



2005 ASSEMBLY JOINT RESOLUTION 40

May 6, 2005 - Introduced by Representatives F. LASEE, WOOD, PRIDEMORE, NASS, JENSEN, HUNDERTMARK, VOS, GUNDERSON, GUNDRUM, HONADEL, NISCHKE, GARD, VUKMIR, LEMAHIEU, SUDER, MUSSER, HUEBSCH, VRAKAS, MONTGOMERY, KLEEFISCH, LOTHIAN and STRACHOTA, cosponsored by Senators LAZICH, A. LASEE, DARLING, LEIBHAM, ZIEN and REYNOLDS. Referred to Committee on Ways and Means.

- 1 **To create** section 11 of article VIII of the constitution; **relating to:** spending limits
2 for the state, school districts, and local governmental units, electoral approval
3 for certain taxing, spending, and bonding decisions by governmental units, the
4 ability of local governmental units to exempt themselves from state mandates
5 that are not fully funded, and creating reserve funds (first consideration).

Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2005 legislature on first consideration, prohibits the state, a school district, or a local governmental unit from spending in any fiscal year no more than the amount it spent in the previous fiscal year increased by a percentage that represents the average of any increase from the previous three fiscal years in the consumer price index for Milwaukee-Racine, not to exceed state personal income growth plus: for the state, the percentage increase in state population; for school districts in the aggregate, the percentage of any increase from the previous year in student enrollment; and for local governmental units, the percentage of any increase from the previous year in the value of new construction. However, the state, a school district, or a local governmental unit may adopt as its spending limit for the fiscal year the amount that it spent in the previous fiscal year. The legislature may exclude certain expenditures from the state's spending limit, but the base for determining the state's limit is reduced by the amount of any excluded expenditure. The legislature may also adjust spending limits to accommodate the transfer of services from any governmental unit to another. Under this proposal, a governmental unit shall deposit a portion of any

revenue that exceeds its spending limit into a separate fund to reduce taxes or fees, to spend in any year fiscal in which the limit exceeds revenues, or, by a two-thirds vote of the governing body, to pay for an emergency that is unrelated to economic conditions.

Under the proposal, the state's spending limit is reduced by the amount of any reduction in state aide to other governmental units. The proposed amendment also requires, generally, that a governmental unit receive electoral approval to increase taxes, issue new bonds, or exceed its spending limit. In addition, a local governmental unit may exempt itself from any new mandate imposed by the state that is not fully funded or from any mandate for which the state reduces the percentage of the costs the state pays for the mandate.

A proposed constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

1 ***Resolved by the assembly, the senate concurring, That:***

2 **SECTION 1.** Section 11 of article VIII of the constitution is created to read:

3 [Article VIII] Section 11 (1) (a) Beginning in the fiscal year following
4 ratification, the state, a school district, or a local governmental unit may not spend
5 in any fiscal year more than the amount it spent in the previous fiscal year, less any
6 amount under subs. (2) and (3) and any amount transferred to a fund from which
7 excluded expenditures are made, increased by the percentage of the average of any
8 increase from the previous 3 fiscal years in the consumer price index for
9 Milwaukee–Racine, or its successor, not to exceed state personal income growth plus:

10 1. For the state, the percentage of any increase in state population, adjusted
11 by the decennial census and corrected over a 3–year period.

12 2. For school districts in the aggregate, the percentage of any increase from the
13 previous year in student enrollment.

14 3. For a local governmental unit, the percentage of any increase from the
15 previous year in property values attributable to new construction.

1 (b) Notwithstanding par. (a), the state, a school district, or a local governmental
2 unit may adopt the amount it spent in the previous fiscal year as its current fiscal
3 year spending limit under this section.

4 (2) The legislature may, by law, exclude any expenditure from the state's limit
5 under this section other than for expenditures funded from taxes, fees, tuition, or
6 charges for services that are deposited into the general fund, transportation fund,
7 conservation fund, environmental fund, recycling fund, public benefits fund, or
8 universal service fund.

9 (3) The state's limit under this section shall be reduced by the amount of any
10 reduction in state aids to other governmental units.

11 (4) If a governmental unit's revenue in any fiscal year exceeds its limit under
12 this section for that year, the governmental unit shall deposit the excess revenue into
13 a separate fund, except that the total amount of the fund may not exceed an amount
14 equal to 15 percent of its spending in that year. Notwithstanding subs. (2) and (6),
15 the governmental unit may make expenditures from the fund in any fiscal year to
16 reduce taxes or fees, to spend in any fiscal year in which the limit exceeds revenues,
17 or, by a two-thirds vote of the governmental unit's governing body, to pay the costs
18 of an emergency unrelated to economic conditions. Emergency expenditures and
19 expenditures to reduce taxes or fees made under this subsection are excluded from
20 the limit under sub. (1).

21 (5) The legislature may, by law, adjust the limit under this section to
22 accommodate the transfer of services from any governmental unit to another,
23 including the transfer of services that results from annexation.

24 (6) A governmental unit that is authorized to impose a tax or fee may not do
25 any of the following without the approval of the electorate at a referendum:

1 (a) Increase net taxes.

2 (b) Issue new bonds, except for self-funding economic development bonds and
3 bonds for which the debt service may be paid within the limit under this section.

4 (c) Spend more than the limit under this section.

5 (7) In furtherance of sub. (6), the legislature, by law, shall provide for dates for
6 which referenda may be held, including a date in the fall of each odd-numbered year.

7 (8) A local governmental unit may exempt itself from any new mandate
8 imposed by the state that is not fully funded by the state or from any mandate for
9 which the state reduces the percentage of the costs the state pays for the mandate.

10 **SECTION 2. Numbering of new provision.** The new section 11 of article VIII
11 of the constitution created in this joint resolution shall be designated by the next
12 higher open whole section number in that article if, before the ratification by the
13 people of the amendment proposed in this joint resolution, any other ratified
14 amendment has created a section 11 of article VIII of the constitution of this state.
15 If one or more joint resolutions create a section 11 of article VIII simultaneously with
16 the ratification by the people of the amendment proposed in this joint resolution, the
17 sections created shall be numbered and placed in a sequence so that the sections
18 created by the joint resolution having the lowest enrolled joint resolution number
19 have the numbers designated in that joint resolution and the sections created by the
20 other joint resolutions have numbers that is in the same ascending order as are the
21 numbers of the enrolled joint resolutions creating the sections.

22 ***Be it further resolved, That*** this proposed amendment be referred to the
23 legislature to be chosen at the next general election and that it be published for 3
24 months previous to the time of holding such election.

25

(END)