



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

February 1, 2005

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: SSA 1 (LRBs0009) to SB 28/ASA 1 (LRBs0013) to AB 58: Fiscal Control on Local Property Taxes

Senate Bill 28 and Assembly Bill 58 would impose levy limits on counties, municipalities, and technical college districts and modify school district revenue limits. Senate Bill 28 was introduced on January 25 and Assembly Bill 58 was introduced on January 27. Both bills were referred to the Joint Committee on Finance. Senate Substitute Amendment 1 to SB 28 and Assembly Substitute Amendment 1 to AB 58, which are identical, were introduced on January 27. This paper summarizes the substitute amendments and provides information on their fiscal effect. (A copy of ASA 1 to AB 58 is attached.)

### SUMMARY OF SUBSTITUTE AMENDMENTS

#### County and Municipal Levy Limit

The substitute amendments would limit the rate of increase in the property tax levy of each county and municipality to the jurisdiction's percentage change in tax base due to new construction, less improvements removed, as determined for January 1 equalized values in the year of the levy, but not less than zero. The limit would not apply to any tax increments from a tax incremental financing district.

The levy limit would be sunset three years after the substitute amendments' effective date. Therefore, if enacted during the current year, the control would apply to taxes levied in 2005 (payable in 2006), 2006 (payable in 2007), and 2007 (payable in 2008). The tax rate limit imposed on counties under current law would remain in effect throughout and after this three-year period.

The Department of Revenue (DOR) would administer the levy limit for counties and municipalities.

The substitute amendments would authorize several adjustments to the allowable levy:

*Transfers of Service.* A local government that transfers a service to another governmental unit would have its levy limit decreased to reflect the cost that the local government would have incurred to provide the service, as determined by DOR. A local government that assumes responsibility for providing a service previously performed by another governmental unit would have its levy limit increased to reflect the cost of that service, as determined by DOR.

*Annexations.* The allowable levy for municipalities involved in annexations would be adjusted to reflect the levy on that property in the prior year. The levy limit for a city or village annexing property would be increased by an amount equal to the town taxes levied on the property in the previous year. The levy limit for the town previously containing the annexed property would be reduced by an identical amount.

*Debt Service.* Adjustments for amounts levied for debt service would be permitted under either of two provisions. First, if the amount needed for debt service in the current year exceeds the amount of debt service in the previous year, the levy limit for the county or municipality would be increased by the amount of the difference, as determined by DOR, if the additional amount is required to service debt authorized through a resolution adopted by the county or municipality before July 1, 2005. Second, for debt authorized on or after July 1, 2005, amounts needed for debt service would not be subject to the limitation if the debt is authorized by referendum and is secured by the full faith and credit of the county or municipality. For purposes of the levy limit, debt service would be defined to include debt service on debt issued or reissued to fund or refund outstanding obligations of the county or municipality, interest on outstanding obligations, or the payment of related issuance costs or redemption premiums.

*County Children With Disabilities Education Boards.* The limitation would not apply to amounts levied by a county for a county children with disabilities education board. State law authorizes counties to establish special education programs to provide services to children with disabilities. Although school districts generally provide these services, four counties have fiscally independent special education programs. They include Brown, Calumet, Racine, and Walworth counties, although Racine County is discontinuing its program in 2005.

*First Class City Levies for Schools.* The limitation would not apply to amounts levied by a first class city for school purposes. Chapter 120 of the state statutes establishes the governance structure for most school districts, but any district located in a city of the first class is organized under Chapter 119 of the statutes. Currently, Milwaukee Public Schools (MPS) is the only school district operating under Chapter 119. In such districts, state law directs the school board to submit its budget to the common council, and the common council is required to levy a tax "equal to the amount of money required by the board." The substitute amendments clarify that the levy for school purposes is not part of the city's levy for purposes of the levy limit. As a school district, MPS is subject to revenue limits.

*Referendum to Exceed Limit.* A county or municipality would be permitted to exceed its levy limit by an amount approved both by its governing body in a resolution and by its electors in a referendum. The resolution and referendum would have to specify whether the proposed increase in the levy is for the next fiscal year only or if it would apply on an ongoing basis. In 2005 or 2007, the local government would be authorized to call a special referendum. In 2006, such a referendum would have to be held at the same time as the spring primary or election or September primary or November general election.

The referendum question would have to be submitted to the electors as follows: "Under state law, the increase in the levy of the .... (name of county or municipality) for the tax to be imposed for the next fiscal year, .... (year), is limited to ....%, which results in a levy of \$.... Shall the .... (name of the county or municipality) be allowed to exceed this limit and increase the levy for the next fiscal year, .... (year), by a total of ....%, which results in a levy of \$....?". The clerk of the county or municipality would have to submit the results of the referendum to DOR within 14 days of the referendum. If the increase is approved for only one year, the amount of the increase would be subtracted from the base used to calculate the levy limit for the next year.

