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Municipal Levy Restraint Program
Sunset Expenditure Restraint Program
(Shared Revenue and Tax Relief -- Direct Aid Payments)

Bill Agency

[LFB 2007-09 Budget Summary: Page 505, #6 and Page 506, #7]

CURRENT LAW

2005 Wisconsin Act 25 imposed a levy limit for the 2005(06) and 2006(07) property tax years on municipalities and counties. The Act prohibited any town, village, city, or county from increasing its total levy in either of the two 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 two percent. Increases above the limit could be approved through the passage of a referendum. Act 25 sunset the limit on January 1, 2007.

Since 1991, some municipalities have voluntarily complied with a fiscal control in order to receive an aid payment under the expenditure restraint program. To receive a payment, municipalities must meet two eligibility criteria. First, a municipality must have a municipal purpose property tax rate in excess of five mills in the year that is two years prior to the year of the aid payment. Second, a municipality must limit the year-to-year growth in its budget to a percentage determined through a statutory formula. The statutes define municipal budget as the municipality's budget for its general fund exclusive of principal and interest payments on long-term debt. The percentage limitation on budgets equals the sum of the percentage change in the consumer price index (CPI) and 60% of the percentage change in the municipality's tax base due to new construction, less any improvements removed (the second factor cannot be less than 0% or more than 2%).

The formula for distributing payments is based on municipal tax rates and full values. First, an "excess tax rate" is calculated for each eligible municipality by subtracting the five mill standard tax rate from the municipality's tax rate. Second, an excess levy is calculated by multiplying each municipality's excess tax rate by its full value. Finally, a payment is calculated based on each municipality's percentage share of the total excess levies for all municipalities. Since 2003, the program's annual distribution has been set at $58,145,700.

GOVERNOR

Sunset payments under the expenditure restraint program after payments in 2008 and prohibit any moneys from being encumbered or expended from the program's appropriation after December 31, 2008. Because this provision would first affect payments in July, 2009, which would occur in the 2009-11 biennium, there would be no fiscal effect in the 2007-09 biennium.

Create a municipal levy restraint program and create two sum sufficient appropriations to make state aid payments to eligible municipalities. Set the distribution level for the municipal levy restraint payment account appropriation at $58,145,700 annually, beginning in 2009. Set the distribution level for the municipal levy restraint bonus payment account appropriation at $5,000,000 annually, beginning in 2009. Require the payments for each year's distribution to be made on the fourth Monday in July.

Provide payments from the two appropriations to municipalities if in the year that is two years before the aid payment, the municipality has both a municipal tax rate that is greater than five mills and has a municipal tax levy that is no greater than the municipality's maximum allowable levy, as defined under this program. (The bill's language relative to the second condition should be clarified to achieve this intent.)

Define municipal tax levy, for purposes of determining eligibility and computing aid payments, as the total taxes levied, other than tax incremental levies for county environmental and municipal tax incremental financing districts, for each town, village, or city, as reported on the statement of taxes filed with the Department of Revenue (DOR). Provide that a municipality's tax levy be adjusted based on the following conditions: (a) if a municipality transfers to another governmental unit responsibility for providing any service that it provided in the preceding year, the municipality's tax levy for the preceding year would be decreased to reflect the amount that the municipality levied to provide the service; and (b) if a municipality increases the services that it provides by adding responsibility for providing a service transferred to it from another governmental unit that provided the service in any year, the municipality's tax levy for the preceding year would be increased to reflect the cost of providing that service. Define municipal tax rate as the municipality's tax levy divided by its taxable value. Define taxable value as the municipality's equalized value, as determined under current law, excluding the tax increments in any tax incremental financing districts (the intent was to refer to value increments).

Define maximum allowable levy as the municipality's tax levy in the year two years before the aid payment, increased by a percentage equal to 85% of the sum of two percentages, based on inflation and value growth, rounded to the nearest 0.01%.

Define the inflation factor as a percentage equal to the average, annual percentage change in the consumer price index for all urban consumers, U. S. city average, as determined by the U.S. Department of Labor, for the 12 months ending on June 30 of the year that is two years before the year of the aid payment. Define the valuation factor as a percentage equal to 60% of the percentage change in the municipality's equalized value due to new construction, less improvements removed, between the year two years before the year of the payment and the previous year, but not less than 0% nor greater than 2%.

