Wisconsin Counties Association

League of Wisconsin Municipalities

MEMORANDUM

TO: Honorable Members of the Joint Committee on Finance

FROM: League of Wisconsin Municipalities
Wisconsin Counties Association

DATE: May 14, 2019

SUBJECT: Local Government Levy Limits; LFB Paper #665

Under current law, counties and municipalities are subject to the most restrictive state-imposed property tax controls (levy limits) in the nation, limiting the increase in local property taxes from one year to the next on the amount of net new construction. Since 2012, net new construction has averaged just 1.3%, with many local governments experiencing significantly less growth.

Approximately two-thirds of county spending is funded with either property taxes (40%) or state aids (27%), revenues which have changed little in recent years. During 2012-16, state aid to counties rose an average of 0.6% annually. Total general county revenues rose an average of just 0.9% during this same time period. With county revenues and state aids to counties rising less than inflation, counties have found it increasingly difficult to fund state mandated services.

Since 2012, only 62 of 600 cities and villages experienced new construction averaging at least 2% per year over the six years. 186 experienced growth of less than .5% per year over the same time period. These slow-growing cities and villages are predominately small, with populations less than 5,000, but also include larger cities like West Allis and Racine. (Source: The Wisconsin Taxpayer, Vol. 86, Number 3, March 2018.)

By almost any measure, the cost of providing local services has increased faster than local government revenues. During 2012-16, the consumer price index rose an average of 1.1%, while the price index for local government expenditures climbed an average of 1.3%. Recent increases in both metrics are above 2.5%, significantly exceeding growth in county and municipal revenues.

Unable to fund rising service costs with property taxes or state aids, local governments have resorted to new approaches. This has included depleting reserve accounts and additional borrowing. While both approaches are short-term band aids that are unsustainable long term, local governments have had few other options. Moreover, the

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state’s levy limit policy has created a dynamic in which fast growing local governments have the financial resources to invest in services and infrastructure that help them further increase their growth, while no-growth and slow-growth communities stagnate.

Recommendations: We request the Joint Committee on Finance approve: **1) a 2% minimum levy limit; 2) Alternative A1**, repeal of negative levy adjustment for fees for covered services; **3) Alternative C1**, levy limit exclusion for joint emergency dispatch centers and joint fire departments; and **4) Alternative D1**, excluding shared charges for operating a joint emergency dispatch center from the Expenditure Restraint Program budget test. Thank you.