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June 12, 2023

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Engrossed Assembly Bill (AB) 245: Relating to Local Government Programming and Funding, Personal Property Tax Repeal, and City and County of Milwaukee Sales and Use Tax Authority and Pension Systems

AB 245 was introduced on May 3, 2023, and referred on May 8 to the Assembly Committee on Local Government and to the Joint Survey Committee on Retirement Systems (JSCRS), pursuant to s. 13.50 of the statutes, and the Joint Survey Committee on Tax Exemptions (JSCTE), pursuant to s. 13.52 of the statutes. On May 11, 2023, AB 245, as introduced, was approved by the Assembly Committee on Local Government on an 8-4 vote. On May 15, 2023, on the question of recommending that the retirement provisions of AB 245 are good public policy, JSCRS voted 5-5. In addition, JSCRS voted 5-5 on the question of recommending that the retirement provisions of the bill are not good public policy. Also on May 15, 2023, on the question of recommending that the tax exemption provisions of AB 245 are good public policy, JSCTE voted 4-5. In addition, JSCTE voted 5-4 on the question of recommending that the tax exemption provisions of the bill are not good public policy. On May 17, 2023, Assembly Amendment 2 (AA 2) to AB 245 was introduced and adopted by the Assembly and the bill, as amended, was passed by a vote of 56-36. Subsequently, the Assembly actions were ordered engrossed.

SUMMARY OF THE BILL

Local Government Programs and Funding

Engrossed AB 245 (the bill) would create new local aid programs and would make adjustments to several existing local aid programs, but the bill would not provide any funding for the new programs created or change any funding sources for existing local aid program appropriations. Further, while the bill creates a local government fund, as well as new accounts within the fund, that would be available to fund new and existing programs under the bill, the bill would not any provide revenues to the local government fund.

Beginning in 2024-25, engrossed AB 245 would create the following new grant programs for

local units of government.

Supplemental County and Municipal Aid. Engrossed AB 245 would create a program called supplemental county and municipal aid, which would distribute funds according to a formula created by the Wisconsin Counties Association. If funding were provided, the bill would provide $68.0 million to counties and $192.7 million to municipalities in 2024-25. These aid payments could only be used for law enforcement, fire protection, emergency medical services, emergency response communications, public works, courts, and transportation. Further, the use of supplemental county and municipal aid payments for administrative services would be prohibited.

Distribution of Supplemental Aid to Municipalities. The distribution of supplemental county and municipal aid to municipalities would largely be based on municipal populations. Municipalities would be divided into the following four categories: (a) municipalities with populations under 5,000; (b) municipalities with populations between 5,000 and 30,000; (c) municipalities with populations between 30,000 and 110,000; and (d) municipalities with populations over 110,000. The formula for the distribution of this aid would differ for each of these categories. The formula would use 2022 municipal populations to calculate the amount of aid distributed to each municipality.

Under the newly-created formula, municipalities with populations under 5,000 would receive the greater of 15% of their current law county and municipal aid payment, or the amount calculated as follows: (a) multiply the municipality's 2022 population by 0.00001052; (b) subtract the amount determined under "(a)" from 16.813; and (c) multiply the municipality's 2022 population by the amount determined under "(b)"; and (d) add the amount calculated under "(c)" to $30,000.

Municipalities with populations between 5,000 to 30,000 would receive the greater of 15% of their current law county and municipal aid payment, or the amount calculated as follows: (a) multiply the municipality's 2022 population by 0.00001659; (b) subtract the amount determined under "(a)" from 14.5; (c) multiply the municipality's 2022 population by the amount determined under "(b)"; and (d) add the amount determined under "(c)" by 25,700. In addition to these calculated amounts, a further $15 million would be distributed to these municipalities on a per-capita basis.

Municipalities with populations between 30,000 to 110,000 would receive the greater of 15% of their current law county and municipal aid payment, or the amount calculated as follows: (a) multiply the municipality's 2022 population by 0.00001659; (b) subtract the amount determined under "(a)" from 14.5; (c) multiply the municipality's 2022 population by the amount determined under "(b)"; and (d) add the amount determined under "(c)" by 25,700. In addition to these calculated amounts, a further $5 million would be distributed to these municipalities on a per-capita basis.

Municipalities with populations over 110,000 would receive the greater of 10% of their current law county and municipal aid payment, or the amount calculated as follows: (a) multiply the municipality's 2022 population by 0.00001659; (b) subtract the amount determined under "(a)" from 14.5; (c) multiply the municipality's 2022 population by the amount determined under "(b)"; and (d) add the amount determined under "(c)" by 25,700.

Distribution of Supplemental Aid to Counties. Under the county supplemental county and municipal aid formula, $50.0 million would initially be distributed to counties. Counties would receive the greater of 10% of their 2022 current law county and municipal aid payment, or the sum

of the following three components. The first formula component would distribute $50,000 to each county. The second formula component would provide each county an amount equal to the difference between their actual 2021(22) levy and what their 2021(22) levy would have been, if the minimum allowable percentage increase in the levy had been 2%. Counties that had net new construction of over 2% for 2021(22), and were able to raise their levies by a higher percentage, would not receive a payment from this part of the formula.

