

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-1969/1	Introduction Number AB-0256
Description increasing county and municipal aid payments and making an appropriation	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input checked="" type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input checked="" type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS	
Agency/Prepared By DOR/ Craig Steinfeldt (608) 266-5705	Authorized Signature Cari Redington (608) 266-2943
Date 5/19/2023	

Fiscal Estimate Narratives

DOR 5/19/2023

LRB Number	23-1969/1	Introduction Number	AB-0256	Estimate Type	Original
Description increasing county and municipal aid payments and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a trust fund designated as the local government aid fund that consist of moneys transferred each fiscal year from the general fund. The bill makes several changes related to shared revenue programs and the personal property tax.

Local Government Aid Fund

Under the bill, in fiscal year 2025, the amount transferred is equal to 20 percent of the amount of sales and use tax revenues, and in subsequent fiscal years specific aid payments will increase by the percentage increase in the amount of sales and use tax revenue from the previous fiscal year to the current fiscal year.

Based on the latest revenue estimates, FY 2025 sales tax revenues are estimated at \$7.78 billion and would generate \$1,556.00 million for the Local Government Aid fund. Future year transfers would be based on changes in sales tax revenue. Generally, sales tax revenues are resilient with the only notable decline occurring with the 2008 financial crisis. As detailed in the fiscal estimate, the department estimates total local government fund costs at \$1,563.61 million with a projected deficit of \$7.60 million. Under the bill, the public utility aid payment would be made before other payments. If the amount remaining after the public utility aid payment is insufficient, then payments for county and municipal aid, per capita deficiency, and the additional county and municipal aid payment would be made in proportion to the amount owed and the total remaining amount available for distribution.

In 2024, counties and municipalities will receive a county and municipal aid payment equal to the amount of the payment received by the county or municipality in 2012, and in subsequent years, each payment will increase by the percentage increase in the amount of sales and use tax revenue. Under current law, counties and municipalities receive \$753.08 million in County and Municipal Aid payments.

The bill also creates a segregated fund appropriations within the local government aid fund for the following payments: expenditure restraint program, public utility aid; exempt computer aid; personal property aid; non-manufacturing machinery, tools, and patterns; and video service fee aid. The current law GPR appropriations are repealed under the bill. The estimated costs for these appropriations are the following: \$58.15 million for the expenditure restraint program, \$97.63 million for exempt computer aid, \$75.62 million for personal property aid (MTP), \$10.0 million video service provider aid, and \$94.32 million (FY 2025) for public utility aid. The estimate for public utility aid is based on proposed power generation projects and estimated completion dates. The actual costs could vary because of labor or material delays, and when a utility reports the new generation facility.

Per Capita Deficiency Payments

The bill requires the Department of Revenue to distribute a per capita deficiency aid payment to certain towns, cities, villages, and counties. The total amount available to be distributed as per capita deficiency aid payments will increase each year by the percentage increase in the amount of sales and use tax revenue. Each county and municipality will receive an additional aid payment equal to 10 percent of the per capita deficiency and the county and municipal aid payments to uses for hiring, training, and retaining law enforcement officers, members of a paid fire department, and emergency medical responders and for local highways.

Under the bill, the department shall distribute the per capita deficiency payments to maximize across all towns, cities and villages, and counties the minimum per capita amount of total payments received. In FY 2025, the bill distributes \$65,000,000 to towns, \$75,000,000 to cities and villages, and \$57,500,000 for counties. The bill does not include a formula to allocate the funds, but one method used by the department results in the following per capita averages by group based on combined county and municipal aid and deficiency payments: \$71.03 for towns, \$184.58 for villages and cities, and \$32.77 for counties.

The additional aid payment would result in estimated total payments of \$95.06 million. Of the total, towns receive \$10.68 million (\$7 per capita), villages and cities \$66.36 million (\$18 per capita), and counties \$18.01 million (\$3 per capita).

Personal Property Tax Repeal

The bill appropriates funds if personal property taxes are repealed during the 2023-24 legislative session. For 2022, statewide personal property less buildings on leased land totaled \$ 9,453,873,500, and the department estimates the personal property aid payment at \$173.84 million.

Police and Fire Fund

The bill repeals the appropriation from the Police and Fire Fund that provides funds for county and municipal aid payments. In FY 2025, the appropriation is estimated to provide \$39.70 million for county and municipal aid payments. Under the bill, the SEG appropriation would decrease by \$39.70 million.

Medical Assistance Payments

The bill also eliminates the transportation funding for medical provided by the Medical Assistance program to local governments. Under current, local governments receive \$5.0 million for transportation funding. There is no local fiscal effect with this provision as the medical assistance payments are deducted from shared revenue payments.

General Fund Transfer

The bill provides an \$8,000,000 transfer from the local government aid fund to the transportation fund each year. The \$8,000,000 transfer reimburses the transportation fund for lost railroad tax revenue due to the repeal of personal property taxes.

Administrative Costs

The department cannot absorb ongoing administrative costs at \$1,314,000 for computer programming changes, and annual costs of \$81,900, along with 1.00 FTE in position authority, for calculating aid payments, new auditing tasks to monitor police, fire, and emergency medical expenses, and additional time requirements to complete letters, notices, and forms.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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Description increasing county and municipal aid payments and making an appropriation			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$1,314,000			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$81,900		\$
(FTE Position Changes)	(1.0 FTE)		
State Operations - Other Costs			
Local Assistance	1,563,614,200		-1,563,614,200
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$1,563,696,100		\$-1,563,614,200
B. State Costs by Source of Funds			
GPR	81,900		-1,563,614,200
FED			
PRO/PRS			
SEG/SEG-S	1,563,614,200		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$81,900		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Craig Steinfeldt (608) 266-5705		Cari Redington (608) 266-2943	5/19/2023