Shared Revenue Program
(County and Municipal Aid and Utility Aid)

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Shared Revenue Program
(County and Municipal Aid and Utility Aid)

The state provides general, unrestricted aid to counties and municipalities through several programs. Unlike categorical aid, which must be used for a specific purpose, unrestricted state aid can be used for any activity approved by the local governing body. Typically, the aid is commingled with the local government's other revenues and is not directly tied to any specific function. As such, it supplants other types of revenues that would otherwise be raised to fund the local government's functions.

At times, the programs providing unrestricted aid have been collectively called shared revenue, perhaps because the shared revenue program has been the largest of the programs or because the programs were grouped under a single subchapter of the state statutes entitled shared revenue. Currently, these programs include county and municipal aid, utility aid, expenditure restraint, and state aid for tax exempt property (computer aid). The latter two programs are described in the Legislative Fiscal Bureau's informational paper entitled "Targeted Municipal Aid Programs."

The county and municipal aid and utility aid programs, combined with the expenditure restraint aid program, rank as the sixth largest state general fund program in 2012-13, behind general elementary and secondary school aids, medical assistance, correctional operations, the University of Wisconsin system, and the school levy and first dollar tax credits. The state aid programs are fundamental elements of the state's local finance structure and overall program of property tax relief.

This paper describes the county and municipal aid and utility aid programs in detail and is divided into six sections. They include the programs' funding level, payment schedule, the county and municipal aid distribution formula, the utility aid distribution formula, the shared revenue program prior to 2004, and a historical overview.

Funding Level

Table 1 shows county and municipal aid and utility aid funding levels from 2003 to 2013. During that period, the overall funding trends are largely dictated by reductions in 2004, 2010, and 2012, resulting in a net reduction of 13.9% in total funding over the eleven-year period.

In 2004, funding was reduced by 7.9% from the prior year, as part of a transition from a program providing aid under a four-part formula, to a two-component program consisting of utility aid (one component of the previous formula) and the newly-created county and municipal aid program.

Prior to this transition year, funding for the shared revenue program had been held relatively constant for the previous eight years, since 1995 (not shown in the table). The only exceptions were 1% annual increases provided in 2002 and 2003.

Total funding for the program was reduced by 3.0% in 2010, the net result of a 3.5% reduction in funding for the county and municipal aid program and a 3.8% increase in utility aid. Changes to the utility aid formula in 2009, as well as the construction of new electricity generating facili-

Table 1: County and Municipal Aid and Utility Aid Payments (In Millions)

	Municipalities		Counties		State Totals	
Year	Amount	Change	Amount	Change	Amount	Change
2003	$776.8		$193.5		$970.3	
2004*	719.2	-7.4%	174.3	-9.9%	893.5	-7.9%
2005	719.1	-0.0	174.4	0.1	893.5	0.0
2006	721.4	0.3	176.9	1.4	898.3	0.5
2007	721.9	0.1	177.3	0.2	899.2	0.1
2008	722.1	<0.1	177.5	0.1	899.6	<0.1
2009	731.2	1.3	185.6	4.6	916.9	1.9
2010	708.1	-3.2	181.0	-2.5	889.1	-3.0
2011	710.3	0.3	182.7	0.9	893.0	0.4
2012	665.2	-6.3	155.6	-14.8	820.9	-8.1
2013**	664.9	<0.0	155.3	-0.2	820.2	-0.1
2003 to 2013		-14.4%		-19.7%		-15.5%

Note: Totals may not add due to rounding.
*Consists of utility aid and initial county and municipal aid payments. The aidable revenues, per capita, and minimum/maximum components of the shared revenue program were sunset after the 2003 distributions.
**Estimates by the Department of Revenue in September, 2012.

ties, account for the annual increases since 2004, most notably the 1.9% funding increase in 2009.

In 2012, total funding was reduced by 8.1%, the net effect of a 9.2% decrease in funding for the county and municipal aid program and a 3.8% increase in utility aid.

Shared revenue remains one of the largest programs in state government, in terms of total funding level. However, because of the reductions in 2004, 2010, and 2012, and little or no growth in other years, it has declined in relative size over the past two decades. In 1992-93, shared revenue made up 13.1% of the total general fund budget, but that share (including the targeted aid programs) decreased to 6.3% in 2012-13.

