OUTAGAMIE COUNTY SALES TAX
MUNICIPAL & SCHOOL DISTRICT REVENUE SHARING
FREQUENTLY ASKED QUESTIONS

Q: Is it legal for the county to share sales tax revenue with municipalities and school districts?

WI State Statute 77.76(3) allows Wisconsin counties to share all or a portion of sales tax revenue with underlying municipalities and school districts. The statute is included below for reference (emphasis added):

77.76(3) From the appropriation under s. 20.835 (4) (g) the department of revenue shall distribute 98.25 percent of the county taxes reported for each enacting county, minus the county portion of the retailers' discounts, to the county and shall indicate the taxes reported by each taxpayer, no later than 75 days following the last day of the calendar quarter in which such amounts were reported. In this subsection, the "county portion of the retailers' discount" is the amount determined by multiplying the total retailers' discount by a fraction the numerator of which is the gross county sales and use taxes payable and the denominator of which is the sum of the gross state and county sales and use taxes payable. The county taxes distributed shall be increased or decreased to reflect subsequent refunds, audit adjustments, and all other adjustments of the county taxes previously distributed. Interest paid on refunds of county sales and use taxes shall be paid from the appropriation under s. 20.835 (4) (g) at the rate paid by this state under s. 77.60 (1) (a). ***The county may retain the amount it receives or it may distribute all or a portion of the amount it receives to the towns, villages, cities, and school districts in the county.*** After receiving notice from the department of revenue, a county shall reimburse the department for the amount by which any refunds, including interest, of the county's sales and use taxes that the department pays or allows in a reporting period exceeds the amount of the county's sales and use taxes otherwise payable to the county under this subsection for the same or subsequent reporting period. Any county receiving a report under this subsection is subject to the duties of confidentiality to which the department of revenue is subject under s. 77.61 (5) and (6).

Q: Why is the county sharing with school districts? Sheboygan County is the only other county currently sharing county sales tax revenue and it's only going to municipalities.

Outagamie County Corporation Counsel Joe Guidote has reviewed the pertinent statutes and provided a legal opinion. In short, he opines that the county could restrict the *use* of the revenue being shared, which may exclude certain entities. For example, Sheboygan County specifically requires the revenues be used for public transportation infrastructure, which excludes school districts from qualifying. However, if there is no specified use limiting entities that would qualify, the county must share with all of the entities mentioned in the statute,

including school districts, in an equitable manner. The only restriction included in the Ordinance passed by the Outagamie County Board is that the revenue must be used in accordance with WI state statutes. Please note that municipalities and school districts are encouraged to consult their own legal counsel for guidance on utilization of the county sales tax revenue.

Q: How long can municipalities and schools rely on this shared revenue from the county?

There is no guarantee the county would continue to share revenue generated by the county sales tax. The current County Board is unable to bind a future County Board to this policy decision. Therefore, all entities receiving a share of this revenue from the county should be mindful of that fact when making budget decisions regarding the use of this revenue. If the revenue is used to pay for debt service, for example, the recipient will be protected against a significant adverse impact should the county rescind the revenue sharing in a subsequent adopted county budget since the recipient could increase the tax levy for debt service (as available under the current levy limit formula). On the other hand, if the revenue was used to cover ongoing operational expenses, a recipient could experience a budgetary gap if the county rescinded the revenue sharing at any point in the future. The ordinance language is intentionally general to allow for as much flexibility as possible for municipalities and school districts, given the range of municipal and school district needs that exist today and may exist in the future. Municipalities and schools can avoid future budget issues by using this revenue prudently.

Q: How will the county determine the amounts that will be distributed to each municipality and school district?

The pertinent section of the County Ordinance passed by the County Board reads as follows:

15   SECTION 5. The County of Outagamie authorizes sharing of the net proceeds of such sales and

16   use tax up to a maximum of 15% of said proceeds with qualifying municipalities and school districts

17   located within Outagamie County.

The sharing methodologies are outlined within the Sales Tax Analysis Report compiled by Outagamie County Financial Services on Page 26 as follows:

A) _Allocating the Funding Between Local Municipalities and Local School Districts_

The first step in the process is to allocate funding between the local municipalities and school districts. This allocation was completed by considering each municipality/school district as one unit of government. If a municipality or school district is located in more than one county, the share of equalized value located within the county versus that individual unit of government's overall equalized value was used. For example, if 75% of a municipality/school district's equalized value is within the county, that municipality/school

district would be considered as a 0.75 unit. Based upon this analysis and an ***estimated*** total of $3,000,000 to be distributed to municipalities and school districts, 80% of the allocation would be made to local municipalities ($2,400,000) and 20% would be made to local school districts ($600,000). See tables in **Appendix D** from the Sales Tax Analysis Report (attached) for details.