*Town Meeting Vote to Exceed Limit.* Towns with populations under 2,000 would be allowed to exceed the levy limit if the increase is approved at the annual town meeting or a special town meeting. The town clerk would have to certify the results of the town meeting vote to DOR within 14 days after a vote approving an increase in the town's levy limit.

### **Technical College District Levy Limit**

The substitute amendments would limit the rate of increase in the property tax levy of each technical college district to 2.6% per year. The levy limit would be sunset three years after the substitute amendments' effective date. Therefore, if enacted during the current year, the control would apply to taxes levied in 2005 (payable in 2006), 2006 (payable in 2007), and 2007 (payable in 2008). The tax rate limit imposed on technical college districts under current law (1.5 mills for the operating levy) would remain in effect throughout and after this three-year period. The Department of Revenue (DOR) would administer the levy limit for technical college districts.

The substitute amendments would authorize several adjustments to the allowable levy:

*Transfers of Service.* A district that transfers a service to another governmental unit would have its levy limit decreased to reflect the cost that the district would have incurred to provide the service, as determined by DOR. A district that assumes responsibility for providing a service previously performed by another governmental unit would have its levy limit increased to reflect the cost of that service, as determined by DOR.

*Debt Service.* Adjustments for amounts levied for debt service would be permitted under either of two provisions. First, if the amount needed for debt service in the current year exceeds the amount of debt service in the previous year, the levy limit for the district would be increased by the amount of the difference, as determined by DOR, if the additional amount is required to service

debt authorized through a resolution adopted by the district's board before July 1, 2005. Second, for debt authorized on or after July 1, 2005, amounts needed for debt service would not be subject to the limitation if the debt is authorized by referendum and is secured by the full faith and credit of the district. For purposes of the levy limit, debt service would be defined to include debt service on debt issued or reissued to fund or refund outstanding obligations of the district, interest on outstanding obligations, or the payment of related issuance costs or redemption premiums.

*Referendum to Exceed Limit.* A district would be permitted to exceed its levy limit by an amount approved both by the district board in a resolution and by its electors in a referendum. The resolution and referendum would have to specify whether the proposed increase in the levy is for the next fiscal year only or if it would apply on an ongoing basis. In 2005 or 2007, the district board would be authorized to call a special referendum. In 2006, such a referendum would have to be held at the same time as the spring primary or election or September primary or November general election.

The referendum question would have to be submitted to the electors as follows: "Under state law, the percentage increase in the levy of the .... (name of district) for the next fiscal year, .... (year), is limited to ....%, resulting in a levy of \$.... Shall the .... (name of the district) be allowed to exceed this limit such that the percentage increase for the next fiscal year, .... (year), will be ....%, resulting in a levy of \$....?". The district board would have to submit the results of the referendum to DOR within 14 days of the referendum. If the increase is approved for only one year, the amount of the increase would be subtracted from the base used to calculate the levy limit for the next year.

### **School District Revenue Limits**

*Current Law.* Under revenue limits, the annual increase in a school district's per pupil revenue derived from general school aids, computer aid, and property taxes is restricted. Actual general aids, computer aid, and property tax revenues received in the prior year are used to establish the base year amount in order to compute the allowable revenue increase for the current school year. A per pupil revenue limit increase is added to the base revenue per pupil for the current school year. There are several adjustments that are made to the standard revenue limit calculation, such as the declining enrollment adjustment, transfer of service, and the low-revenue ceiling. The difference between a district's revenue limit and the October 15 general school aid estimate provided by the Department of Public Instruction, less the district's computer aid eligibility, determines the maximum amount of revenue the district is allowed to raise through the property tax levy for these controlled revenues. School property taxes for referenda-approved debt and the community service levy are not subject to revenue limits. In addition, school districts may obtain either recurring or nonrecurring increases to their revenue limits through referendum approval.

In 2004-05, the per pupil adjustment is \$241.01. Based on current projections of inflation, it is estimated that the per pupil adjustment would be \$248 in 2005-06 and \$252 in 2006-07.

*SSA 1/ASA 1.* For school districts, the per pupil adjustment under revenue limits would be reduced to \$210 in 2005-06 and to \$200 in 2006-07 and thereafter. Under the substitute amendments, the per pupil adjustment would be reduced by an estimated \$38 per pupil from current law in 2005-06, and by an estimated cumulative amount of \$90 per pupil in 2006-07.