Table 2 provides additional detail on the 2013 state aid distribution by type of local government. Payments under the county and municipal aid program comprise 91.8% of the total distribution. Utility aid comprises a more significant percentage of total payments to counties (21.0%) and towns (17.8%) than for villages (9.8%) and cities (3.4%). Utility aid payments are particularly significant for local governments where large power production plants are located.

Historically, the shared revenue program has been funded with revenues from the state's gen-

Table 2: Distribution of Estimated 2013 County and Municipal Aid and Utility Aid Payments (In Millions)*

Type of Government	County and Municipal Aid	Utility Aid	Total	Percent of Total
Towns	$42.9	$9.3	$52.2	6.4%
Villages	62.4	6.8	69.1	8.4
Cities	525.1	18.4	543.5	66.3
Municipalities	$630.4	$34.4	$664.9	81.1%
Counties	122.6	32.7	155.3	18.9
Total	$753.1	$67.1	$820.2	100.0%

Note: Totals may not add due to rounding.
*Based on the Department of Revenue's September, 2012, estimates of 2013 payments.

eral fund. However, other funding sources have been used recently for the shared revenue and county and municipal aid programs. Most notably, 2009 county and municipal aid program payments also consisted of federal fiscal stabilization funds provided under the American Recovery and Reinvestment Act of 2009 ($76.1 million), funds from the police and fire protection fund (revenues from a phone service surcharge, $46.2 million), and funds from the wireless 911 fund ($20.3 million). Since that year, a portion of payments have continued to be made from the police and fire protection fund (estimated at $54.1 million in 2013), but no additional funding has been provided with federal fiscal stabilization funds or wireless 911 funds.

In addition, since 2003, a portion of total payments to certain governments has been paid in the form of medical assistance reimbursements for emergency medical transportation services provided by those local governments. In 2003 and 2004, these medical assistance program reimbursements totaled $10.0 million, while since 2005, the payments have totaled $5.0 million annually. The effect of the medical assistance supplements is to offset funding that would otherwise be made from the county and municipal aid account (funded from the general fund), and do not alter the amount of payments to any individual government.

Payment Schedule

Payments for both the county and municipal aid and shared revenue programs are made on the fourth Monday in July (15% of the total) and the third Monday in November (85% of the total). The Department of Revenue (DOR) notifies local governments on or before September 15 of their estimated payment for the following calendar year.

County and Municipal Aid -- Distribution Formula

The county and municipal aid program replaced the shared revenue program as the largest local assistance program for municipalities and counties in 2004. For 2003, $981.6 million in aid payments to municipalities and counties were made under the shared revenue ($949.2 million), county mandate relief ($21.2 million), and small municipalities shared revenue ($11.2 million) programs. Except for the utility aid component of the shared revenue program, payments under these three programs ceased after 2003.

Largely in response to budgetary considerations, funding for making 2004 payments under the county and municipal aid program was reduced relative to that for the three programs it replaced in the preceding year. The reductions were applied against base payments that consisted of each municipality's or county's combined payments in 2003 under the shared revenue (except for utility aid), county mandate relief, and small municipalities shared revenue programs. The reductions were allocated among local governments through a two-step procedure. First, reductions totaling $40.0 million were allocated among individual municipalities and counties on a per capita basis. Based on 2003 populations, these reductions equaled $3.64 per person. Second, reductions totaling $50.0 million were allocated among the state's 1,851 municipalities, but not among the state's 72 counties. These reductions also were allocated on a per capita basis, except that the reductions could not exceed 15.7% of a municipality's payment subsequent to the initial ($3.64 per person) reduction. These reductions equaled $12.78 per person for those municipalities subject to the full per capita reduction.

Between 2005 and 2009, each local government was provided a payment equal to the payment that it received in 2004. The total distribution under the county and municipal aid program equaled $859.7 million in each year from 2004 through 2009.

Total payments were reduced by $29.9 million, to $829.8 million, in 2010. For the purpose of calculating payment reductions for individual governments, the total reduction was first allocated between counties and municipalities, as groups, in proportion to the 2009 payments for both types of governments (a reduction of $5.5 million for county payments and $24.4 million for municipal payments). Payment reductions to individual counties and municipalities were then calculated using a two-step process. First, each local government's payment was reduced from the 2009 level in the proportion that the local government's equalized property value was to statewide equalized value. In the second step, this reduction was adjusted to ensure that no individual local government's payment was reduced by more than 15% from the 2009 payment. In order to make this 15% maximum reduction adjustment, an additional payment reduction was made to all of those local governments that had a first-step reduction that fell below the 15% threshold. This additional reduction was allocated among the applicable counties and municipalities on a per capita basis. In 2011, payments to each individual county and municipality were the same as in 2010.

