



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-1229/6

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RM:trc jld

DOA:.....Ziegler, BB0305 - Municipal levy restraint incentive and bonus program

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

in 1-31-05

don't gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

LOCAL GOVERNMENT

Under current law, the Expenditure Restraint Program provides an annual state aid payment to any municipality that has a property tax rate greater than five mills and that limits the growth of its municipal budget according to a formula based, generally, on 60 percent of the percentage change in the equalized assessed value of new construction located in the municipality and on the rate of inflation.

This bill eliminates the Expenditure Restraint Program and replaces it with the Municipal Levy Restraint Program. The Municipal Levy Restraint Program provides annual state aid payments, beginning in 2007, to any municipality that has a property tax rate greater than five mills and that limits its property tax levy to an amount that is no greater than the maximum allowable levy according to a formula that is based, generally, on 60 percent of the percentage change in the equalized assessed value of new construction located in the region in which the municipality is located and on the rate of inflation. For purposes of determining the eligibility for and the amount of the payments under the program, each municipality is assigned to a region based on the county in which the municipality is located and each region consists of several counties.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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

1 **SECTION 1.** 20.835 (1) (c) of the statutes is amended to read:

2 20.835 (1) (c) *Expenditure restraint program account.* A sum sufficient to make
3 the payments under s. 79.05. No moneys may be encumbered or expended from this
4 appropriation after December 31, 2006.

5 **SECTION 2.** 20.835 (1) (cb) of the statutes is created to read:

6 20.835 (1) (cb) *Municipal levy restraint payment account.* Beginning in 2007,
7 a sum sufficient to make the payments to municipalities under s. 79.051 (4) (a).

 ****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

8 **SECTION 3.** 20.835 (1) (cd) of the statutes is created to read:

9 20.835 (1) (cd) *Municipal levy restraint bonus payment account.* Beginning in
10 2007, a sum sufficient to make the payments to municipalities under s. 79.051 (4) (b).

 ****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

11 **SECTION 4.** 79.01 (1) of the statutes is amended to read:

12 79.01 (1) There is established an account in the general fund entitled the
13 “Expenditure Restraint Program Account.” There shall be appropriated to that
14 account \$25,000,000 in 1991, in 1992, and in 1993; \$42,000,000 in 1994; \$48,000,000
15 in each year beginning in 1995 and ending in 1999; \$57,000,000 in the year 2000 and
16 in the year 2001; \$57,570,000 in 2002; and \$58,145,700 in 2003 and in each year
17 thereafter, ending in 2006.

18 **SECTION 5.** 79.01 (5b) of the statutes is created to read:

1 79.01 (5b) There is established an account in the general fund entitled the
2 "Municipal Levy Restraint Payment Account." There shall be appropriated to that
3 account \$58,145,700 in 2007 and in each year thereafter.

4 **SECTION 6.** 79.01 (6b) of the statutes is created to read:

5 79.01 (6b) There is established an account in the general fund entitled the
6 "Municipal Levy Restraint Bonus Payment Account." There shall be appropriated
7 to that account \$10,000,000 in 2007 and in each year thereafter.

8 **SECTION 7.** 79.05 (7) of the statutes is created to read:

9 79.05 (7) Beginning in 2007, no municipality may receive a payment under this
10 section.

11 **SECTION 8.** 79.051 of the statutes is created to read:

12 **79.051 Municipal levy restraint program.** (1) DEFINITIONS. In this section:

13 (1) ^{ad} "Inflation factor" means a percentage equal to the average annual
14 percentage change in the U.S. consumer price index for all urban consumers, U.S.
15 city average, as determined by the U.S. department of labor, for the 12 months
16 ending on June 30 of the year before the statement under s. 79.015.

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17 (b) "Maximum allowable levy" means the municipal tax levy for the year before
18 the statement under s. 79.015, as adjusted under sub. (5), multiplied by the sum of
19 one plus 85 percent of the inflation factor and 85 percent of the valuation factor,
20 rounded to the nearest 0.01 percent.

21 (c) "Municipal tax levy" means the amounts reported as the total taxes levied
22 for each town, village, or city on the statement of taxes filed with the department of
23 revenue under s. 73.10, not including the incremental levy for municipal tax
24 incremental financing districts and the incremental levy for county environmental
25 tax financing districts.

1 (d) “Municipal tax rate” means the municipal tax levy divided by the taxable
2 value.

