



Legislative Council Study Committee -- Funding for Technical Colleges
Presentation Notes

7/24/14

Top 6 Myths (and Facts) Related to Property Taxes in Wisconsin
and Their Use to Fund Technical Colleges

Introduction

+ Thank you for providing us with an opportunity to make a presentation today on property taxes and their role in funding technical colleges.

+ It will be no surprise to you that property taxes is an important issue for the WRA. Property taxes are a major funding source for local communities, k12 schools, and technical colleges.

+ These services are critical to our communities, real estate markets, and our overall quality of life. Without vibrant communities and good quality schools, we don't have strong real estate markets.

+ However, property taxes also have a direct impact on housing affordability, economic development, and job creation. When property taxes are too high, Wisconsin families and seniors have difficulty affording their homes, existing businesses are unable to expand, and new companies are unwilling to locate here.

+ Wisconsin over relies on property taxes to fund our essential services, and we need to look at alternatives.

+ Today, we would like to provide the study committee with important information about some of the misunderstandings or "myths" about the use of property taxes and the property tax burden in Wisconsin.

- I. **Myth#1 – Wisconsin's property tax burden is about average nationally.**
 - a. **Fact -- Wisconsin property owners pay among the highest property taxes in the country.**
 - b. According to the Wisconsin Taxpayers Alliance, Wisconsin's rankings are as follows:
 - i. Property taxes = 9th highest in the country,
 - ii. Income taxes = 12th highest in the country
 - iii. Sales taxes = 35th highest in the country
 - c. \$3,530 was the mean amount of total property taxes paid in 2012
 - i. New Jersey was the highest -- \$7,318
 - ii. Wisconsin = 2nd highest in the Midwest
 1. Only Illinois (#5 nationally) was higher (\$4,469)

- 2. One of the only things Illinois beat us at that year
- d. When considering property taxes paid as a percentage of home values, Wisconsin jumps to #4 (2.07% of home values -- According to the Tax Policy Center)
 - i. Again, this is 2nd highest in the Midwest, with only Illinois ranked higher (2nd in the country, 2.28% of home values)
- e. Property taxes are the major funding source for local governments
 - i. Local government revenues = 37% come from property taxes (2011)
- f. **Property tax increases** -- Over the last decade, property taxes increased significantly.
 - i. From 2000 to 2010, property taxes reportedly increased 27%
 - ii. 4.8% = average increase in property taxes from 2000-2011
 - iii. 5.1% = average annual increase from 1982-2011

II. Myth #2 – In Wisconsin, the property tax is generally the most onerous tax for homeowners, while the income tax is the most burdensome tax on businesses.

a. Fact – Based upon a Report by the Wisconsin Taxpayer’s Alliance in September 2012, the property tax is the #1 tax on businesses.

- i. In 2011, businesses paid approximately 5 times more in property taxes than they did in income taxes.
- ii. That year, businesses paid a total of \$8.5 Billion in taxes in Wisconsin.
 - 1. 51% of those taxes were property taxes (\$4.335B)
 - a. Almost \$3B more than the next highest tax
 - 2. 16% were sales taxes (\$1.36B)
 - 3. 12% were unemployment (\$1.02B)
 - 4. 10.1% were income taxes (\$0.858B)
 - a. Income taxes ranked 4th among the highest taxes businesses paid in Wisconsin.
- b. Since 1982, business property taxes increased \$226.6%, when they totaled \$1.3B
- c. Today, property taxpayers paid a total of \$10B in property taxes (2011)
 - i. With \$4.3B paid for by businesses
- d. In 2011, Commercial and manufacturing accounted for \$1.9B and \$261.7M respectively

III. Myth #3 – The public is o.k. with high property taxes because they are generally pleased with the quality of services they get for their money (K12 schools, technical colleges and local services).

IV. Fact -- Recent polling shows that the property tax is the most onerous tax for Wisconsin residents.

- a. According to a poll conducted by American Strategies for the WRA in February 2014 = 60% of Wisconsin voters feel that property taxes are too high.
- b. When asked, if they could cut one tax, which tax would they cut: (Marquette Law School Poll, January 2014)
 - i. Property taxes #1 = 42% would cut property taxes
 - ii. Income taxes = 34% would cut income taxes
 - iii. Sales taxes = 22% would cut the sales tax
- c. Governor Walker's proposal last year to use \$400 Million from the state budget surplus to replace property tax revenue used to fund technical colleges (American Strategies, February 2014):
 - i. 57% support
 - ii. 36% opposed

V. **Myth #4 – Wisconsin technical colleges are funded with a balanced mix of revenue sources.**

- a. **Fact** – Prior to the 2013-14 legislative session, Wisconsin funded technical colleges primarily from property taxes.
- b. Specifically, technical colleges were funded in the following manner:
 - i. Total funding == approximately \$800M
 - ii. 44% from property taxes
 - iii. 19% from federal aids
 - iv. 16% from tuition and fees
 - v. 15% from miscellaneous revenues
 - vi. 6% from state aid
- c. With the recent changes last session, these numbers have likely shifted, but we are not aware of the exact percentages of the new funding mix.

VI. **Myth #5 -- Wisconsin funds technical colleges like most other states.**

- a. **Fact** – In most states, technical colleges are funded through a balanced combination of property taxes, state revenues, tuition, and federal grants.
- b. For example, in year 2000-2001, only 1 other state had a higher percentage of funding come from property taxes (Arizona = 57%, Wisconsin = 53%). In other words, 48 states relied on property taxes less than Wisconsin.
 - i. **Minnesota** – (2012-2013)
 - 1. 31% (\$312M) from state aid
 - 2. 55% (\$556M) from tuition and fees
 - 3. 14% (\$146M) from federal grants, Sales + Room and Board
 - 4. 0% from property taxes
 - ii. **Indiana** (2000-2001)
 - 1. 62% from state aid
 - 2. 38% from tuition
 - 3. 0% from property taxes

iii. Iowa (2012-2013)

1. 30.1% from state aid
2. 58% from tuition and fees
3. 12% consisted of a combination of federal grants, local property taxes and other income

iv. Illinois (year 2000-2001)

1. 25.77% from state aid
2. 27% from tuition and fees
3. 43% from property taxes

v. Michigan

1. 20% from state aid
2. 40% from student tuition
3. 40% from property taxes

VII. Myth #6 – Making ANY changes to the revenue mix used to fund technical colleges will eliminate local control and make technical colleges less responsive to local needs.

- a. Wisconsin's funding sources have changed considerably over the years.
 - i. In 1979, state aid made up approx.. 28% of technical college budget
 - ii. In 2009-10, state aid made up only 12.6% of the budget
 - iii. In 2012-13, state aid made up less than 10% of the budget
 - iv. 2014-15, % of state aid will be significantly higher due to the \$400M lawmakers allocated last session
- b. Other states have successful technical college programs, and they have a funding mix that is different than Wisconsin.
- c. In 2000-2001, Wisconsin was one of only 2 states that have a policy target of having tuition set at less than 25% of the cost of instruction.
 - i. Nebraska = 20%
 - ii. Wisconsin = 14.5%
 - iii. Not sure if that is the same policy target today but, if it is, this is something the committee should look at.

VIII. Closing

- a. We support local control and we support our technical colleges. They play a pivotal role in educating our children, training our workers and making our businesses successful.
- b. However, we encourage you to keep an open mind about looking at different options for funding our technical college system. Everyone is afraid of change, but change isn't always bad and sometimes it is necessary.

- c. Through your efforts, we may find a better way to fund our technical colleges that is more sustainable and less reliant on property taxes.
- d. Thank you.

