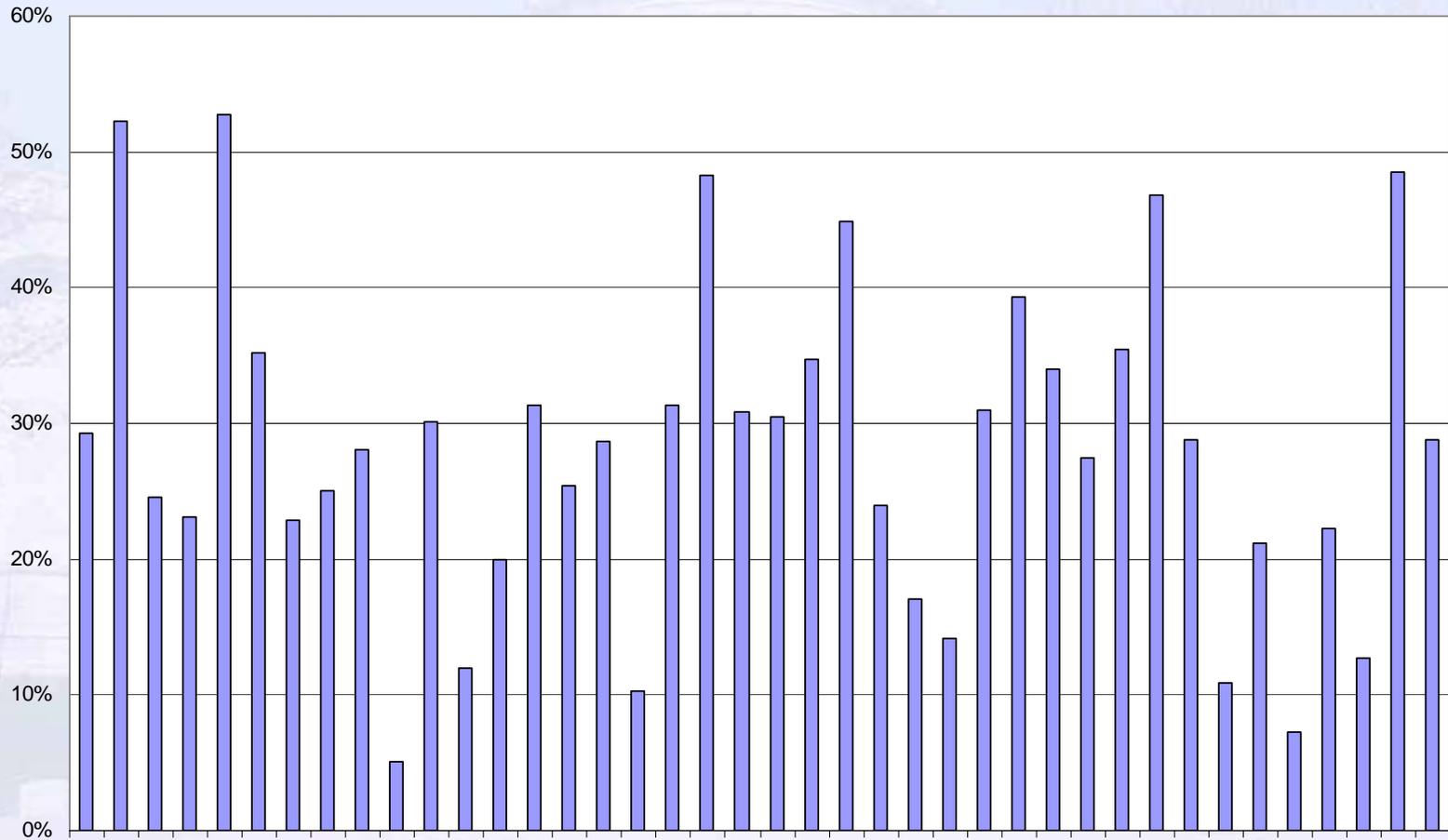
- In 1971 return-to-origin based distribution is repealed.
- A needs-based formula is developed.
- M&E and Line A stocks are exempted from the property tax.
- Shared Taxes end and Shared Revenue is formula driven with guaranteed increases.

As Equalization Increases So Do Complaints

- In 1972-75 per-capita payments accounted for one-half of the Shared Revenue distribution
- By the mid 1980s per-capita aid was about 20%
- Minimum guarantee was increased in the mid 1980s to mitigate criticism

Criticisms: 1. Lack of funding 2. Funding is all over the map.

Shared Revenue as % of Total Revenue
Wisconsin Alliance of Cities (2001)



Criticisms, continued: Shared revenue

- **Is not equalizing (per capita, hold harmless).**
- **Relies too much on property values.**
- **Penalizes the thrifty.**
(The more local effort the more a municipality gets.)
- **Leads to more spending.**
- **Spends other people's money.**

TASK FORCES MAKE RECOMMENDATIONS

- In April 2000 Governor Thompson assembled the Commission on State/Local Partnership (the Kettl Commission).
- A report was issued in January 2001:
 - Focus was on a basic package of services (not defined)
 - Maintained equalization and reduced tax rate disparities

REGIONS INTRODUCED

- Kettl Commission recommends ending the per-capita payment and funding, grouping municipalities into regions and rewarding them for fostering economic growth.
- Sheehy Task Force, appointed by Governor McCallum, recommends linking shared revenue funding to a fixed percentage of the state budget.

CONSENSUS IS DIFFICULT TO FIND

- We have tried numerous versions of this formula
- The mini/max is the key to equity
- This formula is both political and policy
- The formula is meant to last

Our proposal:

- There must be no redistribution of existing shared revenue appropriation.
- The state should index the new formula to GPR spending levels.
- Regions created should include the entire state.

THE LEGISLATURE IS ENGAGED



**We've been working with
Rep. Steve Wieckert (R-Appleton)**



**and Sen. Jeff Plale (D-South Milwaukee)
on the new formula.**



No losers!

- ***25 % of new money would be distributed by region;***
- ***75% would be distributed statewide.***

Local effort required

- Prior to 1980 municipalities with average property tax rates for all purposes that were below 17 mills did not receive a payment.
- We propose a local effort of at least 1 mill before a municipality receives a payment under the needs formulas.

NEED COMPONENT NOT TIED TO LOCAL EFFORT

- Municipalities with mill rates 1 mill or more receive a payment based on the municipal population divided by the state population as altered by the formula.
- Municipalities that are high in value, low in poverty and high in income would be prorated; municipalities that are the opposite would be multiplied.

GOALS HAVE CHANGED

- Although equalization is maintained it is not the only focus of the new formula.
- Another focus is regional economic development. That is, the higher the income growth the more of the dollars the region would be eligible to distribute.

PARTNERSHIP BONDED AT THE JOBS NEXUS

- The new partnership meets at a point called economic development
- As local governments expand the state's economy there will be a predictable and permanent sharing of that economy.
- Combined with expenditure restraint, property tax relief is guaranteed