Specify that the maximum allowable levy does not apply to amounts levied for the payment of any general obligation debt service, secured by the full faith and credit of the municipality, including 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. Provide that if the county and municipal aid payment to a municipality is less than in the previous year, the municipality's maximum allowable levy would be increased to reflect the reduction.

Calculate each eligible municipality's payment from the municipal levy restraint payment account appropriation by: (a) subtracting five mills from the municipality's tax rate; (b) multiplying that amount by the municipality's taxable value; (c) dividing that amount by the sum of all such amounts for all eligible municipalities; and (d) multiplying the resulting percentage by $58,145,700.

Calculate each eligible municipality's payment from the municipal levy restraint bonus payment account appropriation by: (a) subtracting the municipality's tax levy from its maximum allowable levy; (b) dividing that amount by the sum of all such amounts for all eligible municipalities; and (c) multiplying the resulting percentage by $10,000,000. (This amount should be changed to $5,000,000 to agree with another provision in the bill and with the Governor's Executive Budget Book.)

Direct DOR to administer the program by calculating payments, by notifying eligible municipalities of their estimated payment amounts in the year preceding the aid payment, by certifying to the Joint Committee on Finance, on August 1 of each year, the appropriate percentage change in the consumer price index that is to be used to determine the inflation factor, and by making adjustments to levies to reflect service transfers.

Because this program's first aid payments would occur in July, 2009, which is in the 2009-11 biennium, the proposal would have no direct fiscal effect in the 2007-09 biennium. However, by limiting municipal property tax increases in 2007(08) and 2008(09), the 2007-09 funding levels for the computer aid, homestead tax credit, farmland preservation credit, and property tax/rent credit programs would be indirectly affected.

DISCUSSION POINTS

1. Fiscal controls, such as the one proposed under these provisions, are a mechanism to reduce Wisconsin's property tax level, which ranks above-average relative to other states. For 2003-04 (the most recent year compiled by the U.S. Department of Commerce), Wisconsin's level of state and local property taxes per $1,000 of personal income exceeded the national average by 26.9%, and Wisconsin's per capita level of state and local property taxes exceeded the national average by 24.6%. Since 2001-02, the estimated property tax bill for the typical homeowner has increased faster than the rate of inflation, as have gross property tax levies. These observations are discussed more fully in the Legislative Fiscal Bureau issue paper entitled "Levy Limit for Counties and Municipalities" (Paper #725).

2. Local officials cite a number of factors as the cause for property tax increases. They view the state as partially responsible for the increases because the state has imposed mandates on local governments and funding for state aid has not kept pace with inflation. In 2004, funding for the state's largest municipal aid program was decreased by $70 million. Local officials often object to state-imposed local fiscal controls as state interference in the local decision-making process. Local officials view themselves as better able than the state to evaluate the need for public services in their communities and their taxpayers' ability to pay for those services.

3. SB 40 proposes both a levy limit for all municipalities and a levy restraint program that would provide aid to municipalities with tax rates exceeding five mills if the municipality adheres to a fiscal control somewhat similar to the proposed levy limit. By linking local fiscal controls with state aid payments, local governments can decide to forego the state aid. In this way, state policy objectives can be balanced against the goal of local control. This balancing can be affected by the amount of aid at risk and the other policy objectives associated with the aid payment. Linking a new aid payment to a desired behavior creates a positive incentive to adjust the desired behavior.

4. The provisions in SB 40 have the effect of converting the expenditure restraint program to a municipal levy restraint program in 2009. The proposal would retain the requirement that municipalities have a tax rate in excess of five mills, but it would change the requirement that limits increases in budgeted expenditures to a requirement that limits increases in municipal purpose property tax levies. The municipal levy restraint program would use a distribution formula that is identical to that used for the expenditure restraint program, and would distribute an identical amount of state aid ($58,145,700). However, the bill would also authorize the distribution of an additional $5 million as a "bonus" payment under a formula where aid payments would be proportional to the amount that each qualifying municipality's levy falls below the levy limit. SB 40 should be modified to ensure that the distribution is based on $5 million, rather than $10 million.

