To create section 11 of article VIII of the constitution; relating to: elector approval for certain taxing, spending, and bonding decisions by the state and local governmental units, emergency taxes, required reserves, refunds of amounts in excess of the approved amounts, and reduction of tax rates to reflect the excess of revenues over expenditures (first consideration).

Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2003 legislature on first consideration, requires elector approval for certain taxing, spending, and bonding decisions by the state and local governmental units, such as exceeding a spending limit or imposing new taxes, increasing tax rates, extending expiring taxes, or making tax changes causing net tax revenue gains; requires that emergency taxes imposed by the state meet certain conditions; requires governmental units to establish an emergency fund and a budget stabilization fund; and requires governmental units to refund amounts in excess of the approved amounts and reduce tax rates to reflect the excess of revenues over expenditures.

A proposed constitutional amendment requires adoption by 2 successive legislatures, and ratification by the people, before it can become effective.

Resolved by the senate, the assembly concurring, That:

Section 1. Section 11 of article VIII of the constitution is created to read:
[Article VIII] Section 11 (1) In this section:

(a) “Ballot issue” means a question presented pursuant to this section to the electors for approval at an election.

(b) “Emergency” means a sudden unexpected happening; an unforeseen occurrence or condition; a perplexing contingency or complication of circumstances; a sudden or unexpected occasion for action; an exigency; or a pressing necessity. The term excludes economic conditions, revenue shortfalls, and salary and fringe benefit increases of a governmental unit.

(c) “Fiscal year spending” means all expenditures and reserve increases under subs. (7) and (8) of a governmental unit except, as to both, those for refunds made in the current or next fiscal year or those from gifts, federal funds, collections for another governmental unit, pension fund earnings, net proceeds of the state lottery authorized pursuant to section 24 (6) of article IV, reserve transfers or expenditures, damage awards, or real property sales, and except for the payment of principal and interest for bonding authorized pursuant to sub. (4) (c).

(d) “Governmental unit” means the state; any city, village, town, or county; or any school district or special purpose district, other than a sewerage district or water district, authorized by law to levy taxes or charge fees.

(e) “Inflation” means the percentage change in the United States Bureau of Labor Statistics Consumer Price Index for Milwaukee–Racine, all items, all urban consumers, or its successor index.

(f) “Population” means either the periodic census conducted by the United States department of commerce or its successor agency, or the annual update of such census.
(2) (a) This section first applies to a governmental unit on the first day of the first fiscal year of the governmental unit that occurs after the ratification of this paragraph, or as otherwise stated in this section.

(b) All provisions of this section are self-executing and severable.

(c) Any individual or class of individuals have standing to bring a suit to enforce this section. A court of record shall award a successful plaintiff costs and reasonable attorney fees in the suit, but may not allow a governmental unit to recover costs and reasonable attorney fees unless a suit against it is ruled frivolous.

(3) (a) The maximum annual percentage change in fiscal year spending by the state equals inflation in the previous calendar year as compared to the year previous to that year, plus the percentage change in the state population in the previous calendar year if a positive number, adjusted for spending changes approved by the electors under this section after the year in which the ratification of this paragraph occurs.

(b) The maximum annual percentage change in fiscal year spending by a school district or technical college district equals inflation in the previous calendar year, plus the percentage change in its pupil enrollment in the previous calendar year as compared to the year previous to that year if a positive number, adjusted for spending changes approved by the electors under this section after the year in which the ratification of this paragraph occurs.

(c) The maximum annual percentage change in fiscal year spending by a governmental unit, other than the state, a school district, or a technical college district, equals inflation in the previous calendar year, plus the percentage change in new construction and improvements and additions to, and reconstructions of, existing construction of real property in the governmental unit in the previous
calendar year as compared to the year previous to that year if a positive number, adjusted for spending changes approved by the electors under this section after the year in which the ratification of this paragraph occurs.

(d) Population under this subsection shall be adjusted to match the population under each federal decennial census.

(e) The legislature, by law, shall provide a mechanism to adjust the amount of a limitation under this section to reflect any subsequent transfer of all or any part of the cost of providing a governmental function. The mechanism shall adjust the amount of a limitation so that total costs are not increased as a result of the transfer. The adjustment mechanism provided for in this paragraph shall be used in determining a limitation under this section beginning with the fiscal year immediately following the transfer.

(f) The legislature, by law, shall provide a mechanism to adjust the amount of a limitation under this section to reflect the cost of providing a governmental function on account of any subsequent annexation; creation of a new governmental unit; or consolidation, or change in the boundaries, of a governmental unit. The mechanism shall adjust the amount of limitation so that total costs are not increased as a result of the annexation, creation, consolidation, or change in boundaries. The adjustment mechanism provided for in this paragraph shall be used in determining a limitation under this section beginning with the fiscal year immediately following the annexation, creation of a new governmental unit, or consolidation or change in the boundaries of a governmental unit.

(4) Beginning on the first day that occurs after the ratification of this paragraph, a governmental unit must have elector approval under this section in advance for any of the following:
(a) Exceeding a spending limit under this section, but no approval may be given under this section for exceeding a spending limit on a permanent basis.

(b) Unless it is an emergency tax meeting the requirements of sub. (6) (b), a new tax, tax rate increase, extension of an expiring tax, or a tax change causing a net tax revenue gain to the governmental unit, including one required under section 5 of this article, section 4 of article X or section 3 (3) or (4) of article XI.

(c) Authorizing bonding other than bonding to refund or refinance outstanding bonds.

