



Legislative Fiscal Bureau

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Description of 2007 Assembly Bill 507 -- Relating to Levy Limits

This memorandum describes the provisions of 2007 Assembly Bill 507 that would extend and modify the current law provisions imposing a levy limit on counties and municipalities. In addition, the bill would impose a levy limit on technical college districts. Each of the provisions of the bill is summarized in the following sections of this memorandum.

Counties and Municipalities

The current law provisions relating to levy limits were created as part of 2005 Wisconsin Act 25 (the 2005-07 biennial budget). The limitation applied to the 2005(06) and 2006(07) property tax years and prohibited each county and municipality from increasing its total levy by more than the percentage change in each 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 two percent. Exclusions and adjustments to the limitation were extended. These provisions were sunset as of January 1, 2007. AB 507 would amend these provisions and extend the limitation to the levies for 2007(08) and 2008(09).

Imposition. The bill would prohibit any county, city, village, or town from increasing its county or municipal tax levy by more than a maximum allowable amount determined through formula. The maximum allowable increase would be calculated by multiplying the prior year levy by a valuation factor. For counties, the valuation factor would be defined as the percentage equal to the greater of 2% or the percentage change in the county's equalized value due to new construction, less improvements removed, as determined for January 1 equalized values in the year of the levy. For municipalities, the valuation factor would be defined as the greater of 2% or the percentage equal to the sum of the change in the municipality's equalized value due to new construction, less improvements removed, as determined for January 1 equalized values in the year of the levy, and 50% of the value increment of any tax increment district in the previous year, provided the

Department of Revenue (DOR) does not certify a value increment for the district in the current year due to the district's termination, divided by the municipality's equalized value for the year before the levy. The limit would be extended to amounts levied in 2007(08) and 2008(09).

Exclusions. The limitation would not extend to any amounts levied for the following purposes: (a) as tax increments by a city, village, town, or county; (b) for the payment of any general obligation debt service on debt authorized on or after July 1, 2005, and before July 1, 2007, and secured by the full faith and credit of the city, village, town, or county; (c) for a county children with disabilities education board by a county; (d) for school purposes by a first class city; (e) for the payment of any general obligation debt service on debt authorized by a referendum on or after July 1, 2007, and secured by the full faith and credit of the city, village, town, or county; (f) for the operation of a county-wide emergency medical services system; (g) for providing police protection services, as defined by the village board, for the levy immediately succeeding the incorporation of a town as a village, if the town did not have a police department at the time of incorporation; (h) for town bridge and culvert construction and repair by a county; or (i) for fire charges assessed by a joint fire department that would cause the municipality to exceed its allowable levy, provided that the joint fire department's total charges increase relative to the prior year by a rate less than or equal to 2% plus the percentage change in the consumer price index and the governing body of each municipality served by the joint fire department adopts a resolution in favor of the municipality exceeding its limit. Joint fire department would be defined, by way of cross-reference to current law provisions, as a joint fire department created by a village with a population of 5,000 or more with a city or town or with another village, by a city with another city, or by a municipality with another governmental unit or Indian tribe through an intergovernmental cooperation contract.

Adjustments. Each local government's levy limit would be adjusted, as determined by DOR as follows: (a) if a municipality or county transfers to another governmental unit responsibility for providing any service that it provided in the preceding year, the levy increase limit otherwise applicable to the municipality or county would be decreased to reflect the cost that the municipality or county would have incurred to provide the service; (b) if a municipality or county increases the services that it provides by adding responsibility for providing a service transferred to it from another governmental unit, the levy increase limit otherwise applicable to the municipality or county would be increased to reflect the cost of providing that service; (c) if a service has been provided in part of the county by the county and in part of the county by a separate governmental unit and the provision of the service is consolidated at the county level, the levy increase limit otherwise applicable to the county would be increased to reflect the total cost of providing the service; (d) if a city or village annexes property from a town, the annexing municipality's levy increase limit would be increased by an amount equal to the town levy on the annexed territory in the preceding year and the levy increase limit for the town from which the property was annexed would be decreased by the same amount; (e) if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, as the result of the city, village, town, or county adopting a resolution before July 1, 2005, authorizing the issuance of debt, the levy increase limit would be increased by the difference between the two amounts; or (f) if a lease payment related to a lease revenue bond for a political subdivision in the preceding year is less than the amount of the lease payment needed in the current year, as a result of the issuance of a lease revenue bond before July 1, 2005, the levy increase limit in the current year would be increased by

the difference between the two amounts. Debt service would be defined to include debt service on debt issued or reissued to fund or refund outstanding obligations, interest on outstanding obligations, or the payment of related issuance costs or redemption premiums secured by the full faith and credit of the municipality or county.