The third component of the county aid formula would calculate the difference between each individual county's per capita aid (calculated under "(a)" and "(b)" below) and the maximum per capita aid provided to a county under the same calculation. The amount of aid distributed under this initial component of the county formula would be calculated as follows:

(a) total each county's existing 2022 county and municipal aid payment and the amount it would receive under the first and second parts of the formula, described above;

(b) divide the amount calculated under item "(a)" by the county's 2022 population;

(c) determine the maximum amount calculated for any county under item (b), and multiply that maximum amount by 1.5;

(d) divide the amount calculated under item "(b)" for each county by the amount calculated under item "(c)";

(e) subtract the amount calculated under item "(d)" from 1;

(f) multiply the amount calculated under item "(e)" by an amount equal to ten times the county's 2022 population; and

(g) multiply the amount calculated under item "(f)" by a proration factor of .069758, in order to limit the total amount distributed by this section of the formula to $50.0 million.

In addition to the amounts distributed by the formula described above, the engrossed bill would increase the amount of payments provided to certain counties. First, each county would be guaranteed to receive at least $10 per capita, if the sum of its current law county and municipal aid payment and its 2024 supplemental county and municipal aid payment divided by the county's 2022 population is below $10 per capita. Additionally, counties that would otherwise receive a 2024 supplemental county and municipal aid payment that provides less than a 500% increase over their current law county and municipal aid payment would receive an additional payment. For those counties this aid payment would be calculated as follows: (a) divide the each county's current law aid amount by amount of aid received under the $50.0 million in initial county aid distributed earlier; (b) divide the quotient under "(a)" by 169.943; and (c) multiply the amount under "(b)" by $17,490,600. These additional payments would distribute approximately $18.0 million to counties, for a total supplemental county and municipal aid distribution to counties of approximately $68.0 million.

Aid Distributions in 2025-26 and Thereafter. For distributions in 2025-26 and thereafter, each county and municipality would receive a supplemental county and municipal aid payment equal to the proportion of the total payments from the supplemental county and municipal aid account to the amount each county or municipality received in 2024, multiplied by the amount for the year in the supplemental county and municipal aid account of the local government fund.

Innovation Fund Grants. Engrossed AB 245 would create an innovation grant program.

Although the bill would not appropriate any funds for the program, it indicates that $300 million would be available for distribution through this program to fund innovation grants. The bill would specify that counties and municipalities could apply in the form or manner prescribed by the Department of Revenue (DOR) for innovation grant funding to implement innovation plans. After the date that DOR notifies the Legislative Reference Bureau (LRB) that rules have promulgated for the innovation grant program, local governments could begin to apply for innovation grants. Innovation grants would be distributed in payments made each year during the three-year period consisting of the first fiscal year that begins after the DOR notification to LRB, and the following two fiscal years.

No county or municipality could receive more than $10 million in innovation grant distributions in one year. As under current law for local aid payments, DOR would be required to notify local governments of any innovation grants for the following calendar year by September 15, of each year. Specify that DOR could make up to a total of $300 million in grants, and the grants could not be approved after the end of the fourth fiscal year after the date of the DOR notification to LRB. DOR could not approve an innovation grant if distributing all payments for the grant, and all other grants awarded, would result in the distribution of more than $300 million in grants.

DOR would be required to allocate innovation grant monies as provided in any agreement or contract. In order for DOR to approve an innovation grant, a county or municipality would have to submit to DOR a copy of a signed agreement or contract with a county, municipality, non-profit, or private entity to which it is transferring one or more services or duties, and that agreement or contract must satisfy all of the following conditions: (a) specifies the services or duties to be transferred; (b) is entered into no earlier than the date that DOR notifies LRB that rules have been promulgated for the innovation grant program; (c) transfers the specified services or duties for at least twice the length of time for which innovation grant funds would be provided; (d) indicates the cost to the county or municipality of providing the services or performing the duties being transferred in the year immediately preceding the agreement or contract to transfer the services or duties; (e) if applicable, specifies the cost to the county or municipality to which the service or duty is transferred of performing each transferred service or duty in the year immediately preceding the transfer; (f) specifies the amount that the county or municipality will pay to the governmental, non-profit, or private entity to which it is transferring the services or duties for the term of the agreement or contract; and (g) specifies the allocation of grant moneys between counties or municipalities that are party to the agreement or contract.

In addition, in order for DOR to approve an innovation grant, a county or municipality would have to have provided all services or duties specified in any contract or agreement in the year immediately preceding the year in which the services or duties are transferred under the agreement or contract. If an innovation plan involves only counties and municipalities, the grant would be equal to 25% of the total costs of providing the service or duties as outlined in the agreement or contract, excluding the costs paid by the entity with the highest costs covered by the innovation plan in the year immediately preceding the transfer of services. With regard to an innovation plan involving the transfer of a service or duty to a nonprofit organization or private entity, the amount of the grant awarded for that plan to be distributed the county or municipality in each year would equal 25% of the total costs of performing the transferred services and duties in the year immediately preceding the transfer of the services or duties specified by the county or municipality in the contract or

agreement. DOR would be required to allocate the grant moneys as provided by the local agreement or contract related to the specific innovation plan. Further, in calculating the total cost of providing a service, the cost of wages, fringe benefits, training, and equipment associated with providing the service could be included in the calculation.