3 (e) “Region” means any of the following areas to which a municipality is
4 assigned, for purposes of determining the eligibility for and the amount of the
5 payments under this subsection, according to the county in which the municipality
6 is located, except that if the municipality is located in more than one county, the
7 municipality is considered, for purposes of determining the eligibility for and the
8 amount of the payments under this subsection, to be located in the county that has
9 the greater taxable value:

10 1. Region 1, consisting of the counties of Brown, Door, Florence, Kewaunee,
11 Manitowoc, Marinette, Oconto, and Sheboygan.

12 2. Region 2, consisting of the counties of Calumet, Fond du Lac, Green Lake,
13 Marquette, Menominee, Outagamie, Shawano, Waupaca, Waushara, and
14 Winnebago.

15 3. Region 3, consisting of the counties of Buffalo, Crawford, Jackson, La Crosse,
16 Monroe, Pepin, Pierce, Trempealeau, and Vernon.

17 4. Region 4, consisting of the counties of Adams, Forest, Juneau, Langlade,
18 Lincoln, Marathon, Oneida, Portage, Vilas, and Wood.

19 5. Region 5, consisting of the counties of Ashland, Bayfield, Burnett, Douglas,
20 Iron, Price, Rusk, Sawyer, Taylor, and Washburn.

21 6. Region 6, consisting of the counties of Columbia, Dane, Dodge, Jefferson,
22 Rock, and Sauk.

23 7. Region 7, consisting of the counties of Kenosha, Milwaukee, Ozaukee,
24 Racine, Walworth, Washington, and Waukesha.

1 8. Region 8, consisting of the counties of Grant, Green, Iowa, Lafayette, and
2 Richland.

3 9. Region 9, consisting of the counties of Barron, Chippewa, Clark, Dunn, Eau
4 Claire, Polk, and St. Croix.

5 (f) “Taxable value” means, for a municipality, the equalized assessed value of
6 all property located in the municipality, as determined under s. 70.57, excluding the
7 value of any tax increments under s. 66.1105, and, for a county, the equalized
8 assessed value of all property located in the county, as determined under s. 70.57,
9 excluding the value of any tax increments under s. 66.1105.

10 (g) “Valuation factor” means a percentage equal to 60 percent of the percentage
11 change in the region’s equalized value under s. 70.57 due to new construction less
12 improvements removed between the year before the statement under s. 79.015 and
13 the previous year, but not less than zero nor greater than 2.

14 **(2) ELIGIBILITY.** A municipality is eligible to receive a payment under sub. (4)
15 if it fulfills all of the following requirements:

16 (a) The municipality’s municipal tax rate for the year before the statement
17 under s. 79.015 is greater than 5 mills.

18 (b) The municipality’s municipal tax levy for the year of the statement under
19 s. 79.015 is no greater than the municipality’s maximum allowable levy.

20 **(3) CONSUMER PRICE INDEX.** Annually, on November 1, the department of
21 revenue shall certify to the joint committee on finance the appropriate percentage
22 change in the consumer price index that is to be used to determine the inflation
23 factor.

24 **(4) PAYMENTS.** (a) Beginning in 2007, each municipality that is eligible under
25 sub. (2) shall receive a payment calculated by the department of revenue as follows:

- 1 1. Subtract 5 mills from the municipality's municipal tax rate.
- 2 2. Multiply the amount determined under subd. 1. by the municipality's
- 3 taxable value.
- 4 3. Divide the amount determined under subd. 2. by the total of the amounts
- 5 under subd. 2. for all municipalities that are eligible for a payment under sub. (2).
- 6 4. Multiply the amount determined under subd. 3. by \$58,145,700.
- 7 (b) Each municipality that is eligible under sub. (2) shall receive an additional
- 8 payment calculated by the department of revenue as follows:
- 9 1. Subtract the municipal tax levy, as determined under par. (a) 1., from the
- 10 municipality's maximum allowable levy.
- 11 2. Divide the amount determined under subd. 1. by the total of the amounts
- 12 under subd. 1. for all municipalities that are eligible for a payment under sub. (2).
- 13 3. Multiply the amount determined under subd. 2. by \$10,000,000.
- 14 **(5) ADJUSTMENTS.** For purposes of determining eligibility for and the amount
- 15 of the payments under this section:
- 16 (a) If a municipality transfers to another governmental unit responsibility for
- 17 providing any service that the municipality provided in the preceding year, its
- 18 municipal tax levy for the preceding year shall be decreased to reflect the amount
- 19 that the municipality levied to provide that service, as determined by the department
- 20 of revenue.
- 21 (b) If a municipality increases the services that it provides by adding
- 22 responsibility for providing a service transferred to it from another governmental
- 23 unit in any year, its municipal tax levy for the preceding year shall be increased to
- 24 reflect the cost of that service, as determined by the department of revenue.