Referendum. The bill would create a procedure under which a city, village, town, or county may exceed its levy increase limit if the local government's governing body adopts a resolution to that effect and the electors of the municipality or county approve the resolution in a referendum. The resolution and referendum would be required to specify the proposed amount of the levy increase above the limit and whether the amount of the proposed increase is for a single year only or is ongoing. Local governments would be authorized to hold a special referendum, with regard to a referendum relating to the levy in 2005 or in another odd-numbered year. Local governments would be required to hold a referendum at the same time as the next spring primary or election or September primary or general election, with regard to a referendum relating to the levy in 2006 or in another even-numbered year. Referenda would be required to be held in accordance with current law provisions enumerated in chapters 5 to 12 of the state statutes, and the bill would specify the wording of the referendum question to be submitted to the electors.

Towns with a population below 2,000 could exceed their limit if the annual town meeting or a special town meeting adopts a resolution to that effect, if the town board has adopted a resolution supporting the increase and placing the question on the meeting's agenda. The clerk of the municipality or county would be required to publish notices regarding the referendum or town meeting prior to the time it is held and to certify the results of the referendum or town resolution to DOR within 14 days of the referendum or meeting.

Penalty. The bill would require DOR to reduce the county and municipal aid payment of any municipality or county that imposes a tax levy in excess of the amount allowed under these provisions. The reduction would be set as the amount equal to the excess tax levy. Aid reductions would be imposed in the year after the excess amount is levied, and any withheld state aid amounts would be lapsed to the general fund. A county or municipality would be required to calculate its allowable levy based on the prior year's levy adopted by its governing body, as opposed to its actual levy, if DOR determines that the county or municipal clerk through mistake or inadvertence in preparing or delivering the tax roll caused the actual levy to be different from the adopted levy. The Department would be required to waive any penalties otherwise imposed based on these provisions.

Technical College Districts

The bill would prohibit any technical college district from increasing its tax levy by more than 2.6%, beginning in 2007. The bill would exclude from limitation any amounts levied for the payment of any general obligation debt service on debt authorized by a referendum on or after July 1, 2007, and secured by the full faith and credit of the district.

Adjustments to the limit would be permitted, as determined by the Department of Revenue, for the following: (a) if a district transfers to another governmental unit responsibility for providing any service that it provided in the preceding year, the levy increase limit otherwise applicable would

be decreased to reflect the cost that the district would have incurred to provide the service; (b) if a district increases the services that it provides by adding responsibility for providing a service transferred to it from another governmental unit, the levy increase limit otherwise applicable would be increased to reflect the cost of providing the service; and (c) if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, as the result of the district adopting a resolution before July 1, 2007, authorizing the issuance of debt, the levy increase limit would be increased by the difference between the two amounts. The bill specifies that debt service would include debt service on debt issued or reissued to fund or refund outstanding obligations, interest on outstanding obligations, or the payment of related issuance costs or redemption premiums secured by the full faith and credit of the district.

The bill would allow a technical college district to exceed its levy increase limit if the district's board adopts a resolution to that effect and the electors of the district approve the resolution at a referendum. The bill requires that the resolution and referendum specify the proposed amount of the levy increase above the limit and whether the amount of the proposed increase is for a single year only or is ongoing. The district would be authorized to hold a special referendum relating to the 2007 levy. The district would be authorized to hold a referendum at the same time as the next spring primary or election or September primary or general election, for a referendum relating to the 2008 levy. The bill would require that the referendum be held in accordance with current law provisions enumerated in chapters 5 to 12 of the state statutes, and would specify the wording of the referendum question to be submitted to the electors.

The Department of Revenue would be directed to notify the Wisconsin Technical College System Board of any amounts levied in excess of the levy limit. The Board would be required to reduce the state aid payment of any technical college district that exceeds the limit, in an amount equal to the excess tax levy. Any withheld state aid amounts would lapse to the general fund.

The limitation would apply to the tax levies for the 2007(08) and 2008(09) property tax years.

RO/lah