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To: Joint Committee on Finance
From: Curt Witynski, J.D., Deputy Director, League of Wis. Municipalities
Date: April 1, 2019
Re: **Municipal Recommendations Regarding State Budget Bill**

As you begin reviewing Governor Evers' biennial state budget bill, AB 56/SB 59, the League of Wisconsin Municipalities submits the following recommendations on items of critical concern to cities and villages.

Items in the state budget bill we support and urge you to retain

1. A Modest Increase in Shared Revenue Funding: The Governor proposes a 2 percent (\$15 million) increase in program funding to take effect in 2020. This would be the first increase in shared revenue in many years. Over the last 18 years, the program on the municipal side has been cut by \$94 million. The Governor proposes that each municipality receive a 2 percent increase over the amount it received in 2019.

2. A Slight Relaxation of Levy Limits: The Governor proposes allowing municipalities to increase their annual levies over their prior year by the greater of the percentage change in equalized values due to net new construction or 2%. Since 2012, municipalities have been allowed to increase their levy only by net new construction. Wisconsin has the strictest levy restriction in the country. The statewide net new construction rate averaged 1.6% in 2018. Between 2012 and 2018 only 62 of 600 cities and villages experienced new construction averaging at least 2% per year. 186 experienced growth of less than .5% per year. A 2% floor for levy limit increases is similar to how the levy limit law was first implemented when floors ranging from 2% to 3.86% existed between 2006 and 2011.

The Governor also proposes the following changes to levy limits that we strongly support.

- Eliminate the requirement that a municipality reduce its allowable levy by the amount of fee revenue it received in lieu of property taxes for providing a specified service (i.e., snow plowing, storm water management, fire protection, garbage collection, and street sweeping) that was funded with the property taxes in 2013.
- Expand the current levy limit adjustment for joint fire departments to include joint emergency dispatch centers. The Governor also recommends modifying the inflationary adjustment to be the change in the consumer price index for the 12 months ending on September 30 plus 1 percent. The Governor further recommends excluding from the expenditure restraint program budget test those amounts claimed as levy limit adjustments under this provision.

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3. Addressing the Transportation Funding Shortfall: The Governor recommends an 8 cent gas tax increase, restoration of annual gas tax indexing, various fee increases, and a reduction in borrowing as first steps toward addressing the long term shortfall in the state's transportation fund. The League supports the Governor's proposal as well as the funding increases he proposes for the following local transportation aid programs:

- **General Transportation Aids.** The Governor recommends increasing general transportation aids by 10%, from \$348,639,300 to \$383,503,200 for 2020 and thereafter.
- **Transit Operation Aids.** The Governor recommends increasing general transit aids by 10 percent above 2019 program levels.
- **Transit Capital Assistance.** The Governor recommends creating a transit capital assistance program to aid in the replacement of buses and funding the program at \$10 million annually.
- **LRIP.** The Governor recommends increasing funding for entitlement and discretionary grants in the Local Roads Improvement Program (LRIP) by 2 percent in FY20 and 2 percent again in FY21.
- **Railroad Crossing and Repair Assistance.** The Governor recommends increasing funding for railroad crossing and repair to address a backlog of projects.

4. Closing the Dark Store and Walgreens property tax loopholes. We need to stop shifting even more of the property tax burden on to homeowners and small businesses and restore fairness to the property tax system.

5. Restoring municipal ability to use eminent domain powers to acquire land for bike and recreation paths.

Items we oppose and urge you to remove or change

1. Restoration of the prevailing wage law for municipal public construction contracts.

2. Limits on TIF developer cash grants. The Governor recommends capping the total of cash grants that are made by a city or village to owners or developers of land located within a TIF district to 20% of the total project costs of the TID. Municipalities are in the best position to negotiate incentives with developers. This limitation interferes with a community's efforts to enter into pay-as-you-go arrangements and will lead to the creation of larger TIF districts. While many redevelopment projects involve some rehabilitation or upgrading of public infrastructure, the preponderance of costs tend to be on-site private development cost related to remediation, soils, off-street parking, or other costs that drive up cost of construction.