5. Because the $5 million in additional funding would be paid in July, 2009, the expenditure would occur in the 2009-11 biennium and represents an advance commitment. When combined with increases in other tax relief appropriations proposed in SB 40, advance commitments in the "shared revenue and tax relief" portion of the budget total $130 million. This implies that the "first" $130 million in revenue growth in the 2009-11 biennium would be used to

fund these increases. As an example, the Legislative Fiscal Bureau's January 30, 2007, memorandum on general fund revenue and expenditure projections indicates that general fund revenues are estimated to increase by $397.9 million in the first year of the 2007-09 biennium under current law provisions. Assuming similar revenue growth in the first year of the 2009-11 biennium, the $130 million increase would use 33% of the additional revenues. The $5 million increase under the levy restraint program would use just over 1% of the additional revenues.

6. The levy limit proposed under the municipal levy restraint program differs from the levy limit that SB 40 proposes for all municipalities in several ways. First, the base levy from which allowable increases would be calculated would be the prior year's allowable levy under the levy limit proposal, as opposed to the prior year's actual levy under the levy restraint proposal. Second, the allowable percentage increase would be equal to the greater of 4% or the percentage change in the municipality's tax base due to net new construction under the levy limit proposal, as opposed to 85% of the sum of two percentages under the levy restraint proposal. The first percentage would be equal to 60% of the percentage change in the municipality's tax base due to net new construction, but not less than 0% nor more than 2%. The second percentage would be equal to the 12-month change in the consumer price index. Third, adjustments would be allowed for service transfers, annexations, and increases in debt service for debt authorized before July 1, 2005, under the levy limit proposal, as opposed to service transfers and reductions in county and municipal aid payments under the levy restraint proposal. Finally, exclusions from the control would be allowed for amounts levied for tax increments, the Milwaukee Public School district, debt service on debt authorized after July 1, 2005, and fire charges assessed by a joint fire department under the levy limit proposal, as opposed to tax increments and debt service on any general obligation debt under the levy restraint proposal.

7. These differences between the two proposed fiscal controls may violate the principle of administrative simplicity, which suggests that individuals are most likely to modify their behavior if there are understandable rules and predictable consequences. Therefore, imposing multiple fiscal controls and distribution formulas may not have the desired effect on local decisions. If the Committee decides to replace the expenditure restraint program with a levy restraint program, the Committee could use the levy limit provisions it adopted in executive action on May 3, 2007, as the eligibility test for the aid payment to avoid having two tests. If it is determined that a more restrictive control should apply to the incentive program, a percentage of the allowable increase under the levy limit could be used.

8. SB 40 would sunset the expenditure restraint program, which utilizes a fiscal control based on spending, and would replace that control with one focused on tax levy increases. Converting the expenditure restraint program to the levy restraint program could have redistributive effects on payments because some municipalities would have less difficulty meeting one fiscal control versus the other. For 2007, 318 municipalities are scheduled to receive payments totaling $58.1 million under the expenditure restraint program. If the allowable percentages under the levy restraint program's fiscal control were applied to municipal levies without considering any of the allowable adjustments or exclusions, 65 municipalities with tax rates over five mills, but not eligible for a 2007 expenditure restraint payment, would receive payments totaling an estimated $1.7

million (3%) under the levy restraint program. The remaining $56.4 million (97%) in aid would be distributed to 268 municipalities scheduled to receive a 2007 expenditure restraint aid payment. However, these municipalities' expenditure restraint payments are estimated at only $32.0 million (55%). The remaining $26.1 million (45%) in 2007 expenditure restraint aid is scheduled to be paid to 115 municipalities that would not have qualified for levy restraint aid, under the preceding assumptions.

9. However, some municipalities would likely modify decisions regarding their levy to attempt to qualify for aid under the proposed program. Among the 115 municipalities that will receive a 2007 expenditure restraint payment, but might have been ineligible for a levy restraint payment, 15 adopted levies exceeding their corresponding levy restraint increases by 0.5% or less and may have been able to make adjustments to comply with the proposed limit. Such adjustments would have been more difficult for the 12 municipalities with levy increases exceeding their corresponding levy restraint increases by 0.5% to 1.0% and the 88 municipalities with increases exceeding their corresponding levy restraint increases by more than 1.0%.

10. On the other hand, it may be unrealistic to expect all municipalities with tax rates over five mills to qualify for levy restraint aid each year. Experience with the expenditure restraint program suggests that many aid recipients do not remain in compliance with that program's eligibility requirements. Some municipalities may not have a tax rate exceeding five mills in every year, and other municipalities may choose not to comply with the program's fiscal control. Over the last 10 years, only 18% of the 543 municipalities receiving expenditure restraint payments have received an aid payment in every year, and only 31% have received payments in at least eight of the ten years (Table 1). Payments were received in five or fewer years by over half (51%) of the total number of recipients.