1 (c) If in any year a municipality's distribution under s. 79.043 (5) is less than
2 the municipality's distribution under s. 79.043 (5) in the previous year, the
3 municipality's maximum allowable levy shall be increased to reflect the reduction in
4 the distribution.

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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 to a property tax levy that is imposed after December 2006.

Under the bill, a political subdivision's levy limit does not generally apply to any amounts levied to pay debt service on debt authorized by a political subdivision, including general obligation debt service, refunding debt, and interest on outstanding obligations.

Also under this bill, the limit otherwise applicable does not apply to the amount that a first class city (presently only Milwaukee) levies for school purposes. Currently, a first 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.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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

SECTION 1. 66.0602 of the statutes is created to read:

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

(a) "County growth factor" means a percentage equal to 60 percent of the percentage change in the county's January 1 equalized value due to new construction less improvements removed between the year before the previous year and the previous year, but not less than zero.

(b) "Debt service" includes debt service on debt issued or reissued to fund or refund outstanding municipal ~~by county~~ obligations, interest on outstanding municipal ~~of county~~ obligations, and related issuance costs and redemption premiums.

(c) "Inflation factor" means a percentage equal to the average annual percentage change in the U.S. consumer price index for all urban consumers, U.S. city average, as determined by the U.S. department of labor for the 12 months

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1 ~~applicable under this section to the political subdivision in the current year is~~
2 ~~increased to reflect the cost of that service, as determined by the department of~~
3 ~~revenue.~~

4 (c) ~~If a city or village annexes territory from a town, the city's or village's levy~~
5 ~~increase limit otherwise applicable under this section is increased in the current year~~
6 ~~by an amount equal to the city's or village's mill rate applied to the current assessed~~
7 ~~value of the annexed territory, and the levy increase limit otherwise applicable under~~
8 ~~this section in the current year for the town from which the territory is annexed is~~
9 ~~decreased by the town's mill rate applied to the assessed value of the annexed~~
10 ~~territory as of the last year that the territory was subject to taxation by the town, as~~
11 ~~determined by the department of revenue.~~

12 (d) The limit otherwise applicable under this section does not apply to amounts
13 levied by a ~~political subdivision~~ *municipality* for the payment of any general obligation debt
14 service, including debt service on debt issued or reissued to fund or refund
15 outstanding obligations of the ~~political subdivision~~, interest on outstanding
16 obligations of the political subdivision, or the payment of related issuance costs or
17 redemption premiums, secured by the full faith and credit of the ~~political~~
18 ~~subdivision.~~

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

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

24 (g) If in any year a political subdivision's distribution under s. 79.043 (5) is less
25 than the political subdivision's distribution under s. 79.043 (5) in the previous year,

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State of Wisconsin
2005 - 2006 LEGISLATURE

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Analysis by the Legislative Reference Bureau

LOCAL GOVERNMENT

Under current law, the Expenditure Restraint Program provides an annual state aid payment to any municipality that has a property tax rate greater than five mills and that limits the growth of its municipal budget according to a formula based, generally, on 60 percent of the percentage change in the equalized assessed value of new construction located in the municipality and on the rate of inflation.

This bill eliminates the Expenditure Restraint Program and replaces it with the Municipal Levy Restraint Program. The Municipal Levy Restraint Program provides annual state aid payments, beginning in 2007, to any municipality that has a property tax rate greater than five mills and that limits its property tax levy to an amount that is no greater than the maximum allowable levy according to a formula that is based, generally, on 60 percent of the percentage change in the equalized assessed value of new construction located in the region in which the municipality is located and on the rate of inflation. For purposes of determining the eligibility for and the amount of the payments under the program, each municipality is assigned to a region based on the county in which the municipality is located and each region consists of several counties.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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

1 **SECTION 1.** 20.835 (1) (c) of the statutes is amended to read:

2 20.835 (1) (c) *Expenditure restraint program account.* A sum sufficient to make
3 the payments under s. 79.05. No moneys may be encumbered or expended from this
4 appropriation after December 31, 2006.