## **FISCAL EFFECT**

### **Estimated Effect on Property Taxes**

Based on preliminary reports, gross property tax levies are estimated to total \$8,152.1 million on a statewide basis for 2004(05). Assuming no change in state aid appropriations or other law changes affecting local governments, levies are estimated to increase by 5.9% in 2005(06) and 6.0% in 2006(07). These estimates were calculated based on trends displayed in actual property tax levies between the 1996(97) and 2004(05) tax years. For school districts, the levies are estimated based on trends in enrollment and in various adjustments under revenue limits. Gross property tax levies would increase on a statewide basis by an estimated 4.1% both in 2005(06) and 2006(07) under the provisions in the substitute amendments. Table 1 reports these amounts by type of taxing jurisdiction.

Between 1996 and 2004, new construction, on average, added 2.6% to the statewide tax base each year. Based on the assumption that this trend will continue, municipal and county property tax levy increases of 2.6% over the next two years are estimated under the substitute amendment. If the distribution of new construction in the state varies from the distribution of property tax levies, statewide levy increases for municipalities and counties could vary from the projected 2.6% level. The modifications to school revenue limit provisions would result in statewide levy increases estimated at 5.5% in 2005(06) and 5.4% in 2006(07) for school districts. The substitute amendment would allow for increases of 2.6% each year for technical college districts. These estimates are based on the assumptions that state aid will remain unchanged over the next two years and that, under the provisions of the substitute amendments, additional debt will not be authorized that would result in levies excluded from the control and no referenda will be adopted authorizing additional tax levy increases.

Statewide property tax levies would increase at rates higher than the rates estimated for municipalities, counties, and technical college districts because of the higher estimated levies for school districts and because the levies of special purpose districts and the levy for the state forestry tax would not be limited. Under current law provisions, gross property taxes are estimated at \$8,636.0 million in 2005(06) and \$9,152.7 million in 2006(07). Under the substitute amendments, statewide gross property taxes of \$8,487.1 million in 2005(06) and \$8,832.0 million in 2006(07) are estimated. The levies over the next two years under the substitute amendments would be somewhat higher if referenda are adopted or if additional amounts are needed to fund debt approved prior to July 1, 2005.

Also, Table 1 includes estimates of the impact of the various tax amounts on the median-valued home taxed at the statewide average tax rate. Home value estimates are based on the 2000 median home value for Wisconsin reported in the 2000 decennial census, adjusted to reflect the annual change in residential property values due to economic factors (appreciation) as reported by the Department of Revenue. Due to new construction, there will be more tax base in 2005 and 2006 than in 2004, so the estimated tax increase on a median-valued home under each set of assumptions is less than the estimated rate of increase in statewide tax levies. Although statewide tax levies are estimated to increase at a rate that is 1.5% higher than the rate of increase in tax base due to new construction, the substitute amendments would produce taxes on a median-valued home that are estimated to increase by 2.7% in 2005(06) and 2.3% in 2006(07). This occurs due to the interaction of the rates of change assumed for home values (5.4%), statewide equalized values (7.5%), and property tax levies (4.1%). For properties with lower rates of change in their values, the resulting tax bill increase would be lower, and tax bill reductions would occur for some properties.

