

Wisconsin Department of Revenue
Division of Research and Analysis
October 6, 2000

STATE SHARED REVENUES

The state shared revenue program provides unrestricted aid to municipalities and counties. It is the largest aid payment for municipalities and an important source of revenue for counties.

Background

The state shared revenue program was started in 1911 with enactment of the state income tax. At first, the income tax law required that 70% of the proceeds be paid to the municipality and 20% to the county where the payer resided. These percentages were changed over time to reflect changes in state and local fiscal needs. In keeping with the precedent set by the income tax law, when other state taxes were enacted a percentage of their proceeds was also shared with local governments on a return-to-origins basis.

By the late 1960's, most observers agreed that return-to-origins tax sharing was increasing local fiscal disparities. Communities with high levels of economic activity and/or high-income individuals received ever increasing state aids, allowing them to provide substantial levels of services at low (or no) property tax rates. Communities with little economic activity and/or low-income individuals saw state aids stagnate or decline, resulting in low levels of services at high and often increasing property tax rates. Fiscal disparities thus kept increasing with economic growth focused in high aid/low tax rate communities.

The present shared revenue system was developed to shift the focus of state aids from a return-to-origins basis to a distribution based on need. The current program has three broad policy goals:

- (1) Property tax relief. By using shared revenues to finance their spending, municipalities and counties reduce their need to levy property taxes to finance their spending.
- (2) Equalize revenue raising ability among local governments. For local governments with equal per capita spending, units with lower per capita values receive relatively more aid than units with higher per capita values. In addition, for local governments with equal value, units with higher per capita spending receive relatively more aid than units with lower per capita spending level.
- (3) Compensation for utility property. Payments compensate local governments for the disamenities attributable to certain types of power company property that is not taxable locally.

Payments

The shared revenues program has five separate payments. These payments are:

- (1) Per Capita. Each municipality received \$26.8751 per capita in 2000 and will receive \$26.7093 per capita in 2001. Counties receive a county mandate relief payment (discussed later) based solely on their population.

(2) Utility. The utility payment consists of 3 components:

- a. **Annual ad valorem payment.** This payment is based on the net book value (original cost less depreciation) of certain qualifying property (production plants, substations, and general structures, but excluding land) of electric and gas utilities. For property in towns, the town receives 3 mills on the net book value and the county 6 mills. For property in villages or cities, the village or city receives 6 mills and the county 3 mills. For payment purposes, the total value of qualifying property in a municipality (and county for property in that municipality) may not exceed \$125 million per utility company or, in the case of a jointly owned power plant, \$125 million for the plant. The total payment may not exceed \$300 per capita for municipalities and \$100 per capita for counties. The net book value used to calculate payments is the greater of (i) the net book value on December 31, 1989 minus the net book value of property no longer used by the utility or (ii) the net book value on the December 31 of the year prior to the payment. If a municipality loses utility property through annexation, the first year's payment after annexation equals the payment attributable to the annexed utility property; the payment is then reduced by equal amounts over a five-year period to \$0.
- b. **Spent nuclear fuel storage.** A payment of \$50,000 is made to the municipality and county in which spent nuclear fuel is stored on December 31 of the year prior to payment. If the nuclear fuel storage facility is located within one mile of another municipality, the municipality where the fuel is stored receives \$40,000 and the nearby municipality receives \$10,000. This payment is not subject to the \$300/\$100 per capita payment limits.
- c. **Minimum payment.** The payment to a municipality or county with an electric generating plant having a rated capacity of 200 megawatts or more may not fall below \$75,000 (subject to the \$300/\$100 per capita payment limit).

