

Property taxes and technical colleges: Context and principles for possible reform

.....

Todd A. Berry, PhD, President
Wisconsin Taxpayers Alliance



wis tax Property Taxes and Technical College Funding ■ 07.24.14

Overview

- **Caveat**
- **Questions: Big & go beyond taxes**
- **Fiscal, tax environment**
- **Property tax backdrop**
- **Why is technical college finance an issue?**
 - Data: Wis. facts trends
 - History and philosophy
 - Tax reform: Need and principles



wis tax Property Taxes and Technical College Funding ■ 07.24.14

A few big underlying questions

- What is a 'good' tax & fiscal system?
- What is the property tax best used for?
- Are we properly allocating fiscal and human resources to maximize econ/ed return?
- Is K12 and postsecondary education optimally structured to ensure most strategic use of these resources?



Property Taxes and Technical College Funding ■ 07.24.14

Tax environment: Relatively high, unbalanced

State-Local Rev's by Type: US vs. Wis.
2011, Pct. Pers. Income, Pct. > or < US and Rank

Revenue	US	WI	% +/-	Wis. Rank
Taxes	10.87	11.84	8.8	40 11
Property	3.60	4.54	26.1	40 11
Ind. Inc.	2.31	2.97	28.4	42 11
Sales	2.45	2.05	-16.2	35 36
Corp. Inc.	0.39	0.39	-0.3	18
Gas	0.33	0.46	36.6	10
Tobacco	0.14	0.30	108.1	6
Alcohol	0.05	0.03	-49.7	37
Charges	3.48	3.38	-3.0	30
Taxes+Chgs	14.4	15.2	6.0	14
Fed. Rev.	5.25	5.10	-2.9	34

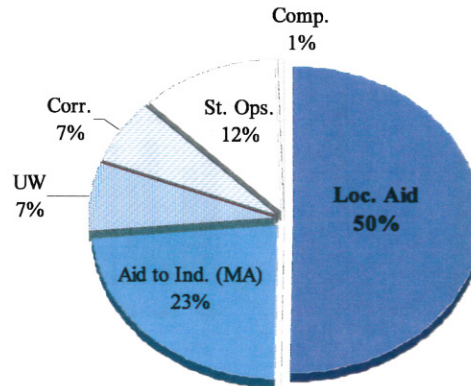


Property Taxes and Technical College Funding ■ 07.24.14

Fiscal environment: Not for lack of trying

2013-15 Budget (LFB)

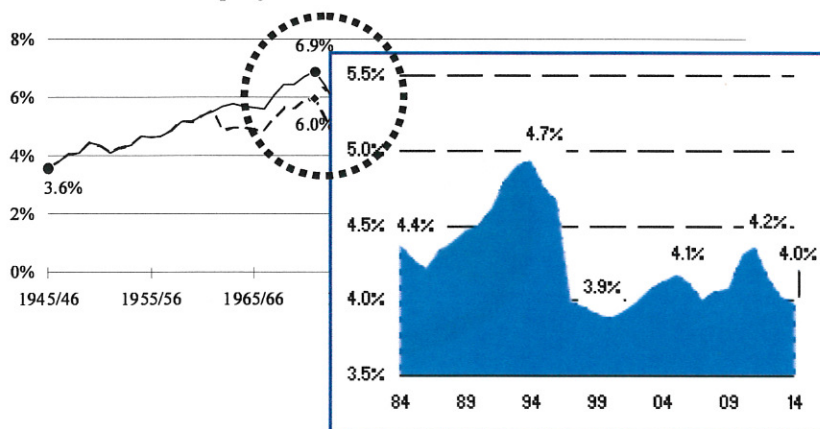
Loc. Aid w/ Tech \$406m	15.604
Aids to Indiv's, etc.	7.2127
US System	2.247
Corrections	2.058
Other State Operations	3.694
Comp. Reserves	0.2118
Total	31.028



