



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #448

Aids in Lieu of Taxes Reestimate (DNR -- Departmentwide)

[LFB 2013-15 Budget Summary: Page 321, #11]

CURRENT LAW

Since 1992, when DNR acquires land, the Department pays aids in lieu of property taxes on the land to the municipality (city, village, or town) in which the land is located in an amount generally intended to provide an amount similar to the tax that would be due on the property at the time it was purchased, adjusted annually to reflect changes in the equalized valuation of all land, excluding improvements in the taxation district. The municipality then pays each taxing jurisdiction (including the county and school district) a proportionate share of the payment, based on its levy. Aids in lieu of property taxes are paid on property beginning for the tax year after it was purchased.

GOVERNOR

Provide \$210,700 GPR in 2013-14 and \$816,000 GPR in 2014-15 to reflect estimated aids in lieu of property tax payments.

DISCUSSION POINTS

1. Prior to fiscal year 2003-04, aids in lieu payments were made entirely from a sum sufficient, GPR appropriation. However, the 2003-05 biennial budget provided \$1 million in 2003-04 and \$2 million in 2004-05 from the forestry account of the conservation fund for these payments. Subsequent budgets continued to appropriate forestry SEG as shown in the table. Statutory language specifies that the first draw for aids in lieu of property tax payments be taken from the forestry account appropriation. The bill would continue to provide the annual base-level \$5,470,000 SEG.

2. Under the bill, total payments for aids in lieu of property taxes primarily related to lands acquired since 1992 are estimated at approximately \$13.8 million in 2013-14 and \$14.4 million in 2014-15 (including \$364,000 annually for payments for lands acquired prior to January 1, 1992).

3. More recent estimates indicate that fiscal year 2012-13 aids in lieu of taxes payments will be significantly lower than anticipated, primarily due to a smaller increase in added acres as well as lower property values in many municipalities. As a result, the fiscal year 2013-14 payment could be expected to be less than the amount provided under the bill. A reestimate of the GPR sum sufficient appropriation back to the base level of \$8,140,000 would be appropriate (aids in lieu payments would total \$13,610,000). Further, a decrease in the amount provided in the second year would also be appropriate (estimated aids in lieu payments of \$14,000,000).

4. Primarily due to a significant level of vacancies, the forestry account is expected to have an available balance of approximately \$15.8 million on June 30, 2015. The estimate assumes that DNR will make an effort to fill existing vacancies (improving from a vacancy rate of over 16% currently to 10% by the second-half of 2014). Since 2005-06, payments provided from the forestry account have ranged between approximately one-third and one-half of expenditures. An alternative could be to provide a greater portion of the payment from the forestry account rather than from GPR. The full amount of the reestimated payment in the second year (\$390,000) could be considered (Alternative 2). Another option would be to provide an equal amount in both years from the forestry account and GPR (Alternative 3). The following table shows aids in lieu of property tax payments from fiscal year 2003-04 through the estimated payments for fiscal year 2014-15 under the bill and under the alternatives.

Aids in Lieu of Property Tax Payments

<u>Fiscal Year</u>	<u>GPR</u>	<u>SEG</u>	<u>Total</u>	<u>% GPR</u>	<u>% SEG</u>
2003-04	\$4,349,000	\$1,000,000	\$5,349,000	81%	19%
2004-05	4,133,000	2,000,000	6,133,000	67	33
2005-06	3,160,100	4,000,000	7,160,100	44	56
2006-07	4,190,800	4,000,000	8,190,800	51	49
2007-08	5,381,400	4,000,000	9,381,400	57	43
2008-09	6,352,000	4,000,000	10,352,000	61	39
2009-10	7,675,400	3,960,000	11,635,400	66	34
2010-11	8,305,000	3,960,000	12,265,000	68	32
2011-12	7,842,000	4,843,000	12,685,000	62	38
2012-13*	8,140,000	5,470,000	13,610,000	60	40
2012-13**	7,344,000	5,470,000	12,814,000	57	43
<u>AB 40 as Reestimated (Alternative 1)</u>					
2013-14	8,140,000	5,470,000	13,610,000	60	40
2014-15	8,530,000	5,470,000	14,000,000	61	39
<u>Alternative 2</u>					
2013-14	8,140,000	5,470,000	13,610,000	60	40
2014-15	8,140,000	5,860,000	14,000,000	58	42
<u>Alternative 3</u>					
2013-14	6,805,000	6,805,000	13,610,000	50	50
2014-15	7,000,000	7,000,000	14,000,000	50	50

* Base-level amount

** Reestimate

ALTERNATIVES

1. Adopt the Governor's recommendation, as reestimated, and delete \$210,700 GPR in 2013-14 and delete \$426,000 GPR in 2014-15 for aids in lieu of property taxes.

ALT 1	Change to Bill
	Funding
GPR	- \$636,700

2. Delete \$210,700 GPR in 2013-14 and \$816,000 GPR in 2014-15, and instead provide \$390,000 SEG from the forestry account of the conservation fund, rather than GPR, for the 2014-15 increase to base-level funding.

ALT 2	Change to Bill Funding
GPR	- \$1,026,700
SEG	<u>390,000</u>
Total	- \$636,700

3. Provide an equal amount of funding for aids in lieu of taxes payments from GPR and from forestry SEG. Delete \$1,545,700 GPR in 2013-14 and \$1,956,000 GPR in 2014-15 and provide \$1,335,000 SEG in 2013-14 and \$1,530,000 SEG in 2014-15.

ALT 3	Change to Bill Funding
GPR	- \$3,501,700
SEG	<u>2,865,000</u>
Total	- \$636,700

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