LEGAL ISSUES

RELATING TO COUNTY GOVERNMENT

Levy Limits, Debt Levies, and Debt Limits ... *Oh My!*

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For many, summer in Wisconsin brings to mind longer days spent outside enjoying the warmer weather. But for county officials and administration, summer can also mean working up the next year's county budget before it is presented to the full county board in the fall.

The budget process is important as counties consider how best to provide necessary services to their constituents and community, given their unique circumstances and limited financial resources.

Because a county's largest revenue source is property taxes, one of the biggest financial limitations placed on counties is the levy limit, which restricts the amount counties can collect from property taxes.

The levy limit

The levy limit — found in Wis. Stat. § 66.0602 — was added to state law as part of the 2005-07 state budget. The levy limit does not directly restrict local governments from spending up to a certain amount. Instead, it limits the amount political subdivisions (i.e., cities, villages, towns, and counties) may increase their property tax levy from one year to the next. Subject to certain limited exceptions, a political subdivision may only increase its property tax levy from one year to the next by no more than its valuation factor, which is the greater of: (1) 0%; and (2) net new construction.[1] Given rising costs and additional state mandates, limiting the amount a levy can increase means that a county's dollars begin to be stretched thin if there isn't sufficient new development within the county to keep pace with rising costs.

Reductions to the levy limit

While the statutes define the valuation factor in such a way that it cannot be negative (even if a political subdivision's equalized value decreases), political subdivisions can make decisions that have the practical effect of reducing their maximum property tax levy from one year to the next.

For example, if a political subdivision funded a "covered service" (i.e., garbage collection, fire protection, snow plowing, street sweeping, or storm water management) with property taxes in 2013, and subsequently imposes a fee for that service (such as an annual snow plowing fee), the political subdivision's property tax levy would need to be reduced "by an amount equal to the estimated amount of fee revenue collected for providing the covered service ... not to exceed the amount funded in 2013 by the levy of the political subdivision."

Similarly, if a county transfers a service it previously provided to another governmental unit, the county may be required to decrease its levy to reflect the cost it would have incurred to provide that service, provided that both entities file the appropriate transfer-of-service forms.[2]

While state programs like the Innovation Grant encourage local governments to think differently about how to provide services, counties should ensure they understand the potential, long-term ramifications on the county's property tax levy limit that could result from changing how a service is paid for or who provides it.[3] Essentially, counties should be wary of applying for grant

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funds today if service costs may return in a few years with no levy authority to pay for them.

Raising the levy by other than net new construction

Under certain circumstances, a county may increase its property tax levy beyond the valuation factor. Two notable examples are: (1) increases following an approved referendum and (2) increases related to general obligation debt service.

Referendum-approved increases. Historically, referenda to raise property taxes beyond the statutory cap have been limited to school districts, which have been subject to revenue limits[4] since the 1993-94 school year. Over the years, school districts have increasingly turned to voters to exceed their revenue limits for capital projects (such as building a new high school) and operating expenses. In April 2026, school district referenda had a 61% approval rate.

In recent years, other political subdivisions have begun asking voters for approval to exceed their levy limits. In April 2026, nine political subdivisions sought approval to exceed their levy limits. Three of those nine referenda passed (33.3%). While there is no guarantee that voters will approve a referendum — and political subdivision referendum approval rates are much lower than school district referendum approval rates — seeking voter approval to exceed the levy limits under Wis. Stat. § 66.0602(4) is a tool in a county's toolbox.

Debt payments. Under Wis. Stat. § 66.0602(3)(d), political subdivisions, including counties, may increase their property tax levy to pay for general obligation debt service. For purposes of this increase to the levy, "debt service" includes "debt service on debt issued or reissued to fund or refund outstanding municipal or county obligations, interest on outstanding municipal or county obligations, and related issuance costs and redemption premiums." This increase to the property tax levy is sometimes called the "debt levy." Subject to the discussion below, there is no statutory limit on the amount of the debt levy.

While the debt levy is potentially a very large exception to a county's levy limit, the underlying general obligation debt must comply with all applicable statutory and constitutional requirements to qualify for the exception. Four important items for counties to keep in mind as they consider whether issuing general obligation debt might be a strategic piece of their budget plan are:

- **Debt limits:** While there is no statutory limit on the amount of the debt levy included in the annual property tax levy, counties are limited in the amount of general obligation debt principal they can have outstanding at any one time. Pursuant to Article XI, § 3 of the Wisconsin Constitution, the amount of general obligation debt principal any county can have outstanding is limited to 5% of its equalized value.[5]
- **Operating expenses:** Counties cannot use general obligation debt for "operating expenses of the general fund of the county." This restriction does not apply to other political subdivisions. Pursuant to Wis. Stat. § 67.04(1), that means counties may not use general obligation debt for "wages, salaries, fringe benefits, materials, supplies, contractual services, [and] equipment with a useful life of less than one year."
- **Leases:** While general obligation debt is often issued as "general obligation bonds" or "general obligation promissory notes," the Wisconsin Department of Revenue has indicated that lease payments can constitute "debt service" for purposes of Wis. Stat. § 66.0602 (and, therefore, be paid for from the debt levy) so long as the lease meets the requirements for general obligation debt. Often, equipment leases (for large equipment like dump trucks) are drafted not to be general obligation debt so that they do not count toward the local government's debt limit. This means a county hoping to make lease payments from its debt service levy will need to review the relevant lease documents very carefully to ensure they constitute general obligation debt under Wis. Stat. Ch. 67. If the lease payments do

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not qualify as general obligation debt, they must be paid from the general fund.

- **Maximum term**: In general, general obligation debt must be repaid within 20 years of issuance. However, debt can have a much shorter repayment period. Counties should work with their financial team, including their municipal advisor, when determining the optimal repayment schedule for their circumstances, including the capital equipment and projects being financed.

Conclusion

A budget reflects a local government's priorities. As a result, how to apportion limited financial resources among the various services counties are required to, or want to, provide is a local decision.

This article summarizes the levy limit and some tools available to counties to help stretch their financial resources. Before making any changes to how services are funded or provided, counties are encouraged to work closely with their corporation counsel to ensure there are no unexpected ramifications from a decision.

If you have any questions surrounding this article, please do not hesitate to contact the WCA or Attolles Law, s.c. ■

Attolles Law, s.c. works on behalf of Wisconsin counties, school districts and other public entities across the state of Wisconsin. Its president & CEO, Andy Phillips, has served as outside general counsel for the Wisconsin Counties Association for more than 20 years.

1. "Net new construction" means the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current year.
2. Wis. Stat. § 59.605(3)(c)2.
3. More information on the Innovation Grant program can be found in the February 2026 Legal Issues column in the Wisconsin Counties magazine.
4. Unlike counties, school districts are subject to revenue limits, which operate as hard caps on the amount of revenue, from all sources, a school district may raise.
5. While valuation factor cannot be negative, a county's equalized value can go down from one year to the next. Additionally, some local governments have self-imposed a limit on the amount of debt they will issue, which is lower than the constitutional limit.