Property Taxes and Technical College Funding ■ 07.24.14

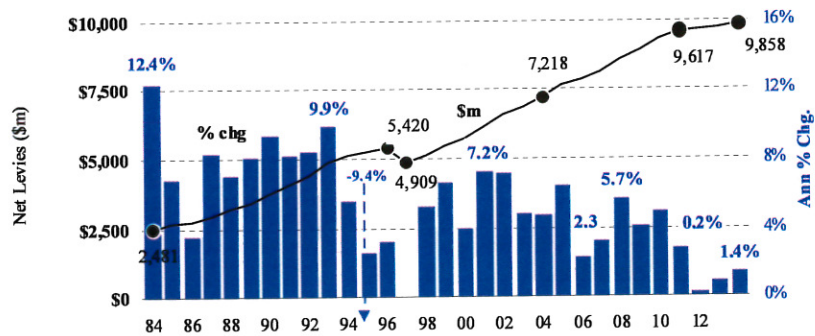
Property tax backdrop: Progress? At what price?

Property Taxes Relative to Personal Income



Property Taxes and Technical College Funding ■ 07.24.14

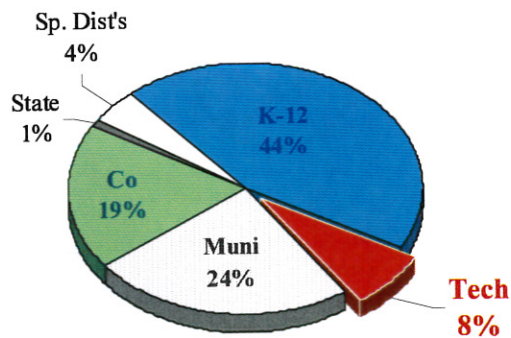
Property tax backdrop: Level and growth



Property Taxes and Technical College Funding ■ 07.24.14

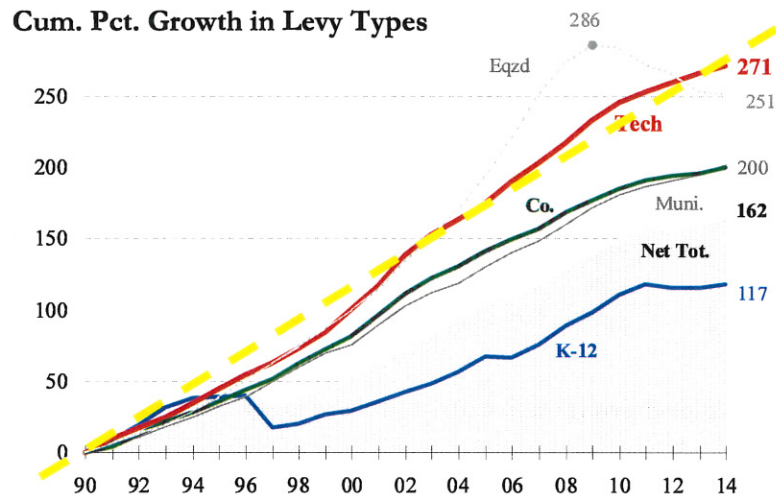
Property tax backdrop: Who uses tax?

2013-14 Property taxes, \$10.6 billion (net < \$10b)



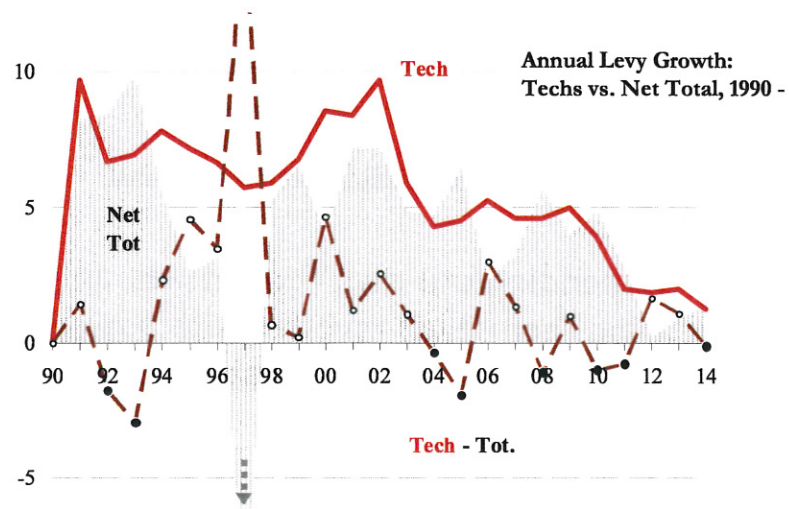
Property Taxes and Technical College Funding ■ 07.24.14

