Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2013 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 13-2673/2	Introduction Number AB-0650

Description
Counting low-income pupils for state school aid purposes; calculating the amount to be appropriated for state general school aid; school aid factors; special adjustment aids; hold harmless aid; per pupil aid; school district revenue limits; the first dollar and school levy property tax credits; and making an appropriation

Fiscal Effect

State:
☐ No State Fiscal Effect
☐ Indeterminate
☒ Increase Existing Appropriations
☒ Decrease Existing Appropriations
☐ Create New Appropriations
☐ Increase Existing Revenues
☐ Decrease Existing Revenues
☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
☐ Decrease Costs

Local:
☐ No Local Government Costs
☒ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
☐ Towns ☐ Village ☐ Cities
☐ Counties ☐ Others
☒ School Districts ☐ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations
20.835 (3) (b), 20.255 (2) (ac)

Agency/Prepared By	Authorized Signature	Date
DOR/ Daniel Huegel (608) 266-5705	Robert Schmidt (608) 266-5773	2/19/2014

Fiscal Estimate Narratives
DOR 2/19/2014

LRB Number **13-2673/2**	Introduction Number **AB-0650**	Estimate Type **Original**
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Assumptions Used in Arriving at Fiscal Estimate

This bill makes several changes to current law concerning the distribution of property tax credits and calculation of state school aids. Since the Department of Revenue (DOR) is responsible for the distribution of property tax credits (the Department of Public Instruction is responsible for the calculation of state school aids), this fiscal note is limited to a discussion of the bill's effects on property tax credits.

SCHOOL LEVIES CREDIT

The state school levies credit provides direct relief to taxpayers by reducing the amount owed on their property tax bills. This credit is allocated to municipalities based on their share of statewide school levies during the previous three years. The credit on 2013/14 tax bills was based on school levies for 2010/11, 2011/12, and 2012/13. School levies include taxes for K-8, union high, and K-12 school districts plus levies for county-operated schools for children with disabilities. If a municipality uses surplus funds to reduce the levies of other jurisdictions, school levies for credit purposes in that municipality are reduced by a pro-rata share of such surplus funds.

Municipalities are notified by December 1 of the credit payment they will receive on the fourth Monday of July in the following year. Municipalities allocate the credit to individual taxpayers in proportion to the taxpayer's share of the municipality's total assessed value. If a taxpayer chooses to pay his or her tax bill in installments, the credit is applied equally to each installment. Funding for the 2013/14 credit was $747,400,000.

FIRST DOLLAR CREDIT

The first dollar credit is paid on any real estate parcel on which at least one improvement owned by the land owner is located. The credit equals the school property tax (for K-12 or K-8 and Union High schools) on a certain amount of the value of the qualifying real estate parcel. The value on which the credit is paid is calculated every year by the DOR and is set at a level, rounded to the nearest hundred dollars, that is expected to distribute as much of the available funds as possible. For the 2013/14 tax year payment, $150,000,000 was available, and value on which the credit was paid was set at $6,400. The credit is distributed on the fourth Monday in July.

Because the value on which the credit is paid is rounded, and because the DOR is directed to not distribute more than the amount available, the entire $150,000,000 is not used. For the 2013/14 credit, it is estimated that the total payment in July 2014 will be about $147,500,000, or $2,500,000 less than the amount available. This excess is retained in the state's general fund.

PROPOSED LAW

Under the bill, the school levies credit and first dollar credit would not be paid beginning in 2016 (for the 2015/16 property tax year and state FY2017). The entire amount available for these two credits, or $897,400,000, would be added to the appropriation from which school equalization aids are paid, from which the funds would be distributed to school districts.

Because the first dollar credit typically does not use the entire $150,000,000 available to it, the net effect on bill on the general fund would be an increase in expenditures (based on results for the 2013/14 property tax year) of about $2,500,000.

Long-Range Fiscal Implications

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Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$	$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance	897,400,000	-894,900,000
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$897,400,000**	**$-894,900,000**
B. State Costs by Source of Funds		
GPR	897,400,000	-894,900,000
FED		
PRO/PRS		
SEG/SEG-S		

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$2,500,000	$
NET CHANGE IN REVENUE	$	$

Agency/Prepared By	**Authorized Signature**	**Date**
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