5 **SECTION 2.** 20.835 (1) (cb) of the statutes is created to read:

6 20.835 (1) (cb) *Municipal levy restraint payment account.* Beginning in 2007,
7 a sum sufficient to make the payments to municipalities under s. 79.051 (4) (a).

 ***NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

8 **SECTION 3.** 20.835 (1) (cd) of the statutes is created to read:

9 20.835 (1) (cd) *Municipal levy restraint bonus payment account.* Beginning in
10 2007, a sum sufficient to make the payments to municipalities under s. 79.051 (4) (b).

 ***NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

11 **SECTION 4.** 79.01 (1) of the statutes is amended to read:

12 79.01 (1) There is established an account in the general fund entitled the
13 “Expenditure Restraint Program Account.” There shall be appropriated to that
14 account \$25,000,000 in 1991, in 1992, and in 1993; \$42,000,000 in 1994; \$48,000,000
15 in each year beginning in 1995 and ending in 1999; \$57,000,000 in the year 2000 and
16 in the year 2001; \$57,570,000 in 2002; and \$58,145,700 in 2003 and in each year
17 thereafter, ending in 2006.

18 **SECTION 5.** 79.01 (5b) of the statutes is created to read:

1 79.01 (5b) There is established an account in the general fund entitled the
2 “Municipal Levy Restraint Payment Account.” There shall be appropriated to that
3 account \$58,145,700 in 2007 and in each year thereafter.

4 **SECTION 6.** 79.01 (6b) of the statutes is created to read:

5 79.01 (6b) There is established an account in the general fund entitled the
6 “Municipal Levy Restraint Bonus Payment Account.” There shall be appropriated
7 to that account \$10,000,000 in 2007 and in each year thereafter.

8 **SECTION 7.** 79.05 (7) of the statutes is created to read:

9 79.05 (7) Beginning in 2007, no municipality may receive a payment under this
10 section.

11 **SECTION 8.** 79.051 of the statutes is created to read:

12 **79.051 Municipal levy restraint program.** (1) DEFINITIONS. In this section:

13 (ad) “Inflation factor” means a percentage equal to the average annual
14 percentage change in the U.S. consumer price index for all urban consumers, U.S.
15 city average, as determined by the U.S. department of labor, for the 12 months
16 ending on June 30 of the year before the statement under s. 79.015.

17 (am) “Debt service” includes debt service on debt issued or reissued to fund or
18 refund outstanding municipal obligations, interest on outstanding municipal
19 obligations, and related issuance costs and redemption premiums.

20 (b) “Maximum allowable levy” means the municipal tax levy for the year before
21 the statement under s. 79.015, as adjusted under sub. (5), multiplied by the sum of
22 one plus 85 percent of the inflation factor and 85 percent of the valuation factor,
23 rounded to the nearest 0.01 percent.

24 (c) “Municipal tax levy” means the amounts reported as the total taxes levied
25 for each town, village, or city on the statement of taxes filed with the department of

1 revenue under s. 73.10, not including the incremental levy for municipal tax
2 incremental financing districts and the incremental levy for county environmental
3 tax financing districts.

4 (d) “Municipal tax rate” means the municipal tax levy divided by the taxable
5 value.

6 (e) “Region” means any of the following areas to which a municipality is
7 assigned, for purposes of determining the eligibility for and the amount of the
8 payments under this subsection, according to the county in which the municipality
9 is located, except that if the municipality is located in more than one county, the
10 municipality is considered, for purposes of determining the eligibility for and the
11 amount of the payments under this subsection, to be located in the county that has
12 the greater taxable value:

13 1. Region 1, consisting of the counties of Brown, Door, Florence, Kewaunee,
14 Manitowoc, Marinette, Oconto, and Sheboygan.

15 2. Region 2, consisting of the counties of Calumet, Fond du Lac, Green Lake,
16 Marquette, Menominee, Outagamie, Shawano, Waupaca, Waushara, and
17 Winnebago.

18 3. Region 3, consisting of the counties of Buffalo, Crawford, Jackson, La Crosse,
19 Monroe, Pepin, Pierce, Trempealeau, and Vernon.

20 4. Region 4, consisting of the counties of Adams, Forest, Juneau, Langlade,
21 Lincoln, Marathon, Oneida, Portage, Vilas, and Wood.

