

How Does the 2019-2021 State Budget Affect Municipalities?

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On July 3, much earlier than Capitol insiders had anticipated at the beginning of the session, Governor Evers signed the 2019-2021 state budget bill into law as Act 9. It provides, for the second budget in a row, significant increases in local transportation aids. The budget makes no changes, however, in funding for other key municipal programs like shared revenue, expenditure restraint, payments for municipal services, and recycling aids. Similarly, the budget makes no changes to levy limits.

Thanks to split party control of the state Capitol, Act 9 contains no policy items interfering with municipal powers, which sharply contrasts with the last three state budgets. Except for transportation aids, the state budget maintains the status quo for state-local relations.

This article describes in more detail provisions in the state budget affecting cities and villages. All items described in this article took effect on July 5, unless otherwise indicated.

Shared Revenue and Levy Limits

Shared Revenue. The new budget retains the same level of funding for the shared revenue program as the last state budget. A municipality's 2019 and 2020 payments should closely match its 2018 payments.

Levy Limits. The same strict levy limits that have been in place since 2011 were unaltered by Act 9. A municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction. All of the exceptions and modifications to levy limits that exist in current law continue to apply (e.g., debt service levy exempt from levy limits; municipalities can exceed limits if approved by referendum).

Expenditure Restraint Program. Funding for this program remains at \$58 million, the same level it's been since 2003.

Local Transportation Aids

General Transportation Aids. The general transportation aids (GTA) program is the second largest program in DOT's budget and represents 25.7% of all state transportation fund appropriations in 2018-2019. The program helps cities,

villages, and towns offset the costs of local road construction, maintenance, traffic enforcement, and other transportation-related costs. The 2019-2021 state budget increases funding for the GTA program for cities, villages, and towns by \$35 million or 10%. This increases the funding level from \$348,639,300 to \$383,503,200 for 2020 and thereafter. The mileage aid rate is also increased by 10% from \$2,389 per mile to \$2,628 per mile for calendar year 2020 and thereafter.

All cities and most villages receive their GTA payments under the share of cost formula. Almost all towns are paid GTA on the rate per highway mile basis. DOT is statutorily required to distribute GTA funds first to towns under the rate per mile component of the program. Then, the remainder is distributed to cities and most villages on a share of cost basis.

An individual community's actual 2020 GTA payments will depend on application of the share of cost distribution formula. Municipalities on Share of Cost will receive a minimum 90% and maximum 115% of their 2019 GTA payment. The DOT calculates and mails to municipalities the estimate of their GTA payments by early October.

Supplemental Transportation Aids for Towns. The budget provides an additional \$2,500,000 annually from an annual, sum certain transportation fund appropriation to fund supplemental mileage aid payments for towns that are currently limited by the 85% of three-year average cost limitation under the general transportation aid program. This supplemental aid program allows certain towns to receive transportation aids equaling 100% of their transportation costs. (By comparison, cities and villages receiving GTA in 2019 under the share of cost formula received payments equaling only 16% of their total six-year average transportation costs.) This program sunsets on June 30, 2021.

Mass Transit Aids. The budget provides a 2% increase in mass transit operating assistance to each tier of mass transit systems for calendar year 2020 and thereafter. The increase in funding is to be distributed as follows: (a) \$321,000 in 2019-20 and \$1,283,900 in 2020-21 for Tier A-1; (b) \$84,300 in 2019-20 and \$337,400 in 2020-21 for Tier A-2; (c) \$122,400 in 2019-20 and \$489,700 in 2020-21 for Tier B transit systems;

and (d) \$26,000 in 2019-20 and \$103,800 in 2020-21 for Tier C transit systems. The statutory calendar year distribution amounts for 2020 and thereafter are set at \$65,477,800 for Tier A-1, \$17,205,400 for Tier A-2, \$24,976,400 for Tier B, and \$5,292,700 for Tier C.

Local Road Improvement Program (LRIP). The 2019-2021 state budget maintains current funding levels for the LRIP program.

New Local Government Transportation Grant Program. The state budget makes \$75 million in one-time general purpose revenue available to fund transportation grants for local governments.

According to DOT, the \$75 million will be split between local government types as follows: cities and villages will receive 25% of the funding (\$19,039,500), counties 36% (\$26,669,333), and towns 39% (\$29,291,167).

Funding for the Kaukauna Veterans Memorial Lift Bridge is also included in the program. The total estimated cost of the bridge project is \$2.2 million. The state is responsible for paying 80% of the cost of this project. According to DOT,

funding for the bridge project will be accomplished by taking \$500,000 from each local government group's allocation.

Grants will be available to local governments or groups of local governments on a competitive basis for projects statewide related to:

- Roads
- Bridges
- Transit capital and facility grants
- Bicycle and pedestrian accommodations
- Railroads
- Harbors

The program will pay up to 90% of total eligible costs with local governments providing the remaining 10%.

Other Local Aid, Grant, and Loan Programs

Recycling Grant Program. Funding for the municipal and county recycling grant program was not changed and remains \$19 million annually.

Payments for Municipal Services Program. Funding for the payment for municipal services program was kept the same

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DID YOU KNOW?