**TABLE 1**

**Property Tax Estimates Under Current Law and Fiscal Control Proposal**

|                                 | Preliminary          | Current Law Estimates |              | SSA I/ASA I Estimates |              |
|---------------------------------|----------------------|-----------------------|--------------|-----------------------|--------------|
|                                 | Estimate<br>2004(05) | 2005(06)              | 2006(07)     | 2005(06)              | 2006(07)     |
| <b>Tax Levies (In Millions)</b> |                      |                       |              |                       |              |
| Municipalities                  | \$1,949.8            | \$2,055.0             | \$2,166.0    | \$2,000.4             | \$2,052.5    |
| Counties                        | 1,615.3              | 1,700.9               | 1,791.0      | 1,657.3               | 1,700.4      |
| School Districts                | 3,610.7              | 3,843.0               | 4,094.0      | 3,810.7               | 4,016.4      |
| Technical College Districts     | 590.8                | 620.4                 | 651.4        | 606.2                 | 621.9        |
| Other Non-TID Jurisdictions     | 165.0                | 174.5                 | 184.6        | 174.5                 | 184.6        |
| Tax Increment Districts         | <u>220.5</u>         | <u>242.2</u>          | <u>265.7</u> | <u>238.0</u>          | <u>256.2</u> |
| Gross Property Tax Levies       | \$8,152.1            | \$8,636.0             | \$9,152.7    | \$8,487.1             | \$8,832.0    |
| Change to Prior Year            |                      | 483.9                 | 516.7        | 335.0                 | 344.9        |
| Change to Current Law           |                      |                       |              | -148.9                | -320.7       |
| <b>Percent Change</b>           |                      |                       |              |                       |              |
| Municipalities                  |                      | 5.4%                  | 5.4%         | 2.6%                  | 2.6%         |
| Counties                        |                      | 5.3                   | 5.3          | 2.6                   | 2.6          |
| School Districts                |                      | 6.4                   | 6.5          | 5.5                   | 5.4          |
| Technical College Districts     |                      | 5.0                   | 5.0          | 2.6                   | 2.6          |
| Other Non-TID Jurisdictions     |                      | 5.8                   | 5.8          | 5.8                   | 5.7          |
| Tax Increment Districts         |                      | <u>9.8</u>            | <u>9.7</u>   | <u>7.9</u>            | <u>7.7</u>   |
| Gross Property Tax Levies       |                      | 5.9%                  | 6.0%         | 4.1%                  | 4.1%         |
| <b>Tax Bill Estimate</b>        |                      |                       |              |                       |              |
| Median-Valued Home              | \$142,814            | \$150,526             | \$158,654    | \$150,526             | \$158,654    |
| Tax Bill Estimate               | \$2,706              | \$2,833               | \$2,956      | \$2,780               | \$2,844      |
| Change to Prior Year            |                      | 127                   | 123          | 74                    | 64           |
| Change to Current Law           |                      |                       |              | -53                   | -112         |
| Percent Change to Prior Year    |                      | 4.7%                  | 4.3%         | 2.7%                  | 2.3%         |

The figures in Table 1 provide estimates for the state as a whole. The tax impacts in individual municipalities would vary considerably from these figures. Municipal and county levies would vary based on the amount of new construction occurring in each municipality and county. For example, new construction in 2003 (used to determine January 1, 2004, equalized values) was less than 1% in 331 municipalities and greater than 4% in 268 municipalities, although the statewide average was 2.6%. For counties, new construction was less than 2% in 26 counties and greater than 3% in 10 counties. School district levies would vary by district depending on the actual amount of general school aids received and whether each district would levy to the maximum allowed under revenue limits.

Finally, the substitute amendments would affect tax increment districts. Because property tax levels would be lower than under current law, fewer tax increments would be generated, thereby increasing the length of time necessary to repay development costs and retire districts. However, it should be noted that the proposed fiscal controls are temporary and would affect individual districts differently depending on how they are structured.

### **Estimated Effect on Local Government Expenditures**

The property tax is the largest tax source for Wisconsin local governments, and the combination of property taxes and unrestricted state aids funds the majority of local governments' discretionary spending. Many of the other revenues raised by local governments are dedicated to fund specific services, similar to the state's program and segregated revenues. Table 2 reports the effects of the proposed fiscal control on local governments' discretionary spending financed from these sources, assuming no increases in unrestricted state aids.

**TABLE 2**

**Estimated Effect of Proposed Fiscal Control on  
Local Government Discretionary Spending Assuming No State Aid Increases  
(\$ in Millions)**

|                             | <u>2004(05)</u> | <u>2005(06)</u> | <u>2006(07)</u> |
|-----------------------------|-----------------|-----------------|-----------------|
| School Districts            |                 |                 |                 |
| Property Tax Levy           | \$3,610.7       | \$3,810.7       | \$4,016.4       |
| Unrestricted State Aid      | <u>4,248.3</u>  | <u>4,248.3</u>  | <u>4,248.3</u>  |
| Total                       | \$7,859.0       | \$8,059.0       | \$8,264.7       |
| Percent Change              |                 | 2.5%            | 2.6%            |
| Municipalities              |                 |                 |                 |
| Property Tax Levy           | \$1,949.8       | \$2,000.4       | \$2,052.5       |
| Unrestricted State Aid      | <u>777.6</u>    | <u>777.6</u>    | <u>777.6</u>    |
| Total                       | \$2,727.4       | \$2,778.0       | \$2,830.1       |
| Percent Change              |                 | 1.9%            | 1.9%            |
| Counties                    |                 |                 |                 |
| Property Tax Levy           | \$1,615.3       | \$1,657.3       | \$1,700.4       |
| Unrestricted State Aid      | <u>174.7</u>    | <u>174.7</u>    | <u>174.7</u>    |
| Total                       | \$1,790.0       | \$1,832.0       | \$1,875.1       |
| Percent Change              |                 | 2.3%            | 2.4%            |
| Technical College Districts |                 |                 |                 |
| Property Tax Levy           | \$590.8         | \$606.2         | \$621.9         |
| Unrestricted State Aid      | <u>118.4</u>    | <u>118.4</u>    | <u>118.4</u>    |
| Total                       | \$709.2         | \$724.6         | \$740.3         |
| Percent Change              |                 | 2.2%            | 2.2%            |