22 5. Region 5, consisting of the counties of Ashland, Bayfield, Burnett, Douglas,
23 Iron, Price, Rusk, Sawyer, Taylor, and Washburn.

24 6. Region 6, consisting of the counties of Columbia, Dane, Dodge, Jefferson,
25 Rock, and Sauk.

1 7. Region 7, consisting of the counties of Kenosha, Milwaukee, Ozaukee,
2 Racine, Walworth, Washington, and Waukesha.

3 8. Region 8, consisting of the counties of Grant, Green, Iowa, Lafayette, and
4 Richland.

5 9. Region 9, consisting of the counties of Barron, Chippewa, Clark, Dunn, Eau
6 Claire, Polk, and St. Croix.

7 (f) "Taxable value" means, for a municipality, the equalized assessed value of
8 all property located in the municipality, as determined under s. 70.57, excluding the
9 value of any tax increments under s. 66.1105, and, for a county, the equalized
10 assessed value of all property located in the county, as determined under s. 70.57,
11 excluding the value of any tax increments under s. 66.1105.

12 (g) "Valuation factor" means a percentage equal to 60 percent of the percentage
13 change in the region's equalized value under s. 70.57 due to new construction less
14 improvements removed between the year before the statement under s. 79.015 and
15 the previous year, but not less than zero nor greater than 2.

16 (2) ELIGIBILITY. A municipality is eligible to receive a payment under sub. (4)
17 if it fulfills all of the following requirements:

18 (a) The municipality's municipal tax rate for the year before the statement
19 under s. 79.015 is greater than 5 mills.

20 (b) The municipality's municipal tax levy for the year of the statement under
21 s. 79.015 is no greater than the municipality's maximum allowable levy.

22 (3) CONSUMER PRICE INDEX. Annually, on ~~November~~^{August} 1, the department of
23 revenue shall certify to the joint committee on finance the appropriate percentage
24 change in the consumer price index that is to be used to determine the inflation
25 factor.

1 (4) PAYMENTS. (a) Beginning in 2007, each municipality that is eligible under
2 sub. (2) shall receive a payment calculated by the department of revenue as follows:

3 1. Subtract 5 mills from the municipality's municipal tax rate.

4 2. Multiply the amount determined under subd. 1. by the municipality's
5 taxable value.

6 3. Divide the amount determined under subd. 2. by the total of the amounts
7 under subd. 2. for all municipalities that are eligible for a payment under sub. (2).

8 4. Multiply the amount determined under subd. 3. by \$58,145,700.

9 (b) Each municipality that is eligible under sub. (2) shall receive an additional
10 payment calculated by the department of revenue as follows:

11 1. Subtract the municipal tax levy, as determined under par. (a) 1., from the
12 municipality's maximum allowable levy.

13 2. Divide the amount determined under subd. 1. by the total of the amounts
14 under subd. 1. for all municipalities that are eligible for a payment under sub. (2).

15 3. Multiply the amount determined under subd. 2. by \$10,000,000.

16 (5) ADJUSTMENTS. For purposes of determining eligibility for and the amount
17 of the payments under this section:

18 (a) If a municipality transfers to another governmental unit responsibility for
19 providing any service that the municipality provided in the preceding year, its
20 municipal tax levy for the preceding year shall be decreased to reflect the amount
21 that the municipality levied to provide that service, as determined by the department
22 of revenue.

23 (b) If a municipality increases the services that it provides by adding
24 responsibility for providing a service transferred to it from another governmental

1 unit in any year, its municipal tax levy for the preceding year shall be increased to
2 reflect the cost of that service, as determined by the department of revenue.

3 (c) If in any year a municipality's distribution under s. 79.043 (5) is less than
4 the municipality's distribution under s. 79.043 (5) in the previous year, the
5 municipality's maximum allowable levy shall be increased to reflect the reduction in
6 the distribution.

7 (d) The limit otherwise applicable under this section does not apply to amounts
8 levied by a municipality for the payment of any general obligation debt service,
9 including debt service on debt issued or reissued to fund or refund outstanding
10 obligations of the municipality, interest on outstanding obligations of the political
11 subdivision, or the payment of related issuance costs or redemption premiums,
12 secured by the full faith and credit of the municipality.

13 (END)



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4 appropriation after December 31, 2006.

