



## Fiscal Estimate Narratives

DOR 3/11/2004

LRB Number	<b>03-4377/1</b>	Introduction Number	<b>AB-924</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Municipal aid payments					

### Assumptions Used in Arriving at Fiscal Estimate

#### CURRENT LAW

Payments to municipalities in 2004, 2005, and thereafter under the county and municipal aid program reflect payments made under the prior shared revenue program, as follows:

In 2001, municipal aid payments consisted of a per capita payment, a utility payment, an aidable revenues payment, a minimum-maximum adjustment, a small municipal payment, and an expenditure restraint payment.

In 2002 and 2003, the formulas for the small municipal and expenditure restraint payments continued to operate. However, the formulas distributing the per capita, utility, aidable revenues, and minimum-maximum adjustment parts of the formula were suspended. Payments to each municipality under these four components were increased by 1% from the 2001 payment.

In 2004, the formula for expenditure restraint payments continued to operate. Payments under the utility formula was reinstated. A "base payment" was calculated equal to total payments in 2003 minus the expenditure restraint payment and what the utility payment would have been if the formula had operated. From this "base payment", two amounts were subtracted: (1) an initial reduction of about \$3.64 per capita (total of \$20 million), and (2) an additional reduction of 15.68513% or \$12.78 per capita, whichever was less (total of \$50 million).

In 2005 and thereafter, the expenditure restraint payment continues to operate. The remainder of the county and municipal aid payment would equal the amount paid in 2004.

#### PROPOSED LAW

Under the bill, the "base payment" for an eligible municipality would equal the total payment in 2003 minus the expenditure restraint payment only. By increasing the "base payment", the bill would increase aid payments to affected municipalities. Any increase in payments would be funded by a proportional payment decrease to all non-eligible municipalities. The revised payment would also form the base for payments in 2005 and thereafter.

A municipality is eligible for this treatment if (a) the utility payment was less than 25% of its total payment (excluding expenditure restraint payments) and (b) the utility payment was more than 75% of its 2004 payment (excluding expenditure restraint payments) under current law.

The bill would increase shared revenue payments in 2004 to two municipalities: the Town of Quincy in Adams County (\$20,660) and the Village of Combined Locks in Outagamie County (\$262,177). The \$282,837 of payments to these two municipalities would be funded by reducing payments to all other municipalities by about 0.04%.

### Long-Range Fiscal Implications