DOR could only award a grant if the innovation plan indicates that the transfer of a service or duty will realize projected savings of 10% of the total cost of providing the service or duty. Define "innovation plan" as a plan submitted by a county to consolidate services with another county or a municipality, or a plan submitted by a municipality to consolidate services with a county or another municipality. Innovation grants may be provided for the consolidation of the following services: (a) public safety, including law enforcement; (b) fire protection; (c) emergency services; (d) courts; (e) jails; (f) training; (g) communications; (h) information technology; (i) administration, including staffing, payroll, and human resources; (j) public works; (k) economic development and tourism; (l) public health; (m) housing, planning, and zoning; and (n) parks and recreation.

If an innovation plan involves an entity that engages a volunteer fire protection or emergency medical services, DOR would be required to determine and attribute fair market compensation for such services in calculating the cost savings of that innovation plan. DOR would be required to promulgate rules specifying the method for determining fair market compensation for the volunteer services.

Direct DOR to prioritize funding for innovation plans that attempt to realize savings for public safety, fire protection, and emergency services, while maintaining the appropriate level of such services. After awarding grants to priority applicants, allow DOR to award other counties and municipalities a prorated share of the remaining amounts allocated to the innovation fund in each fiscal year.

Each applicant for a grant would be required to certify to DOR that the county or municipality shall realize half of the projected savings under its plan no later than 24 months after receiving a distribution for the grant or pay back a portion of the amount of the grant. Further, each applicant shall certify to DOR that the county or municipality shall realize the full amount of the projected savings under its plan no later than 36 months after receiving a distribution for the grant or pay back a portion of the unrealized savings amount under the grant.

DOR would be required to notify the Department of Administration (DOA) of any county or municipality that failed to realize its required projected savings. DOA would be required to withhold from the next innovation grant payment to the county or municipality an amount equal to the difference between the amount of savings required to be realized under plan and the actual amount of savings realized. Each year during the period in which grants may be distributed, DOR would be required to audit at least 10% of all innovation grants for which at least 24 months have passed since the first distribution was received. For the same period, require DOR to submit an annual report to the Joint Committee on Finance concerning all innovation grants, no later than December 31 of each year.

Innovation Planning Grants. Beginning in 2024-25, a municipality with a population below 5,000 could apply to DOR for grants to be used for staffing and consultant expenses relating for planning the transfer of one more of the eligible services under the innovation grant program. Only

municipalities with populations under 5,000 would be eligible to apply for these grants. The bill would direct DOR to prescribe a form and manner for applying for an innovation planning grant. The amount of innovation planning grants that any municipality may receive would be limited to no more than $100,000 for each project plan submitted and approved by DOR.

Local Government Fund and Accounts. Engrossed AB 245 would create a segregated fund designated as the local government fund. Within the local government fund, the bill would create separate accounts for three new programs created under the bill: (a) the supplemental county and municipal aid account; (b) the innovation account; and (c) the innovation planning grants account.

The engrossed bill would create the following accounts related to existing programs, as well as an account for an aid payment to local taxing jurisdiction related to repeal of personal property under the bill: (a) the county and municipal aid account, from which current law county and municipal aid payments would be made; (b) the expenditure restraint program account, from which current law expenditure restraint payments would be made; (c) the state aid, local government fund, tax exempt property account, from which current law computer aid payments would be made; (d) the state aid, local government fund, personal property tax exemption account, from which current law personal property aid payments would be made; (e) the state aid, local government fund, repeal of personal property taxes account, which would make aid payments to taxing jurisdictions associated with any personal property that would become exempt from taxation under the bill, effective with January 1, 2024, assessments; (f) the state aid video service provider fee account, which would make current law aid payments to municipalities to compensate reduced video service provide fees; (g) the municipal services account, which would make current law payments for municipal service payments; and (h) the community youth and family aids account (youth aids), which would assist in making current law payments to counties for community-based juvenile delinquency-related services, juvenile correctional services and juvenile court intake services for certain counties.

Under current law and under the bill, the State of Wisconsin Investment Board (SWIB) manages the investments of the State Investment Fund (SIF), which is operated as an investment trust for all of the funds that are required by law to be invested in it. In a May 4, 2023, fiscal estimate submitted for the bill, as introduced, SWIB indicated that the bill provision creating a segregated local government fund, the moneys in which would be invested in the SIF, would not have a measurable fiscal impact on the agency.

Existing Program and Statute Modifications

Existing County and Municipal Aid. For 2024, the total payments for existing county and municipal aid would remain at $753.1 million, which includes $5.0 million in medical assistance (MA) funding provided for emergency medical services, currently funded with $2.0 million GPR and $3.0 million FED. The bill would repeal these MA payments for these services, reducing GPR expenditures by $2.0. The federal funding would remain available to counties and municipalities for emergency medical services.

