Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2003 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **03-3097/3**	Introduction Number **AB-466**

Subject

Levy limits for municipalities, counties, and technical college districts, and school district revenue limits

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate

- ☐ Increase Existing Appropriations
- ☒ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☒ Increase Existing Revenues
- ☒ Decrease Existing Revenues
- ☒ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☒ No
- ☐ Decrease Costs

Local:

☐ No Local Government Costs
☐ Indeterminate

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☒ Decrease Revenue ☐ Permissive ☒ Mandatory
5. Types of Local Government Units Affected
   ☒ Towns ☒ Village ☒ Cities ☒ Counties ☐ Others ☒ School Districts ☒ WTCS Districts

Fund Sources Affected

☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

20.566 (2) (a), 20.835 (1) (e)and (2) (c) and (dm)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 9/29/2003

LRB Number **03-3097/3**	Introduction Number **AB-466**	Estimate Type **Original**
Subject		
Levy limits for municipalities, counties, and technical college districts, and school district revenue limits		

Assumptions Used in Arriving at Fiscal Estimate

PROPERTY TAX LEVIES

The bill makes several changes to the laws on property taxing powers of technical college districts, school districts, counties, and municipalities. The changes for technical colleges, counties, and municipalities would apply for the 2003/04, 2004/05, and 2005/06 property tax years. The changes for schools would be permanent.

Technical Colleges: Under current law, a technical college board may not impose an operating tax levy at a rate that exceeds 1.50 mills on equalized value. There is no limit on the tax rate for debt service. Under the bill, the total tax levy could not increase over the prior year's levy by more than 2.6%.

School Districts: Under current law, school districts operate under a revenue limit that restricts growth in their per pupil "revenue". "Revenue" is defined as the tax levy for operations and non-referendum debt service plus general (non-categorical) state aid. The per pupil revenue limit increased by about $237 for 2003/04. Future years' increases are indexed for inflation. Under the bill, the per pupil revenue limit for 2003/04 would increase by $120 per pupil, and the limit for 2004/05 and any school year thereafter would increase by $100 per pupil.

Counties: Under current law, the operating and debt service tax rates for a county generally may not exceed the rates imposed for the 1992/93 tax year. Under the bill, a county's total tax levy could not increase over the prior year's levy by more than its percentage change in equalized value due to net new construction (excluding construction in tax incremental financing districts).

Municipalities: Under current law, there is no limit on tax levies imposed by municipalities. Under the bill, a municipality's total tax levy could not increase over the prior year's levy by more than the percentage change in its equalized value due to net new construction (excluding construction in tax incremental financing districts).

Certain adjustments to the limits would be allowed. Technical colleges, counties, and municipalities would be allowed to exclude debt service levies for debt issued under board resolutions approved before July 1, 2003, or for referendum-approved debt. Levy limits could be exceeded if approved at a referendum or, for towns with a population of less than 2,000, at an annual or special town meeting. Tax incremental levies would be excluded from the levies subject to the limit. Limits would be adjusted for transfers of service from or to other governmental units, and for annexations of territory. The limit would not apply to the levies for first class city (Milwaukee) schools and for county-operated children with disabilities education boards.

In order to estimate the potential effect of the bill on property tax levies, the following assumptions were made: (1) Affected governments' tax levies would be imposed at the maximum allowed under the bill. (2) There would be no referendum-approved debt issues or increases in levy limits. (3) The adjustments for service transfers and annexations would net to zero. (4) Debt levies for technical colleges, school districts, and counties would remain at current levels. Data on municipal debt levies are not available. Using data from financial report forms for 2002, municipal debt service levies were assumed to equal the tax levy for governmental funds (all funds excluding proprietary and fiduciary funds) times the percentage of governmental funds expenditures used for debt service.

Under these assumptions, if this bill had been in effect for the 2002/03 tax year, the statewide total net property tax levy would have been about $6.7 billion. This represents a reduction of about $200 million, or 3%, from the actual levies for that year.

INCOME TAX

Current individual income tax law allows a nonrefundable school property tax credit against income tax liability equal to 12% of property taxes or rent constituting property taxes up to $2,500. The maximum credit is $300. Based on a simulation on the 2001 Individual Income Tax Model adjusted for 2003 law, a 3% decline in property taxes would decrease the amount of the credit, and increase state income taxes, by about $6.7 million.

HOMESTEAD CREDIT

Under the Homestead Credit, certain low-income households receive a payment from the state to help offset part of their property taxes or rents. The 3% decline in property taxes engendered by this bill would reduce credit expenditures by an estimated $1.0 million.

FARMLAND PRESERVATION CREDIT

Under the Farmland Preservation Credit, certain owners of farmland are eligible for a property tax relief credit based on income and property taxes paid. The 3% decline in property taxes engendered by this bill would reduce the amount of the credit by an estimated $0.5 million.

UTILITY TAXES

Certain companies operating in Wisconsin are taxed under the state's utility tax statutes on an ad valorem basis. DOR annually determines the taxable value of these companies' property allocable to Wisconsin for taxation purposes. The tax on airlines, conservation and regulation companies, municipal electric association projects, pipelines, and railroads is calculated using the state average net property tax rate. For telephone companies, the tax is based on the taxable property in a given municipality times the prior year's net rate in that municipality. Revenues from the airline and railroad tax are paid to the transportation fund. All other revenues are paid to the general fund.

Based on projected tax collections for FY04, the 3% reduction in property taxes engendered by this bill would reduce state ad valorem utility taxes by a total of about $4.0 million, with $3.5 million allocated to the general fund and $0.5 million to SEG-Transportation funds.

EXEMPT COMPUITER AID

The state aid for exempt computers is an annual payment to local governments that levy property taxes equal to the property taxes that would have been levied on exempt computers if they were taxable. The payment in May 2003 was about $73 million. The 3% reduction in property taxes engendered by this bill would reduce computer aid payments by about $2.2 million.

ADMINISTRATIVE COSTS

The Department would incur one-time costs of $162,400 in FY04 for audit staff hired for a part of the year to audit and administer the levy freeze and for computer programming. Ongoing costs for 2.0 auditors would be $144,500 beginning in FY05.

Long-Range Fiscal Implications

Wisconsin Department of Administration
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Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

FY04: $162,400 for part-year staffing and computer programming costs

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$144,500	
(FTE Position Changes)	(2.0 FTE)	
State Operations - Other Costs		
Local Assistance		-2,200,000
Aids to Individuals or Organizations		-1,500,000
TOTAL State Costs by Category	**$144,500**	**$-3,700,000**
B. State Costs by Source of Funds		
GPR	144,500	-3,700,000
FED		
PRO/PRS		
SEG/SEG-S		

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$6,700,000	$-3,500,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		-500,000
TOTAL State Revenues	**$6,700,000**	**$-4,000,000**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$-3,555,500	$
NET CHANGE IN REVENUE	$2,700,000	$-200,000,000

Agency/Prepared By	**Authorized Signature**	**Date**
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