



Department of Administration  
Intergovernmental Relations Division

Tom Barrett  
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## Alliance of Cities Shared Revenue Proposal:

### Regional Economic Development Incentive (REDI)

- The Alliance is trying to gain a consensus amongst Shared Revenue stakeholders to distribute any increased funding throughout the state. Stakeholders include cities, villages, towns and counties.
- Existing shared revenue funds would not be redistributed. Therefore, Milwaukee would continue to receive \$230 million per year plus increases appropriated under the new distribution.
- The additional Shared Revenue appropriation would be linked to the prior year's growth in general purpose state spending. Last year's growth was 3.6% which would result in a \$25 million statewide increase in the Shared Revenue appropriation.
- 25% of the \$25 million would be distributed to 8 economic regions. Milwaukee's region is consistent with the M-7. These allocations would be made on a per capita basis, with adjustments based on per capita property value and per capita adjusted gross income.
- These REDI allocations would serve to incent regions to work together to grow their economies.
- The remaining 75% of the \$25 million would be distributed statewide. This distribution would also be calculated on a per capita basis with adjustments based on per capita property value and per capita adjusted gross income.
- No municipality's payment could increase by more than twice the statewide average. Milwaukee benefits substantially from this ceiling because the amounts over the maximum are skimmed into an allocation for redistribution as a minimum guarantee to communities like ours.
- **Under this proposal, Milwaukee's 2008 Shared Revenue payment would have increased 2.9% or \$6.75 million. Milwaukee's increase is below the state average of 3.6%.**





## Legislative Fiscal Bureau

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March 11, 2008

TO: Representative Steve Wieckert  
Room 16 West, State Capitol

FROM: Rick Olin, Fiscal Analyst

SUBJECT: Estimated Municipal Aid Payments Under Revision to Alliance of Cities Proposal

At your request, I have prepared the attached printout that estimates aid payments under a proposal by the Wisconsin Alliance of Cities. This memorandum is similar to one distributed to you on February 18, 2008, but it has been revised to incorporate a minimum/maximum provision.

The printout provides estimated payment increases relative to payments for municipalities under the county and municipal aid program. State aid payments under current law provisions are reported in the printout's second column. These payments total \$702.48 million and have been unchanged since 2004. It should be noted that reductions totaling \$5 million have not been made to reflect medical assistance transfer payments. Also, the amounts do not include \$18.74 million in estimated payments to municipalities under the utility aid component of the shared revenue program, \$58.15 million in municipal payments under the expenditure restraint program, or \$176.63 million in estimated payments to counties.

Under the proposal, total municipal aid would increase each year based on the change over the two prior years in the state's authorized general fund expenditures. For municipalities, this would cause the state to maintain its commitment to the county and municipal aid program in percentage terms relative to other programs included in the state's general fund budget. For example, since the state's authorized general fund expenditures, as reported in the chapter 20 schedule, increased by 3.58%, from \$13,152.7 million in 2006-07 to \$13,624.1 million in 2007-08, the proposal would have required municipal aid to increase by 3.58% in 2008 (2008-09). Under this formula, \$25.15 million in payment increases would be available for distribution in 2008. The Alliance proposes to initially distribute a portion of the additional aid among regions in the state and, then, to redistribute each region's allocation to municipalities within the region based on a two-factor formula. The balance of the additional aid would be distributed on a statewide basis using a formula that is identical to the one used for the regional distribution.

The two aid allocations would be limited to municipalities with municipal purpose tax rates exceeding one mill. In 2006(07), 1,654 of the state's 1,851 municipalities had tax rates above this threshold. Therefore, the remaining 197 municipalities would not have been eligible for a payment increase. Among the 1,654 municipalities estimated to receive proposed payments on the attached printout, increases would average \$4.71 per capita, or 3.6%.

For purposes of this analysis, the eight regions listed below contain counties grouped loosely on the basis of regional business organizations. The Alliance indicates that the regional allocation is intended to encourage regional cooperation by rewarding municipal governments with higher aid payments when their region experiences economic growth. The additional aid would be allocated to individual regions based on the change in each region's personal income as a percentage of the change in the state's personal income. Personal income by county is available from the U.S. Department of Commerce, and this analysis uses income for 2004 and 2005 to allocate the aid increase to each region. The following table identifies the eight regions, their underlying counties, and each region's initial share of the regional aid allocation based on the preceding assumptions.