B) ***Sharing the Funding between the two subsets – B1 Local Municipalities and B2 School Districts***

B1 – Local Municipalities – This example uses the following three-pronged methodology to distribute the *estimated* $2,400,000 million in sales tax to the local municipalities within the county: **1) Equalized value** at 33.33%, **2) Population** at 33.33%, **3) Lane miles** at 33.34%.

1) **EQUALIZED VALUE** - 33.33% to be allocated based upon Equalized Value (including TIFs). Equalized value is the current method used to calculate the county's tax rate. [Note - While the current tax rate calculation for the county share excludes the TIF valuations, we have used the gross equalized valuation since this more accurately reflects the overall equalized value of the municipalities within the county.] This is consistent with the current approach to allocating tax increases (or decreases) to all local units of government. **NOTE: Equalized values are based on prior year data per the Wisconsin Department of Revenue (i.e. 2018 equalized values utilized for 2020 budget calculation).**

2) **POPULATION** - 33.33% to be allocated based upon population. This portion would be based on the premise that the entire population within the county would be paying county sales tax. Therefore, residents in each municipality would benefit from the county contribution back to the local municipalities. **NOTE: Population numbers are based on prior year final estimates per the Wisconsin Department of Administration - Demographic Services Center (i.e. 2018 final estimates utilized for 2020 budget calculation).**

3) **LANE MILES** - 33.34% would be based on the number of lane miles within each jurisdiction (and only within Outagamie County's borders).   **NOTE: Lane miles are based on prior year data per the Wisconsin Department of Transportation (i.e. 2019 lane miles data utilized for 2020 budget calculation).**

This balanced, three-pronged approach would reasonably and equitably distribute the sales tax back to the local municipalities based on the allocated share of the county's levy (equalized value), those that have paid it (population based) and those that need it to fund transportation or other infrastructure or related expenditures (lane miles). The *estimated* allocations for each local municipality based on this methodology are noted in

Appendix E of the Sales Tax Analysis Report (attached). **NOTE: It is important to underscore that the allocations in Appendix E are *estimates*. While the county took a conservative approach estimating total sales tax collections in 2020, actual revenues may be less than projected resulting in lower distributions to municipalities than reflected in Appendix E. Therefore, municipalities are encouraged to be conservative when including sales tax revenue in their 2020 budgets.**

B2 – Local School Districts - We have used the following two-pronged methodology to distribute the *estimated* $600,000 in sales tax to the local school districts within the county: **1) Equalized value** at 50% and **2) Enrollment** at 50%.

1) **EQUALIZED VALUE** - 50% to be allocated based on Equalized Value (Including TIFs). Equalized Value is the current method used to calculate the county's tax rate. [While the current tax rate calculation for the county share excludes the TIF valuations, we have used the gross equalized valuation since this more accurately reflects the overall equalized value for them within the county.] This portion would maintain the current approach to allocating tax increases (or decreases) to all local units of government. **NOTE: Equalized values are based on prior year data per the Wisconsin Department of Revenue (i.e. 2018 equalized values utilized for 2020 budget calculation).**

2) **STUDENT ENROLLMENT** - 50% to be allocated based upon school enrollment. This ensures that local school districts with higher student counts would receive a slightly higher portion of the school districts' allocation. **NOTE: Student enrollment numbers are based on prior year data per the Wisconsin Department of Public Instruction or on other reasonable allocation methods if enrollment data by county is not readily obtainable.**

This balanced, two-pronged approach would reasonably and equitably distribute the sales tax back to the local school districts based on the allocated share of the county's levy (equalized value) and student enrollment. The *estimated* allocations for each local school district based on this methodology are noted in **Appendix F** of the Sales Tax Analysis Report (attached). **NOTE: It is important to underscore that the allocations in Appendix F are *estimates*. While the county took a conservative approach estimating total sales tax collections in 2020, actual revenues may be less than projected resulting in lower distributions to school districts than reflected in Appendix F. Therefore, school districts are encouraged to be conservative when including sales tax revenue in their 2020 budgets.**

Q: When can municipalities and school districts expect to receive sales tax revenue payments from the county?

