

Fiscal Estimate Narratives

DOR 10/2/2015

| | | | | | |
|---|-----------|---------------------|---------|---------------|----------|
| LRB Number | 15-0672/2 | Introduction Number | AB-0350 | Estimate Type | Original |
| Description State payments for municipal services | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Current Law

State facilities are exempt from property taxes under current law. The state makes municipal service payments for police, fire, and trash disposal services provided by municipalities where state facilities are located. Direct payments made at established rates for water, sewer, electrical, and other services are excluded from the municipal service payments.

Each year, the Department of Administration establishes municipal service payments. 2015 Wisconsin Act 55 provided funding of \$18,584,200 in FY 2016 and FY 2017 for municipal service payments. Current law prorates municipal service payments if appropriation s.20.835(5)(a) lacks sufficient funding. Current law funded 42.08 percent of the \$44,162,447 entitlement amount from 2014 to 338 municipalities.

Proposed Law

Assembly Bill 350 establishes state payments of 65% of the entitlement amount in FY 2017, 80 percent in FY 2018, 95 percent in FY 2019, and the full entitlement amount in FY 2020 and each year thereafter. Under AB 350, based on the 2014 entitlement amount of \$44,162,447 with a 6.80% annualized growth rate, municipal service payments would increase by \$14,158,100 to \$32,742,300 in FY2017.

Under current law, a municipality could use the higher municipal service payments provided by AB 350 to lower property taxes, increase spending, or increase cash reserves. Payments for municipal services do not affect levy limits under Chapter 66.

Long-Range Fiscal Implications

Under AB 350, based on the 2014 entitlement amount of \$44,162,447 and an annualized growth rate of 6.80%, municipal service payments increase by \$24,454,300 to \$43,038,500 in FY 2018, increase by \$35,999,300 to \$54,583,500 in FY2019, and increase by \$42,779,200 to \$61,363,400 in FY2020 and thereafter.

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

| | | | |
|--|---------------------|--|-----------------|
| LRB Number 15-0672/2 | | Introduction Number AB-0350 | |
| Description State payments for municipal services | | | |
| 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 | 14,158,100 | | |
| Aids to Individuals or Organizations | | | |
| TOTAL State Costs by Category | \$14,158,100 | | \$ |
| B. State Costs by Source of Funds | | | |
| GPR | 14,158,100 | | |
| 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, 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 | \$14,158,100 | | \$ |
| NET CHANGE IN REVENUE | \$ | | \$ |
| Agency/Prepared By | | Authorized Signature | Date |
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