#### **Proposed Aidable Regions and Their Share of Regional Aid Allocation**

Region 1	Forest, Iron, Langlade, Lincoln, Oneida, and Vilas	1.89%
Region 2	Buffalo, Crawford, Jackson, Juneau, La Crosse, Monroe, Richland, Trempealeau, and Vernon	4.14%
Region 3	Columbia, Dane, Dodge, Grant, Green, Iowa, Jefferson, Lafayette, Rock, and Sauk	21.19%
Region 4	Chippewa, Dunn, Eau Claire, Pepin, Pierce, Polk, and Saint Croix	6.38%
Region 5	Brown, Calumet, Door, Florence, Fond du Lac, Green Lake, Kewaunee, Manitowoc, Marinette, Marquette, Menominee, Oconto, Outagamie, Shawano, Sheboygan, Waupaca, Waushara, and Winnebago	20.17%
Region 6	Adams, Marathon, Portage, and Wood	4.84%
Region 7	Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington, and Waukesha	38.28%
Region 8	Ashland, Barron, Bayfield, Burnett, Clark, Douglas, Price, Rusk, Sawyer, Taylor, and Washburn	3.11%

The regional allocations would be made on a per capita basis, after percentage adjustments are made to each municipality's population. The Alliance proposes adjusting municipal populations by employing an average of two factors:

- per capita property value; and

- per capita adjusted gross income.

For these factors, the per capita value or income for the region would be divided by the per capita value or income for the municipality. This produces relatively larger percentage adjustments for municipalities with per capita values or incomes below the average for the region. Under the proposal, the two preceding percentages for each municipality would be averaged and the result would be multiplied by the municipality's population. Each municipality's adjusted population as a percentage of the sum of all eligible municipalities' adjusted populations within the region would equal that municipality's share of the region's aid allocation.

The statewide allocation would be made on a per capita basis and would be almost identical to the regional allocations with percentage adjustments made to each municipality's population based on an average of two factors:

- per capita property value; and
- per capita adjusted gross income.

For these factors, the per capita value or income for the state would be divided by the per capita value or income for the municipality. The two preceding percentages for each municipality would be averaged and the result would be multiplied by the municipality's population. Each municipality's adjusted population as a percentage of the sum of all eligible municipalities' adjusted populations within the state would equal that municipality's share of the statewide aid allocation.

Under the proposal, 25% of the additional aid would be distributed through the regional mechanism and 75% would be distributed through the statewide mechanism. Based on the \$25.15 million in additional aid estimated in this memorandum, \$6.29 million is initially distributed under the regional distribution and \$18.86 million is initially distributed under the statewide distribution.

Subsequent to these calculations, a minimum/maximum adjustment would be applied to the combined allocations. First, no municipality's payment could increase by more than twice the percentage increase in the statewide distribution. Relative to the attached estimates, no municipality's payment could increase by more than 7.16% since the total distribution would increase by 3.58%. That limitation would reduce payments on the attached printout by an estimated \$4.78 million. Amounts "skimmed" through the maximum limitation would be redistributed through a minimum guarantee to municipalities with municipal purpose tax rates exceeding one mill. The minimum guarantee would "float" each year to that percentage that redistributes the funding skimmed under the maximum guarantee. Relative to the attached estimates, a minimum guarantee equal to a 2.94% increase would be extended to eligible municipalities.

This analysis uses the most recent data that is available from the same year. Per capita property values were calculated from 2005 equalized values (TID out) and 2005 population estimates for each municipality were used. The Departments of Revenue (DOR) and Administration (DOA) annually update equalized values and population estimates, respectively. Each municipality's per capita adjusted gross income was calculated by dividing its 2005 adjusted

gross income by its 2005 population. Annually, DOR releases income data by municipality based on state individual income tax returns. Adjusted gross income reflects income subject to state taxation and does not include income not subject to tax or the income of persons not filing tax returns. Substantial variation can occur from year to year in the amount of income attributable to individual municipalities, particularly if they are small. Although individuals indicate their municipality of residence on their returns, DOR cautions that this item is subject to a "substantial amount of misreporting." For these reasons, DOR warns that the data should be used with "great care." The regional allocations were based on a comparison of 2004 and 2005 county personal income, as reported by the U.S. Department of Commerce.

The following material provides a brief description for each of the printout's columns.

Column 1: County and Municipality. The printout is arranged alphabetically by county. Municipalities within each county are sorted by municipal type (town, village, and city) and then arranged alphabetically. Municipalities in more than one county are reported under the county where most of their taxable value is located.