(3) Aidable Revenues. The aidable revenues payment seeks to equalize the property tax rate needed to finance a given level of per capita spending, regardless of differences in per capita property value. Municipal and county payments were once calculated together and paid from the same "pot" of money. However, they have been calculated separately since 1994. The aidable revenues payment is calculated as follows:

Municipal Aidable Revenues Payment	=	3-Year Average of Local Purpose Revenues	X	Tax Base Weight
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County Aidable Revenues Payment	=	3-Year Average of Local Purpose Revenues	X 85% X	Tax Base Weight
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Local purpose revenues includes the municipality's or county's own-purpose property tax levy, selected local fees (examples include those for fire calls, garbage collection, and sewerage service), and the aidable revenues payment. For payments in 2000, the average of local purpose revenues for 1996, 1997, and 1998 was used. For payments in 2001, the average of local purpose revenues for 1997, 1998, and 1999 is used. Beginning in 2000 (for payments beginning in 2002), the state aid payment for exempt computers (equal to the property taxes that would otherwise have been made on those computers) will be counted as local purpose revenue.

The tax base weight measures the extent to which a municipality's or county's per capita value is below some standardized value. The tax base weight is the greater of zero or the amount calculated as follows:

$$\text{Tax Base Weight} = 1 - \frac{\text{Equalized value per person}}{\text{Standardized value per person}}$$

For payments to municipalities, manufacturing real property is excluded from equalized value. Because this means that manufacturing property generally does not reduce shared revenues, the exclusion may help to encourage development of manufacturing facilities. Beginning with payments in 2000 for municipalities and counties, the value of exempt computer property was added to equalized value and the computer aid payment will be included in local purpose revenues.

Payments are calculated using the prior year's equalized value and population. Thus, payments in 2000 were calculated using 1999 equalized values and populations. The standardized value per person acts like a guaranteed tax base. It is set at the level where the total funds available for distribution under the formula equals the total payments under the formula. For payments in 2000, the standardized value per person was \$51,023 for municipalities and \$50,447 for counties. For payments in 2001, the standardized value per person will be \$53,269 for municipalities and \$52,773 for counties.

- (4) Minimum payment - maximum adjustment. In order to prevent unduly large percentage declines in shared revenue payments, the minimum payment guarantees that a municipality's or county's shared revenues payment in a given year may not be less than 95% of the prior year's payment. These minimum payments are funded by the maximum adjustment under which growth in shared revenues is limited to a "maximum allowable increase" percentage set at the level at which the sum of the payment reductions exactly equals the funds needed to make the minimum payment. To prevent shifting money intended for municipalities to counties and vice versa, the "maximum allowable increase" percentage for municipalities and counties has been calculated separately since 1994. Utility payments and county mandate relief payments are excluded when calculating the minimum payment and "maximum allowable increase" percentage.

For municipalities, the minimum-maximum adjustment affected payments as follows:

Year	Number of municipalities at			Total Minimum Payment	Maximum Allowable Increase Percentage
	Minimum	Maximum	Neither		
2000	759	395	696	\$ 26,182,578	4.4829%
2001	742	439	669	\$ 27,997,814	2.9019%

For counties the minimum-maximum adjustment affected payments as follows:

Year	Number of counties at			Total Minimum Payment	Maximum Allowable Increase Percentage
	Minimum	Maximum	Neither		
2000	45	20	7	\$ 23,224,042	2.0911%
2001	45	19	8	\$ 24,531,827	2.8926%

Beginning with 1996 payments, counties with no incorporated municipalities (Florence and Menominee) have not been subject to the "maximum allowable increase" percentage limitation; however, such counties remain eligible for the minimum payment.

- (5) **County mandate relief.** This payment is distributed to counties only based on their population in the year before payment. Counties received \$3.9364 per capita in 2000 and will receive \$3.9103 per capita in 2001.

Payment Dates

Payment estimates are provided by September 15 of the year preceding payment. Of this amount, 15% is distributed on the fourth Monday in July and the remaining 85% is distributed on the third Monday in November.

Funding Levels

In both 2000 and 2001, municipalities will receive \$761,478,000 and counties will receive \$189,745,600 (\$168,981,800 in regular shared revenues and \$20,763,800 in county mandate relief payments). Although current law freezes payments in 2001 and beyond at the 2000 level, appropriations could be changed in future years' budgets. Payments in 2000 and 2001 by shared revenue component for municipalities and counties are summarized in the following table.