In addition, several current law adjustments are made to aid payments, including, among others, a $4.0 million annual reduction in Milwaukee County's payment for construction of the professional basketball arena and reductions for the partial repayment of any Volkswagen settlement

transit grants received by a county or municipality. All current law adjustments to the existing county and municipal aid payments would continue under the bill.

Aid Distributions for 2025 and Thereafter. For the distribution in 2025, and subsequent years, each county and municipality would receive a payment equal to the proportion of the total payments from the county and municipal aid account of the local government fund that the county or municipality received in 2024, multiplied by the amount for the year in the county and municipal aid account of the local government fund.

Maintenance of Effort Requirements for Local Funding. The engrossed bill would establish maintenance of effort requirements for level of law enforcement, fire protection and emergency service provided by local governments. If a political subdivision fails to make either of these certifications in any year, as required, both its existing county and municipal aid payment and its supplemental county and municipal aid payment would be reduced by 15% in the following year.

Beginning July 1, 2024, and annually thereafter, require municipalities with populations over 20,000 to certify to DOR that the municipality has maintained a level of law enforcement that is at least equivalent to the level provided within the municipality in the previous year. This certification would need to include a statement from the person in charge of providing law enforcement for the municipality or that is under contract to provide the service for the municipality. The statement must certify that any of the following had been maintained at a level at least equivalent to the previous year: (a) moneys raised by tax levy by the city, village, or town and expended for employment costs of law enforcement officers; (b) the percentage of total monies raised by tax levies by the city, village, or town and expended for employment costs of law enforcement officers; or (c) the number of full-time equivalent law enforcement officers, employed by or assigned to the city, village, or town, not including officers whose positions are funded by grants received from the state or federal government. The person in charge of providing law enforcement service for the city, village, or town could use any reasonable method of estimating the average number of full-time equivalent law enforcement officers employed by or assigned to the city, village, or town for the year, but may consider only positions that are actually filled. The statement is not required to certify the same metrics that were certified in a previous statement.

Beginning July 1, 2024, and annually thereafter, all municipalities and counties would be required to certify to DOR that the political subdivision has maintained a level of fire protective and emergency medical services that is at least equivalent to the level of service provided in the next previous year. This certification would need to include a statement from the person in charge of providing fire protective and emergency medical services for the political subdivision or that is under contract to provide the service for the political subdivision. The statement must certify that at least two of the following had been maintained at a level that is at least equivalent to the previous year: (a) the political subdivision's expenditures for fire protective and emergency medical services, not including capital expenditures or expenditures of grant moneys received from the state or federal government; (b) the number of full-time equivalent firefighters and emergency medical services personnel employed by or assigned to the political subdivision, not including fire fighters or emergency medical personnel whose positions are funded by grants received from the state or federal government; (c) the level of training and maintenance of licensure for firefighters providing fire protective service and emergency medical service personnel providing service within the political

subdivision; or (d) response times for fire protective services throughout the political subdivision, adjusted for the location of calls for service. The statement is not required to certify the same metrics that were certified in a previous statement.

Engrossed AB 245 would specify that for the purposes of certifying the number of fire fighters or emergency medical personnel employed by, or assigned to, the political subdivision, volunteer fire fighters and emergency medical services personnel who responded to at least 40% of calls to which volunteer fire protective or emergency medical services responded may be counted as full-time equivalent volunteer fire fighters and emergency medical services personnel. The person in charge of providing fire protective and emergency medical services for the political subdivision would be allowed to use any reasonable method of estimating the average number of full-time equivalent fire fighters and emergency medical services personnel employed by or assigned to the political subdivision for the year, but may consider only positions that are actually filled.

If a political subdivision consolidates its law enforcement, fire protection, or emergency medical services with another political subdivision, or enters into a contract with a private entity to provide fire protective or emergency medical services, that political subdivision would be allowed to submit a certification to that effect, in lieu of the required certification of the metrics described above for that service. This would only apply to the year following consolidation or entry into a contract. Additionally, a political subdivision that newly establishes, or joins a newly-established, law enforcement or fire protection or emergency medical services agency may submit a certification to that effect, in lieu of the required certification of metrics for that service, but only in the year following the establishment of the agency. Moreover, if law enforcement services in a municipality are solely provided by a county sheriff on a non-contractual basis, the municipality may provide a certified statement to that effect for the purposes of making the required certification.

Specify that if the political subdivision fails to make the above certifications in the previous year, in making the certifications in the current year, the political subdivision would be required to certify that it has maintained a level of law enforcement or fire protection and emergency medical service that is at least equivalent to that provided in the most recent year the certification was made, or 2023, whichever is most recent. This provision would not apply to a political subdivision that submits a statement certifying that it has consolidated services with another political subdivision, entered into a contract with a private entity for provision of services, or established or joined a newly established law enforcement, fire protection, or emergency services agency, as described above, in the year that the statement is provided.

DOR, in its fiscal estimate for AB 245, as introduced, indicates that the maintenance of effort requirements would have an indeterminate impact on shared revenue aid payments to counties and municipalities, as DOR does not currently collect data on law enforcement, fire protection and emergency medical services. However, as an indication of the potential amount of costs to local governments for these services, DOR notes that that local governments reported a total of $2.81 billion in related costs in 2021, compared to $2.73 billion in 2020, on their statutorily required annual municipal finance report.