The county will determine the payment method and schedule. It is currently anticipated that payments will be made on a semi-annual basis (approximately August 10, 2020 for January – June collections and February 10, 2021 for July – December collections) and will be based on 15% of actual 2020 revenues received by the county from the WI Department of Revenue. The county's fiscal year is the calendar year. Entities with differing fiscal years will need to choose which fiscal year to apply the revenues based on their financial reporting guidelines.

Q: What are the county requirements for municipalities and school districts regarding their use of the sales tax revenue?

Municipalities and school districts will be required to adopt a resolution and sign a form agreeing to utilize the revenue consistent with state statute. The county will provide standard templates for municipalities and school districts to utilize. Please note that municipalities and school districts are encouraged to consult their own legal counsel for guidance on the utilization of county sales tax revenue.

APPENDIX D

MUNICIPAL & SCHOOL DISTRICT ALLOCATION TABLES

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MUNICIPALITY	*TOTAL EQUALIZED VALUE	*OC EQUALIZED VALUE	UNIT SHARE
TOWNS			
BLACK CREEK	$ 102,821,000	$ 102,821,000	1.00
BOVINA	101,956,800	101,956,800	1.00
BUCHANAN	684,363,800	684,363,800	1.00
CENTER	378,915,000	378,915,000	1.00
CICERO	90,794,800	90,794,800	1.00
DALE	267,681,600	267,681,600	1.00
DEER CREEK	44,403,400	44,403,400	1.00
ELLINGTON	276,129,900	276,129,900	1.00
FREEDOM	533,827,200	533,827,200	1.00
GRAND CHUTE	2,657,993,100	2,657,993,100	1.00
GREENVILLE	1,323,094,600	1,323,094,600	1.00
HORTONIA	122,906,900	122,906,900	1.00
KAUKAUNA	140,412,400	140,412,400	1.00
LIBERTY	72,791,800	72,791,800	1.00
MAINE	75,697,100	75,697,100	1.00
MAPLE CREEK	46,737,000	46,737,000	1.00
ONEIDA	216,087,800	216,087,800	1.00
OSBORN	98,654,400	98,654,400	1.00
SEYMOUR	103,983,100	103,983,100	1.00
VANDENBROEK	172,130,300	172,130,300	1.00
VILLAGES			
BEAR CREEK	16,788,500	16,788,500	1.00
BLACK CREEK	69,657,000	69,657,000	1.00
COMBINED LOCKS	297,130,800	297,130,800	1.00
HORTONVILLE	199,760,600	199,760,600	1.00
HOWARD	1,809,530,400	25,000	0.00
KIMBERLY	524,142,700	524,142,700	1.00
LITTLE CHUTE	878,465,300	878,465,300	1.00
NICHOLS	9,157,000	9,157,000	1.00
SHIOCTON	41,281,400	41,281,400	1.00
WRIGHTSTOWN	254,760,200	43,542,300	0.17
CITIES			
APPLETON	5,443,435,200	4,586,364,300	0.84
KAUKAUNA	1,088,410,700	1,088,364,100	1.00
NEW LONDON	388,138,900	124,884,900	0.32
SEYMOUR	210,167,300	210,167,300	1.00
TOTALS	$ 18,742,208,000	$ 15,601,113,200	31.34

*WI Dept of Revenue - 2018 Statement of Changes in Equalized Values

SCHOOL DISTRICT	*TOTAL EQUALIZED VALUE		*OC EQUALIZED VALUE	UNIT SHARE
APPLETON	$	8,129,465,172	$ 7,137,207,575	0.88
KIMBERLY		2,156,682,752	1,257,653,218	0.58
KAUKAUNA		2,393,293,273	1,814,423,363	0.76
LITTLE CHUTE		549,592,535	549,592,535	1.00
HORTONVILLE		2,202,756,864	2,202,756,864	1.00
SEYMOUR		823,012,881	804,836,610	0.98
FREEDOM		925,383,873	925,383,873	1.00
SHIOCTON		336,846,131	336,846,131	1.00
CLINTONVILLE		651,189,274	66,666,495	0.10
NEW LONDON		1,126,138,908	354,557,852	0.31
WEST DEPERE		2,265,512,409	41,611,601	0.02
WRIGHTSTOWN		719,987,676	109,111,540	0.15
PULASKI		1,815,504,581	453,011	0.00
MENASHA		1,406,322,239	12,532	0.00
TOTALS	$	**25,501,688,568**	$ **15,601,113,200**	**7.78**

* WI Dept of Education - The number of students enrolled on the 3rd Friday of Sept.