TABLE 1

Number of Municipalities Receiving Expenditure Restraint Aid
By the Number of Years a Payment Was Received, 1998 - 2007

Number of Payments	Number of Municipalities	Percent of Total	Cumulative Percentage
10	98	18%	18%
9	45	8	26
8	27	5	31
7	49	9	40
6	47	9	49
5	51	9	58
4	52	10	68
3	49	9	77
2	50	9	86
1	75	14	100
10-Year Total	543	100%	100%

11. A fiscal control based on spending, such as under the expenditure restraint program, will have different impacts than a control based on taxes. A control with a focus on spending implies a policy objective of limiting the size or scope of government. A control with a focus on taxes implies a policy objective of reducing local governments' reliance on the property tax. A fiscal control will achieve a greater level of effectiveness if it is designed on the basis of a clearly articulated public policy objective.

12. State aid is one reason that different types of fiscal controls have different impacts on individual local governments. The most recent year for which DOR has tabulated local revenue and expenditure data is 2005. Using that data, Table 2 shows the distribution of municipalities based on the percentage of their general expenditures within the governmental funds category funded through the county and municipal aid program and its related programs. On average, these aid programs funded 13.6% of municipal expenditures. However, these aid programs funded less than 10% of expenditures for 44% of all municipalities, and more than 25% of expenditures for 19% of all municipalities, including 46% of all villages. Generally, county and municipal aid and its related aid programs funded a smaller percentage of expenditures in towns and a larger percentage in cities. Villages were the most varied in terms of their reliance on these aid programs.

TABLE 2

County and Municipal Aid and Related Programs as a Percent of General Expenditures Within the Governmental Funds Category By Type of Municipality, 2005

	Towns	Villages	Cities	Total
Number				
Under 10%	641	112	56	809
10% to 25%	512	103	80	695
25% to 50%	96	132	53	281
Over 50%	11	54	1	66
Total	1,260	401	190	1,851
Percent				
Under 10%	51%	28%	29%	44%
10% to 25%	41	26	42	37
25% to 50%	7	33	28	15
Over 50%	1	13	1	4
Total	100%	100%	100%	100%

13. Based on the 2005 financial information, Tables 3 and 4 relate the variation in state aid reliance to the impact resulting from the two types of fiscal controls. Table 3 illustrates the potential impact of a 3% across-the-board increase in tax levies on municipal spending, assuming no other increases in the municipalities' revenue sources. Within this context, it should be noted that each municipality's payment under the county and municipal aid program has remained unchanged since this program replaced the shared revenue program in 2004, although the Governor proposes a

1.7% payment increase in 2008. A 3% levy control would have limited spending increases (unless fees or other non-levy revenues were raised) to less than 1% for 43% of all municipalities, including 63% of all cities and villages. While 32% of all towns would have been able to increase their spending level by 1.5% or more, only 10% of all villages and cities combined could have increased their expenditures at that rate.

TABLE 3

Distribution of General Expenditures Increases*
Under a 3% Across-the-Board Levy Limit
Based on 2005 Financial Information

	Towns	Villages	Cities	Total
Number				
Under 1%	420	256	117	793
1.0% to 1.5%	443	100	58	601
1.5% to 2.0%	322	32	14	368
Over 2.0%	75	13	1	89
Total	1,260	401	190	1,851
Percent				
Under 1%	33%	64%	62%	43%
1.0% to 1.5%	35	25	30	32
1.5% to 2.0%	26	8	7	20
Over 2.0%	6	3	1	5
Total	100%	100%	100%	100%

* Prior to any increases in nonproperty tax revenues.

14. Table 4 illustrates the potential impact of a 3% across-the-board increase in expenditures on municipal purpose property tax levies, assuming no other increases in municipalities' revenue sources. To achieve the allowable expenditure level, levy increases of more than 7.5% would have been allowed in over half of all municipalities, including 77% of all villages and 81% of all cities. Towns display greater variation relative to the allowable percentage increase in taxes than villages or cities.