Personal Property Tax Exemption. Engrossed AB 245 specifies that effective with taxes assessed as of January 1, 2024 (the 2024(25) property tax year), general, local property taxes could

not be levied on most existing items of personal property. Under the bill, some existing personal property would continue to be taxed as real property. The bill would also update statutes referring to the assessment of personal property to apply only to assessments of personal property made before January 1, 2024, and delete references to assessment or taxation of personal property. It estimated that this would reduce local property taxes for owners of this property by $173.8 million in 2024(25).

Property Made Exempt from Property Taxation. The bill would sunset taxes levied on personal property beginning with property tax assessments as of January 1, 2024, and would exempt all business and manufacturing personal property from taxation, beginning with taxes assessed as of January 1, 2024. The bill specifies that the following property would be defined as personal property, and thus would be exempt from taxation: (a) all goods, wares, merchandise, chattels, and effects, of any nature or description, having any real or marketable value, and not defined as real property; (b) saw logs, timber, and lumber, either upon land or afloat; (c) steamboats, ships, and other vessels, whether at home or abroad, and ferry boats, including the franchise for running the same; (d) ice cut and stored for use, sale, or shipment; (e) irrigation implements used by a farmer, including pumps, power units to drive the pumps, transmission units, sprinkler devices, and sectional piping; and (f) off-premises advertising signs that do not advertise the business or activity that occurs at the site where the sign is located. The bill would remove toll bridges, private railroads and bridges, and entire property of utility companies, which are located entirely within one taxation district, from the definition of personal property.

Property Remaining Subject to Property Taxation. The bill also specifies that the following property, currently assessed as personal property, would be converted to real property, and remain subject to the property tax: (a) manufactured and mobile homes, if the home is on land owned by the homeowner or set upon a foundation and connected to utilities; (b) buildings, improvements, and fixtures on leased lands; (c) buildings, improvements, and fixtures on exempt lands; (d) buildings, improvements, and fixtures on forest croplands; (e) buildings, improvements, and fixtures on managed forest lands; and (f) public utility company property located within a single town, village, or city that is subject to local taxation. The bill would allow the assessor to create a separate tax parcel for the buildings, improvements, and fixtures, if they are owned by a person other than the landowner, or if the buildings, improvements, and fixtures, but not the underlying land, are leased to a person other than the landowner. Improvements on land owned by the federal government would be required to be assessed as real property, and would therefore remain taxable under the bill.

Modifications to General Fund Tax Statutes. The bill would modify the statutes for laws governing income and franchise taxes, including the computation for the manufacturing and agriculture tax credit, general sales and use taxes, and state utility taxes. The changes would generally maintain current law as it applies to these provisions prior to enactment of the bill. The bill would specify that nothing related to the local taxation of property (Ch. 70), as modified, would be construed as exempting personal property from taxation for entities as public utilities that pay utility taxes to the state (Ch. 76), except for certain property already exempt under current law.

Personal Property Tax Exemption for Railroads. For assessments after January 1, 2024, the bill would provide an exemption for personal property of a railroad company from the state utility tax and from local assessment and taxation. As indicated in the DOR fiscal estimate to AB 245, as introduced, this provision is estimated to reduce utility tax collections that are transferred to the

transportation fund by $8.0 million annually. The bill would also delete the requirement that rolling stock and equipment of railroad companies be included on assessment rolls prepared by DOR.

Aid Payment to Hold Taxing Jurisdictions Harmless. The bill would create an aid payment to local taxing jurisdictions to compensate those jurisdictions for the loss in taxable value associated with the exemption of personal property from taxation, beginning in 2024-24. However, no funding would be provided for the aid payment. If no funding is provided for the aid payment, an estimated $173.8 million in existing local property tax levies associated with the newly-exempted property would be shifted to remaining taxable property.

Beginning in 2024-25, DOA would be required to distribute to each taxing jurisdiction an amount equal to the property taxes levied in 2023(24) on items of personal property that would be exempt from taxation under the bill. The current law aid payment is meant to hold taxing jurisdictions harmless of the loss in taxable value associated with the 2017 exemption of personal property classified as machinery, tools, and patterns not used for manufacturing, from taxation. Both the current law payment and the new aid payment would be distributed to taxing jurisdictions by the first Monday in May.

Municipalities would be required to electronically file a report to DOR indicating the amount of property taxes levied on items of personal property as of January 1, 2023, on behalf of the municipality and other taxing jurisdictions. A municipality's 2025 personal property aid payment would be reduced by 25% if the municipality does not file this information by June 30, 2024, and forfeited if the municipality does not provide this information by July 15, 2024. If a municipality fails to submit this information to DOR, the Department may use the best available information to estimate the amount of the 2025 aid payment to the other affected taxing jurisdictions.