For over 100 years the shared revenue program has been a key component of Wisconsin's state and local financial relationship.

- ★ The county and municipal aid and utility aid programs, commonly referred to as the shared revenue program, combined with the expenditure restraint aid program, ranked as the sixth largest state general fund program in 2018-19, behind general elementary and secondary school aids, medical assistance, correctional operations, the University of Wisconsin system, and the school levy and first dollar tax credits.
- ★ Over the last 19 years, funding for the shared revenue program has been cut incrementally by \$94 million.
- ★ The formula for distributing shared revenue has not been used since 2003, which means that unless there is a cut in program funding, a community's shared revenue payment is the same amount that it received the year before regardless of any changes in equalized value or population the community may have experienced over the years.
- ★ Distribution of 2019 County and Municipal Aid and Utility Aid Payments:

Towns	\$53.3 million	(6.3%)
Villages	\$71.6 million	(8.7%)
Cities	\$544.8 million	(65.9%)
Counties	\$158.4 million	(19.2%)

Source: Legislative Fiscal Bureau 2019 Informational Paper on Shared Revenue

as under the prior budget, \$18,584,200 annually. The state uses this money to reimburse municipalities for police, fire and other services provided to tax-exempt state-owned properties. The program is administered by the department of administration and continues to be significantly underfunded.

State Aid for Tax-Exempt Computers. This program reimburses municipalities for lost revenues caused by the creation of personal property tax exemptions for computers, cash registers, and fax machines. The prior formula for calculating aid payments was repealed by the 2017-2019 state budget. In 2019, each community that received an aid payment in 2018 will receive an aid payment equal to that previous payment increased by the change in the inflation rate. Each year thereafter, communities will receive an amount equal to the 2019 aid payment amount.

Clean Water Fund and Safe Drinking Water Program

Clean Water Fund Bonding. The budget provides an increase in general obligation bonding authority of \$13,500,000 for the clean water fund program. The clean water fund program provides low-interest loans to municipalities for planning, designing, constructing, or replacing a wastewater treatment facility, or for nonpoint source pollution abatement or urban storm water runoff control projects.

Safe Drinking Water Bonding Authority. The state budget provides an increase in general obligation bonding authority of \$3,550,000 for the safe drinking water loan program. It authorizes DNR and the Department of Administration (DOA) to issue revenue obligations for the safe drinking water loan program in a manner consistent with the existing authority for clean water fund program revenue obligations. Under the budget, the current authorization for the state to issue up to \$2,526,700,000 in revenue obligations for the clean water fund program could also be used to issue revenue obligations for the safe drinking water loan program.

The safe drinking water loan program provides financial assistance to municipalities for the planning, design, construction, or modification of public water systems.

Safe Drinking Water 30-Year Loan Term. The budget authorizes the safe drinking water loan program to provide a maximum 30-year loan term, instead of the current maximum of 20 years, if the loan will be fully amortized not later than 30 years after the expected completion date of the project, and if repayment of principal and interest, if any, begins not later than 18 months after the expected completion date of the project that it funds.

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Cable Franchise Fee Reimbursement. The state budget mandates a reduction in municipal cable franchise fee percentages (technically referred to as Video Service Provider (VSP) fees) and requires the state to compensate municipalities for the lost revenue. Wis. Stat. section 79.097, as created by Act 9, provides as follows:

- Beginning on January 1, 2020, any Video Service Provider fee percentage rate a community assesses is reduced by 0.5%. If your community's VSP fee percentage is currently 5% of cable gross receipts, it will be 4.5%. If the percentage is currently 3% it becomes 2.5%.
- Beginning on January 1, 2021, the VSP fee percentage is reduced another 0.5%. If your VSP fee is currently 5% of gross revenues, it will become 4%. If your VSP fee is currently 3%, it becomes 2%.
- The state will replace the lost revenue to municipalities in 2020 by paying communities an amount equal to 0.5% of VSP gross receipts from 2018. The state will make the annual payment to municipalities on or before the 4th Monday in July 2020.
- The state will replace the lost revenue in 2021 by paying municipalities an amount equal to 1.0% of VSP gross receipts from 2019. The state will make the annual payment to municipalities on or before the 4th Monday in July 2021.

- The state will continue to replace the lost revenue each year after 2021 by paying municipalities the same amount they received in 2021.

Conclusion

Except for significant increases in local transportation aids, the 2019-2021 state budget is a status quo budget for cities and villages. While Governor Evers introduced a budget that increased funding for shared revenue and allowed communities to increase property tax levies by a minimum of 2 percent, the Legislature removed those and other items helpful to local governments.

Thanks to your lobbying efforts, however, there were no provisions interfering with municipal powers or other negatives for cities and villages in this budget.

About the Author:

Curt Witynski is the League's Deputy Director. He manages the League's lobbying program, representing the League before the Legislature, the governor's office, and state agencies. He writes the *Legislative Bulletin* and *Capitol Buzz* newsletters, organizes legislative material and the Budgeting Toolkit for the League's web page, and answers questions from the media and members about legislation that the League is following. Contact Curt at witynski@lwm-info.org



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