



Legislative Fiscal Bureau

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

July 18, 2008

TO: Senator Robert Jauch
Room 118 South, State Capitol

FROM: Rick Olin, Fiscal Analyst

SUBJECT: Description of County and Municipal Levy Limit Program

At your request, this memorandum provides a description of the county and municipal levy limit program and its impact on local government funding for emergencies caused by acts of nature.

2005 Wisconsin Act 25 imposed a levy limit for the 2005(06) and 2006(07) property tax years on counties and municipalities. In 2007 Wisconsin Act 20, the program was re-authorized and modified for the 2007(08) and 2008(09) property tax years. The limit prohibits any county, city, village, or town from increasing its total levy in either of the years by more than the percentage change in the local government's January 1 equalized value due to new construction, less improvements removed, between the previous year and the current year, but not less than 2%. For the 2007(08) levy, increases of 3.86% were allowed. Increases above the limit can be approved through the passage of a referendum.

Adjustments and exclusions to the limit are allowed in certain instances, including for debt service. The limitation does not apply to debt service for general obligation debt authorized on or after July 1, 2005. For debt authorized by a resolution of the local government before July 1, 2005, an adjustment equal to any increase in debt service is allowed. Other adjustments extend to tax levy amounts related to the transfer of services, the consolidation of services, the annexation of territory, the termination of tax increment districts, and the lease payments on revenue bonds. The limitation does not apply to levies for school districts, if levied by a first class city (Milwaukee), tax increment districts, county children with disabilities education boards, county bridge and culvert construction and repair, payments to public libraries, the shortfall for debt service on revenue bonds, a countywide emergency medical system, police protection services in newly incorporated villages, and certain increases in charges assessed by joint fire departments. If a county or municipality imposes a levy exceeding its limit, the local government's next county and municipal aid payment is reduced by the amount of the excess.

The Federal Emergency Management Agency (FEMA) extends financial assistance to local governments adversely affected by a major disaster. Typically, FEMA provides at least 75% of qualifying costs if matching funds are contributed by the state (up to 12.5%) and local government (up to 12.5%). The levy limit program does not contain a specific adjustment or exemption for municipalities and counties affected by major disasters, although two provisions are noteworthy. First, infrastructure improvements may be financed by long-term debt, and the levy limit program excludes any levy for debt service on general obligation debt authorized after July 1, 2005. Second, the levy limit program permits local governments to override the limitation if approved by voters through referendum. For towns with populations under 2,500, the override can be approved at the town's annual town meeting or at a special town meeting, rather than a referendum. Otherwise, municipalities and counties must fund their share of the cost of responding to natural disasters through the levy increase allowed under the levy limit program or through another funding source.

If you have any questions on this information, please let me know.

RO/vh