

Are the Property Tax “Tools” Working?

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This week Senator Kathleen Vinehout writes about the property tax proposal put forward by Governor Walker. The Legislature will meet in Special Session to take up the proposal which puts \$100 million in the school funding formula to stem an expected increase in property taxes. The proposal does not raise the revenue limits so this new state aid will be substituted for property taxes. Questions remain about the details of the proposal.

MADISON - Perhaps the Governor’s tools aren’t working.

A recently announced infusion of \$100 million into schools won’t mean any more money for children. But it will help stem an expected rise in property taxes.

State school spending and property taxes are tied at the hip.

An increase in state school spending often slows or even cuts property taxes. But the opposite is also true. Big cuts to state school aid often result in large property tax increases.

Schools suffered a \$1.6 billion gouge in the last budget. The recently passed two-year budget barely made a dent in filling this hole.

“Our reforms are working,” said Senate Majority Leader Scott Fitzgerald announcing the Governor’s plans. But local school leaders told me a different story.

Schools are limited in what they can spend by state imposed revenue limits. Many frugal school boards don't tax to the extent they are allowed. But as state money shrinks, board members are left with few options.

Local school boards are now preparing budgets for the next school year. Many members told me the “tools” the Governor gave the districts are not working. Costs are increasing faster than boards can make cuts. Especially hard hit are rural schools. Many districts have combined classrooms, cut electives, have multi-certified teachers, share staff with neighboring districts, share sports teams and long ago got rid of much support and administrative staff.

School boards now have no choice but to levy to the maximum allowed by law. Meaning possible big property tax increases for residents.

Enter the Governor's new “property tax relief”.

The tax proposal increases money going to schools but does not increase the revenue limit. This means schools cannot spend any more. State aid is substituted in for property taxes.

This is a good trend. But it is not nearly enough. Even with the infusion of cash, property taxes will likely rise statewide and many board members will face difficult budget decisions.

It's been since the mid-1990s that property taxes have actually declined. According to a recent Wisconsin Taxpayer Alliance (WTA) report, back in 1997 the state added more than \$1 billion to school funding. Property taxes fell 3.5% over the next two years.

This trend wasn't sustained. As the state slowed increases to schools, property taxes again rose. Over the last 10 years school aid as a percent of tax revenue has steadily fallen. Recent data released by WTA show school aid as a percent of general funds fell from 44% in 2004 to 33% in 2014.

The biggest hit to schools came in the 2011-13 budget with a \$1.6 billion cut in dollars available to schools. This cut included an 8% decrease in state aid. In the recently passed budget, new money was available. Increased tax collections added \$1.7 billion in new general fund dollars. The Governor spent this new money and more. But not much of it went to schools.

The \$100 million in school aid would be paid for from “surpluses”. But it is entirely unclear if such surpluses exist. The Legislative Fiscal Bureau earlier this year pegged the mismatch between money coming in and money going out at over half a billion in the red in the coming budget.

Todd Berry, President of the Taxpayer Alliance recently told the *Milwaukee Journal Sentinel*, “We’re spending more in this year and next year than we’re taking in, and that’s a fact.”

Meanwhile, DPI analysts are scrambling to assess the impact of lost federal aid for schools. Is it wise to commit another \$100 million in state tax money while the operations of the federal government are shut down and threatening financial Armageddon? Perhaps waiting a week to learn if Congress raises the federal debt ceiling would be prudent.

The Legislature is scheduled to meet in “Special Session” in addition to its regular Fall Floor Period to consider the new money to schools. Many questions remain about whether local schools will see any money or residents will see any change in the late December tax bill.

What I do know is the last budget used a bulldozer to gouge a \$1.6 billion hole in school budgets and gave school districts a shovel to fix it.

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