5 **SECTION 2.** 20.835 (1) (cb) of the statutes is created to read:

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2 incremental financing districts and the incremental levy for county environmental
3 tax financing districts.

4 (d) “Municipal tax rate” means the municipal tax levy divided by the taxable
5 value.

6 (e) “Region” means any of the following areas to which a municipality is
7 assigned, for purposes of determining the eligibility for and the amount of the
8 payments under this subsection, according to the county in which the municipality
9 is located, except that if the municipality is located in more than one county, the
10 municipality is considered, for purposes of determining the eligibility for and the
11 amount of the payments under this subsection, to be located in the county that has
12 the greater taxable value:

13 1. Region 1, consisting of the counties of Brown, Door, Florence, Kewaunee,
14 Manitowoc, Marinette, Oconto, and Sheboygan.

15 2. Region 2, consisting of the counties of Calumet, Fond du Lac, Green Lake,
16 Marquette, Menominee, Outagamie, Shawano, Waupaca, Waushara, and
17 Winnebago.

18 3. Region 3, consisting of the counties of Buffalo, Crawford, Jackson, La Crosse,
19 Monroe, Pepin, Pierce, Trempealeau, and Vernon.

20 4. Region 4, consisting of the counties of Adams, Forest, Juneau, Langlade,
21 Lincoln, Marathon, Oneida, Portage, Vilas, and Wood.

22 5. Region 5, consisting of the counties of Ashland, Bayfield, Burnett, Douglas,
23 Iron, Price, Rusk, Sawyer, Taylor, and Washburn.

24 6. Region 6, consisting of the counties of Columbia, Dane, Dodge, Jefferson,
25 Rock, and Sauk.

1 7. Region 7, consisting of the counties of Kenosha, Milwaukee, Ozaukee,
2 Racine, Walworth, Washington, and Waukesha.

3 8. Region 8, consisting of the counties of Grant, Green, Iowa, Lafayette, and
4 Richland.

5 9. Region 9, consisting of the counties of Barron, Chippewa, Clark, Dunn, Eau
6 Claire, Polk, and St. Croix.

7 (f) “Taxable value” means, for a municipality, the equalized assessed value of
8 all property located in the municipality, as determined under s. 70.57, excluding the
9 value of any tax increments under s. 66.1105, and, for a county, the equalized
10 assessed value of all property located in the county, as determined under s. 70.57,
11 excluding the value of any tax increments under s. 66.1105.

12 (g) “Valuation factor” means a percentage equal to 60 percent of the percentage
13 change in the region’s equalized value under s. 70.57 due to new construction less
14 improvements removed between the year before the statement under s. 79.015 and
15 the previous year, but not less than zero nor greater than 2.

16 **(2) ELIGIBILITY.** A municipality is eligible to receive a payment under sub. (4)
17 if it fulfills all of the following requirements:

18 (a) The municipality’s municipal tax rate for the year before the statement
19 under s. 79.015 is greater than 5 mills.

20 (b) The municipality’s municipal tax levy for the year of the statement under
21 s. 79.015 is no greater than the municipality’s maximum allowable levy.

22 **(3) CONSUMER PRICE INDEX.** Annually, on August 1, the department of revenue
23 shall certify to the joint committee on finance the appropriate percentage change in
24 the consumer price index that is to be used to determine the inflation factor.

1 (4) PAYMENTS. (a) Beginning in 2007, each municipality that is eligible under
2 sub. (2) shall receive a payment calculated by the department of revenue as follows:

3 1. Subtract 5 mills from the municipality's municipal tax rate.

4 2. Multiply the amount determined under subd. 1. by the municipality's
5 taxable value.

6 3. Divide the amount determined under subd. 2. by the total of the amounts
7 under subd. 2. for all municipalities that are eligible for a payment under sub. (2).

8 4. Multiply the amount determined under subd. 3. by \$58,145,700.

9 (b) Each municipality that is eligible under sub. (2) shall receive an additional
10 payment calculated by the department of revenue as follows:

11 1. Subtract the municipal tax levy, as determined under par. (a) 1., from the
12 municipality's maximum allowable levy.

13 2. Divide the amount determined under subd. 1. by the total of the amounts
14 under subd. 1. for all municipalities that are eligible for a payment under sub. (2).

15 3. Multiply the amount determined under subd. 2. by \$10,000,000.