County and municipal aid program payments were reduced by $76.8 million in 2012, to $753.1 million. Of this total, $47.7 million was for municipal aid reductions and $29.1 million was for county aid reductions. For individual municipalities, reductions were based primarily on equalized values, although there was also a population-based component and a maximum reduction component. The factors used to calculate equalized value reductions varied depending upon the size of each municipality, with a higher factor used to calculate the reduction for larger municipalities than for smaller municipalities. For instance, a municipality with a population between 50,000 and 110,000 received a reduction equal to $0.25 times each $1,000 of equalized value, while a municipality with a population between 2,500 and 10,000 received a reduction equal to $0.10 times each $1,000 of equalized value. In total, the formula utilized five such population tiers, although the smallest tier (population under 2,500) did not have a reduction based on equalized value. Since the use of these tiers creates a stair-step effect in reductions (a municipality with a population just below a tier threshold would have an aid reduction significantly smaller than a similarly-valued municipality with a population just above that threshold), a sliding population-based adjustment was added to smooth out these differences. Municipalities with a population under 2,500 only received this population-based reduction.

Following the calculation of these property value- and population-based reductions, the formula applied certain maximum reduction factors. The maximum reduction for any municipality was the lesser of a percentage of the prior year payment (15% for all cities with a population below 110,000 and 25% for all other municipalities) or a property value-based calculation (ranging from $0.35 per $1,000 of value to $0.10 per $1,000 of value, depending upon population tier, with larger rates for larger municipalities).

For counties, the reduction was made on an equal, per-capita basis ($8.76 per person), although the aid reduction for two-thirds of the counties was less than that amount because of a maximum reduction formula component (25% of the prior year payment, or $0.15 per $1,000 of equalized value, whichever was less).

In 2013 and thereafter, each individual county and municipality is to receive the same payment as in 2012, unless changed by subsequent legislation. Therefore, total payments will also remain at the 2012 level of $753.1 million.

Utility Aid -- Distribution Formula

Utility aid is the only remaining component of the state's pre-2004 shared revenue program, which existed from 1976 through 2003. Although some elements of the formula used to allocate utility aid during that period remain in use, a new distribution formula was created in 2003 that allocates most of the aid today. Utility aid is funded from a sum sufficient appropriation from the general fund.

Utility aid compensates local governments for costs they incur in providing services to public utilities. These costs cannot be directly recouped through property taxation since utilities are exempt from local taxation and, instead, are taxed by the state. Aid is limited to three types of qualifying properties owned by public utility companies. These companies include investor-owned and municipally-owned light, heat, and power companies, qualified wholesale electric companies, transmission companies, electric cooperatives, and municipal electric associations. Qualifying utility property includes electric substations, general structures, such as office buildings, and power production plants. Production plants are the major type of qualifying property, and aid calculations on these plants depend on when the plants became operational.

Aid on substations and general structures is computed by applying a mill rate to the net book value of the qualifying utility property and depends on the type of municipality where the qualifying property is located. Payments to cities and villages are computed at a rate of six mills ($6 per $1,000 of net book value), while payments to towns are computed at a rate of three mills. Payments to counties are computed at three mills if the property is located in a city or village or at six mills if the property is located in a town. Therefore, a total rate of nine mills is applied to the value of all qualifying utility property. The value of utility property at a specific site is limited to $125 million.

Prior to 2009, payments for production plants that began operating before 2004 were calculated under the same formula used for substations and general structures, as described above. Since 2009, payments for those production plants have been calculated under a formula where the combined municipal and county payments for the production plant are equal to $2,000 multiplied by the plant's production capacity, measured in megawatts. If the facility is located in a city or village, the municipality receives two-thirds of the payment, and the county receives the remaining one-third. The county receives two-thirds of the payment, and the town receives one-third of the payment, if the facility is located in a town.

If the production plant has a capacity of at least one megawatt and derives energy from an alternative energy resource, the municipality and county each receive an additional $1,000 per megawatt of capacity, so the total state payment for alternative energy production plants is $4,000 per megawatt. Alternative energy resource is defined as a renewable resource or garbage, both as defined under state law, or as nonvegetation-based industrial, commercial, or household waste.