**Estimated Effects on School Levy of Possible Aid Increases**

Under the substitute amendments, the per pupil adjustment for revenue limits would be reduced to \$210 in 2005-06 and to \$200 in 2006-07 and in each subsequent year. It is estimated that, with the proposed adjustments, statewide school district revenue limit authority would be reduced by \$33 million in 2005-06 and by \$78 million in 2006-07 compared to current law. The property tax impact of the reduction in revenue limit authority in the 2005-07 biennium would depend on the amount of general school aids funding provided in each year. No change to general aids is included under the substitute amendments, but general aids funding could be modified in the 2005-07 biennial budget process. If, for example, an additional \$50 million in 2005-06 and \$100 million in 2006-07 in general school aids funding is provided, the statewide school property tax levy would increase to \$3,761.4 million in 2005-06 and \$3,918.0 million in 2006-07, an increase of 4.2% in each year over the prior year. If an additional \$100 million in 2005-06 and \$200 million in 2006-07 in general school aids funding is provided, the statewide school levy would increase to \$3,712.2 million in 2005-06 and \$3,819.6 million in 2006-07, an increase of 2.8% and 2.9% in each year, respectively, over the prior year. If an additional \$150 million in 2005-06 and \$300 million in 2006-07 in general aids funding is provided (which under current law would maintain the estimated overall 2004-05 level of 63.75% state support during the biennium), the statewide school levy

would increase to \$3,663.0 million in 2005-06 and \$3,721.2 million in 2006-07, an increase of 1.5% and 1.6% in each year, respectively, over the prior year.

### **Estimated Effect on State Property Tax Relief Programs**

The estimated property tax reductions under the substitute amendments would decrease the estimated cost of other state property tax relief programs as follows: (a) -\$1.3 million in 2005-06 and -\$2.6 million in 2006-07 for computer aid payments; (b) -\$0.8 million in 2005-06 and -\$1.8 million in 2006-07 for the homestead tax credit; and (c) -\$0.2 million in 2005-06 and -\$0.5 million in 2006-07 for the farmland preservation credit. In addition, state income tax collections would increase by an estimated \$2.4 million in 2005-06 and \$5.5 million in 2006-07 due to reduced property tax/rent credits.

Attachment

**ASSEMBLY SUBSTITUTE AMENDMENT ,  
TO 2005 ASSEMBLY BILL 58**

1     **AN ACT** *to amend* 121.91 (2m) (e) (intro.), 121.91 (2m) (r) 1. (intro.), 121.91 (2m)  
2             (r) 2. (intro.) and 121.91 (4) (f); and *to create* 38.17, 66.0602, 121.91 (2m) (f) and  
3             121.91 (2m) (g) of the statutes; **relating to:** school district revenue limits and  
4             levy limits for cities, villages, towns, counties, and technical college districts.

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***Analysis by the Legislative Reference Bureau***

This substitute amendment creates local levy limits that apply to cities, villages, towns, counties (political subdivisions), and technical college districts. Generally, the substitute amendment prohibits a political subdivision from increasing its levy by a percentage that exceeds the percentage change in the political subdivision's equalized value due to new construction, less improvements removed. In addition, the calculation of a city's, village's, or town's levy does not include any tax increment that is generated by a tax incremental district. With regard to technical college districts, the levy limit is the levy for the previous year multiplied by 1.026. The substitute amendment contains exceptions to the levy limit for political subdivisions that transfer the provision of services, for cities or villages that annex town territory, and for a county levy that relates to a county Children with Disabilities Education Board. The levy limit may also be exceeded if a political subdivision's or technical college district's resolution to do so is approved in a referendum. A town with a population of less than 2,000 may exceed the levy limit

if a resolution to do so is approved by an annual or special town meeting. The levy limits do not apply beginning three years after the effective date of the substitute amendment.

Under the substitute amendment, a technical college district's or political subdivision's levy limit is increased if the amount of debt service in the current year exceeds the amount in the prior year for debt that was approved by the governing body before July 1, 2005. This substitute amendment exempts from the limit all funds needed to pay debt service on debt authorized by resolution or referendum before July 1, 2005, and on debt authorized by referendum on or after July 1, 2005.

Also under this substitute amendment, the limit otherwise applicable does not apply to the amount that a 1st class city (presently only Milwaukee) levies for school purposes. Currently, a 1st class city school district is not authorized to levy a tax; the city in which the school district is located levies a tax for school purposes at the direction of the school board.

