



MUNICIPAL AGENDA

2019-2020 Legislative Session

Ensuring Sustainable Funding for and Efficient Delivery of Municipal Services

About Cities and Villages

Most Wisconsinites live and work in Wisconsin's 190 cities and 412 villages. The state's industry and commerce occur almost exclusively in cities and villages. Wisconsin cities and villages provide the core services that businesses and people expect and need from their local governments, including police and fire protection, sewer and water, safe streets, bike paths and mass transit, garbage collection, libraries, and parks.

Cities and villages are the state's economic engines, supporting:

- 70% of the state's population
- 90% of the state's commercial property value
- 87% of the state's manufacturing value
- Nearly all of the state's airports and commercial ports
- 136 of the state's 141 hospitals
- 342 public libraries
- All 13 UW System four-year campuses
- All 24 independent private colleges and universities

About the League

The League of Wisconsin Municipalities is a voluntary nonprofit, non-partisan association of 593 cities and villages working to advance municipal government. Established in 1898, the League provides legislative advocacy, information sharing, networking opportunities, legal resources, education and training, and insurance options for municipal officials and staff.

For more information about the League's legislative agenda, contact: Jerry Deschane, Executive Director, jdeschane@lwm-info.org; or Curt Witynski, Deputy Executive Director, witynski@lwm-info.org; or visit www.lwm-info.org



Legislative Priorities for 2019-2020

► **Strengthen Local Democracy.** In order to lead locally municipalities must have the autonomy to experiment and innovate free from state meddling. Local elected officials are in the best position to effectively solve community problems and efficiently deliver local services. Wisconsin cities and villages historically were granted extensive home rule powers to govern themselves without state interference. Over time, the state Legislature has steadily chipped away at municipal powers.

- ✓ Restore municipal powers previously taken away, including the ability to: condemn property for bike and pedestrian paths, regulate location of cell phone towers, create regional transportation authorities, prohibit short-term home rentals, and impose residency requirements on municipal employees.
- ✓ The League will oppose legislation reducing or limiting municipal authority relating to *spending and taxing decisions, police powers, land use regulation, labor relations, tax incremental financing, water and sewer utilities, and other matters primarily local in nature.*
- ✓ Exempt municipalities from the Fair Dealership Law, Chapter 135, Wis. Stats., which governs the relationship between, for example, auto manufacturers and auto dealers in this state. In *Benson v. City of Madison*, 2017 WI 65, the Wisconsin Supreme Court ruled that the Wisconsin Fair Dealership Law applies to cities. As a result, communities that have arrangements with independent contractors which could be characterized as dealerships must give advance notice before ending the contract, and termination must be based on just cause.

► **Change the Fiscal Model: Diversify Local Revenue Sources; Improve Current State Aid Programs.**

Wisconsin's system for funding local government is broken and needs a comprehensive overhaul. Cities and villages need reliable, growing, and diverse sources of revenue to continue to deliver the quality services necessary to attract and retain employers and a talented work force. Wisconsin municipalities receive most of their revenue from two sources: property taxes and state aids. Both of these are under the tight control of the state. Since 2005, the state has strictly limited the annual growth in a municipality's tax levy. In the last 18 years shared revenue for municipalities has been reduced by \$94 million.

* Wisconsin Budget Project <http://www.wisconsinbudgetproject.org/>

Unlike local governments in other states, Wisconsin prohibits municipalities from imposing a local sales or income tax. Our over reliance on property taxes has caused local governments to be inaccurately portrayed as big spenders. In fact, the opposite is true. When compared to other states, Wisconsin is near the middle of the pack and ranks 23rd in state and local government spending per capita. Also, Wisconsin ranks 36th in the number of government workers per population, and the pay that public employees receive in Wisconsin is less than the national average, according to the U.S. Census Bureau.*

The League is working to raise awareness of the fiscal challenges communities of all sizes face and is engaged in research to demonstrate these concerns.

The League seeks to work with the Legislature and the governor on modernizing and diversifying municipal revenue options.

Shared Revenue. For over 100 years the shared revenue program has been a key component of Wisconsin's state and local fiscal relationship. The program was initiated to address the negative impacts on local governments of a new property tax exemption. At the outset, 70% of the income tax the state collected was distributed to municipalities through the program. Over the last 18 years, funding for this important program has been cut by \$94 million. It's time for the state to restore these cuts.