Two payment guarantees were provided in the transition from the mill rate formula to the capacity-based formula. First, if the combined municipal and county payments for a production plant would be greater under the mill rate formula, payments will continue to be calculated using the mill rate formula. However, once the payments for the production plant are higher under the capacity-based formula, payments for the production plant will be made under the capacity-based formula thereafter.

Second, municipalities containing production plants are guaranteed a payment based on the combined aid payments for production plant, substation, and general structure property in the municipality that is no less than the combined aid payments based on the same property's value in 1990, reduced to reflect the value of property no longer in service. This second guarantee is not extended to counties. In 2013, this provision will increase aid payments to two municipalities -- the towns of Anson (Chippewa County) and Wilson (Sheboygan County).

Since 2005, a formula based on the production plant's generating capacity has been used to distribute utility aid to local governments containing production plants that are newly-constructed or repowered and began operating after December 31, 2003. Payments for municipalities and counties containing the qualifying production plants are calculated at the combined rate of $2,000 per megawatt of the plant's name-plate capacity. If the production plant is located in a city or village, the municipality receives two-thirds of the resulting payment, and if the plant is located in a town, the town receives one-third of the resulting payment. The county receives either one-third of the resulting payment if the production plant is located in a city or village or two-thirds of the resulting payment if the production plant is located in a town.

Combined payments under all of the preceding distribution formulas cannot exceed a maximum of $425 per capita for municipalities or $125 per capita for counties. Prior to 2009, the per capita limits were set at $300 for municipalities and $100 for counties.

Also since 2005, incentive aid payments have been made to municipalities and counties that contain qualifying production plants that are newly-constructed or repowered and began operating after December 31, 2003. These payments are excluded from the per capita payment limits, and incentive aid payments can be made under four separate provisions.

First, municipalities and counties each receive aid equal to $600 per megawatt of name-plate capacity if they contain a production plant that is not nuclear-powered and has a name-plate capacity of at least one megawatt, provided that the production plant is built: (a) on the site of, or on a site adjacent to, an existing or decommissioned production plant; (b) on a site purchased by a public utility before January 1, 1980, that was identified in an advance plan as a proposed site for a production plant; or (c) on a brownfield or a site adjacent to a brownfield.

Second, municipalities and counties each receive aid equal to $600 per megawatt of name-plate capacity if the production plant has a name-plate capacity of at least 50 megawatts and is a baseload generating facility. A baseload generating facility is defined as an electric generating facility that has a capacity factor that is greater than 60%, as determined by the Public Service Commission. Capacity factor is defined as the anticipated actual annual output of an electric generating facility expressed as a percentage of the facility's potential output. The Public Service Commission is granted the authority to review the capacity factor of a facility at any time.

Third, municipalities and counties each receive aid equal to $1,000 per megawatt of name-plate capacity if the production plant has a name-plate capacity of at least one megawatt and derives energy from an alternative energy resource. If a production plant fires an alternative energy resource together with another fuel, the number of megawatts eligible for a payment is determined by multiplying the number of megawatts that represents the plant's capacity by a percentage equal to the energy content of the alternative energy resource divided by the total energy content of the alternative energy resource and the other fuel, all as determined in the year prior to the payment.

Finally, municipalities and counties each receive aid equal to $1,000 per megawatt of nameplate capacity if the production plant has a nameplate capacity of at least one megawatt and the facility is a cogeneration production plant, defined as an electric generating facility that produces electricity and another form of thermal energy, including heat or steam, that is used for industrial, commercial, heating, or cooling purposes. Municipalities and counties receiving a payment for a cogeneration plant cannot also receive a payment for a facility that derives energy from an alternative energy resource.

Payments are extended to municipalities and counties containing production plants that were previously exempt from general property taxes and are decommissioned. Municipal and county payments equal a percentage of the aid that was paid for the plant in the last year the plant was exempt from general property taxes less the amount of property taxes paid on the plant for municipal or county purposes in the current year. The percentages decline from 100% in the first year the plant is taxable, to 80% in the second year the plant is taxable, to 60% in the third year the plant is taxable, to 40% in the fourth year the plant is taxable, and to 20% in the fifth year the plant is taxable.

