



## Legislative Fiscal Bureau

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TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 924: Municipal Aid Payment Adjustments

Assembly Bill 924 would authorize adjustments to the calculation of the 2004 county and municipal aid payments for certain municipalities. The bill was introduced on February 3, 2004, and referred to the Joint Committee on Finance.

### **CURRENT LAW**

In 2004, municipalities are estimated to receive state aid totaling \$15.6 million under the utility aid component of the shared revenue program and \$702.5 million under the county and municipal aid program. The county and municipal aid program was created in 2001 Wisconsin Act 109 and is the successor to the shared revenue program, except for the utility aid component.

The initial payments under the county and municipal aid program will be made in 2004. Each municipality's county and municipal aid payment will be calculated by subtracting two reduction amounts from a base payment, which is set equal to the sum of its 2003 aid payment under the shared revenue program, except for utility aid, and its 2003 aid payment under the small municipalities shared revenue program. Based on a provision in 2001 Wisconsin Act 109, each base payment will be reduced on a per capita basis, so that statewide reductions total \$20 million. Based on a provision in 2003 Wisconsin Act 33, each base payment will be reduced on a per capita basis, so that statewide reductions total an additional \$50 million. In addition, Act 33 provides that no municipality's payment after the \$20 million reduction under Act 109 can be reduced by more than 15.68513%. Based on these provisions, the Department of Revenue has calculated per capita reduction rates of \$3.64 per person, relative to the Act 109 provision, and \$12.78 per person, relative to the Act 33 provision.

In 2005, each municipality's county and municipal aid payment will be the same as in 2004.

## **BACKGROUND**

In 2001 Wisconsin Act 16 (the 2001-03 biennial budget), payments under the four shared revenue components, including utility aid, were suspended for municipalities in 2002 and 2003. Instead, each municipality received a shared revenue payment in those years that was equal to 101% of the amount it received in the prior year. Before the enactment of 2001 Wisconsin Act 109, 2004 shared revenue payments for municipalities would have again been based on the four aid components, including utility aid. However, Act 109 suspended payments under the program, except for utility aid, as discussed above.

In 2001, construction was begun on the Combined Locks Energy Center in the Village of Combined Locks in Outagamie County. Normally, value added in 2001 would have been reflected in the Village's 2002 utility aid payment. However, due to the Act 16 provision, the Village would not have been compensated for the additional property until 2004. Based on the values in place as of the end of 2002, the Village's 2003 utility aid would have increased by more than \$200,000, in the absence of Act 16.

Under the Act 16 payment increases, Combined Locks' shared revenue payment rose from \$360,264 in 2001 to \$367,506 in 2003. Combined Locks' utility aid payment equaled \$72,028 in 2001 and would have equaled \$284,047 in 2003, if not for Act 16. In calculating Combined Locks' base payment for 2004, the Department of Revenue subtracted \$284,047 in "hypothetical" utility aid from the Village's 2003 shared revenue payment. This yields a base payment of \$83,459. Reductions of \$9,537 under Act 109 and \$11,595 under Act 33 result in a 2004 county and municipal aid payment of \$62,327. In addition, Combined Locks' utility aid payment under the shared revenue program is estimated at \$275,985, producing total state aid payments of \$338,312. This amount is \$21,952 less than the amount received in 2001, despite the location of a new electric production plant.

Although the payment amounts are less, similar events occurred in the Town of Quincy in Adams County with regards to improvements that the Wisconsin River Power Company made to its hydroelectric facility located there.

## **SUMMARY OF BILL**

AB 924 would modify the procedures for calculating 2004 county and municipal aid payments for municipalities that meet two criteria. First, the municipality's 2001 utility aid entitlement under the shared revenue program must be less than 25% of its total shared revenue payment in 2001. Second, its 2004 utility aid payment must equal more than 75% of the sum of its utility aid payment and its county and municipal aid payment, as calculated under current law

provisions. If the municipality meets these criteria, its county and municipal aid payment would be recalculated by not excluding its 2003 utility aid entitlement from its base payment. This would increase payments to the qualifying municipalities. The increase would be funded by reducing payments to all other municipalities on a pro rata basis.

The current law provision setting the 2005 aid payment for each county and municipality equal to the amount received in 2004 would be amended to apply to the payments calculated under the bill. In addition, the bill would make grammatical modifications to provisions created through partial vetoes of 2003 Wisconsin Act 33.

## **FISCAL EFFECT**

AB 924 would increase 2004 county and municipal aid payments to two municipalities, the Village of Combined Locks and the Town of Quincy. Payments to the state's remaining 1,848 municipalities would be proportionally decreased, so that the total reductions offset the total increases.

In 2001, utility aid payments as a percent of total shared revenue payments equaled 3% in the Town of Quincy and 20% in the Village of Combined Locks. For 2004, utility aid as a percent of total state aid is estimated at 97% for the Town of Quincy and 82% for the Village of Combined Locks. These are the only two municipalities that would qualify for payment adjustments under AB 924. The bill would increase the base payment for Quincy from \$5,277 to \$29,780 and for Combined Locks from \$83,459 to \$367,506. The bill requires a recalculation of the Act 109 and Act 33 payment reductions, and the reduction amounts would increase from \$4,643 to \$8,486 for Quincy and from \$21,132 to \$43,002 for Combined Locks. Because the reductions would be made to a larger base, 2004 county and municipal aid payments would increase from \$634 to \$21,294 for Quincy (+\$20,660) and from \$62,327 to \$324,504 for Combined Locks (+\$262,177).

Payment increases would total \$282,837 for the two municipalities. Currently, payments to the state's remaining 1,848 municipalities are estimated at \$702,420,316. As a result, the bill would require a reduction estimated at 0.04% of the current payment amount for each of the 1,848 municipalities.

Prepared by: Rick Olin