Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2011 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 11-1447/1	Introduction Number AB-0140

Description
Exceptions to county and municipal levy limits and school district revenue limits for expenditures related to the implementation of service consolidation or cooperation, or to the implementation of political subdivision or school district consolidation

Fiscal Effect

State:
- ☐ 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
- ☒ 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
     ☒ Towns ☒ Village ☒ Cities
     ☒ 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
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Fiscal Estimate Narratives

DOR 6/15/2011

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Assumptions Used in Arriving at Fiscal Estimate

This fiscal note is limited to the provisions of the bill that impact counties and municipalities. The school district component is not addressed.

CURRENT LAW

The enforcement of the levy limits expired after the December 2010 levy. The biennial budget has proposed extending these limits. The following discussion applies to the levy limit law as it currently exists, and does not reflect any changes proposed in the biennial budget bill.

In general, under the current municipal levy limit, a municipality may not increase its levy from the prior year amount by a percentage that exceeds the greater of 3% or the percentage increase in its equalized value due to net new construction. (The allowable increase is expected to be modified in the biennial budget bill.) Incremental levies generated by tax incremental financing districts and levies for school purposes in first class cities are exempt from the limit. Adjustments to or exclusions from the limit are 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 may not increase its levy from the prior year amount by a percentage that exceeds the greater of 3% or the percentage increase in its equalized value due to net new construction. (The allowable increase is expected to be modified in the biennial budget bill.) Levies for county-operated children with disabilities boards are exempt from the limit. Adjustments to or exclusions from the limit are 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.

PROPOSED LAW

The bill creates a new exception under the municipal and county levy limits for any levy needed to implement (a) cooperation regarding the provision of one or more services, (b) consolidating the provision of one or more services, or (c) the consolidation of political subdivisions. The allowable increase in the levy limit could not exceed 0.1% of the amount of the levy upon which the limit is applied.

The Department of Revenue does not have data to reasonably project the how many municipalities or counties will use the exception to the levy limits created under the bill. It is therefore not possible to estimate the increase in municipal and county property taxes that this bill could engender. An upper bound estimate may be crafted, however, based on statewide total levies. For 2010/11, counties levied approximately $1.95 billion and municipalities levied approximately $2.42 billion of property taxes (prior to reductions by the school levy credit, the lottery and gaming credit, and the first dollar credit). Assuming all counties and municipalities claimed the exception to the levy limits created by the bill, county levies may increase by up to an additional $1.9 million and municipal levies may increase by up to an additional $2.4 million.

DOR costs can be absorbed within currently available resources.

Long-Range Fiscal Implications