

# Local Government Funding Legislation AB 245 As Passed by BOTH Houses and Signed by the Governor

([AB 245](#) as amended by [Assembly Amendment 2](#) passed by the Assembly 5/17/23 and amended by [Senate Amendment 1](#) and passed by the Senate 6/14/23, amended by [Assembly Amendment 2](#) to Senate Amendment 1 to Assembly Amendment 2 and passed by the Assembly 6/14/23, and finally concurred in by the Senate). AB 245 was signed into law on June 20<sup>th</sup> as 2023 Wisconsin [Act 12](#).

**Updated July 5, 2023**

This bill dedicates **one full penny of the state sales tax**: more than \$1.5 billion annually, to local government.

## **MORE:**

- An increase of nearly \$275 million in county and municipal aid.
- \$300 million in one-time grants for service consolidation.
- Increases in police training and EMS funding.
- Expenditure Restraint Program (ERP) “penalty” for police, fire and EMS grants removed.
- Local Sales Tax option for city and county of Milwaukee

**SUSTAINABLE:** Tied to the economy via the sales tax.

**GROWING:** Future county and municipal aid increases based on estimated increases in sales tax revenue.

## **Details**

- Beginning July 1, 2024, a full penny of sales tax goes into a segregated local government fund.
- Beginning July 1, 2024, annual county and municipal aid increases \$275 million with inflationary supplemental payments.
  - New funds may be utilized for: law enforcement, fire protection, emergency medical services, emergency response communication, public works, courts, and transportation.
- All communities will see **at least a 20% increase** over current municipal aid except Milwaukee which receives 10% and the local sales tax authority.
- New supplemental aid formula designed to compress per capita differences between governments.
- Future percentage increases in sales tax revenue will be applied to **both** existing and supplemental aids.
- Complete repeal of personal property tax, with state backfilling lost revenue
- Expenditure Restraint Program continues with the following revisions:
  - grants for public safety received from the state or federal government, or innovation fund grants do not count as part of municipal budget.
  - Milwaukee sales tax revenue does not count as part of the municipal budget.
  - ERP payments in 2025 same as 2024; base adjusted in 2026 to include shared revenue supplemental.

## **\$300 million Innovation Fund to incentivize consolidations that provide savings.**

- Innovation Fund grants available for 3 years to encourage combining local services, including public safety, fire, EMS, courts, jails, training, communications, IT, administration (staffing, payroll, HR), public works, economic development, tourism, public health, housing, planning, zoning, parks and recreation.
  - For 3 years, grant amount is equal to 25% of the costs of the greater of:
    - Entity with the highest cost prior to consolidation or

- Cumulative costs of providing the service excluding the costs paid by the highest cost community.
  - Innovation Fund includes a mechanism for placing a value on the work of volunteers.
- Total cost savings of 10% must be realized – 50% (of the 10%) after 24 months and full cost savings realized at the end of 36 months.
- Consolidation planning grants for communities under 5,000 - \$3 million and no one project plan can receive more than \$100,000.

**Local Government Fund includes the following programs (with amounts):**

- Current County and Municipal Aid – \$753 million
- NEW Supplemental County and Municipal Aid - \$275 million
- Current Personal Property Tax (PPT) backfill - \$75.6 million
- NEW Remaining PPT backfill - \$173.8 million
- ERP (Name changed to Expenditure Restraint Incentive Program) - \$59.3 million
- NEW Innovation Planning Grants - \$3 million
- Payment for Municipal Services – \$18.6 million
- Computer Aid - \$98 million
- INCREASED Emergency Medical Services Aids – (current annual \$2.2 GPR increased to \$25 million)
- INCREASED Law Enforcement Training Aids – (current annual \$2 million GPR/\$4.4 SEG, increased \$8.725 million LGF)
- Video Service Provider fee - \$10 million
- Technical transfer to transportation fund related to PPT Repeal - \$8 million
- Community Youth and Family Aids – \$45 million.

**Maintenance of Effort:**

- Annual certification of law enforcement and Fire/EMS effort to DOR.
- For Police, certify **any one** of the following factors has not decreased from the prior year:
  - Number of sworn officers employed
  - Amount of property tax levy dollars spent on employment of sworn officers
  - Percentage of property tax levy spent on employment of sworn officers
- For Fire/EMS, certify **any 2** of the following have not decreased from the prior year:
  - Expenditures for fire protective services and EMS
  - Number of full-time equivalent fire fighters and EMS personnel employed.
  - Level of training of and maintenance of licensure for fire fighters and EMS personnel
  - Response times for fire and EMS adjusted for call location.
- Police and fire positions that are state or federally grant-funded are not counted toward MOE
- Counties, and those municipalities under 20,000 population or that receive law enforcement services from the Sheriff’s Department, are not required to certify police MOE.
- The penalty for not meeting MOE is 15% of shared revenue.
- A local government can miss certification one year and recertify to the preceding year the year after loss of shared revenue and if DOR approves recertification full shared revenue is restored.