Each municipality and county where spent nuclear fuel is stored receives an annual payment of $50,000. Currently, the state contains three storage sites located at current or former production plants, so, payments under this distribution total $300,000 annually, with half distributed to counties and the other half allocated to municipalities. Payment recipients include: the Town of Carlton and Kewaunee County; the Town of Two Creeks and Manitowoc County; and the Town of Genoa, the Village of Genoa, and Vernon County.

If the storage facility is located within one mile of the municipality's boundary with another municipality, the municipal payment is divided. Since 1996, this provision has divided a nuclear storage payment between the Town of Genoa ($10,000) and the Village of Genoa ($40,000), where Dairyland Power Cooperative's La Crosse Boiling Water Reactor is located. Dairyland discontinued generating operations at this facility in 1987, and the spent nuclear fuel was kept in "wet" storage in the Village. In 2012, Dairyland moved the spent nuclear fuel to "dry" storage, at a site in the Town. This will affect the division of payments beginning in 2013.

Capacity-based aid payments for production plants in service before 2004 did not replace payments under the mill rate formula until 2009, so 2008 was the last year before the new payment procedure took effect. In 2008, utility aid payments totaled $39.9 million and were comprised of payments of $19.6 million to municipalities and $20.3 million to counties. These payments included $33.4 million in aid under the nine-mill formula, $0.3 million under the nuclear storage distribution, $4.5 million in capacity aid, and $1.7 million in incentive aid. Those payments increased to $57.2 million in 2009, $59.3 million in 2010, $63.2 million in 2011, and $67.8 million in 2012. DOR has estimated total payments in 2013 of $67.1 million, including $24.3 million under the nine-mill formula, $33.3 million as basic capacity aid, $9.2 million as incentive aid, and $0.3 million as nuclear storage aid. The increases in basic capacity and incentive aid are due both to the change in distribution formulas and to payments for new production plants that began operating since 2007. Estimated 2013 utility aid payments under the combined distributions include $34.4 million for municipalities and $32.7 million for counties.

Shared Revenue Program Prior to 2004

The following material provides a general description of the aidable revenues, per capita, and minimum guarantee/maximum growth components of the shared revenue program, which were in effect prior to 2004. Since payments under the county and municipal aid program are based, in part, on 2003 shared revenue payments, the distributional effect of these formulas still is present to a certain degree in the current aid payments.

Aidable Revenues Component

Aidable revenues was the dominant component of the pre-2004 shared revenue program. It was based on the principle of tax base equalization and allocated state aid to counties and municipalities to offset variances in taxable property wealth. Entitlements were calculated using two factors: (1) net local revenue effort; and (2) per capita property wealth. The higher a local government's net revenue effort and the lower its per capita property wealth, the greater was the local government's aidable revenues entitlement.

A local government's net revenue effort was measured by its level of "aidable revenues." This equaled 100% of the three-year average of "local purpose revenue" for municipalities and 85% of this average for counties. Local purpose revenue was defined to include the local property tax (exclusive of school and other levies) and other local revenues that were substitutable for the property tax. Per capita property wealth equaled the local government's adjusted property value (total taxable value minus manufacturing real estate value plus exempt computer value) divided by its population.

Aidable revenues entitlements were determined by first comparing each local government's per capita adjusted property value to a standard valuation. The proportion of the standard valuation that a local government lacked determined the percentage of aidable revenues to be reimbursed to the local government.

A local government with a per capita adjusted value equal to 67% of the "standard" and lacking 33% would generate an entitlement equal to 33% of its aidable revenues. Similarly, a local government with a per capita adjusted value equal to 91% of the standard and lacking 9% would generate an entitlement equal to 9% of its aidable revenues. Local governments with per capita adjusted values in excess of the standard were not eligible for aidable revenues entitlements.

The standard valuation was not fixed, but "floated" each year to a level that generated aidable revenues entitlements equal to the total amount of available funds.

Per Capita Component

The per capita component provided a more broad-based aid distribution than aidable revenues. Rather than providing aid to jurisdictions with specific characteristics, the per capita component distributed aid on a universal basis. Without any adjustment for property wealth, expenditure needs, tax rate, or other factors, each city, town, and village received the same municipal per capita payment. Counties were not always eligible to receive per capita payments. However, between 1994 and 2003, payments were distributed to counties on a per capita basis through the county mandate relief program. These payments were funded through a separate appropriation, rather than through the shared revenue appropriation.

