



Local Aid in the Proposed 2013-15 Budget

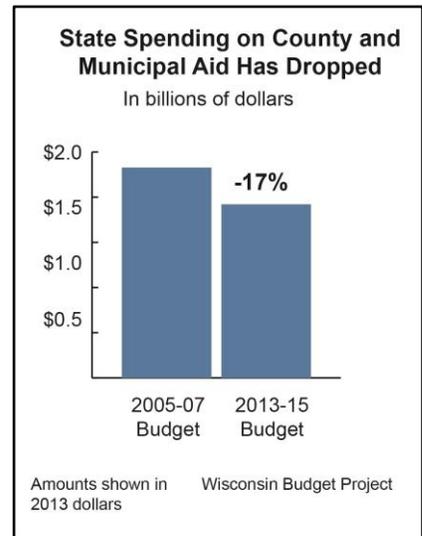
State aid to local governments is for the large part frozen in the proposed 2013-15 budget, with very modest increases proposed for a few forms of spending on local aid. This freeze comes after several years of steady decreases in state spending for local assistance. The proposed budget also continues levy limits that cap the ability of local governments to increase the amount of money they raise through property taxes.

The continuation of reduced aid from the state, coupled with strict limits on property taxes, means that inflation will continue to erode the capacity of local governments to provide services, particularly in the areas of education, transit, and health.

Direct Aid Payments to Counties and Municipalities The proposed budget includes a very small increase in direct aid payments to counties and municipalities. Direct aid includes the following categories of state spending:

- General county and municipal aid
- State aid for tax-exempt property
- Aid that compensates local governments for costs they incur providing services to public utilities
- Support for counties and municipalities that limit the growth in their budgets
- Payments for municipal services

State General Fund support for these categories of aid increases by \$8.2 million over the next two years, an increase of just 0.4%. However, the net increase from all funding sources is just \$2.6 million, or 0.1%, because of a \$5.6 million reduction in segregated funding from the police and fire protection fund.



The level of resources devoted to direct aid to counties and municipalities has steeply declined in recent years. Between the 2005-07 budget and the proposed 2013-15 budget, state spending on direct aid payments to counties and municipalities dropped by 17%, or \$407 million in current dollars.

Type of Local Aid	Proposed Change (Millions)*	Percent Change
Direct aid payments to counties and municipalities	+\$6.2	+0.3%
Children and Family Aids	\$0.0	0.0%
Community Aids basic allocation (GPR only)	\$0.0	0.0%
School aid, general and categorical	+\$111.4	+1.1%
Wisconsin Technical College System	+\$3.4	+1.2%
School Levy Credit and First Dollar Credit	\$0.0	0.0%
Youth Aids	\$0.0	0.0%
Mass transit	\$0.0	0.0%

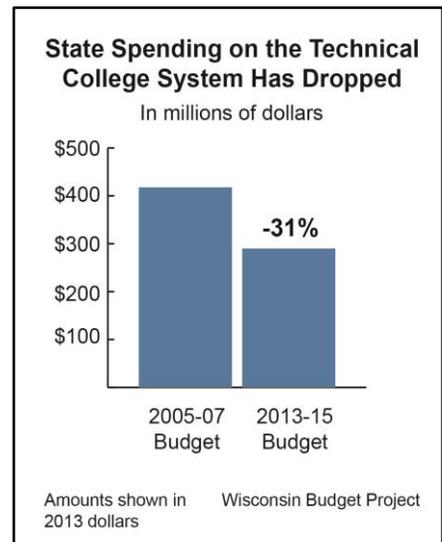
*Dollar amounts are all funds unless noted otherwise

Community Aids: Community Aids support a variety of health services provided by counties, including mental health services, developmental disabilities services, alcohol and drug abuse services, Alzheimer’s family and caregiver support programs, and other social services. General Fund spending for the “basic allocation” from Community Aids will be flat, while the budget makes a couple of very small adjustments in the federal portion of the funding. The sequester could result in a significant cut in the federal funding for Community Aids, but the specific effects of the federal reductions are still unclear.

Children and Family Aids: The proposed budget recommends keeping funding for children and family aids at the same level as in the previous budget, without any adjustments for inflation, population growth, or increased needs. Children and Family Aids funding is distributed by the state to counties for services related to child abuse and neglect, child welfare, and juvenile justice.

K-12 Education and Technical Colleges: For school districts, the budget proposes a 1% increase in state spending on general aid. But, as we explain in [another issue brief](#), the additional state spending is not likely to result in a corresponding increase in school district budgets. The proposed state budget does not lift the revenue limit for school districts, which caps the amount of money that districts may raise through a combination of property taxes and general education aid from the state. Many school districts will need to cut property taxes to stay under their revenue limit.

The budget proposes a 1% increase in state spending for the Wisconsin Technical College System. State spending on the technical colleges has fallen by 31%, or \$127 million, between the 2005-07 budget and the proposed budget, measured in current dollars. The number of FTE students has risen by 14% over that period.



Other Local Aid: The Governor’s budget proposes keeping several other types of local aid at the same level in 2013-15 as in the previous biennium. Categories of local aid frozen by the proposed budget include the School Levy and First Dollar Credits, Youth Aids, and mass transit aid, as show in the table on the first page.

Property Tax Controls: This budget continues strict controls on the amount of property taxes that local governments are able to raise. Under this proposal, counties, municipalities, and technical colleges must limit any increase in their levy to the growth in property values due to new construction. Unused levy capacity may be used with a two-thirds vote of the local governing board.

The budget proposes streamlining property tax controls, with the effect that counties, municipalities, and technical colleges will all be governed by the same basic restrictions on local property tax levies.

Conclusion

By freezing most types of local aid and imposing very tight limits on property tax levies, the budget will keep the growth in local government spending below the cost increases from inflation and population growth. That means local officials will have to cut local services and/or further reduce employee compensation and benefits. The effects will be particularly stark for communities that aren’t enjoying much new construction and will have minimal growth in their property tax levies.

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When presented in 2013 dollars, biennial amounts from the 2013-15 budget were discounted by 2% to take inflation into account. Biennial amounts from the 2005-07 budget were considered to be in 2006 dollars, and adjusted to 2013 dollars.