**Milwaukee-specific provisions:**

- Allows City to establish by 2/3 vote of all members elect of the Common Council a 2% local sales tax
- Allows County to establish by 2/3 vote of all members elect of the County Board a 0.4% sales tax
- Sales tax expires when existing pension system liability is fully-funded or after 30 years
- City must use any annual sales tax revenue above what is needed to fund pension obligations to increase or maintain police and fire staffing until a state-dictated staffing level is reached.

- Requires new city and county employees to participate in Wisconsin Retirement System
- Places a strict police and fire maintenance of effort standard on the city (this standard does not include positions funded with state or federal grants).
- Any increase in staffing or spending requires two-thirds majority vote of the city council.
- Powers currently vested in the Fire and Police Commission are redirected to the Police and Fire Chiefs, with oversight authority given to the Common Council.
- Neither property taxes nor sales taxes may fund the city’s light rail system (“The Hop”).

**EMS provisions:**

The bill makes several revisions to EMS licensing regulations that have the general effect of reducing regulatory burdens/costs for EMS services. In addition, the bill prohibits ambulance service providers and EMS programs from prohibiting their employees or volunteers from being employed by or volunteering with another ambulance service provider.

**Other Reform Items:**

- Limit on Tax Incremental District (TID) growth as a factor in annual levy increases – Beginning with new TIDs created in 2025 and beyond, limits the percentage of new construction value that occurs within a TID that may be applied in determining a municipality’s allowable levy increase. Currently, a municipality may apply 100% of “net new construction” to determine the increase. Under the bill as amended, a municipality would be able to apply 90% of new construction (not “net new”) that occurs within the TID.
- Limit on levy increase at TID closure—Beginning with new TIDs created in 2025 and beyond, the bill allows a municipality a one-time levy adjustment equal to 10% of the newly-created value within the TID; the adjustment may be increased to 25% (an additional 15%) if the TID closes prior to 75% of its anticipated life. Current law allows a one-time levy adjustment equal to 50% of the newly-created value within the TID and there is no incentive for early closure.
- For a tax incremental district created after December 31, 2024, at the time of approval the joint review board shall establish the year of expected termination of the tax incremental district.
- Advisory Referenda – Prohibits a county or municipality from holding an advisory referendum, unless the referendum concerns a capital project that would be funded via the property tax levy, local revenue sharing agreements, boundary agreements, and establishment of municipal cable, broadband, or telecommunications utilities.
- Local Health Officer – Local health officers can only mandate the closure of a business in order to control an outbreak or epidemic of communicable disease for up to 30 days. One extension of 30 days is allowed if the governing body approves. Public health departments may not prescribe “essential” or “non-essential” businesses.
- Local Government Spending Report – DOR annually would produce a web-based comparative local government spending report from current DOR information collected from counties and municipalities regarding the collection of taxes, receipts from licenses, and the expenditure of public funds.
- No local discrimination or preferences – Prohibits local governments from discriminating against or providing a preference in hiring or contracting based on race, color, ancestry, national origin, or sexual orientation (unless as required to receive federal aid).
- Local Regulation of Quarries – Limits the ability of a political subdivision to place limits or conditions on the operation of nonmetallic quarries from which materials are primarily used in the construction or repair of public and private transportation facilities and infrastructure.
  - Prohibits permits if an ordinance did not require a permit prior to the establishment of the quarry.
  - Prohibits conditions being added to a current permit and from requiring compliance with other subdivision requirements as a condition of the permit.

- Political subdivision may not limit blasting at a quarry except the operator may be required to meet certain conditions – pre-blasting notice, third party inspection of building and structures or wells within the affected area, maintain records and reports, comply with other blasting regulations not related to air blast, fly rock, or ground vibration, and comply with current law and DSPS rules related to blasting.
- Also allows the political subdivision to petition DSPS for an order granting authority to impose additional restrictions and requirements related to blasting that are more restrictive than current law and DSPS rules.
- Stewardship projects that take place North of U.S. Highway 8 require local government approval.