

RESEARCH BULLETS

Issue #4

October 2003 (Revised)

Schooling as a Declining Share of Property Taxes

A fact seldom heard these days is that K-12 schooling's share of Wisconsin property taxes declined significantly during the 1990s.

As a result of revenue caps and increased state aid, schools now consume less than one-half of all property taxes collected statewide.

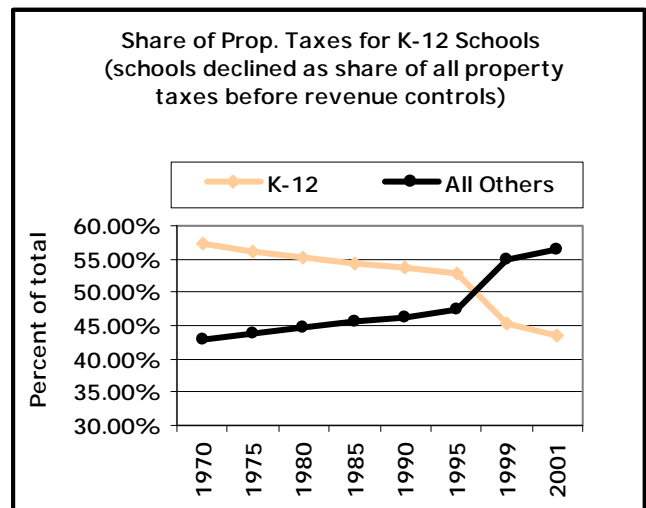
In addition, levy rates for schooling declined by one-half and many residents now pay fewer local dollars to support their local schools today than they did a decade ago.

The Truth About Property Taxes

Consider the following about Wisconsin schools and the property tax:

- In 2002-03, Wisconsin residents paid on average 4.65 percent less in local property taxes to run the schools than in 1993—that is, \$129 million less than 9 years ago.
- Fifty-five percent of Wisconsin's school districts (235) received less local funding to run the schools in 2002-03 than in 1993.
- Even when local costs for new buildings are included, total costs for the local taxpayer increased less than one percent annually.

Overall, schools declined from 53 percent to 43 percent of all property taxes collected statewide since 1993 (see chart).



(Source: Wisconsin Legislative Fiscal Bureau *Informational Paper #13*, 2003)

Dropping Tax Rates

WI residents are taxed at about one-half the rate they were a decade ago.

Between the 1992-93 and 2002-03 school years, statewide levy rates for public schooling dropped dramatically, from an average of 18.04 to 9.49 per \$1,000—a decline of 47 percent.

- 421 districts saw their levy rate rates decline. Changes ranged from a decline of 66.9 percent to a gain of 18.3 percent. *However, only three districts statewide experienced an increase in levy rates* (Source: DPI).

Every kid deserves a great school!

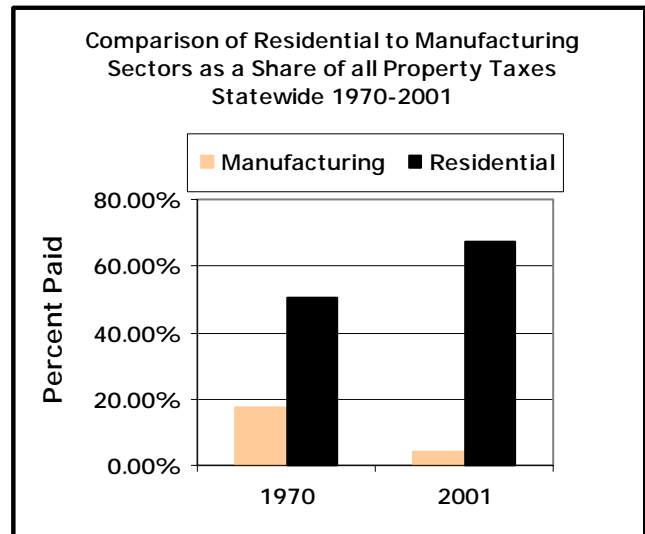
- Homeowners today are tapping a smaller share of their property wealth to support schooling than at any time during the last decade.

Non-Schooling Factors Have Been Driving Up Property Taxes

Contrary to myth, increases in the property tax are not due to runaway school costs. Tax shifting and other factors outside of schooling continue to drive them up—just as they always have.

- County and municipal levy rates increased more than public schooling between 1985 and 1990, and they continue to increase at greater rates today.
- But don't blame counties and cities alone. Some needed additional spending to expand services such as police protection. Moreover, the state froze shared revenues (aid) to counties and municipalities in 1995 and took other actions that shifted costs onto city and county governments.
- State policies also shifted other taxes to homeowners. Business tax cuts, such as the \$80 million annual exemption for computers, lowered the share of property taxes paid by business from 18 percent to 4.5 percent between 1970 and 2001. "Use value assessment"—where farmland is taxed on its agricultural instead of market value—also resulted in a tax shift to homeowners.
- As a result of this tax shifting, as well as increases in the value of residential property, of all property taxes collected statewide, the

share paid by homeowners increased from 51 percent to 68 percent between 1970 and 2001.



(Source: Legislative Fiscal Bureau, *Informational Paper #13*, 2003.)

Conclusion: K-12 Schooling is Subsidizing Tax Relief

School districts are subsidizing business tax relief programs, which residents would not tolerate if school costs had not declined. In similar fashion, high rates of tax increases for counties and municipalities are tolerated because of caps on schooling.

While residents are more able to absorb tax shifting and larger rates of increase in local jurisdictions, they do so at the expense of quality public education for Wisconsin children.