TABLE 4

Distribution of Potential Municipal Tax Levy Increases*
Under a 3% Across-the-Board Expenditure Limit
Based on 2005 Financial Information

	Towns	Villages	Cities	Total
Number				
No Base Year Levy	17	1	0	18
3.0% to 5.0%	169	25	2	196
5.0% to 7.5%	493	69	35	597
7.5% to 10.0%	261	78	61	400
Over 10.0%	320	228	92	640
Total	1,260	401	190	1,851
Percent				
No Base Year Levy	1%	< 1%	0%	1%
3.0% to 5.0%	13	6	1	11
5.0% to 7.5%	39	17	18	32
7.5% to 10.0%	21	20	32	22
Over 10.0%	26	57	49	34
Total	100%	100%	100%	100%

* With no increase in nonproperty tax revenues.

15. The preceding analysis indicates that, due to variation in the percentage of expenditures funded by state aid, a levy limit may offer more restrictive expenditure increases than anticipated and an expenditure control may allow larger increases in levies than anticipated. Nonetheless, it should be acknowledged that taxing and spending levels are related and controlling one will also control the other, to some degree. In addition, the two controls will have other secondary impacts. For example, a property tax control would likely cause some local governments to make use of other revenue sources, such as fees. Likewise, a spending control could lead to some local governments reclassifying certain operating expenditures as capital assets to be funded with debt.

16. Because fiscal controls will likely trigger behavioral responses by local officials, the design of a control should balance effectiveness against flexibility. Exclusions and adjustments to a control may make it more flexible, but the control will also be less likely to meet its intended policy objectives. If the control offers few exclusions or adjustments, it may be viewed as inflexible, and local officials may be able to persuade taxpayers to override the control or legislators to amend the control. In SB 40, the proposed levy restraint program's fiscal control would offer adjustments for service transfers and state aid reductions and exclusions for amounts levied for tax increments and general obligation debt service. A number of other adjustments could be provided for other occurrences, such as annexations, levies for other jurisdictions, fire charges, or amounts approved through referendum or town meeting vote (all included under SB 40's levy limit) or for an unusually

low base year levy, natural disasters, emergencies, or court orders (not included under SB 40's levy limit either).

17. Each of the preceding adjustments and exclusions may appear to be reasonable when evaluated alone, but in combination, they could undermine the effectiveness of the fiscal control. Unlike SB 40's levy limit proposal, which would be sunset after two years, the municipal levy restraint program is intended to be ongoing. This heightens the importance of balancing the program's flexibility with its effectiveness.

18. Depending on the number of adjustments or exclusions that are authorized, the program's allowable rate of increase could be adjusted in a way that achieves the desired level of effectiveness. Fiscal controls utilize an allowable rate of increase, typically expressed in percentage terms, to be applied against a local government's tax levy or expenditures. For example, if a large number of exclusions or adjustments are authorized, it may be advantageous to specify a more restrictive allowable rate of increase.

19. The allowable rate of increase could be measured in several ways. The expenditure restraint program limits spending increases to a percentage equal to the sum of the inflation rate and an adjustment based on growth in municipal property values. The inflation rate is measured as the change that occurred in the consumer price index. The property value adjustment is unique for each municipality and equals 60% of the percentage change in the municipality's equalized value due to new construction, net of any property removed or demolished, but not less than 0% nor more than 2%. SB 40 proposes a similar measure for the municipal levy restraint program, but the combined percentage would be reduced to 85% of its initial value. Under the SB 40 levy limitation, each municipality's tax levy increase would be limited to the percentage change in the municipality's equalized value due to new construction, net of any property removed or demolished, but not less than 4%. The same measurement was used under the 2005 Act 25 levy limitation that was sunset on January 1, 2007, but the minimum guaranteed rate of increase was set at 2%. Table 5 compares the statewide average increases under the Act 25 levy limitation measurement with the levy limitation and levy restraint measurements proposed in SB 40.

