



An Overview of Local Governments In the 2013-15 State Budget

Local governments will lose ground under the 2013-15 budget, with state aid for local governments frozen or nearly so over the next two years. This freeze comes after several years of steady decreases in state spending for local assistance. The budget bill 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.

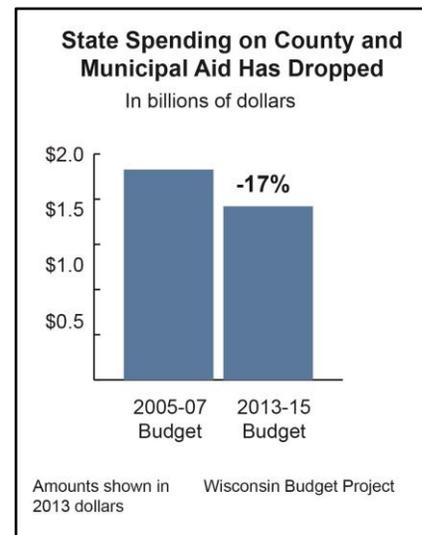
Direct Aid Payments to Counties and Municipalities The budget includes a very small increase in direct aid payments to counties and municipalities. Direct aid includes the following categories of state spending:

- 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 \$13.6 million over the next two years, an increase of just 0.7%

However, the net increase from all funding sources is just \$8.0 million, or an even smaller 0.4%, 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 sharply 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%, in inflation-adjusted dollars.



Type of Local Aid	Proposed Change (Millions)*	Percent Change
Direct aid payments to counties and municipalities	+\$8.0	+0.4%
General transportation aid	+\$7.1	+0.5%
Children and Family Aids	-\$1.3	-1.0%
Community Aids basic allocation (GPR only)	\$0.0	0.0%
Wisconsin Technical College System	+\$4.6	+1.6%
Mass transit	\$1.1	+0.5%
Youth Aids	\$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. The state share of spending for the “basic allocation” from Community Aids is frozen. (We aren’t sure yet if the sequester will reduce the total funding level.)

Children and Family Aids: The amended budget contains a small decrease (-1.0%) in funding for Children and Family Aids. That cut results in part from the effect of the sequester on some of the federal funding, but also because the bill uses an increase in another source of federal funds to replace state dollars – instead of offsetting the effect of the sequester. 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.

Technical Colleges: The budget proposes a 1.6% increase in state spending for the Wisconsin Technical College System. State spending on the technical colleges has fallen by 30% between the 2005-07 budget and the proposed budget, as shown in the chart below. The number of FTE students has risen by 14% over that period.

Other Local Aid: The budget keeps several other types of local aid at or near the same level in 2013-15 as in the previous two year budget. Youth Aids funding, which is distributed by the state for counties to use for juvenile justice purposes, was frozen this this budget. Support for local mass transit and general transportation aid received only a 0.5% increase over the course of the budget.

School districts are the only form of local government that received even a modest increase in funding, but even those amounts will not be enough for school funding to keep pace with inflation. The increase in school aid is \$289 million over two years, which amounts to a 1.5% increase in 2014 and a 2.8% increase in 2015.

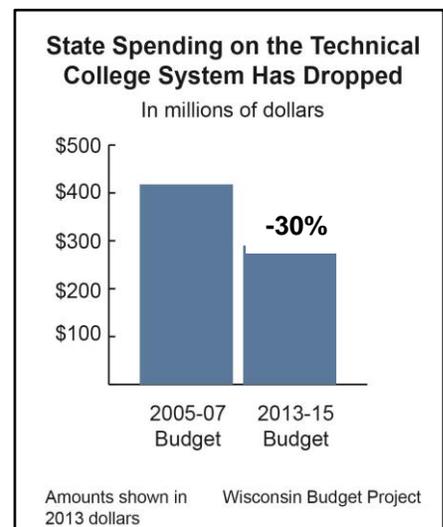
Property Tax Controls: This budget continues strict controls on the amount of property taxes that local governments are able to raise. Under this proposal, counties, municipalities, and technical colleges must limit any increase in their levy to the growth in property values due to new construction.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

The budget bill 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 local aid or including only token increases in spending for 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 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.

Tamarine Cornelius and Jon Peacock



When presented in 2013 dollars, biennial amounts from the 2013-15 budget were discounted by 2% to take inflation into account. Biennial 7 from the 2005-07 budget were considered to be in 2006 dollars, and adjusted to 2013 dollars.