Column 2: State Aid Under Current Law. These amounts represent each municipality's estimated 2008 entitlement under the county and municipal aid program. The amounts do not include payments under the utility aid component of the shared revenue program or under the expenditure restraint program.

Column 3: Proposed Regional Distribution. These amounts represent each municipality's payment under a regional per capita-based distribution where each municipality's population would be adjusted, based on the average of the percentage adjustments under the regional valuation and income calculations described previously in this memorandum. Under this distribution, 25% of the additional aid is allocated. Only municipalities with a 2006(07) tax rate over one mill would receive a payment.

Column 4: Proposed Statewide Distribution. These amounts represent each municipality's payment under a statewide per capita-based distribution where each municipality's population would be adjusted, based on the average of the percentage adjustments under the statewide valuation and income calculations described previously in this memorandum. Under this distribution, 75% of the additional aid is allocated. Only municipalities with a 2006(07) tax rate over one mill would receive a payment.

Column 5: Minimum/Maximum Adjustment. These amounts represent payment adjustments to eligible municipalities (municipal purpose tax rates over one mill) under the maximum limitation (7.16%) and minimum guarantee (2.94%).

Column 6: Proposed Combined Distribution. These amounts represent each municipality's combined payments under the regional and statewide per capita-based distributions after the minimum/maximum adjustment (Columns 3, 4, and 5).

Column 7: Proposed Per Capita Increase. This column reports the municipality's aid increase divided by its 2005 population.

Column 8: Proposed Percent Increase. This column reports the municipality's aid increase expressed as a percentage of its payment under current law.

If you have any questions on this material, please let me know.

RO/sas  
Attachment

ATTACHMENT

Estimated Change in County and Municipal Aid Under Alliance of Cities Proposal

	<u>Current Law County and Municipal Aid</u>	<u>Proposed Regional Distribution</u>	<u>Proposed Statewide Distribution</u>	<u>Minimum/ Maximum Adjustment</u>	<u>Proposed Combined Distribution</u>	<u>Proposed Per Capita Increase</u>	<u>Proposed Percent Increase</u>
<b>MILWAUKEE COUNTY</b>							
<b>Villages</b>							
Bayside *	\$94,587	\$1,886	\$5,207	-\$321	\$6,772	\$1.59	7.2%
Brown Deer	280,714	12,667	34,821	-27,389	20,099	1.70	7.2
Fox Point	141,127	3,135	8,649	-1,679	10,105	1.47	7.2
Greendale	381,328	11,766	32,397	-16,860	27,303	1.94	7.2
Hales Corners	164,150	7,264	20,002	-15,513	11,753	1.54	7.2
River Hills	32,342	329	909	0	1,238	0.76	3.8
Shorewood	367,445	10,099	27,821	-11,611	26,309	1.95	7.2
West Milwaukee	804,258	6,871	18,830	0	25,701	6.28	3.2
Whitefish Bay	276,198	7,224	19,931	-7,379	19,776	1.42	7.2
<b>Cities</b>							
Cudahy	3,708,596	26,997	74,359	7,602	108,958	5.95	2.9
Franklin	599,840	27,280	75,137	-59,468	42,949	1.32	7.2
Glendale	284,381	9,529	26,171	-15,338	20,362	1.57	7.2
Greenfield	1,237,619	40,138	110,371	-61,895	88,614	2.45	7.2
Milwaukee *	229,856,534	1,051,338	2,895,204	2,806,615	6,753,157	11.39	2.9
Oak Creek	1,223,213	31,420	86,471	-30,309	87,582	2.78	7.2
Saint Francis	2,033,333	11,584	31,872	16,283	59,739	6.80	2.9
South Milwaukee	3,237,548	29,797	82,056	0	111,853	5.23	3.5
Wauwatosa	974,339	36,636	100,728	-67,601	69,763	1.51	7.2
West Allis	8,504,550	81,780	224,910	0	306,690	5.07	3.6

\* This municipality is located in more than one county. The amounts shown are for the entire municipality, as opposed to the part of the municipality in this county.



### Shared Revenue and Property Taxes are the Cornerstones of City Service Provision

- Milwaukee's 2007 tax rate of \$7.99 is the lowest in city history.
- Despite rapidly rising costs and declining state aid, average annual levy increases have risen at the rate of inflation.
- State aid payments make up 22% of total 2007 City revenues, compared to 29% in 1990.
- Property taxes make up 18% of total 2005 City revenues, compared to 22% in 1990.
- Milwaukee's 2007 Shared Revenue payment is \$231 million, compared to Police and Fire budgets totaling \$310 million.
- Milwaukee is the only US city over 300,000 in population that does not have another significant revenue option.