This substitute amendment sets the per pupil adjustment under school district revenue limits at \$210 in the 2005–06 school year and at \$200 in each subsequent school year. Under current law, the per pupil adjustment is approximately \$241 in the 2004–05 school year and is adjusted for inflation in subsequent school years.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           **SECTION 1.** 38.17 of the statutes is created to read:

2           **38.17 Levy limit. (1) DEFINITION.** In this section, "debt service" includes debt  
3           service on debt issued or reissued to fund or refund outstanding municipal  
4           obligations, interest on outstanding municipal obligations, and related issuance  
5           costs and redemption premiums.

6           **(2) LIMIT.** Except as provided in subs. (3) and (4), no district board may increase  
7           its levy for any fiscal year to an amount that exceeds its levy for the previous fiscal  
8           year multiplied by 1.026.

9           **(3) ADJUSTMENTS.** (a) 1. If a district board transfers to another governmental  
10          unit responsibility for providing any service that it provided in the preceding fiscal  
11          year, the limit otherwise applicable under sub. (2) in the current fiscal year is

1 decreased by the cost that it would have incurred to provide that service, as  
2 determined by the department of revenue.

3 2. If a district board increases the services that it provides by adding  
4 responsibility for providing a service transferred to it from another governmental  
5 unit that provided the service in the previous fiscal year, the limit otherwise  
6 applicable under sub. (2) in the current fiscal year is increased by the cost of that  
7 service, as determined by the department of revenue.

8 (b) 1. If the amount of debt service for a district board in the preceding fiscal  
9 year is less than the amount of debt service needed in the current fiscal year, as a  
10 result of the district board adopting a resolution before July 1, 2005, authorizing the  
11 issuance of debt, the limit otherwise applicable under sub. (2) for the current fiscal  
12 year is increased by the difference between the 2 amounts, as determined by the  
13 department of revenue.

14 2. The limit otherwise applicable under this section does not apply to amounts  
15 levied by a district board for the payment of any general obligation debt service,  
16 including debt service on debt issued or reissued to fund or refund outstanding  
17 municipal obligations, interest on outstanding municipal obligations, or the  
18 payment of related issuance costs or redemption premiums, authorized on or after  
19 July 1, 2005, by a referendum and secured by the full faith and credit of the district.

20 **(4) REFERENDUM.** (a) 1. A district board may exceed the levy limit under sub.  
21 (2) if it adopts a resolution to that effect and the resolution is approved in a  
22 referendum. The resolution shall specify the proposed amount of increase in the levy  
23 beyond the amount that is allowed under sub. (2), and shall also specify whether the  
24 proposed amount of increase is for the next fiscal year only or if it will apply on an  
25 ongoing basis.

1           2. Except as provided in subd. 3., the district board may call a special  
2 referendum for the purpose of submitting the resolution to the electors of the district  
3 for approval or rejection.

4           3. A referendum to exceed the limit under sub. (2) for the levy for the 2006–07  
5 fiscal year shall be held at the spring primary or election or September primary or  
6 general election in 2006.

7           (b) The district board shall publish type A, B, C, D, and E notices of the  
8 referendum under s. 10.01 (2). Section 5.01 (1) applies in the event of failure to  
9 comply with the notice requirements of this paragraph.

10          (c) The referendum shall be held in accordance with chs. 5 to 12. The district  
11 board shall provide the election officials with all necessary election supplies. The  
12 form of the ballot shall correspond substantially with the standard form for  
13 referendum ballots prescribed by the elections board under ss. 5.64 (2) and 7.08 (1)

14          (a). The question shall be submitted as follows: “Under state law, the percentage  
15 increase in the levy of the .... (name of district) for the next fiscal year, .... (year), is  
16 limited to ....%, resulting in a levy of \$..... Shall the .... (name of district) be allowed  
17 to exceed this limit such that the percentage increase for the next fiscal year, ....  
18 (year), will be ....%, resulting in a levy of \$....?”.

19          (d) Within 14 days after the referendum, the district board shall certify the  
20 results of the referendum to the department of revenue. The limit otherwise  
21 applicable to the district under sub. (2) is increased for the next fiscal year by the  
22 amount approved by a majority of those voting on the question. If the resolution  
23 specifies that the increase is for one year only, the amount of the increase shall be  
24 subtracted from the base used to calculate the limit for the 2nd succeeding fiscal year.

1           (5) SUNSET. This section does not apply beginning 3 years after the effective  
2 date of this subsection .... [revisor inserts date].

3           SECTION 2. 66.0602 of the statutes is created to read:

4           **66.0602 Local levy limits. (1) DEFINITIONS.** In this section:

5           (a) “Debt service” includes debt service on debt issued or reissued to fund or  
6 refund outstanding municipal or county obligations, interest on outstanding  
7 municipal or county obligations, and related issuance costs and redemption  
8 premiums.