(5) (a) A ballot issue may be submitted only at an election at which either members of the legislature or members of the judiciary are regularly elected or at a primary election held to nominate candidates to be voted for at such an election, or on the Tuesday next succeeding the first Monday of November in odd-numbered years.

(b) A ballot question for an increase in spending, taxation, or bonding shall begin “SHALL (GOVERNMENTAL UNIT) SPENDING LIMITS BE EXCEEDED BY (full fiscal year dollar amount in excess of the limit)?”; or “SHALL (GOVERNMENTAL UNIT) TAXES BE INCREASED BY (first, or, if phased in, final, full fiscal year dollar increase) ANNUALLY?”; or “SHALL (GOVERNMENTAL UNIT) BONDING BE INCREASED BY (INCREASE)?”.

(6) (a) This section does not grant new taxing power.

(b) Any emergency tax imposed by the state must meet all of the following conditions:

1. Two-thirds of the members elected to each house of the legislature must declare the emergency and impose the tax by separate recorded roll call votes.
2. Emergency tax revenue may be spent only after the reserve under sub. (8) is depleted, and must be refunded under this section within 180 days after the emergency ends if not spent on the emergency.

3. An emergency tax that is not approved at the first election permitted under sub. (5) (a) that occurs at least 60 days after the declaration shall expire at the end of the taxable year in which the election is held.

(7) (a) Each governmental unit shall reserve in a budget stabilization fund for the first fiscal year that occurs after the ratification of this paragraph 1 percent or more, for the 2nd fiscal year that occurs after the ratification of this paragraph 2 percent or more, for the 3rd fiscal year that occurs after the ratification of this paragraph 3 percent or more, and for all later fiscal years, except as provided in par. (b), 4 percent but not more than 15 percent, of its fiscal year estimated spending.

(b) Unused reserves under this subsection become part of the next year’s reserve in the budget stabilization fund.

(c) If the use of the reserve under this subsection decreases the reserve below 4 percent in the 4th fiscal year that occurs after the ratification of this paragraph or a later year, the governmental unit, beginning in the 4th fiscal year that occurs after the ratification of this paragraph, shall reserve, in addition to the unused reserve from the previous year, 1 percent or more for the first year after the reserve is decreased below 4 percent, 2 percent or more for the 2nd year after the reserve is decreased below 4 percent, 3 percent or more for the 3rd year after the reserve is decreased below 4 percent, and 4 percent or more for the 4th year after the reserve is decreased below 4 percent.

(d) Money reserved under this subsection may not be expended by the state unless two-thirds of the members elected to each house of the legislature, or by a
governmental unit other than the state unless two-thirds of the members of the
governing body of the governmental unit, declare the necessity for the expenditure
and make the expenditure by separate recorded roll call votes.

(8) (a) Each governmental unit shall reserve in an emergency fund for the first
fiscal year that occurs after the ratification of this paragraph 1 percent but not more
than 3 percent, for the 2nd fiscal year that occurs after the ratification of this
paragraph 2 percent but not more than 3 percent, and for all later fiscal years, except
as provided in par. (b), 3 percent, of its fiscal year estimated spending.

(b) Unused reserves under this subsection become part of the next year’s
reserve in the emergency fund.

(c) If the use of the reserve under this subsection decreases the reserve below
3 percent in the 3rd fiscal year that occurs after the ratification of this paragraph or
a later year, the governmental unit, beginning in the 3rd fiscal year that occurs after
the ratification of this paragraph, shall reserve, in addition to the unused reserve
from the previous year, 1 percent or more for the first year after the reserve is
decreased below 3 percent, 2 percent or more for the 2nd year after the reserve is
decreased below 3 percent, and 3 percent for the 3rd year after the reserve is
decreased below 3 percent but the emergency fund may not exceed 3 percent.

(d) Money reserved under this subsection may not be expended by the state
unless a majority of the members elected to each house of the legislature, or by a
governmental unit other than the state unless a majority of the members of the
governing body of the governmental unit, declare the necessity for the expenditure
and make the expenditure by separate recorded roll call votes.
(9) (a) A governmental unit shall reduce tax rates for the next tax year to reflect the excess of revenues over expenditures in a tax year, unless the electors under this section approve a taxing or spending change.

(b) A governmental unit shall refund revenue collected, kept, or spent in violation of this section since 4 full fiscal years before a suit is filed with 10 percent annual simple interest from the date of the initial violation. Notwithstanding section 1 of this article, a governmental unit may use any reasonable method for a refund under this section, including a temporary tax credit or rate reduction, and a refund need not be proportional when previous payments are impractical to identify or return.

SECTION 2. Numbering of new provision. The new section 11 of article VIII of the constitution created in this joint resolution shall be designated by the next higher open whole section number in that article if, before the ratification by the people of the amendment proposed in this joint resolution, any other ratified amendment has created a section 11 of article VIII of the constitution of this state. If one or more joint resolutions create a section 11 of article VIII simultaneously with the ratification by the people of the amendment proposed in this joint resolution, the sections created shall be numbered and placed in a sequence so that the sections created by the joint resolution having the lowest enrolled joint resolution number have the numbers designated in that joint resolution and the sections created by the other joint resolutions have numbers that are in the same ascending order as are the numbers of the enrolled joint resolutions creating the sections.
Be it further resolved, That this proposed amendment be referred to the legislature to be chosen at the next general election and that it be published for 3 months previous to the time of holding such election.