### The City's Costs-to-Continue are Rising Faster than Ability to Pay

- Milwaukee's costs are inherently higher than other Wisconsin cities due to poverty, aging infrastructure and size.
- City employee healthcare costs have more than doubled since 1996.
- Wage settlements are averaging 3% annually.
- Wages and benefits are 70% of the budget.
- Electricity costs went up \$803K or 7.4% in the last year.
- Automotive fuel costs increased \$769K or 20% in the last year.
- The City has streamlined and made service reductions to control costs.

Figure 1

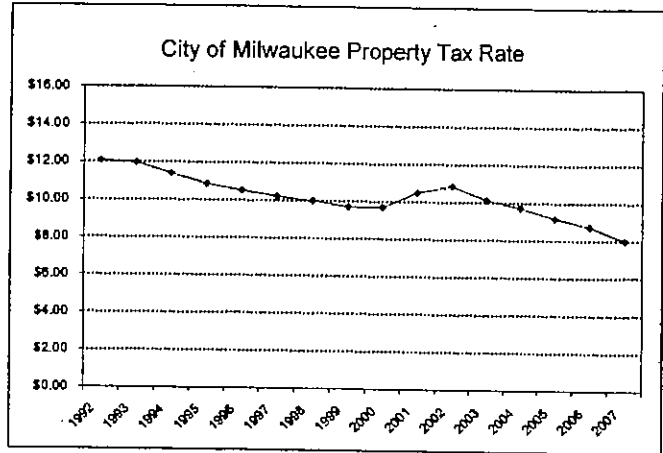


Figure 2

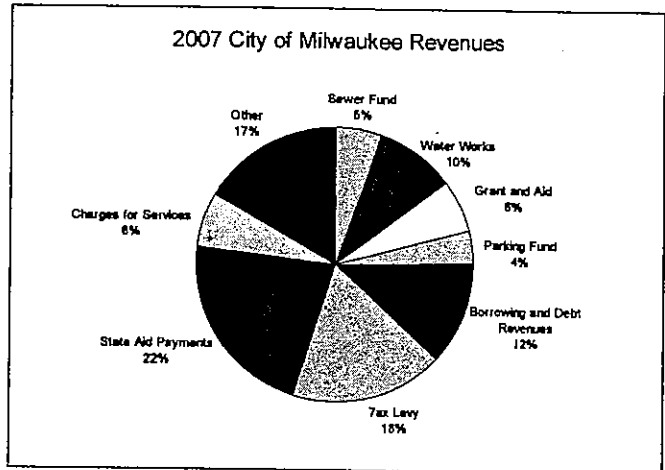
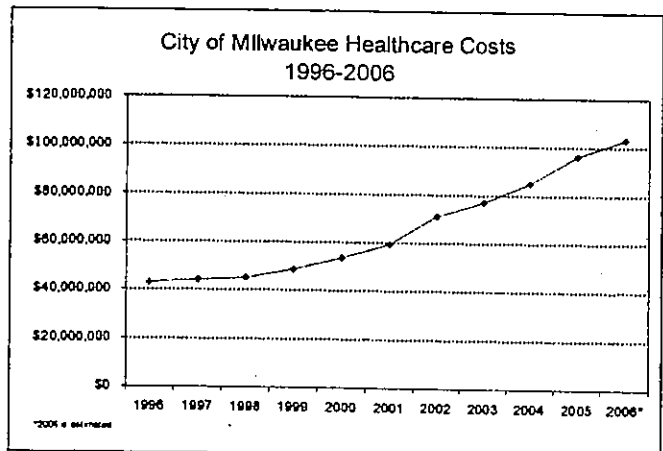