9           (b) “Political subdivision” means a city, village, town, or county.

10           (c) “Valuation factor” means a percentage equal to the percentage change in the  
11 political subdivision’s January 1 equalized value due to new construction less  
12 improvements removed between the previous year and the current year, but not less  
13 than zero.

14           (2) LEVY LIMIT. Except as provided in subs. (3), (4), and (5), no political  
15 subdivision may increase its levy in any year by a percentage that exceeds the  
16 political subdivision’s valuation factor. In determining its levy in any year, a city,  
17 village, or town shall subtract any tax increment that is calculated under s. 60.85 (1)  
18 (L) or 66.1105 (2) (i).

19           (3) EXCEPTIONS. (a) If a political subdivision transfers to another governmental  
20 unit responsibility for providing any service that the political subdivision provided  
21 in the preceding year, the levy increase limit otherwise applicable under this section  
22 to the political subdivision in the current year is decreased to reflect the cost that the  
23 political subdivision would have incurred to provide that service, as determined by  
24 the department of revenue.

1           (b) If a political subdivision increases the services that it provides by adding  
2 responsibility for providing a service transferred to it from another governmental  
3 unit that provided the service in the preceding year, the levy increase limit otherwise  
4 applicable under this section to the political subdivision in the current year is  
5 increased to reflect the cost of that service, as determined by the department of  
6 revenue.

7           (c) If a city or village annexes territory from a town, the city's or village's levy  
8 increase limit otherwise applicable under this section is increased in the current year  
9 by an amount equal to the town levy on the annexed territory in the preceding year  
10 and the levy increase limit otherwise applicable under this section in the current  
11 year for the town from which the territory is annexed is decreased by that same  
12 amount, as determined by the department of revenue.

13           (d) 1. If the amount of debt service for a political subdivision in the preceding  
14 year is less than the amount of debt service needed in the current year, as a result  
15 of the political subdivision adopting a resolution before July 1, 2005, authorizing the  
16 issuance of debt, the levy increase limit otherwise applicable under this section to the  
17 political subdivision in the current year is increased by the difference between these  
18 2 amounts, as determined by the department of revenue.

19           2. The limit otherwise applicable under this section does not apply to amounts  
20 levied by a political subdivision for the payment of any general obligation debt  
21 service, including debt service on debt issued or reissued to fund or refund  
22 outstanding obligations of the political subdivision, interest on outstanding  
23 obligations of the political subdivision, or the payment of related issuance costs or  
24 redemption premiums, authorized on or after July 1, 2005, by a referendum and  
25 secured by the full faith and credit of the political subdivision.

1           (e) The limit otherwise applicable under this section does not apply to the  
2 amount that a county levies in that year for a county children with disabilities  
3 education board.

4           (f) The limit otherwise applicable under this section does not apply to the  
5 amount that a 1st class city levies for school purposes.

6           **(4) REFERENDUM EXCEPTION.** (a) A political subdivision may exceed the levy  
7 increase limit under sub. (2) if its governing body adopts a resolution to that effect  
8 and if the resolution is approved in a referendum. The resolution shall specify the  
9 proposed amount of increase in the levy beyond the amount that is allowed under  
10 sub. (2), and shall specify whether the proposed amount of increase is for the next  
11 fiscal year only or if it will apply on an ongoing basis. With regard to a referendum  
12 relating to the 2005 or 2007 levy, the political subdivision may call a special  
13 referendum for the purpose of submitting the resolution to the electors of the political  
14 subdivision for approval or rejection. With regard to a referendum relating to the  
15 2006 levy, the referendum shall be held at the next succeeding spring primary or  
16 election or September primary or general election.

17           (b) The clerk of the political subdivision shall publish type A, B, C, D, and E  
18 notices of the referendum under s. 10.01 (2). Section 5.01 (1) applies in the event of  
19 failure to comply with the notice requirements of this paragraph.

20           (c) The referendum shall be held in accordance with chs. 5 to 12. The political  
21 subdivision shall provide the election officials with all necessary election supplies.  
22 The form of the ballot shall correspond substantially with the standard form for  
23 referendum ballots prescribed by the elections board under ss. 5.64 (2) and 7.08 (1)

24           (a). The question shall be submitted as follows: “Under state law, the increase in the  
25 levy of the .... (name of political subdivision) for the tax to be imposed for the next

1 fiscal year, .... (year), is limited to ....%, which results in a levy of \$.... Shall the ....  
2 (name of political subdivision) be allowed to exceed this limit and increase the levy  
3 for the next fiscal year, .... (year), by a total of ....%, which results in a levy of \$....?”.

