



## Fiscal Estimate Narratives

DOR 3/2/2010

LRB Number	09-3669/2	Introduction Number	SB-532	Estimate Type	Original
<b>Description</b> Additional municipal aid payments based on the amount of all municipal aid payments compared to total general fund expenditures and on regional factors and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a new aid payment for municipalities called the "Regional Development Incentive" (RDI). The first RDI payments would be distributed in 2014 (FY15).

As illustrated in the attached map, the bill divides the state into 8 regions consisting of the following counties: (1) Forest, Iron, Langlade, Lincoln, Oneida, and Vilas; (2) Buffalo, Crawford, Jackson, Juneau, La Crosse, Monroe, Richland, Trempealeau, and Vernon; (3) Columbia, Dane, Dodge, Grant, Green, Iowa, Jefferson, Lafayette, Rock, and Sauk; (4) Chippewa, Dunn, Eau Claire, Pepin, Pierce, Polk, and St. Croix; (5) Brown, Calumet, Door, Florence, Fond du Lac, Green Lake, Kewaunee, Manitowoc, Marinette, Marquette, Menominee, Oconto, Outagamie, Shawano, Sheboygan, Waupaca, Waushara, and Winnebago; (6) Adams, Marathon, Portage, and Wood; (7) Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington, and Waukesha; (8) Ashland, Barron, Bayfield, Burnett, Clark, Douglas, Pierce, Rusk, Sawyer, Taylor, and Washburn.

The total of RDI payments plus county and municipal aid payments in a given year equals total of RDI payments plus county and municipal aid payments in the prior year multiplied by ratio of "Total Expenditures" under sec. 20.005 (1) (essentially, total GPR Expenditures) as published in the biennial budget for the current year (the year notices of the following calendar year's shared revenue payments are sent) and the prior fiscal year. For example, the total of RDI payments and county and municipal aid payments in 2014 (notices to be sent on September 15, 2013) would equal the RDI payment in 2013 (zero, since the first payment is in 2014) plus county and municipal aid payments in 2013 multiplied by the ratio of "Total Expenditures" for FY 2014 (the fiscal year in which the notices are sent) to "Total Expenditures" for FY 2013. The total RDI payment equals the difference between the total payments in 2014 and 2013.

The RDI consists of two separate payments, as described below.

**Payment One:** 75% of the RDI funds would be distributed to municipalities with a municipal-purpose equalized value property tax rate of more than 1 mill for the year before the year of the estimate (for 2014 payments, the 2011/12 tax rate). Eligible municipalities would share the amount available based on the ratio of their weighted population to the state total weighted population for all qualifying municipalities. A municipality's weighted population equals its population multiplied by the average of (a) the state average adjusted gross income per capita divided by the municipality's adjusted gross income per capita, and (b) the state average equalized per capita value divided by the municipality's equalized value per capita. (For payments in 2014, population, income, and equalized value data for 2011 would be used).

**Payment Two:** 25% of the RDI funds would be distributed among the 8 regions noted above based on each region's share of state-wide growth in personal income (using data from the U. S. Department of Commerce, Bureau of Economic Analysis) for the two most recent years for which data are available. Eligible municipalities in a region would share the amount available based on the ratio of their weighted population to the region's total weighted population for all qualifying municipalities. A municipality's weighted population equals its population multiplied by the average of (a) the region's average adjusted gross income per capita divided by the municipality's adjusted gross income per capita, plus (b) the region's average equalized per capita value divided by the municipality's equalized value per capita. (For payments in 2014, population, income, and equalized value data for 2011 would be used). For payment purposes, a municipality in two or more regions is assigned to the region in which over 50% of its equalized value is located.

The sum of the two RDI payments for any individual municipality may not increase over the sum of the prior year's RDI payments by a percentage that exceeds two times the percentage increase in "Total Expenditures" used when the RDI allocation was calculated. Any resultant reductions in RDI payments are to be distributed among non-capped municipalities in proportion to their RDI payments.

The actual amount that could be distributed under the bill in 2014 can not be determined at this time since the amount would be based on "total expenditures" for FY14 and FY13, which have not yet been determined. In addition, projections of RDI payments for individual municipalities would be speculative because personal income, per capita equalized value, and per capita income can change, sometimes greatly, from year to year. In addition, whether or not revenue limits are still in place, the number of municipalities whose tax rate is more than 1 mill, and thereby qualify for a RDI payment, will also vary from year to year.