Each taxing jurisdiction would be required attribute to each tax incremental district within the taxing jurisdiction the district's proportionate share of the aid amount the taxing jurisdiction would receive. The amount that would have been paid to a tax incremental district would have to be distributed to the municipality and applicable taxing jurisdictions in the year following the termination of the tax incremental district and in each year thereafter.

Recalculation of TIF District Base Values. Specify that upon receiving a written application from the town, village, city or political subdivision clerk, in a form prescribed by DOR, the Department would be required to recalculate the base value of a tax incremental financing district (TID) or an environmental remediation TID affected by the exemption of personal property from taxation to remove the value of such personal property. Require that any request received before October 31 would be effective in the year following the year in which the request is made. Any request received after October 31 would be effective in the second year following the year in which the request is made.

Annual Conservation Fund Transfer. Each year, a GPR transfer is made to the conservation fund equal to a rate of 0.1697 mills multiplied by the value of taxable property in the state. By exempting personal property from local taxation, the bill would reduce the overall taxable property in the state. According to DOR's fiscal estimate to the bill, as introduced, statewide personal property less buildings on leased land totaled $9,453,873,500, which would no longer be taxable under the bill. DOR indicates that this would reduce the annual transfer to the conservation fund by $1,582,600

GPR in 2024-25.

DOR Costs and Staffing. Engrossed AB 245 would not provide any additional funding or staffing to carry out the provisions under the bill. DOR's fiscal estimate to the AB 245, as introduced, indicates that the Department would incur one-time costs of $2,702,300 and ongoing costs of $433,500 for computer programming, training, revising tax incremental financing district bases, updating forms and documents, and providing external communications on the law changes. Further, the Department indicates that its ongoing costs would require 6.0 additional positions to carry out the provisions of the bill.

Expenditure Restraint Program. Engrossed AB 245 would create an exclusion or adjustment for any innovation grants or innovation planning grants, as well as any state or federal grants for law enforcement, fire protection, or emergency medical services, from the definition of "municipal budget." In addition, create an adjustment for amounts levied for charges assessed by a joint fire department or emergency medical services department. Under current law, municipalities with a municipal tax rate of at least five mills that restrict the annual growth in their municipal budgets are eligible to receive a payment from the expenditure restraint program. DOR's fiscal estimate indicates that this provision would have no overall fiscal effect, but could result in additional municipalities qualifying for the payment and thereby reducing the amount received from the $58.1 million appropriation by other municipalities.

The bill would also specify that expenditure restraint program payments in 2025 would equal the payment provided in 2024, rather than the amount calculated under the statutory formula. This provision is intended to ensure that municipalities are not penalized for the expenditure of supplemental county and municipal aid, which would first be received in 2024. In 2026, the current law expenditure restraint formula would again be activated to expend the entire $58.1 million in existing funding provided the program. As a result, 2026 expenditure restraint program payments would be based on a comparison of 2025 municipal budgets over 2024 budgets, both of which would include the supplemental aid amounts.

County Levy Rate Limit and Local Government Levy Limits. Under current law, both a negative and positive adjustment are provided to the county levy rate limit and the local government levy limit for a county or municipality that transfers (negative adjustment) or receives (positive adjustment) responsibility for providing a service to another unit of government. The engrossed bill would provide that the levy rate or levy limit increase adjustments would apply only if the transferor and transferee file a notice of service transfer with DOR. DOR's fiscal estimate indicates that in 2021(22), levy limit adjustments associated with transferred services resulted in a $771,300 reduction in municipal levies and a $1,304,000 increase in county levies.

Tax Incremental Districts and Levy Limit Adjustments. Make the following changes associated with the interaction of tax incremental financing districts and county and municipal levy limit adjustments for TIDs created after December 31, 2024, and any amendment to an existing TID that subtracts territory after that date.

Determination of Valuation Factor for Annual Levy Limit Calculation. Modify the current law definition of "valuation factor" for the purposes of calculating a local government's levy limit to include only 90% of the equalized value increase due to net new construction that is located in the

affected TID, rather than 100% of that value as allowed under current law. Specify that the annual valuation factor would also be adjusted downward to include the value of any improvements removed from the affected TID. Under current law, counties and municipalities are allowed to increase their annual levies by the amount of their valuation factor, which means a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current year or 0%. The current law valuation factor includes the equalized value of all net new construction regardless of whether the construction is within a TID.

Levy Limit Adjustment for Terminated TIDs. Specify that if DOR does not certify a value increment for the TID for the current year as a result of the district's termination, the levy limit otherwise applicable in the current year to the political subdivision in which the district is located is increased by all of the following amounts:

(a) an amount equal to the political subdivision's maximum allowable levy for the immediately preceding year, multiplied by:

(b) an amount determined by dividing 10% of the equalized value increase of the terminated district's total nominal value of annual net new construction reported each year over the life of the TID by the political subdivision's equalized value, less any value increments, for the previous year, as determined by DOR.

Specify that if the life span of the TID was 75% or less of the expected life span of the district, measured as the period between the year the district was created and the expected year of termination, the same calculation would be made using 15% of the terminated district's total nominal value of annual net new construction reported each year rather than 10%.