- ✓ Increase funding for the shared revenue program for municipalities by \$54 million, which would restore the program to 2007 funding levels.
- ✓ Reboot the state shared revenue distribution formula.

Expenditure Restraint Program. Increase funding for the Expenditure Restraint Program (ERP), which rewards communities for keeping their growth in spending below a strict threshold. The program has been funded at the same level, \$58 million, since 2003.

We also seek the following improvements to ERP:

- ✓ Establish a 2.5% floor on CPI for ERP purposes.
- ✓ Require DOR to determine CPI for ERP purposes no later than August (currently it is October).
- ✓ Exempt from the ERP budget test increased expenditures allowed by a referendum to exceed levy limits.
- ✓ Exempt from the ERP budget test increased expenditures necessary for a municipality to participate in a collaborative service delivery effort such as a multi-jurisdictional fire, EMS, or police district.



Payment for Municipal Services Program. The state needs to adequately fund the program it uses to reimburse communities for the cost of providing fire, police, and garbage collection services to state facilities. Pass legislation similar to 2015 SB 273, requiring full funding of the Payment for Municipal Services Program (PMS). In the current state budget annual funding for the program is set at \$18,584,200. In 2018, this amount covered only 38% of the actual costs municipalities incurred in serving state facilities located within their communities. The significant gap between the costs a community incurs serving state buildings and the state's payment must be covered by municipal property taxpayers. The state needs to pay what it owes to communities.

► **Close the Dark Store Loopholes and Restore Fairness to the Property Tax System.** A growing number of commercial and manufacturing properties are using property tax avoidance strategies known as the Dark Store and *Walgreens* loopholes to push their fair share of paying for the cost of critical local services onto homeowners and small businesses. Municipal officials across the state are deeply concerned about more of the property tax burden being shifted onto homeowners and small businesses. Homeowners should not and cannot bear more of the tax burden than they already do, which is 68% of the total state levy.

The Wisconsin Legislature must fix the problem and stop the tax shift by passing legislation in 2019 closing the dark store and *Walgreens* loopholes.

► **Adjust Levy Limits for No-Growth and Slow-Growth Communities.** Since 2005 the state has limited the ability of communities to increase their property tax levies from one year to the next. Prior to 2011, the levy limit had a floor, which was roughly about the rate of inflation, allowing communities experiencing little or no growth to increase their levies on at least an inflationary basis. Since 2011 the limits have been based exclusively on the percentage increase in property value caused by new construction. The state's levy limit policy has created a dynamic in which fast growing cities and villages 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.

Since 2012, only 62 of 600 cities and villages experienced new construction averaging at least 2% per year over the six years, and 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.*

* The Wisconsin Taxpayer, Vol. 86, Number 3, March 2018.

The Village of Crivitz, in Marinette County, population 953, illustrates the difficult challenges many communities face as a result of basing levy limits on new construction. Crivitz's 2018 levy limit calculations allowed it to increase its 2018 levy by a mere \$349 over its 2017 levy. Meanwhile, the cost of maintaining the same level of services that citizens and businesses expect increased at a substantially higher rate. Consequently, Crivitz is unable to give its employees a raise, needs to borrow to replace vehicles instead of using savings as it had done in the past, and must dip into its reserves to balance the budget.

In the last 10 years:

- ✓ Crivitz's employees have received a total of 3.6% in wage increases.
- ✓ Crivitz has added \$133,242 to reserves and withdrawn \$378,453.

Crivitz is not unique.

The League supports restoring an inflationary floor and making the following other adjustments to levy limits:

