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State Shared Revenue: Not Much Sharing Going On
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"I just hope the county doesn't cut the budget," a local judge told me. We were discussing how effectiveness of his alternative treatment court program and how much he needed money to keep the program operating.

Across the State, local governments – counties, cities, village and towns – are preparing budgets for their 2019 operations. A major source of their income is shared revenue from the state.

"Shared revenue" has been a fixture in Wisconsin since 1911. The state sends money to local units of government at the end of July and again in mid-November. These payments help offset the property taxes folks pay to operate local government.

The system of sharing of revenue began as a way to return a portion of the new state income tax to local governments in order to offset the property tax exemptions that were enacted at that time. The state sent the money back to locals based on how much residents of each city, village, town or county paid into the state.

At first, ninety percent of the income taxes collected were sent back to the local governments from which they came. Called "return to origin," the payments were higher to wealthier areas as those residents paid more in income taxes on their higher incomes.

During the 1970s, the system was changed to match local need. Lawmakers created a complex formula that included population, property values and local revenue efforts. Communities that had a utility, which didn't pay property taxes, received additional payments. The policy objective was to provide a minimum amount of money from the state even if a community had many costs and low property values.

Changes over the years 'tweaked' the formula. Automatic increases were eliminated, and even though the formula was still law it wasn't followed. During the 2008-2010 recession shared revenue was cut by three and one-half percent.

In Governor Walker's first budget, funding was cut by over nine percent. Since 2012, annual shared revenue aid to local government has remained unchanged.

In addition to not increasing shared revenue payments, the state asked more of local government in the form of mandates. Many of these mandates were unfunded, leaving local governments with more to do without additional resources.

State law limits local governments' ability to raise revenue from property taxes by imposing levy caps. The combination of levy caps and decreased shared revenue from the state leaves local officials asking 'What do we cut?'

On this one-way street where the state makes the rules, limits what local government can spend, and doesn't share increasing revenue, local folks are stuck paying more of the cost and have few options to get extra money.

Many local governments have spent their reserves and are forced to consider borrowing money to cover needed improvements or unexpected costs, like repairing flood damage.

As discretionary programs are eliminated, more of local government budgets are taken up by public safety. Police and fire protection costs are increasing. But neither the levy cap nor the state shared revenue payments cover the increase.

Local officials are forced to choose whether to cut: public safety, repairing the roads, and/or community mental health and drug addiction programs.

Local officials are looking at increasing deficits in coming years. Next year state budget writers must address the shortfall or residents may face dire cuts in local programs.

In a memo I requested from the nonpartisan Legislative Fiscal Bureau, shared revenue would need to increase by about 30% just to keep up with inflation since 2004. That would require an investment of $415 million in the next state budget.

That sum compares to the estimated $464 million payment promised by the Governor to Foxconn for building a factory in Racine.

As local governments cut their programs this fall, we will be reminded that we can't spend the same dollar twice. What goes to Foxconn won't be available for shared revenue.