4 (d) Within 14 days after the referendum, the clerk of the political subdivision  
5 shall certify the results of the referendum to the department of revenue. The levy  
6 increase limit otherwise applicable to the political subdivision under sub. (2) is  
7 increased in the next fiscal year by the percentage approved by a majority of those  
8 voting on the question. If the resolution specifies that the increase is for one year  
9 only, the amount of the increase shall be subtracted from the base used to calculate  
10 the limit for the 2nd succeeding fiscal year.

11 (5) EXCEPTION, CERTAIN TOWNS. A town with a population of less than 2,000 may  
12 exceed the levy increase limit otherwise applicable under this section to the town if  
13 the annual town meeting or a special town meeting adopts a resolution to that effect.  
14 The limit otherwise applicable to the town under sub. (2) is increased in the next  
15 fiscal year by the percentage approved by a majority of those voting on the question.  
16 Within 14 days after the adoption of the resolution, the town clerk shall certify the  
17 results of the vote to the department of revenue.

18 (6) SUNSET. This section does not apply beginning 3 years after the effective  
19 date of this subsection .... [revisor inserts date].

20 SECTION 3. 121.91 (2m) (e) (intro.) of the statutes is amended to read:

21 121.91 (2m) (e) (intro.) Except as provided in subs. (3) and (4), no school district  
22 may increase its revenues for the 1999–2000, 2000–01, 2001–02, 2002–03, 2003–04,  
23 or 2004–05 school year ~~or for any school year thereafter~~ to an amount that exceeds  
24 the amount calculated as follows:

25 SECTION 4. 121.91 (2m) (f) of the statutes is created to read:

1           121.91 **(2m)** (f) Except as provided in subs. (3) and (4), no school district may  
2 increase its revenues for the 2005–06 school year to an amount that exceeds the  
3 amount calculated as follows:

4           1. Divide the sum of the amount of state aid received in the previous school year  
5 and property taxes levied for the previous school year, excluding property taxes  
6 levied for the purpose of s. 120.13 (19) and excluding funds described under sub. (4)  
7 (c), by the average of the number of pupils enrolled in the 3 previous school years.

8           2. Add \$210 to the result under subd. 1.

9           3. Multiply the result under subd. 2. by the average of the number of pupils  
10 enrolled in the current and the 2 preceding school years.

11           **SECTION 5.** 121.91 (2m) (g) of the statutes is created to read:

12           121.91 **(2m)** (g) Except as provided in subs. (3) and (4), no school district may  
13 increase its revenues for the 2006–07 school year or for any school year thereafter  
14 to an amount that exceeds the amount calculated as follows:

15           1. Divide the sum of the amount of state aid received in the previous school year  
16 and property taxes levied for the previous school year, excluding property taxes  
17 levied for the purpose of s. 120.13 (19) and excluding funds described under sub. (4)  
18 (c), by the average of the number of pupils enrolled in the 3 previous school years.

19           2. Add \$200 to the result under subd. 1.

20           3. Multiply the result under subd. 2. by the average of the number of pupils  
21 enrolled in the current and the 2 preceding school years.

22           **SECTION 6.** 121.91 (2m) (r) 1. (intro.) of the statutes is amended to read:

23           121.91 **(2m)** (r) 1. (intro.) Notwithstanding pars. (c), ~~(d)~~ and ~~(e)~~ to (g), if a school  
24 district is created under s. 117.105, its revenue limit under this section for the school

1 year beginning with the effective date of the reorganization shall be determined as  
2 follows except as provided under subs. (3) and (4):

3 **SECTION 7.** 121.91 (2m) (r) 2. (intro.) of the statutes is amended to read:

4 121.91 **(2m)** (r) 2. (intro.) If a school district is created under s. 117.105, the  
5 following adjustments to the calculations under pars. (c), ~~(d)~~ and ~~(e)~~ to (g) apply for  
6 the 2 school years beginning on the July 1 following the effective date of the  
7 reorganization:

8 **SECTION 8.** 121.91 (4) (f) of the statutes is amended to read:

9 121.91 **(4)** (f) 1. For the 1999–2000 school year or any school year thereafter,  
10 if the average of the number of pupils enrolled in the current and the 2 preceding  
11 school years is less than the average of the number of pupils enrolled in the 3 previous  
12 school years, the limit otherwise applicable under sub. (2m) ~~(e)~~ (f) or (g) is increased  
13 by the additional amount that would have been calculated had the decline in average  
14 enrollment been ~~25%~~ 25 percent of what it was.

15 2. Any additional revenue received by a school district as a result of subd. 1.  
16 shall not be included in the base for determining the school district's limit under sub.  
17 (2m) ~~(e)~~ (f) or (g) for the following school year.

18 (END)