TABLE 1
STATE SHARED REVENUES - 2000 AND 2001

Payment Component	2000		2001 estimate	
	Amount	Percent	Amount	Percent
Municipalities:				
Per Capita	\$142,706,481	18.74%	\$142,706,481	18.74%
Utility	13,137,368	1.72%	13,285,413	1.74%
Aidable revenues	605,634,151	79.53%	605,486,106	79.51%
Minimum	26,182,578	3.43%	27,997,814	3.67%
Maximum	(26,182,578)	-3.43%	(27,997,814)	-3.67%
Total: Municipalities	\$761,478,000	100.00%	\$761,478,000	100.00%
Counties:				
County mandate	\$ 20,763,800	10.94%	\$ 20,763,800	10.94%
Utility	13,041,163	6.87%	13,219,354	6.96%
Aidable revenues	155,940,638	82.18%	155,762,447	82.09%
Minimum	23,224,042	12.23%	24,531,827	12.92%
Maximum	(23,224,042)	-12.23%	(24,531,827)	-12.92%
Total: Counties	\$189,745,600	100.00%	\$189,745,600	100.00%
Total Shared Revenues	\$951,223,600		\$951,223,600	

Table 2 shows payments for the past 10 years for the shared revenue program.

TABLE 2
SHARED REVENUES AND OTHER GENERAL AID FOR MUNICIPALITIES AND COUNTIES,
1992 - 2001

Item	1992	1993	1994	1995	1996
TOWNS					
Per Capita	43,131,631	43,263,844	43,296,431	43,362,888	43,416,017
Utility	2,889,218	2,615,815	3,122,597	3,592,608	3,585,538
Aidable Revenues	35,091,511	34,375,622	36,953,515	36,874,401	34,619,382
Minimum	2,527,769	2,863,601	2,317,636	2,380,524	3,357,502
Maximum	(3,936,509)	(3,464,107)	(5,089,332)	(4,897,873)	(4,599,265)
Total Shared Revenues	79,503,620	79,654,775	80,600,847	81,312,548	80,379,174
VILLAGES					
Per Capita	16,957,665	17,087,138	17,181,248	17,281,489	17,394,100
Utility	1,215,336	2,060,537	2,283,479	2,412,911	1,998,671
Aidable Revenues	52,342,050	53,193,800	55,654,713	55,302,693	54,478,988
Minimum	4,643,076	4,449,682	4,005,185	5,081,943	6,033,884
Maximum	(2,098,199)	(2,424,685)	(4,039,802)	(4,349,093)	(5,284,759)
Total Shared Revenues	73,059,928	74,366,472	75,084,823	75,729,943	74,620,883
CITIES					
Per Capita	82,617,184	82,355,498	82,228,802	82,062,103	81,896,364
Utility	4,852,724	4,993,681	5,193,104	5,296,755	5,617,470
Aidable Revenues	474,751,654	485,787,733	500,633,611	515,292,153	518,471,471
Minimum	10,058,565	11,153,829	11,495,522	13,971,404	17,136,110
Maximum	(2,119,088)	(3,054,679)	(8,689,210)	(12,186,904)	(16,643,472)
Total Shared Revenues	570,161,039	581,236,062	580,861,829	604,435,511	606,477,943
COUNTIES					
Utility	8,361,721	8,763,991	10,673,828	11,174,609	11,191,967
Aidable Revenues	163,950,605	169,182,839	158,307,972	157,807,192	157,789,833
Minimum	5,601,215	8,391,782	15,936,557	17,078,805	18,395,730
Maximum	(14,676,829)	(17,915,433)	(15,936,557)	(17,078,805)	(18,395,730)
County mandate	0	0	4,725,200	20,159,000	20,159,000
Total Shared Revenues	163,236,712	168,423,189	173,707,000	189,140,800	189,140,800
STATE TOTAL					
Per Capita	142,706,480	142,706,480	142,706,481	142,706,481	142,706,481
Utility	17,118,999	18,434,024	21,273,009	22,476,882	22,393,646
Aidable Revenues	726,135,820	742,539,994	751,549,811	765,276,439	765,359,674
Minimum	22,830,625	26,858,904	33,754,900	38,512,676	44,923,226
Maximum	(22,830,625)	(26,858,904)	(33,754,901)	(38,512,675)	(44,923,226)
County mandate	0	0	4,725,200	20,159,000	20,159,000
Total Shared Revenues	885,961,299	903,680,498	920,254,499	950,618,802	950,618,800