Minimum Guarantee and Maximum Growth Components

The minimum guarantee and maximum growth components served to prevent large decreases or increases in payments from occurring in a short period of time. The calculations for the minimum and maximum components excluded the distributions under the utility aid and county per capita (mandate relief) components.

The minimum guarantee ensured that a local government received a shared revenue payment that was equal to at least 95% of the prior year's payment. Thus, payments did not decline by more than 5% a year.

Minimum guarantee payments were internally funded by a floating maximum growth limit. Entitlement amounts for a local government in excess of the maximum limit were "skimmed off" to provide revenues for minimum guarantee payments. Each year, the maximum growth limit was set at a level that generated the exact amount needed for minimum guarantee payments. As under the minimum guarantee, the base for comparison was the prior year shared revenue amount, exclusive of the utility aid and county mandate relief components.

Historical Overview

Wisconsin's practice of sharing state taxes with local governments dates back to 1911 when a share of the new state income tax was earmarked for local governments to compensate them for property tax exemptions that were enacted at the same time. Initially, the state employed a "return to origin" shared tax system. Through a number of law changes in the early 1970s, the shared revenue program evolved in place of that system.

Return to Origin, 1911 - 1971

Prior to 1972, state aid was distributed to counties and municipalities on a "return to origin" basis. Enactment of the individual and corporate income tax in 1911 was accompanied by the elimination of the property tax on intangible personal property, household goods, and farm equipment. To compensate local governments for the reduction in tax base, 90% of the income tax collections were distributed to the counties (20%) and municipalities (70%) in which the tax was assessed. As the state's services became more diverse, the percentage of taxes retained by the state increased, and the local percentages decreased. In addition, the state's revenue sources were expanded, and local revenue sharing provisions sometimes accompanied the expansion. For example, a motor vehicle registration fee increase was enacted in 1931. Simultaneously, motor vehicles were exempted from the property tax, and a portion of the state's registration revenues was allocated to municipalities based, in part, on the property tax revenues collected on motor vehicles in a prior year. By 1971, tax sharing provisions had been extended to the state's tax on railroads and utilities, the liquor tax, the inheritance tax, and the tax on fire insurance premiums.

Shared Taxes, 1972 - 1975

In 1971, the return-to-origin based distribution was repealed. Varying percentages of several state tax collections continued to be dedicated for local government, but the amounts were deposited in a municipal and county shared taxes account and distributed to local governments under a "needs-based" allocation, beginning in 1972. Allocations to individual local governments were based on four components: per capita; utilities; percentage of excess levies; and minimum guarantee.

Under the per capita component, combined payments of $35 per person were made to each municipality and county based on the municipality's estimated population. Of this total, five-sixths was distributed to the municipality, and the overlying county received one-sixth. Under the utility component, municipalities and counties received payments based on a statutory mill rate multiplied by the estimated value, less depreciation, of production plants and general structures owned or leased by light, heat, and power companies and electric cooperatives and of all pipeline property used by a pipeline company. (Pipeline property was removed from the utility aid distribution after 1975.) Under the percentage of excess levies component, municipalities with average property tax rates for all purposes that exceeded 17 mills over the three preceding years were eligible for payments. Payments for these municipalities were based on their average rates in excess of 17 mills multiplied by their equalized value, prorated to distribute all of the remaining funding after the per capita and utility allocations. Each eligible municipality's allocation was reduced by 16.25%, with the amount of the reduction being distributed to the overlying county. Under the minimum component, a municipality received a payment if its combined shared revenue and property tax credit payments were less than 90% of the combined payments in the prior year. The minimum payment was set equal to the deficiency, but the combined shared revenue and tax credit payments were limited to no more than $600 per capita.

Shared Revenue, 1976 - 2003

The 1971 distribution system was short-lived and succeeded by another four-component distribution that took effect in 1976. The per capita, utility, and minimum components were retained but modified, and the percentage of excess levies component was replaced by the aidable revenues component. In 1977, the program was renamed "shared revenue" from "shared taxes" to reflect that the dedication of specified percentages of various state taxes had been eliminated. Instead, a shared revenue appropriation was created and changes in the appropriation's funding level were tied to changes in total state general fund tax collections.