TABLE 5

Estimated Allowable Rates of Increase in Tax Levies Calculated on a Statewide Basis Under Three Controls, 2002-06

	Levy Limit Programs			Levy Restraint Program		
	Either Net New Construction	Or 2% (Act 25)	Or 4% (SB 40)	60% of Net New Construction	Consumer Price Index	Combined Factors at 85%
2002	2.54%	2.54%	4.00%	1.52%	1.77%	2.80%
2003	2.52	2.52	4.00	1.51	2.20	3.15
2004	2.61	2.61	4.00	1.57	2.19	3.20
2005	2.77	2.77	4.00	1.66	3.01	3.97
2006	2.90	2.90	4.00	1.74	3.81	4.72

20. Table 5 illustrates how rates of allowable increase may be higher under the levy restraint formula than under the levy limit formula in years when the inflation rate is high relative to the minimum allowable levy increase under the levy limit program. If the municipal levy restraint program had been in effect in 2006(07), allowable rates of levy increase would have ranged from 3.2% to 4.9%. The proposed levy limit program would have allowed more variation in allowable rates of increase as those rates would have ranged from a low of 4.0% to a high of 64.9%. For the 393 municipalities with 2006(07) tax rates exceeding five mills, allowable rates of increase would have ranged from 3.2% to 4.9% under the levy restraint proposal and from 4.0% to 18.8% under the levy limit proposal in SB 40.

21. The comparisons in the previous point would have been significantly different if the consumer price index had been lower. Inflation for the period used for 2009 levy restraint payments is currently forecast at 1.8%. Replacing the 2006 CPI percentage in Table 5 with 1.8% would reduce the allowable rate of increase under the levy restraint program from 4.72% to 3.01%. Because the net new construction percentage for 2006 was also high relative to prior years and to the current level of construction activity, the allowable rate of increase in future years may decline to an even lower level.

22. A number of municipalities would be excluded from the municipal levy restraint program. Based on 2006(07) tax rates, the proposed program would apply to only 393 of the state's 1,851 municipalities. While these municipalities levied 73.8% of the municipal purpose taxes, the remaining 1,458 municipalities levied $551.4 million in taxes and contain 51.4% of the statewide tax base and 39.4% of the state's population. It could be argued that these properties and population should be excluded from the control because they are subject to lower tax rates. Nonetheless, they comprise a significant portion of the state. If there is a desire to extend a fiscal control that is tied to a state aid payment to all municipalities, the control would need to be tied to a state aid program that provides payments to all 1,851 municipalities. The county and municipal aid program is the only state aid program that provides unrestricted state aid to all municipalities. However, linking existing

aid, especially if it is substantial, to a desired behavior creates a situation that may be viewed more as a penalty for not engaging in the behavior, rather than as a reward for engaging in the behavior. Instead, municipalities could forfeit an aid amount equal to all, or part, of the levy or spending in excess of the allowable limitation. If an amount equal to all of the excess is withheld, there would be no advantage in exceeding the limitation. This is the enforcement mechanism used in the proposed levy limit program.

ALTERNATIVES TO BILL

1. With three exceptions, approve the Governor's recommendation to do the following: (a) sunset payments under the expenditure restraint program after payments in 2008; (b) create municipal levy restraint and municipal levy restraint bonus programs to make payments beginning in 2009 to each municipality with a municipal purpose tax rate in excess of five mills if the municipality has a tax levy that is no greater than its allowable levy as determined through a formula based on the inflation rate and the rate of tax base growth due to net new construction; and (c) create two sum sufficient appropriations with annual funding levels beginning in 2009-10 of $58,145,700 GPR and $5,000,000 GPR, respectively, to make payments to eligible municipalities based on the portion of their tax levies attributable to tax rates exceeding five mills (basic program) and the amount by which their levies are below the allowable amounts (bonus program). To achieve the proposal's original intent, modify the Governor's recommendation to clarify that: (a) the calculation of the allowable levy pertains to the levy that is adopted in the year that is two years prior to the year of the aid payment; (b) the definition of taxable value excludes value increments, rather than tax increments, and also excludes value increments from environmental remediation and town tax increment districts; and (c) the calculation of bonus payments is based on an annual distribution of $5 million, rather than $10 million.

2. Approve the Governor's recommendations related to the expenditure restraint and municipal levy restraint program, as modified under Alternative #1, but delete the Governor's recommendation to create a municipal levy restraint bonus program.

3. Delete provision and, instead, modify the expenditure restraint program by renaming the program the municipal levy restraint program and replacing the program's budget test with the levy limit requirement proposed in SB 40, including any modifications adopted by the Committee, effective with payments in 2009, based on one of the following percentages of the allowable increase under the levy limit:

a.	100%;	b.	90%;	c.	80%;
d.	70%;	e.	60%; or	f.	50%.

4. Delete provision.

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