Specify for the above calculations the equalized value increase of terminated TID would be calculated by adding the annual amounts reported of the value of new construction in the district for each year that the TID is active. This would mean the nominal aggregate value of net new construction would be used in this levy limit adjustment calculation, rather than the total equalized value of the net new construction, including market value changes on that value.

Require that at the time of approval of the Joint Review Board to create the TID, the Board would be required to establish the year of expected termination of the district.

Subtraction of TID Territory. A similar levy limit adjustment would also be made for if DOR recertifies the tax incremental base of a tax incremental district as a result of the district's subtraction of territory and would also be calculated using 10% of the equalized value increase of the terminated district's total nominal value of annual net new construction reported each year over the life of the TID.

Local Government Spending Report. Require DOR to produce a comparative local government spending report using tax revenue, expenditure, and financial information provided by counties and municipalities to DOR under current law. Further, require DOR to create and maintain a page on its internet website to display this information.

Payments for Municipal Services. Clarify that "municipality" would not include counties or metropolitan sewerage districts after December 31, 2023.

Local Advisory Referenda. Specify that a county, city, village, or town may only hold advisory referenda regarding capital expenditures proposed to be funded from the property tax levy.

Joint Police and Fire Departments. The bill would also clarify that cities have the authority to create either a joint police or fire department, or both, with a village or town.

Public Service Answering Point Grant Criteria. Modify public safety answering points (PSAP) grant criteria to specify that PSAPs are eligible for the grant without regard to being located in a county that is participating in the Department of Military Affairs (DMA) emergency services IP network (ESInet). Under current law, DMA PSAP grant purposes may include advanced training of telecommunicators, equipment or software expenses, and incentives to consolidate some or all of the functions of two or more PSAPs. Grants may not support general PSAP overhead or staffing costs, or costs of providing emergency services or emergency services equipment. In addition, DMA establishes grant eligibility criteria based on recommendations of the 911 Subcommittee. Further, DMA may not award a grant to more than one PSAP per county.

Ambulance Staffing. Under current law, an ambulance must be staffed by two qualified individuals, who may be licensed emergency medical technicians (EMTs), paramedics, registered nurses, physician assistants, or physicians. Current law also permits an ambulance to be staffed by one EMT or paramedic accompanied either by one person with an emergency medical services practitioner training permit, or, in certain rural districts, by one licensed emergency medical responder (EMR).

The bill would define inter-facility transport as any transfer of a patient between health care facilities or any non-emergency transfer of a patient, and permit an ambulance engaged in inter-facility transport to be staffed by one EMT and one person with cardiopulmonary resuscitation (CPR) certification. The bill would specify that the EMT must remain in the patient compartment during transport.

The bill would also prohibit any ambulance service provider or emergency medical services program from establishing any exclusive staffing contract that restricts an EMR, EMT, or paramedic employed by or volunteering for them from being employed by or volunteering with another ambulance service provider or emergency medical services program.

These changes would take effect on the first day of the seventh month beginning after publication of the Act.

Conditions of Certification of Emergency Medical Responders (EMRs). Current law requires applicants for EMR certification to complete a DHS-approved EMR training course that meets standards established by the National Highway Traffic Safety Administration (NHTSA), unless the applicant has military experience that DHS determines to be substantially equivalent. Current administrative rules require applicants to pass the EMR examination developed by the National Registry of Emergency Medical Technicians (NREMT) in addition to completing a DHS-approved EMR training course.

The bill would prohibit DHS from requiring applicants to pass the NREMT examination, but would specify that an ambulance service provider or other EMS program may still require the NREMT examination as a condition of employment or volunteer service.

The bill would also specify that the determination of whether an applicant's military experience satisfies the instruction and training requirements for EMR certification would be solely within the discretion of the ambulance service provider or EMS program with which the applicant intends to be employed or to volunteer, instead of DHS. For an applicant that is not affiliated with a specific service provider, DHS would continue to make this determination.

These changes would take effect on the first day of the seventh month beginning after publication of the Act.

Levels of Service of Rural Ambulances. Under current law, DHS licenses ambulance service providers based on the level services they have the capacity to provide, as defined by the scopes of practice of emergency medical technicians (EMTs), advanced EMTs, EMTs-intermediate, and paramedics. Under administrative rules, for licensure at a given level, DHS must approve an ambulance service provider's operational plan to ensure 24-hour availability of one or more ambulances staffed at that level. The level of service an ambulance provider is licensed to provide may impact the reimbursement they receive for services.

Current law also specifies that a rural ambulance provider, defined as a provider whose service area contains no municipality with a population over 10,000, may operate an ambulance at a higher level of service than the level of their licensure under certain circumstances. Specifically, a rural ambulance service provider may upgrade the level of service delivered by a given ambulance to the highest level of license of any practitioner staffing that ambulance if the service provider's medical director approves and the service provider submits an update to its operational plan to DHS.

The bill would prohibit DHS from requiring that a rural ambulance service provider seeking to upgrade the level of service of an ambulance stock that ambulance with equipment to perform all functions of the higher scope of practice. This prohibition would take effect on the first day of the seventh month beginning after publication of the Act.