1. Allow cities and villages under 3,000 in population the option of exceeding levy limits if:
 - a) The governing body passes a resolution to exceed levy limits by a 3/4 vote following a public hearing; and
 - b) Citizens have the option of filing a petition for a referendum on the governing body's decision within 60 days after the governing body vote. (Note: Current law allows towns with populations under 3,000 to exceed levy limits by a vote at the annual town meeting or at a special town meeting. We ask for the same consideration.)
2. Allow municipalities that experienced less than 2 percent growth in equalized value from net new construction for two successive years to increase their levy by 3% or CPI, whichever is greater.
3. Allow municipalities with property tax rates under \$5 per \$1,000 of assessed valuation to increase their property tax levy by 3% or CPI, whichever is greater. (Municipalities with property tax rates under \$5 per \$1,000 of equalized value are precluded from participating in the voluntary expenditure restraint program. Typically, municipalities with tax rates under \$5 per \$1,000 are smaller in population or don't provide the full array of urban services.)
4. Exempt from levy limits the cost of providing public safety services.
5. Exempt from levy limits the cost of providing services to tax exempt entities.
6. Exempt amounts spent on hiring additional police officers from levy limits.
7. Exempt costs a municipality incurs when it is required by Wis. Stats. Sec. 157.115(1)(b)2 to take over the care and maintenance of abandoned private cemeteries.



► **Adequately and Sustainably Fund the State-Local Transportation System.**

A safe, efficient, and well-maintained state and local transportation system, including transit, is critical to Wisconsin's economic prosperity and quality of life. The condition of Wisconsin's highway system is below average based on smoothness. The situation is significantly worse in the state's 15 urbanized areas where only 15% of the highway system is rated good, just over half is considered "acceptable." Wisconsin needs to reverse its chronic underfunding of our state and local transportation systems.

The League's five priorities with regard to transportation funding are:

- 1. Just Fix It.** Fix the shortfall in transportation funding by enacting an adequate, equitable, and sustainable transportation funding system.
- 2. Invest in Municipal Streets.** Continue to restore funding to the share of cost component of the General Transportation Aids program, which goes to cities and villages, and which was cut by \$20 million in 2012. \$15.5 million of that cut was finally restored in the last state budget, but not all. Also, modify the general transportation aids distribution formula to direct more resources to cities and villages, where most job creation and economic activity takes place. GTA currently covers nearly 40% of town transportation costs and only 16% of municipal transportation costs. The solution: a) Eliminate the rate per-mile payment option and distribute GTA to all local governments exclusively on a share of cost basis, and/or b) cap payments to municipalities at 50% of the community's reported transportation costs. (Current law caps payments at 85% of community costs, allowing many towns, but no cities, to receive GTA payments covering more than 50% of the community's transportation costs.)
- 3. Ensure Workers Can Get to Their Jobs.** Invest in mass transit systems. Boost funding for the mass transit operating aids program.
- 4. Regional Transportation Authorities.** Support enactment of regional transportation authority enabling legislation.
- 5. Protect Local Transportation Revenue Options Against State Interference.** The League strongly opposes any legislative efforts limiting the ability of municipalities to adopt and collect local vehicle registration fees.

► **TIF Law Improvements.** Pass the following improvements to the tax incremental financing law, which is the most important and effective economic development tool available to cities and villages:

1. Increase from 12% to 18% the maximum amount of a community's total equalized value that can be located in tax incremental finance districts.
2. Allow communities below a certain population threshold (e.g., 7,500) to create a maximum of three TIF districts regardless of the TID value increment/total equalized value ratio except that any city or village with a distressed or severely distressed TIF district would NOT be eligible for the proposed "three TIF district limit." Instead, they would be held to the 12% limit.
3. Remove certain barriers preventing TIDs from sharing tax increments, including limiting the participation of certain special purpose districts in tax incremental district financing, and allowing any type of a TID to be a recipient of donated tax increments. (2015 SB 52)
4. Authorize a municipality to request a base value re-determination when a TID is in a decrement situation (i.e., the current equalized value is less than the TID's base value). (2015 SB 57)

► **Remove Barriers to Cooperative Regional Delivery of Local Services**

1. Make it easier for local governments to consolidate. Enact legislation similar to 2011 AJR 41, amending the Wisconsin constitution to allow a municipality to establish different tax rates for a limited period in recently consolidated parts of a community.
2. Remove disincentives for local governments to consolidate service delivery under the levy limit law.
3. Close the incorporation law loophole. Restrict ability of recently incorporated municipalities to immediately acquire remaining town remnant through annexation or boundary agreement without the approval of neighboring municipalities.
4. Create state funded programs rewarding local governments that cooperate to efficiently deliver essential services across multiple jurisdictions.

We look forward to working together to strengthen Wisconsin's cities and villages and making our great state even stronger.

League of Wisconsin Municipalities

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