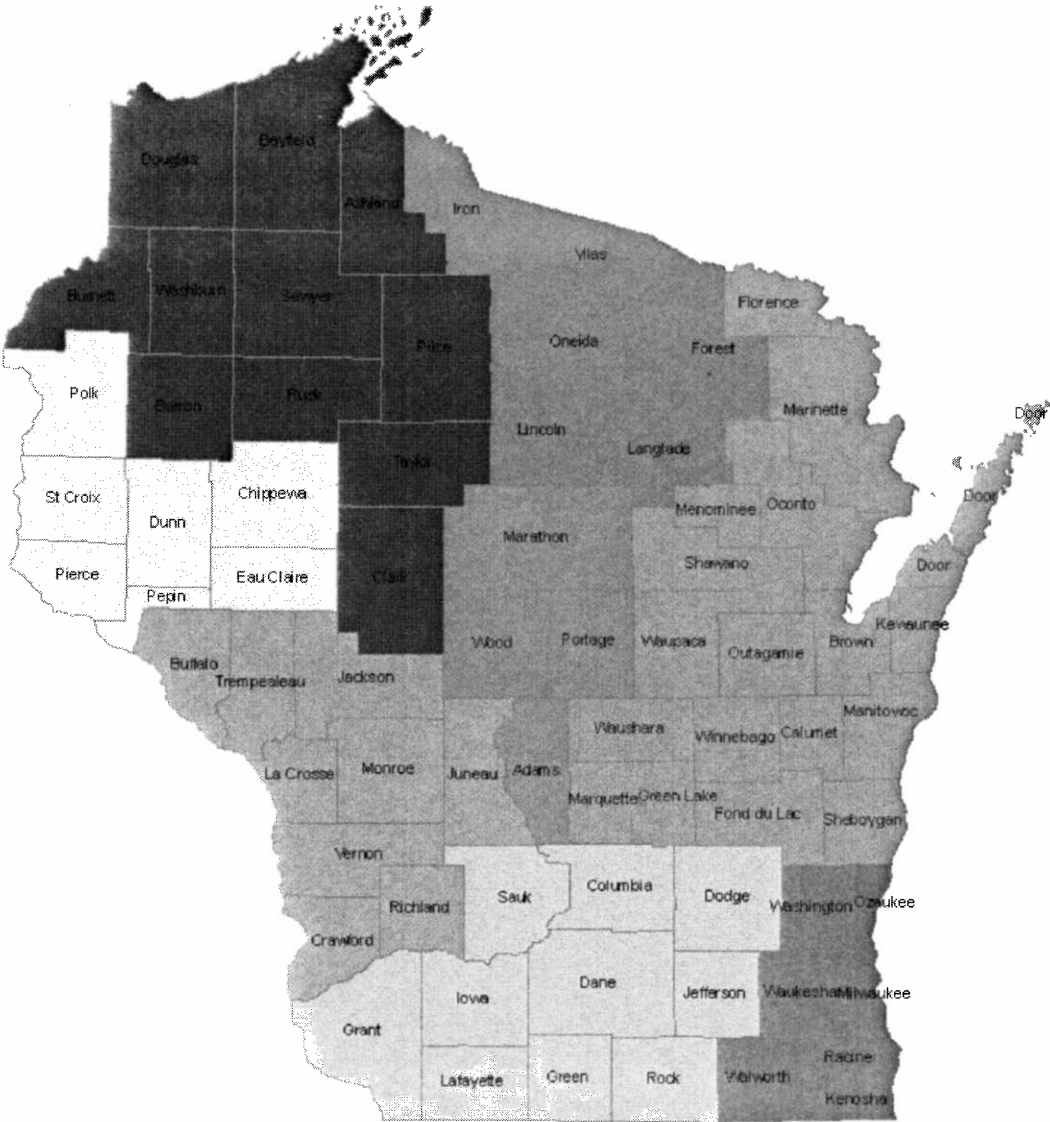
It is, however, possible to make certain observations about the general fiscal effects of the bill. For individual municipalities, the population weightings would result in more aid being paid to places with less than average per capita income and less than average per capita equalized values.

If this formula had gone into effect in 2011 (with notices sent to municipalities on September 15, 2010 – a FY 11 event), the RDI payment would have been as follows: Municipal aid for 2010 will be \$678,089,570. "Total expenditures" under the bill for purposes of calculating the total RDI payment are \$13,987,998,300 for FY11 and \$13,413,205,600 for FY10, for an increase of 3.987061%. The amount available for the RDI payment would therefore be \$27,035,845, ( $\$678,089,570 \times 3.987061\%$ ), of which \$20,276,884 would be distributed on the state-wide formula and \$6,758,961 would be distributed on the region-based formula.

The Department of Revenue will incur one-time costs to develop a new program to calculate payments under the revised formula. These costs can be absorbed within available resources.

### **Long-Range Fiscal Implications**

# SB 532 REGIONS



## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Additional municipal aid payments based on the amount of all municipal aid payments compared to total general fund expenditures and on regional factors and making an appropriation			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$see text	\$
NET CHANGE IN REVENUE		\$	\$see text
<b>Agency/Prepared By</b>			
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		Paul Ziegler (608) 266-5773	
			<b>Date</b>
			3/2/2010