Fiscal Estimate - 2009 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

LRB Number **09-2553/4**	Introduction Number **SB-230**

Description
Creating an exception to local levy limits and the expenditure restraint program

Fiscal Effect

State:
- [X] No State Fiscal Effect
- [ ] Indeterminate
  - [ ] Increase Existing Appropriations
  - [ ] Decrease Existing Appropriations
  - [ ] Create New Appropriations
  - [ ] Increase Existing Revenues
  - [ ] Decrease Existing Revenues
  - [ ] Increase Costs - May be possible to absorb within agency's budget [ ] Yes [ ] No
  - [ ] Decrease Costs

Local:
- [ ] No Local Government Costs
- [X] Indeterminate
  1. [ ] Increase Costs [ ] Permissive [ ] Mandatory
  2. [ ] Decrease Costs [ ] Permissive [ ] Mandatory
  3. [ ] Increase Revenue [ ] Permissive [ ] Mandatory
  4. [ ] Decrease Revenue [ ] Permissive [ ] Mandatory
  5. Types of Local Government Units Affected
     [X] Towns [X] Village [X] Cities
     [X] Counties [ ] Others
     [ ] School Districts [ ] WTCS Districts

Fund Sources Affected
[ ] GPR [ ] FED [ ] PRO [ ] PRS [ ] SEG [ ] SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DOR/ Daniel Huegel (608) 266-5705	Paul Ziegler (608) 266-5773	7/31/2009

Fiscal Estimate Narratives

DOR 7/31/2009

LRB Number **09-2553/4**	Introduction Number **SB-230**	Estimate Type **Original**
Description Creating an exception to local levy limits and the expenditure restraint program		

Assumptions Used in Arriving at Fiscal Estimate

The provisions of this bill were enacted as part of 2009 Wisconsin Act 28 (the 2009-2011 Biennial Budget Act.)

PRIOR LAW

In general, under the municipal levy limit, a municipality could not increase its levy from the prior year amount by a percentage that exceeded the greater of 2% or the percentage increase in its equalized value due to net new construction. Incremental levies generated by tax incremental financing districts and levies for school purposes in first class cities were exempt from the limit. Adjustments to or exclusions from the limit were permitted for transfers of service to or from another governmental entity; annexations or detachments of territory; increases in debt service on debt authorized before July 1, 2005; debt service on general obligation debt authorized on or after July 1, 2005; lease payments on lease revenue bonds issued before July 1, 2005; revenue shortfalls regarding certain revenue bonds; increases in charges by joint fire departments to the extent the increases would cause the levy limit to be exceeded; and amounts approved by voters at a referendum.

In general, under the county levy limit, a county could not increase its levy from the prior year amount by a percentage that exceeded the greater of 2% or the percentage increase in its equalized value due to net new construction. Levies for county-operated children with disabilities boards were exempt from the limit. Adjustments to or exclusions from the limit were permitted for transfers of service to or from another governmental entity; for consolidating services at the county level; increases in debt service on debt authorized before July 1, 2005; debt service on general obligation debt authorized on or after July 1, 2005; debt service on appropriation bonds issued by certain counties to fund pension liabilities; lease payments on lease revenue bonds issued before July 1, 2005; revenue shortfalls regarding certain revenue bonds; and amounts approved by voters at a referendum.

An expenditure restraint payment (ERP) is paid to certain municipalities that limit growth in spending. In order to qualify for this payment, a municipality must have a municipal-purpose equalized value tax rate of five mills or more and must limit growth in its general fund expenditures to no more than an inflation factor plus a growth factor. The general fund budget is defined as general fund expenditures excluding principal and interest on long-term debt, recycling fees paid for solid waste disposal, revenues shared with other local governments under revenue sharing agreements, plus changes in expenditures due to transfers of service to or from other governmental entities. The inflation factor equals the average annual percentage change in the U.S. consumer price index for all urban consumers, as determined by the U. S. Department of Labor, for the 12-month period from October 1 to September 30 prior to the year for which the municipal budget is determined. The "valuation factor" equals 60% of the percentage change in the municipality's equalized value due to net new construction, but no more than 2% and no less than 0%.

NEW LAW

Under the provisions of the bill, all of which were included in the 2009-2011 Biennial Budget Act, a new exception under the municipal and county levy limits is provided for amounts levied to pay for unreimbursed expenses relating to an emergency declared by the Governor or to replenish cash reserves depleted due to such an emergency.

In addition, a new exception to the definition of general fund expenditures under the ERP program is created for unreimbursed expenditures relating to an emergency declared by the Governor.

FISCAL EFFECT

When an emergency affecting a given area is declared by the Governor, a request that the affected area be declared a federal disaster area may be made to the Federal Emergency Management Agency (FEMA). If FEMA grants the request, financial assistance to local governments affected by the disaster may be made. Such grants are normally for at least 75% of qualifying costs, with the state and local governments sharing equally (12.5% each) in any remaining costs. If FEMA declines the request, no federal grants are made, requiring the state and affected local governments to pay for all disaster-related costs.

Disaster-related FEMA grants and state programs for disaster relief are usually administered by the Division of Emergency Management in the Department of Military Affairs. Data on expenditures relating to emergencies are not separately identified in the financial reports filed by counties and municipalities with the Department of Revenue (DOR). As a result, DOR is unable to estimate the amount by which levies or spending could increase under the bill. Although the statewide impact on taxes and spending is expected to be minimal, the effect on localities affected by disasters may be quite sizable.

DOR administrative costs are expected to be minimal.

Long-Range Fiscal Implications