



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #827

Use of Census Figures in Shared Revenue and Mandate Relief Calculations (Shared Revenue and Tax Relief -- Direct Aid Payments)

CURRENT LAW

The shared revenue program is comprised of two separate distributions and funding levels -- one for municipalities and one for counties. Payments are calculated under a formula that consists of four components: (1) aidable revenues; (2) per capita; (3) public utility; and (4) minimum guarantee/maximum growth. County mandate relief payments are made to each county on a per capita basis.

Although shared revenue payments are calculated relative to a specific year, the payment procedure extends over three years. In the first year, DOR estimates the amount of shared revenue that will be paid to each municipality and county in the succeeding year and notifies local governments of those amounts by September 15. In the second year, DOR refines the data used in the estimates and makes the actual payments to municipalities and counties in July and November. In the third year, corrections to the actual payments are made. These occur as adjustments to the succeeding year's payment. Corrections are most often due to changes in the data elements used to calculate payments.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Population is one of the data elements used in the per capita and aidable revenues distribution formulas and the county mandate relief formula. Generally, the population figures are

estimates compiled by DOA from demographic data. However, in the year following a U.S. decennial census, state law instructs DOA to adjust the population estimates from the prior year "to correspond to the final federal decennial census results...."

2. In October, 2000, DOA estimated Wisconsin's population at 5,310,406. In April, 2001, the U.S. Department of Commerce released preliminary census figures, which indicate that Wisconsin's 2000 population was 5,363,675. The DOA estimate differed from the census figure by less than 1%. However, relative to the census amounts, DOA's estimates overstated populations in 753 municipalities and 18 counties and understated populations in 1,082 municipalities and 53 counties. The two population figures were identical for 15 municipalities and one county.

3. In September, 2000, DOR estimated each municipality's and county's shared revenue payment and each county's mandate relief payment for 2001. Local governments use DOR's estimates to assist in setting their budgets for the coming year. The DOR estimates were based, in part, on DOA's population estimates, prior to any reconciliation with the census results. When DOR incorporates the population figures that DOA has reconciled with the census amounts, actual shared revenue and mandate relief payments will vary from DOR's estimates of last year. Some variation between estimated and actual payment amounts occurs each year, but payment changes will be more significant for some local governments this year due to the use of the census figures.

4. Municipalities and counties set their 2001 budgets last fall. In general, state law prohibits local governments from changing their budgets after adoption, except by two-thirds vote of the entire membership of the municipality's or county's governing body. In instances where population changes cause shared revenue amounts to be higher than estimated, local governing bodies could amend their budgets to expend the additional funds. In instances where payments are lower than the estimates and the shared revenue reduction cannot be supplanted with other funds, local governing bodies may find it necessary to amend their budgets by reducing budgeted expenditures.

5. DOA is reluctant to reconcile its population estimates with the census figures because a number of errors in the census figures have been discovered. For example, over 800 students in a Concordia College dormitory were counted as residents of the Town of Fredonia, rather than of the City of Mequon. Also, over 1,000 inmates at the Oxford federal penitentiary were counted as residents of Marquette County, rather than of Adams County. Although not all errors are as sizable, DOA indicates that there are about 100 communities where the census amount may be in error. The U.S. Department of Commerce is establishing a procedure to resolve questions and complaints, but that procedure will not officially commence until June 30, 2001, and is scheduled to continue until some time in 2003. DOA indicates that the U.S. Department of Commerce may release all of the modifications at once, rather than release individual modifications as they are resolved. Based on this schedule, DOA believes that it will be unable to revise its population estimates by the August 1 date specified in state law, unless the Department uses figures that are still in question. Because the shared revenue program is based on interactive formulas, changing the population of one local government can affect the payments for all local governments.

6. The 1991-93 biennial budget contained a provision that delayed the shared revenue formula's use of population figures from the 1990 decennial census. Under the provision, 1991 actual payments were calculated using DOA's population estimates that had been used to calculate the 1991 payment estimates in September, 1990. Subsequently, DOA incorporated the Census figures into its population estimates, and the 1991 payments were corrected in 1992. As a result, the actual payments that were made in 1991 were more comparable to the estimated amounts that DOR had calculated in September, 1990.

7. The procedure established by the 1991 Legislature recognized the budget disruptions that could occur if significant payment changes were made after local budgets are set. The Legislature postponed these changes until local governments could reflect them in the adoption of their next annual budgets. This postponement minimized the short-term disruption of the changes, but recognized that eventually the changes should occur in order to avoid permanent distortions in the shared revenue distribution.

8. A similar procedure could be repeated this year. This would require DOR to use the population estimates employed in the September, 2000, payment estimates to calculate actual shared revenue and county mandate relief payments for 2001. Furthermore, DOR would be directed to use the reconciled population figures in 2002, when it determines corrections to 2001 payments. Finally, the Committee could direct DOA to provide DOR with population estimates that are reconciled with the census amounts to the best of DOA's ability, so that DOR can provide reasonably accurate estimates of 2002 payments in September, 2001.

ALTERNATIVES TO BASE

1. Take no action.
2. Direct DOR to use the population amounts employed in the September, 2000, payment estimates to calculate the 2001 actual shared revenue and mandate relief payments in July and November, 2001. Direct DOA to provide DOR with 2001 and 2002 population estimates that are reconciled with the census amounts, to the best of DOA's ability, by August 1, 2001, and direct DOR to use those amounts when it provides estimates of 2002 payments in September, 2001. Direct DOA to provide DOR with 2000 and 2001 population amounts that are reconciled with the population figures from the decennial census, to the best of DOA's ability, by August 1, 2002 and direct DOR to use the reconciled figures to calculate corrections to 2001 payments in 2002.

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