The aidable revenues component utilized a distribution formula based on the principle of tax base equalization and allocated state aid to municipalities and counties to offset variances in taxable wealth. Entitlements were calculated using two factors: (1) per capita property values; and (2) net local revenue effort. The lower a local government's per capita property value and the higher its net revenue effort, the greater was the local government's aidable revenues entitlement. The objective of this policy was to allow all counties and municipalities to finance minimum levels of public services, regardless of their ability to finance those services through their property tax base.

Under the 1972-1975 distributions, the per capita component allocated more than half of the total distribution. Soon after the formula changes that took effect in 1976 (Chapter 39, Laws of 1975), aidable revenues became the program's dominant component. By 1979, aidable revenues comprised more than half of the total shared revenue distribution, and by 1980, the aidable revenues share had risen to 80%.

Two factors were largely responsible for this shift. First, the 1975 law change provided for automatic increases in total shared revenue funding, but "froze" the per capita distribution at $185 million (counties were excluded from the per capita distribution beginning in 1982, with the municipal per capita distribution being set at $142.7 million thereafter). This resulted in most of the funding growth being distributed under the aidable revenues component.

Second, funding for two separate state aid programs was incorporated into the shared revenue appropriation in 1981 and 1982. Manufacturers' machinery and equipment (M&E) was exempted from the property tax in 1974, and the taxation of farmers' livestock, merchants' stock-in-trade, and manufacturers' materials and finished products (the "three stocks") was phased out between 1977 and 1981. For both types of property, the Legislature created compensating aid programs for counties and municipalities. Separate aid payments were provided for M&E from 1975 until 1981 and for the three stocks from 1978 to 1980. During these periods, the aidable revenues formula was used to distribute a portion of the M&E aid and all of the three stocks aid. When funding from the two programs was incorporated into the shared revenue program in 1981 and 1982, the additional funding was distributed under the aidable revenues component. The incorporation of these aid programs into the shared revenue program is also noteworthy because it demonstrates that the shared revenue program continued to be used for the same purpose as the original shared tax program -- compensating local governments for tax base lost through legislative action.

As noted above, the 1972 formula changes included a minimum guarantee equal to 90% of each local government's prior year payment, which was intended to ease the transition to the new distribution. The guarantee was retained in 1976 when the aidable revenues component replaced the percentage of excess levies distribution, but the guarantee was scheduled to expire after the 1981 payments. However, the Legislature retained the 90% minimum guarantee effective with 1982 payments and funded those payments by limiting payment increases to those counties and municipalities that were scheduled to receive the largest percentage gains. The maximum percentage increase changed each year so that it "skimmed" payment increases by an amount that equaled the total amount of minimum payments. Subsequently, 1985 Act 29 increased the minimum guarantee from 90% to 95%, effective with payments in 1986. At the 90% level, local governments were more likely to receive minimum payments on a temporary basis. However, the 95% guarantee resulted in many local governments receiving minimum payments on an ongoing basis. Because minimum payments were funded by limiting payment increases to other local governments, the shared revenue program's ability to redistribute funds to the "neediest" local governments was impaired. This ran counter to the primary policy objective of the shared revenue program -- tax base equalization.

For 1972 to 1977, state aids for counties and municipalities were funded from the shared tax account, in which various percentages of certain enumerated state tax collections were deposited. This mechanism connected those state aid distributions with the original shared tax distributions where local property tax revenues were supplanted with state tax revenues. Legislation in 1977 replaced the shared tax account with the shared revenue account. While this legislation appropriated specific amounts for distribution in 1977 and 1978, the legislation specified that the amounts available for distribution in future years were to increase at the same rate as the percentage increase in state "general fund tax revenue," but no more than 12% and no less than 5%. This mechanism maintained the connection to the original shared tax account. However, the 1977 funding mechanism was never actually employed. Between 1979 and 1986, shared revenue distribution amounts were legislated, although in some years the distribution amounts were set at the funding level that would have resulted in the absence of certain law changes. For example, the distribution levels for 1979 and 1980 were set so as to offset the effects of the state tax reductions legislated in 1979-80. The automatic shared revenue funding mechanism was eliminated by 1985 Wisconsin Act 120, and since 1987, state aid funding levels for counties and municipalities have been legislated.