Why tech colleges are a tax issue



Property Taxes and Technical College Funding ■ 07.24.14

Why tech colleges are a tax issue: Another view



Property Taxes and Technical College Funding ■ 07.24.14

Why tech colleges . . . Different perspectives

Levy Shifting and Differential Growth Rates: Exaggerated Example, but . . .

	Stdts	Values				Levy			% Chg.	
		Yr. 1	Yr. 2	Yr. 3		Yr. 1	Yr. 2	Yr. 3	2 Yr.	Avg.
Dist Tot.						\$100	\$105	\$110	10.0%	4.9%
County										
A	10%	20%	30%	40%		\$20.0	\$31.5	\$44.0	120.0%	48.3%
B	30%	30%	25%	20%		\$30.0	\$26.3	\$22.0	-26.7%	
C	60%	50%	45%	40%		\$50.0	\$47.3	\$44.0	-12.0%	

Added problem in high –low value areas: Predominance of residential



Property Taxes and Technical College Funding ▪ 07.24.14

Why tech colleges . . . Historical perspective

The history of the present King of Great Britain
is a history of repeated injuries . . .

For imposing Taxes on us without our
Consent. . .

For suspending our own Legislatures, and
declaring themselves invested with power to
legislate for us in all cases whatsoever.



Property Taxes and Technical College Funding ▪ 07.24.14

Tax reform . . . Principles (NCSL)

The central point of the principles that follow is that policymakers and taxpayers need to pay attention to revenue systems as systems. The general character of a state or state and local revenue system is more important than the nature of any single one of its components. The criteria suggested here can be applied more appropriately to systems than to individual revenue measures.

Principles of a High-Quality State Revenue System

1. A high-quality revenue system comprises elements that are complementary, including the finances of both state and local governments.
2. A high-quality revenue system produces revenue in a reliable manner. Reliability involves stability, certainty and sufficiency.
3. A high-quality revenue system relies on a balanced variety of revenue sources.
4. A high-quality revenue system treats individuals equitably. Minimum requirements of an equitable system are that it imposes similar tax burdens on people in similar circumstances, that it minimizes regressivity, and that it minimizes taxes on low-income individuals.
5. A high-quality revenue system facilitates taxpayer compliance. It is easy to understand and minimizes compliance costs.
6. A high-quality revenue system promotes fair, efficient and effective administration. It is as simple as possible to administer, raises revenue efficiently, is administered professionally, and is applied uniformly.
7. A high-quality revenue system is responsive to interstate and international economic competition.
8. A high-quality revenue system minimizes its involvement in spending decisions and makes any such involvement explicit.
9. A high-quality revenue system is accountable to taxpayers.



Property Taxes and Technical College Funding ■ 07.24.14

Principles for next steps (NCSL)

Five principles for “sorting” out state-local responsibilities:

1. Provide the clearest possible separation of responsibility between state and local governments.
2. Assign program responsibility to the lowest possible level of government unless there is an important reason to do otherwise.
3. Consider the fiscal effects of state mandates . . . Assume financing responsibility for costly mandates, allow local discretion in implementing them or repeal them.
4. Assume state responsibility for programs where uniformity or statewide benefits result.
5. Provide state financial assistance to local government that have the lowest capacity to raise their own local revenue.

— *Critical Issues in State-Local Fiscal Policy*, NCSL (1997)



Property Taxes and Technical College Funding ■ 07.24.14



Thank you! Questions?

wistax.org

Over 80 years of independent policy research and citizen education.



wistax Property Taxes and Technical College Funding ■ 07.24.14