

Fiscal Estimate Narratives

DOR 4/26/2006

LRB Number	05-4875/1	Introduction Number	SB-680	Estimate Type	Original
Description Creating an exception to the local levy limits for amounts assessed by a joint fire department					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, when compared to the previous year's property tax levy, a municipality may not increase its own-purpose levy by a percentage that exceeds the larger of 2% or the percentage increase in its equalized value due to new construction. The limitation does not apply to taxes levied after January 1, 2007.

Under the bill, an exception to the levy limit is created for property taxes used to finance charges from certain fire departments. To qualify for the exception, the following criteria must be met: (1) The fire department must be a joint fire department formed by either two or more cities or by a village with a population of 5,500 and a city, town, or another village. (2) The total fire charges charged by the fire department in the current year may not exceed its prior year charges by more than inflation (as measured by the Consumer Price Index [CPI] for all urban consumers, for all urban consumers, for the 12 months ending on September 30 of the year of the levy) plus 2%. (3) The governing board of each municipality served by the joint department adopts a resolution to exceed the levy limit.

Based on data from the financial report forms filed with the Department of Revenue (DOR), total operating expenditures for fire protection by municipalities increased from \$469.6 million in 2003 to \$484.8 million in 2004, for an increase of 3.24% (which is somewhat higher than the 2.66% in the CPI for the same time period). Rates of change for individual municipalities ranged from decreases of 80% to increases of over 500%. Since these expenditures can be financed from service fees, state aids, and other general revenue sources, it is not possible to reasonably estimate the portion of the expenditures financed through the property tax levy.

Based on data from the Department of Commerce, there are about 860 fire departments in Wisconsin. Many municipalities receive fire protection services from more than one fire department. The data on fire protection expenditures provided in municipal financial report forms filed with DOR do not identify to which fire department the expenditures can be attributed. Since fire departments do not file financial report forms with DOR, and since DOR neither keeps track of fire department service areas or how fire departments are organized, DOR is unable to identify which fire departments would qualify for the levy limit exception created by the bill. It is therefore not possible to reasonably estimate the increase in property tax levies that this bill could engender.

Long-Range Fiscal Implications