Figure 3



**MUNICIPAL NON-PROPERTY TAX REVENUE OPTIONS  
(POPULATIONS > 300,000)**

City	State	Population	General Sales Tax	Selective Sales Tax	Income Tax
Mesa	Arizona	396,375	X	X	
Phoenix	Arizona	1,321,045	X	X	
Tucson	Arizona	486,699	X	X	
Anaheim	California	328,014	X	X	
Fresno	California	427,652	X	X	
Los Angeles	California	3,694,820	X	X	
Oakland	California	399,484	X	X	
Sacramento	California	407,018	X	X	
San Diego	California	1,223,400	X	X	
San Jose	California	894,943	X	X	
Santa Anna	California	337,977	X	X	
Colorado Springs	Colorado	360,890	X	X	
Denver	Colorado	554,636	X	X	
Washington	DC	572,059	X	X	X
Jacksonville	Florida	735,617	X	X	
Miami	Florida	362,470		X	
Tampa	Florida	303,447	X	X	
Atlanta	Georgia	416,474		X	
Honolulu	Hawaii	876,156		X	
Chicago	Illinois	2,896,016	X	X	
Indianapolis	Indiana	791,926		X	X
Wichita	Kansas	344,284		X	
New Orleans	Louisiana	484,674	X	X	
Baltimore	Maryland	651,154		X	X
Boston	Massachusetts	589,141		X	
Detroit	Michigan	951,270		X	X
Minneapolis	Minnesota	382,618		X	
Kansas City	Missouri	441,545	X	X	X
St. Louis	Missouri	348,189	X	X	X
Omaha	Nebraska	390,007	X	X	
Las Vegas	Nevada	478,434		X	
Albuquerque	New Mexico	448,607	X	X	
Brookhaven Township	New York	448,248		X	
Hempstead Township	New York	755,924		X	
Islip Township	New York	322,612		X	
New York	New York	8,008,278	X	X	X
Charlotte	North Carolina	540,828		X	
Cincinnati	Ohio	331,285		X	X
Cleveland	Ohio	478,403		X	X
Columbus	Ohio	711,470		X	X
Toledo	Ohio	313,619		X	X
Oklahoma City	Oklahoma	506,132	X	X	
Tulsa	Oklahoma	393,049	X	X	
Portland	Oregon	529,121		X	
Philadelphia	Pennsylvania	1,517,550	X	X	X
Pittsburgh	Pennsylvania	334,563		X	X
Memphis	Tennessee	650,100		X	
Nashville	Tennessee	569,891	X	X	
Arlington	Texas	332,969	X	X	
Austin	Texas	656,562	X	X	
Dallas	Texas	1,188,580	X	X	
El Paso	Texas	563,662	X	X	
Fort Worth	Texas	534,694	X	X	
Houston	Texas	1,953,631	X	X	
San Antonio	Texas	1,144,646	X	X	
Virginia Beach	Virginia	425,257	X	X	
Seattle	Washington	563,374	X	X	
Milwaukee	Wisconsin	596,974			

Source: US Census Bureau Government Finances, January 2003  
cdk: 1/10/05

## SHARED REVENUE AND MILWAUKEE'S FISCAL CAPACITY

Assembly Committee on Urban and Local Affairs  
Senate Committee on Labor, Elections, and Urban Affairs

March 27, 2007  
Mark Nicolini, Budget Director

### Key Discussion Points

1. Shared Revenue plays a key role in the State/Local Fiscal Relationship
2. Shared revenue is essential to City's capacity to provide services
3. Milwaukee's per capita expenditures and revenues are low compared to peer cities
4. City government services provide value to the State and region

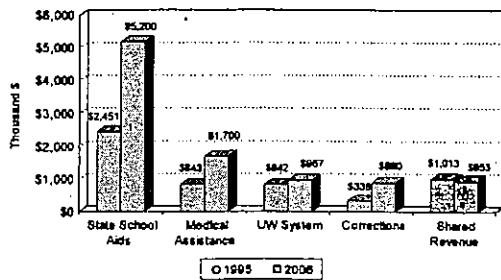
### Shared Revenue = Foundation of State-Local Fiscal Relationship

- State Shared Revenue as the foundation
  - Redistribution of state taxes to equalize fiscal capacity
  - Substantial limits on local "own source" revenue authority
- Relationship "weakened" due to change in State Shared Revenue policy
- Result = reduced local fiscal capacity
  - Since 1997 Shared Revenue to municipalities has declined -34% in real terms (-5% in nominal terms)

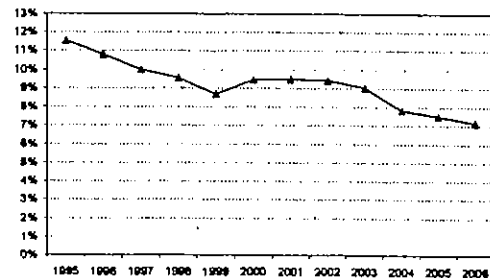
### Statewide Budget Perspective

1. 1995-2006: 4 of 5 largest State GPR programs grew almost \$4.3 billion
2. State Shared Revenue to counties and local governments declined \$60 million
3. Total WI municipal per capita revenue is 29% lower than national average (source: U.S. Census 2002)