Numbers may not add to totals due to rounding.

TABLE 2 (continued)
 SHARED REVENUES AND OTHER GENERAL AID FOR MUNICIPALITIES AND COUNTIES,
 1992 - 2001

Item	1997	1998	1999	2000	2001
TOWNS					
Per Capita	43,357,080	43,551,898	43,717,390	43,485,785	43,542,340
Utility	3,498,540	3,477,856	3,517,423	3,982,186	4,048,020
Aidable Revenues	30,457,397	28,118,757	25,949,122	22,947,721	22,778,488
Minimum	4,335,740	4,882,244	5,201,595	5,769,870	5,590,853
Maximum	(3,896,599)	(3,632,406)	(3,179,783)	(2,212,219)	(3,099,071)
Total Shared Revenues	77,752,158	76,398,350	75,205,746	73,973,343	72,860,630
VILLAGES					
Per Capita	17,815,930	17,902,576	17,851,684	17,998,579	18,068,894
Utility	2,266,695	2,147,137	2,048,670	2,207,891	2,255,422
Aidable Revenues	53,983,169	53,121,832	53,545,224	54,646,082	54,289,429
Minimum	6,904,501	7,423,130	6,899,408	6,181,025	6,395,344
Maximum	(5,511,397)	(6,101,689)	(6,715,811)	(6,945,301)	(7,453,000)
Total Shared Revenues	75,458,898	74,492,986	73,729,175	74,088,275	73,556,089
CITIES					
Per Capita	81,533,470	81,252,006	81,037,408	81,222,117	81,095,247
Utility	6,288,893	6,290,619	6,647,624	6,947,291	6,981,971
Aidable Revenues	522,296,826	525,615,319	527,063,457	528,040,348	528,418,189
Minimum	18,692,327	17,377,466	16,338,108	14,231,683	16,011,616
Maximum	(20,524,572)	(19,948,746)	(18,543,518)	(17,025,058)	(17,445,744)
Total Shared Revenues	608,266,945	610,586,665	612,543,078	613,416,382	615,061,279
COUNTIES					
Utility	11,677,494	11,612,877	11,894,763	13,041,163	13,219,354
Aidable Revenues	157,304,308	157,368,924	157,087,038	155,940,638	155,762,447
Minimum	21,057,614	21,331,120	21,979,305	23,224,042	24,531,827
Maximum	(21,057,614)	(21,331,120)	(21,979,305)	(23,224,042)	(24,531,827)
County mandate	20,159,000	20,159,000	20,159,000	20,763,800	20,763,800
Total Shared Revenues	189,140,802	189,140,800	189,140,800	189,745,600	189,745,600
STATE TOTAL					
Per Capita	142,706,481	142,706,481	142,706,481	142,706,481	142,706,481
Utility	23,711,622	23,528,489	24,108,480	26,178,531	26,504,767
Aidable Revenues	764,041,700	764,224,832	763,644,841	761,574,789	761,248,553
Minimum	50,990,182	51,013,960	50,418,416	49,406,620	52,529,640
Maximum	(50,990,182)	(51,013,961)	(50,418,417)	(49,406,620)	(52,529,642)
County mandate	20,159,000	20,159,000	20,159,000	20,763,800	20,763,800
Total Shared Revenues	950,618,803	950,618,800	950,618,800	951,223,800	951,223,588

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