County and Municipal Aid, 2004 and Thereafter

Provisions in 2001 Wisconsin Act 109 discontinued distributions under the shared revenue program's aidable revenues, per capita, and minimum guarantee/maximum growth components, effective after payments in 2003. Distributions under the county mandate relief and small municipalities shared revenue programs were discontinued at the same time. As a result, payments are now made only under the program's pre-2004 utility aid component although that formula has been modified for some types of utility property.

Payments made under the other three components of the shared revenue program (as well as the other eliminated programs) were replaced with payments under the county and municipal aid program in 2004. The statutes authorize payments to counties and municipalities funded from an appropriation entitled the "county and municipal aid account." Each county and municipality received a payment in 2004 based on the sum of its payments in 2003 under the shared revenue (except for utility aid), county mandate relief, and small municipalities shared revenue programs. Payments equaled the 2003 amounts, reduced on a per capita basis, so that the sum of all reductions equaled $40 million. Based on the state's 2003 population, a per capita reduction rate of $3.64 was calculated. Payments to municipalities were subject to a second per capita based reduction, such that the sum of all reductions equaled $50 million. However, those reductions could not exceed 15.7% of the amounts remaining after the $3.64 per capita reduction. The $50 million reduction resulted in a reduction rate of $12.78 per person for those municipalities subject to the full per capita reduction. Total reductions of $90 million were applied. Between 2004 and 2009, each county and municipality received a county and municipal aid payment that was identical to the amount it received in the transition year and, therefore, any variations in aid payments were the result of changes to its utility aid payments, if applicable.

In 2010, total funding for the county and municipal aid program was reduced again, by a total of $29.9 million. Reductions to individual counties and municipalities were based, primarily, on each unit of government's relative share of statewide equalized property values, although adjustments were made to ensure that no local government would receive a reduction of greater than 15%. County and municipal aid program payments in 2011 were equal to 2010 payments.

In 2012, total funding for the county and municipal aid program was reduced further, by $76.8 million. Reductions to individual municipalities were generally based on equalized property values, although the factors used to calculate the reductions were larger for municipalities with greater populations. Counties received a reduction based on a per capita calculation. Reductions to both municipalities and counties were subject to maximum reduction factors, based either on a percentage of prior year payments or an equalized value factor. County and municipal aid payments in 2013 and subsequent years (unless changed by subsequent legislation), will be equal to 2012 payments.

Related Events, 1987 - 2003

Shared revenue was distributed to all counties and municipalities, so funding increases benefited a wide range of local governments. During the 1990s, three targeted aid programs were created that benefited a smaller number of governments.

The tax rate disparity program was created by 1989 Wisconsin Act 336, and the program's first payments were made in 1991. The program was renamed expenditure restraint in 1994. Although the eligibility criteria changed somewhat in the transition, the program's distribution has been based on the excess levies concept, where qualifying municipalities' local purpose tax rates in excess of a "standard" tax rate are used to calculate payments. To qualify for payments, municipalities must have a local purpose tax rate above the standard rate and must limit the year-to-year increase in their spending to a percentage determined by a statutory formula. Of the state's 1,851 municipalities, the number of payment recipients has ranged from 155 in 1991 to 315 in 1997. The majority of the payment amounts have been distributed to large cities.

The small municipalities shared revenue program was created by 1991 Wisconsin Act 39, but did not receive funding until 1994. Aid was distributed to small municipalities with a local purpose tax rate of at least one mill, and payments were based on a per capita distribution that employed a tax base measure that had some equalizing properties. The number of recipients ranged from 1,142 in 1994 to 773 in 2003. By definition, the aid was targeted to small municipalities, with populations of 5,000 or less and a full value of $40 million or less. This program was discontinued following the 2003 payments, although those payment amounts were included in the base for calculating 2004 county and municipal aid payments.

The county mandate relief program was created in 1993, and the program's first payments were made in 1994. Aid was distributed on a per capita basis to each of the state's 72 counties. Previously, counties had received a per capita allocation under the shared revenue program until 1982. Although named mandate relief, the program was not tied to any specific state mandate. This program was discontinued following the 2003 payments, although those payment amounts were included in the base for calculating 2004 county and municipal aid payments.

Between 1991 and 2003, these targeted state aid payments increased from $25.0 million to $90.5 million, or by 262%. Over the same period, the shared revenue appropriation increased from $869.0 million to $949.2 million, or by 9%. From 1995 until 2001, funding for the shared revenue appropriation remained unchanged at $930.5 million.