16 (5) ADJUSTMENTS. For purposes of determining eligibility for and the amount
17 of the payments under this section:

18 (a) If a municipality transfers to another governmental unit responsibility for
19 providing any service that the municipality provided in the preceding year, its
20 municipal tax levy for the preceding year shall be decreased to reflect the amount
21 that the municipality levied to provide that service, as determined by the department
22 of revenue.

23 (b) If a municipality increases the services that it provides by adding
24 responsibility for providing a service transferred to it from another governmental

1 unit in any year, its municipal tax levy for the preceding year shall be increased to
2 reflect the cost of that service, as determined by the department of revenue.

3 (c) If in any year a municipality's distribution under s. 79.043 (5) is less than
4 the municipality's distribution under s. 79.043 (5) in the previous year, the
5 municipality's maximum allowable levy shall be increased to reflect the reduction in
6 the distribution.

7 (d) The ~~limit~~ otherwise applicable under this section does not apply to amounts
8 levied by a municipality for the payment of any general obligation debt service,
9 including debt service on debt issued or reissued to fund or refund outstanding
10 obligations of the municipality, interest on outstanding obligations of the political
11 subdivision, or the payment of related issuance costs or redemption premiums,
12 secured by the full faith and credit of the municipality.

13 (END)

maximum allowable levy



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-1229/9
JK:kjf&jld:pg

DOA:.....Ziegler, BB0305 - Municipal levy restraint incentive and bonus program

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

LOCAL GOVERNMENT

Under current law, the Expenditure Restraint Program provides an annual state aid payment to any municipality that has a property tax rate greater than five mills and that limits the growth of its municipal budget according to a formula based, generally, on 60 percent of the percentage change in the equalized assessed value of new construction located in the municipality and on the rate of inflation.

This bill eliminates the Expenditure Restraint Program and replaces it with the Municipal Levy Restraint Program. The Municipal Levy Restraint Program provides annual state aid payments, beginning in 2007, to any municipality that has a property tax rate greater than five mills and that limits its property tax levy to an amount that is no greater than the maximum allowable levy according to a formula that is based, generally, on 60 percent of the percentage change in the equalized assessed value of new construction located in the region in which the municipality is located and on the rate of inflation. For purposes of determining the eligibility for and the amount of the payments under the program, each municipality is assigned to a region based on the county in which the municipality is located and each region consists of several counties.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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

1 **SECTION 1.** 20.835 (1) (c) of the statutes is amended to read:

2 20.835 (1) (c) *Expenditure restraint program account.* A sum sufficient to make
3 the payments under s. 79.05. No moneys may be encumbered or expended from this
4 appropriation after December 31, 2006.

5 **SECTION 2.** 20.835 (1) (cb) of the statutes is created to read:

6 20.835 (1) (cb) *Municipal levy restraint payment account.* Beginning in 2007,
7 a sum sufficient to make the payments to municipalities under s. 79.051 (4) (a).

 ****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

8 **SECTION 3.** 20.835 (1) (cd) of the statutes is created to read:

9 20.835 (1) (cd) *Municipal levy restraint bonus payment account.* Beginning in
10 2007, a sum sufficient to make the payments to municipalities under s. 79.051 (4) (b).

 ****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

11 **SECTION 4.** 79.01 (1) of the statutes is amended to read:

12 79.01 (1) There is established an account in the general fund entitled the
13 “Expenditure Restraint Program Account.” There shall be appropriated to that
14 account \$25,000,000 in 1991, in 1992, and in 1993; \$42,000,000 in 1994; \$48,000,000
15 in each year beginning in 1995 and ending in 1999; \$57,000,000 in the year 2000 and
16 in the year 2001; \$57,570,000 in 2002; and \$58,145,700 in 2003 and in each year
17 thereafter, ending in 2006.

18 **SECTION 5.** 79.01 (5b) of the statutes is created to read:

1 79.01 (5b) There is established an account in the general fund entitled the
2 “Municipal Levy Restraint Payment Account.” There shall be appropriated to that
3 account \$58,145,700 in 2007 and in each year thereafter.

4 **SECTION 6.** 79.01 (6b) of the statutes is created to read:

5 79.01 (6b) There is established an account in the general fund entitled the
6 “Municipal Levy Restraint Bonus Payment Account.” There shall be appropriated
7 to that account \$10,000,000 in 2007 and in each year thereafter.

8 **SECTION 7.** 79.05 (7) of the statutes is created to read:

9 79.05 (7) Beginning in 2007, no municipality may receive a payment under this
10 section.