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MUNICIPAL & SCHOOL DISTRICT ALLOCATION TABLE:			
			County Distribution
MUNICIPAL UNITS	31.34	80%	$2,400,000.00
SCHOOL DIST UNITS	7.78	20%	$600,000.00
TOTALS	**39.12**	**100%**	**$3,000,000.00**

APPENDIX E

MUNICIPAL DISTRIBUTION TABLE

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Estimate of Potential Distributions to Local Government Municipalities
$2,400,000 allocated by: 33.33% Equalized Value, 33.33% Population, 33.34% Lane Miles

MUNICIPALITY	EQUALIZED VALUE SHARE	POPULATION SHARE	LANE MILES SHARE	TOTAL SHARE
TOWNS				
BLACK CREEK	$ 5,272	$ 5,400	$ 23,168	$ 33,840
BOVINA	5,232	5,024	18,248	28,504
BUCHANAN	35,096	30,208	24,880	90,184
CENTER	19,432	15,448	34,632	69,512
CICERO	4,656	4,824	26,024	35,504
DALE	13,728	12,360	24,992	51,080
DEER CREEK	2,280	2,808	17,840	22,928
ELLINGTON	14,160	13,000	31,416	58,576
FREEDOM	27,376	26,256	34,608	88,240
GRAND CHUTE	136,296	98,408	68,328	303,032
GREENVILLE	67,848	51,088	56,960	175,896
HORTONIA	6,304	4,736	10,864	21,904
KAUKAUNA	7,200	5,616	19,480	32,296
LIBERTY	3,736	3,800	12,584	20,120
MAINE	3,880	3,824	16,464	24,168
MAPLE CREEK	2,400	2,616	11,880	16,896
ONEIDA	11,080	20,504	43,176	74,760
OSBORN	5,056	5,240	15,032	25,328
SEYMOUR	5,336	5,152	20,808	31,296
VANDENBROEK	8,824	6,824	11,312	26,960
VILLAGES				
BEAR CREEK	864	1,920	2,096	4,880
BLACK CREEK	3,568	5,672	3,912	13,152
COMBINED LOCKS	15,240	15,280	9,264	39,784
HORTONVILLE	10,240	11,896	7,840	29,976
HOWARD	-	-	-	-
KIMBERLY	26,880	28,984	17,632	73,496
LITTLE CHUTE	45,048	48,208	27,320	120,576
NICHOLS	472	1,176	1,840	3,488
SHIOCTON	2,120	4,024	2,832	8,976
WRIGHTSTOWN	2,232	864	1,408	4,504
CITIES				
APPLETON	235,160	266,896	142,920	644,976
KAUKAUNA	55,808	69,592	41,624	167,024
NEW LONDON	6,400	7,424	7,544	21,368
SEYMOUR	10,776	14,928	11,072	36,776
TOTALS	$ 800,000	$ 800,000	$ 800,000	$ 2,400,000
	33.33%	33.33%	33.34%	100.00%

APPENDIX F

SCHOOL DISTRICT DISTRIBUTION TABLE

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Estimate of Potential Distributions to School Districts
$600,000 allocated by: 50% Outagamie Equalized Value, 50% Outagamie Student Enrollment

SCHOOL DISTRICT	ENROLLMENT SHARE	EQUALIZED VALUE SHARE	TOTAL SHARE
APPLETON	$ 136,140	$ 137,250	$ 273,390
KIMBERLY	28,800	24,180	52,980
KAUKAUNA	28,380	34,890	63,270
LITTLE CHUTE	15,240	10,560	25,800
HORTONVILLE	38,160	42,360	80,520
SEYMOUR	20,640	15,480	36,120
FREEDOM	15,300	17,790	33,090
SHIOCTON	6,660	6,480	13,140
CLINTONVILLE	1,230	1,290	2,520
NEW LONDON	6,840	6,810	13,650
WEST DEPERE	630	810	1,440
WRIGHTSTOWN	1,980	2,100	4,080
PULASKI	-	-	-
MENASHA	-	-	-
TOTALS	**$ 300,000**	**$ 300,000**	**$ 600,000**
	50.00%	50.00%	100.00%

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