



To: Joint Committee on Finance
From: Jerry Deschane, Executive Director
Curt Witynski, Assistant Director
Date: April 6, 2015
Re: **Municipal Recommendations on State Budget Bill**

As you begin to review and vote on the biennial state budget bill, AB 21/SB 21, the League of Wisconsin Municipalities urges you to make the following changes to items of critical concern to cities and villages.

Items we oppose and urge you to remove or change

Capping the Historic Rehabilitation Tax Credit. The Governor's budget limits annual awards under the historic rehabilitation tax credit to \$10 million. Under the Governor's budget credits are to be awarded on a competitive basis with several criteria, including job creation potential, to determine which applicants receive the credit. The Governor's budget further requires that credits be repaid in proportion to any shortfall in job creation relative to the amounts claimed in the credit application if actual job creation is deficient within the first five years after receiving the credit. The League opposes the cap and job creation requirement condition and urges the Legislature to remove these items from the budget.

County Assessment – The League opposes the provision in the Governor's budget bill shifting the responsibility for assessing property values for property tax purposes from municipalities to counties. Making such a significant and complex change to the property tax system needs more study, more planning, and more time to implement. The League recommends this topic for a Legislative Council study committee.

Local Government Property Insurance Fund – While we realize that premium rates will need to rise significantly in order for the fund to remain viable, the League supports retaining the Local Government Property Insurance Fund. Keeping the fund in existence pressures private insurance companies to offer competitive rates to local governments and serves as an option of last resort for small, isolated local governments unable to obtain affordable property insurance on the open market.

Additional Information on Property Tax Bills Required. The Governor's budget bill requires that the following new information be included on property tax bills:

1. The amount of the debt service from bonds issued by each taxing jurisdiction and the taxpayer's proportionate share of that amount.

2. The amount of any fees or charges assessed by each taxing jurisdiction that is collected in the tax levy and the taxpayer's proportionate share of that amount.

3. The amount of the taxes levied for the maintenance and operation of each county, city, village, town, school district, and technical college district where the property is located.

4. The amount of the taxes levied to pay for all of the following: a. The redemption charges on any bonded indebtedness or other long-term obligation incurred by each taxing jurisdiction where the property is located. b. Additional amounts levied pursuant to a referendum to exceed a tax levy limitation of a taxing jurisdiction where the property is located. c. The maintenance and operation of any taxing jurisdiction where the property is located, other than the jurisdictions described in subd. 3.

While municipalities support transparency and providing taxpayers accurate information, placing this additional material on the property tax bill is an inefficient, expensive, and ineffective way to inform the public.

Recycling Grants. The Governor's budget cuts the recycling grant program by \$4 million in the first year of the biennium. The current funding level is \$19 million, with a \$1 million bonus grant for responsible units that work cooperatively. The budget bill reduces the funding level from \$19 million to \$15 million in the first year of the biennium. In the second year, the funding level is restored to \$19 million. The budget bill retains the \$1 million bonus grant for cooperating municipalities in both years of the budget. The League urges the Legislature to fund the recycling program at \$19 million in both years of the biennium.

Harbor Assistance Program. The budget bill significantly reduces funding for DOT's Harbor Assistance Program. The program is usually funded by a combination of segregated transportation fund dollars and general bonding authority. In the 2013-2015 budget, the program was funded by \$1.3 million in segregated dollars and \$15.9 million in bonding authority. The Governor's budget bill, retains the \$1.3 million in SEG funding, but entirely eliminates the bonding authority. So, the total amount proposed for the biennium is \$1.3 million. The League opposes the cut in funding for this program and urges the Legislature to restore the same level of bonding authority for the program that is provided for in the 2013-2015 state budget.

Urban Forestry Grants. The Governor's budget retains current funding levels for the urban forestry grant program, which is about \$524,000 annually. However, the bill modifies the types of projects eligible for funding under the grant program. Under the budget bill, DNR may award grants to local governments for removing, saving, and replacing trees in urban areas that have been damaged by disease, infestation, or catastrophic storm events. Under current law, grants can also be awarded for the cost of

tree management plans, tree inventories and other tree projects. The budget bill eliminates those costs from grant eligibility. The League urges the Legislature to retain the ability of municipalities to use Urban Forestry Grants to develop tree management plans and tree inventories.

Program funding changes and other items we urge you to add

Addressing the Shortfall in the Transportation Fund. Governor Walker’s budget proposal fails to present a serious long term plan for addressing the shortfall in the transportation fund and instead relies on \$1.3 billion in bonding to pay for state highway construction projects over the next two years. The League strongly urges the Legislature to pass a state budget that includes long-term, sustainable transportation revenues capable of adequately funding state and local transportation needs now and in the future.

End “use it or lose it” Pressure Under Levy Limits. Allow a community to fully carry forward unused levy capacity from the prior year by removing the cap on the amount that can be carried forward from the prior year, which is 1.5% of the actual prior year levy.

Modify New Construction Adjustment Under Levy Limits. A municipality’s current maximum allowable levy is the percentage increase in equalized value from *net* new construction. Net new construction is new construction minus buildings demolished for redevelopment. A limit based on net new construction negatively impacts older urban areas engaged in redevelopment projects. The maximum allowable levy should be the percentage change in the municipality’s equalized value due to new construction, not *net* new construction. For property tax year 2015(16) and thereafter, define the valuation factor as the percentage equal to the greater of 0% or the percentage change in the local government’s equalized value due to new construction, as determined for January 1 equalized valued in the year of the levy.

Expenditure Restraint Budget Adjustment for Contracted Services. We urge the Legislature to add language to the state budget bill clarifying that when two or more communities work together to provide services collaboratively they are not disqualified from receiving a payment under the expenditure restraint program.

Adequately Fund Payment for Municipal Services Program. Restore prior funding cuts to the Payment for Municipal Services program to more fairly reimburse municipalities for the cost of providing police, fire, and other services to state facilities. The program was cut by 10% (\$2 million) in 2012. Currently, the amount of funds appropriated covers only 42% of the cost of municipal services, leaving local taxpayers to cover the rest of the cost of serving state-owned facilities.

Thanks for considering our comments and recommendations.