### State Budget: Comparison of 1995 to 2006 by Major Category



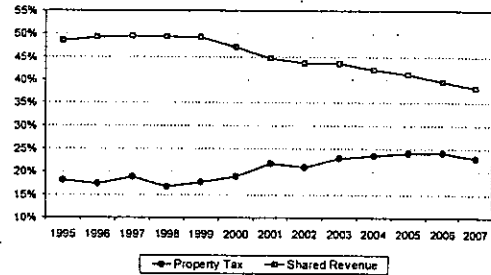
### Shared Revenue – Declining as % of State Revenue



### Shared Revenue Decreases Hurt Milwaukee's Fiscal Health

1. Shared Revenue and Expenditure Restraint programs are key state appropriations
2. Since 1997 payments to Milwaukee have DECLINED \$65 million in real terms
3. City has become MORE reliant on levy -- levy has grown 15% as proportion of General Fund Budget revenues
4. Department operating expenses declined 7% since 1996 in real terms

### Shared Revenue is Declining as % of Revenues



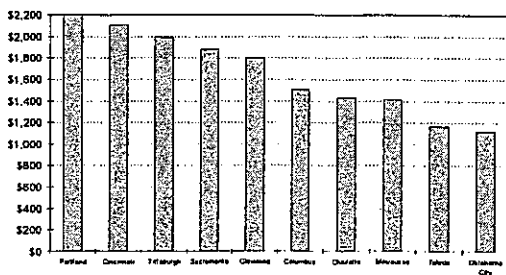
### Strong Link Between Shared Revenue & Local Taxes

1. Milwaukee's state aids per capita are \$134 higher (+31%) than comparable average
2. But...fiscal capacity results from interaction of state aids and local tax structure
3. Shared revenue growth is key to Milwaukee's fiscal capacity, as total local taxes are low and not diversified

### Milwaukee Compares Favorably to Peer City Average

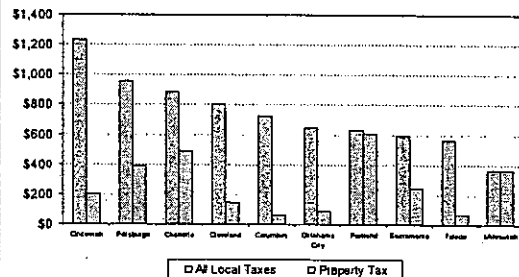
- Limited revenue options drive Milwaukee's property tax challenge, not high overall spending
- Milwaukee ranks 8 of 10 in per capita expenditure
- Milwaukee's per capita property tax is \$98 higher (+37%)
- But Milwaukee revenue per capita is \$412 less (-22%)
- Milwaukee's per capita local taxes are \$374 less (-51%)

### Expenditures Per Capita are Low in Comparison to Peers



Source: City of Milwaukee, Comptroller, Comparative Expenditure Report, July 2006

### Per Capita Local Tax Revenues for Select US Cities

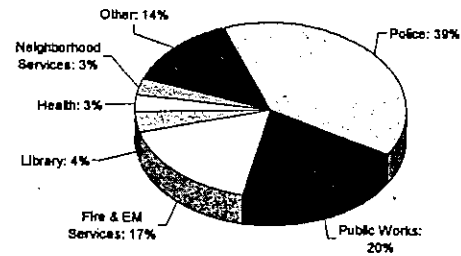


Source: City of Milwaukee, Comptroller, Comparative Expenditure Report, July 2006

### **Milwaukee Funding Priorities**

1. Make Milwaukee safe from crime
2. Nurture investment throughout the City
3. Develop workforce as a competitive advantage and increase opportunities for youth workforce
4. Create early childhood conditions that lead to success
5. Provide for a healthy environment

### **2007 Tax Levy Funded Operating Budget**



### **Milwaukee Strives to Control Costs**

1. Department operating expenses
2. Major staffing changes
3. Efficiencies
4. Reduce borrowing to sustainable level
5. AIM = regular performance monitoring
  - AIM Improvements:
    - Missed collection rate
    - Nuisance garbage enforcement
    - Fleet productivity
    - City Hall restoration project monitoring
    - ALS response time

### **Milwaukee's Role In State and Regional Economy**

1. More than 337,000 employed in Milwaukee during 2003
  - 134,000 non-residents work in Milwaukee
  - 100,000 Milwaukeeans work outside the City
2. Annual payroll exceeds \$13 billion (15% of WI total)
3. 76% of all WI manufacturing shipments pass through the City
4. Milwaukee = potential answer to WI labor shortage