11 **SECTION 8.** 79.051 of the statutes is created to read:

12 **79.051 Municipal levy restraint program. (1) DEFINITIONS.** In this section:

13 (ad) “Debt service” includes debt service on debt issued or reissued to fund or
14 refund outstanding municipal obligations, interest on outstanding municipal
15 obligations, and related issuance costs and redemption premiums.

16 (am) “Inflation factor” means a percentage equal to the average annual
17 percentage change in the U.S. consumer price index for all urban consumers, U.S.
18 city average, as determined by the U.S. department of labor, for the 12 months
19 ending on June 30 of the year before the statement under s. 79.015.

20 (b) “Maximum allowable levy” means the municipal tax levy for the year before
21 the statement under s. 79.015, as adjusted under sub. (5), multiplied by the sum of
22 one plus 85 percent of the inflation factor and 85 percent of the valuation factor,
23 rounded to the nearest 0.01 percent.

24 (c) “Municipal tax levy” means the amounts reported as the total taxes levied
25 for each town, village, or city on the statement of taxes filed with the department of

1 revenue under s. 73.10, not including the incremental levy for municipal tax
2 incremental financing districts and the incremental levy for county environmental
3 tax financing districts.

4 (d) “Municipal tax rate” means the municipal tax levy divided by the taxable
5 value.

6 (e) “Region” means any of the following areas to which a municipality is
7 assigned, for purposes of determining the eligibility for and the amount of the
8 payments under this subsection, according to the county in which the municipality
9 is located, except that if the municipality is located in more than one county, the
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17 Winnebago.

18 3. Region 3, consisting of the counties of Buffalo, Crawford, Jackson, La Crosse,
19 Monroe, Pepin, Pierce, Trempealeau, and Vernon.

20 4. Region 4, consisting of the counties of Adams, Forest, Juneau, Langlade,
21 Lincoln, Marathon, Oneida, Portage, Vilas, and Wood.

22 5. Region 5, consisting of the counties of Ashland, Bayfield, Burnett, Douglas,
23 Iron, Price, Rusk, Sawyer, Taylor, and Washburn.

24 6. Region 6, consisting of the counties of Columbia, Dane, Dodge, Jefferson,
25 Rock, and Sauk.

1 7. Region 7, consisting of the counties of Kenosha, Milwaukee, Ozaukee,
2 Racine, Walworth, Washington, and Waukesha.

3 8. Region 8, consisting of the counties of Grant, Green, Iowa, Lafayette, and
4 Richland.

5 9. Region 9, consisting of the counties of Barron, Chippewa, Clark, Dunn, Eau
6 Claire, Polk, and St. Croix.

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9 value of any tax increments under s. 66.1105, and, for a county, the equalized
10 assessed value of all property located in the county, as determined under s. 70.57,
11 excluding the value of any tax increments under s. 66.1105.

12 (g) “Valuation factor” means a percentage equal to 60 percent of the percentage
13 change in the region’s equalized value under s. 70.57 due to new construction less
14 improvements removed between the year before the statement under s. 79.015 and
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5 taxable value.

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14 under subd. 1. for all municipalities that are eligible for a payment under sub. (2).

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18 (a) If a municipality transfers to another governmental unit responsibility for
19 providing any service that the municipality provided in the preceding year, its
20 municipal tax levy for the preceding year shall be decreased to reflect the amount
21 that the municipality levied to provide that service, as determined by the department
22 of revenue.

23 (b) If a municipality increases the services that it provides by adding
24 responsibility for providing a service transferred to it from another governmental

1 unit in any year, its municipal tax levy for the preceding year shall be increased to
2 reflect the cost of that service, as determined by the department of revenue.

3 (c) If in any year a municipality's distribution under s. 79.043 (5) is less than
4 the municipality's distribution under s. 79.043 (5) in the previous year, the
5 municipality's maximum allowable levy shall be increased to reflect the reduction in
6 the distribution.

7 (d) The maximum allowable levy otherwise applicable under this section does
8 not apply to amounts levied by a municipality for the payment of any general
9 obligation debt service, including debt service on debt issued or reissued to fund or
10 refund outstanding obligations of the municipality, interest on outstanding
11 obligations of the political subdivision, or the payment of related issuance costs or
12 redemption premiums, secured by the full faith and credit of the municipality.

13 (END)