Powers of Local Public Health Officers. The bill would prohibit a local public health officer from issuing a mandate to close any business in response to an outbreak or epidemic of communicable disease for longer than 30 days, unless the governing body of the political subdivision in which the order is intended to apply approves one extension of the order for up to an additional 30 days. A "political subdivision" would be defined as a city, village, town, or county. This change would take effect July 1, 2024.

Local Review of Stewardship Projects. Engrossed AB 245 would require the local approval of any acquisition funded by the Warren Knowles-Gaylord Nelson Stewardship program if the project lies north of U.S. Highway 8, which runs across the northern portion of the state from St. Croix Falls on the Minnesota border to the Town of Niagara (Marinette County) on the Michigan border. Under current law, prior to acquiring land using stewardship program funding, DNR is required to notify each town, village, city and county that contains all or a portion of the land to be acquired. After receiving DNR notification, each local government may pass a resolution supporting

or opposing the proposed land acquisition. If a local government submits a resolution to DNR within 30 days after receiving the DNR notification, the Department must consider the resolution before approving or rejecting the proposed land acquisition project.

The bill would amend current law to prohibit DNR from obligating funds for any stewardship-funded land acquisition, in fee title or easement, north of U.S. Highway 8 until all local governments that contain any portion of the land on which the acquisition would occur adopt a local resolution approving of the project by a simple majority vote. DNR also could not forward projects requiring Joint Committee on Finance approval until such local approvals were made. The bill would specify that current law provisions would still apply south of U.S. Highway 8. Local governments south of the highway would not be required to affirmatively approve of a project before DNR could obligate stewardship funding, or notify the Joint Committee on Finance of the project, if applicable.

Quarry Regulation. The proposal would authorize cities, villages, towns, and counties to require an operator of a quarry for the extracting of nonmetallic minerals, including soil, clay, sand, gravel, or construction aggregate, to acquire a zoning conditional use permit or licensing permit, subject to certain conditions. The provisions described in the following sections are not to be construed to affect a political subdivision's authority to regulate land use for a purpose other than quarry operations, and quarries are not to be construed as exempt from other municipal regulations of general applicability, except if the regulation is inconsistent with those described below. Further, a quarry would not be construed to be exempt from: (a) regulations enacted and enforced by a municipality, outside a nonmetallic mining licensing permit, under Chapter 349 of the statutes (local regulation of vehicles) or other generally applicable measures relating to access to property from roads; or (b) restrictions placed by municipalities regarding nonconforming uses, as provided under current law.

The quarries that would be subject to the provision are those with minerals extracted or processed for use primarily on: (a) federal, state, county, or municipal public works projects involving the construction, maintenance, or repair of a public transportation facility or other public infrastructure; or (b) private construction or transportation projects. The provision would extend to quarry operations including extracting and processing of nonmetallic minerals, and all related activities that may include blasting, vehicle and equipment access, and loading and hauling of material to and from the quarry.

Restrictions on Permitting. The bill would prohibit a city, village, town, or county from requiring a zoning conditional use permit or nonmetallic licensing permit of a quarry that has operated in the preceding 12 months, except if the municipality had an ordinance in effect prior to the establishment of operations of the quarry and the ordinance requires such an authorization. A licensing permit could not impose any requirement: (a) pertaining to any matter covered by an applicable zoning ordinance; or (b) addressed through conditions imposed or agreed to in a previously issued and effective conditional use permit. The bill would require that any condition imposed by a licensing permit must be: (a) related to the purpose of the ordinance; and (b) based on substantial evidence. "Substantial evidence" would be defined as facts and information, other than personal preference or speculation, that directly pertain to requirements an applicant must meet to obtain a permit, and that a reasonable person would accept in support of a conclusion.

Under the bill, if a political subdivision enacts a nonmetallic mining ordinance requirement regulating a quarry, the ordinance would not apply to land that is contiguous to the land on which the quarry is located, if all the following apply: (a) the land has remained under the common ownership, leasehold, or control of the person who owns, leases, or controls the land on which the quarry is located since the ordinance's enactment; (b) the contiguous land is shown to have been intended for quarry operations since the enactment of the ordinance; and (c) is located in the same political subdivision.

A nonmetallic mining licensing permit could not have a term shorter than five years. The proposal would prohibit a political subdivision from adding conditions to a permit during the duration of the permit, unless the permit holder consents. Further, the proposal would specify that if a municipality issuing a permit were to require a quarry to comply with another jurisdiction's ordinance as a condition of being granted a permit, the issuing authority could not enforce a condition enacted by another municipality after the permit had been issued. The proposal would also specify a town could not require, as a condition of a permit, compliance with a provision passed under a county ordinance that is required for a permit but enacted after a quarry has already been issued a county permit. The same provision would also apply to county-issued permits attempting to enforce provisions contained in a town permitting ordinance but enacted after the town had already issued the quarry a permit.

Blasting Conditions. An "affected area" would be defined as an area within a certain radius of a blasting site that may be affected by a blasting operation, as determined using a formula established by the Department of Safety and Professional Services (DSPS) by rule that takes into account a scaled-distance factor and the weight of explosives to be used. (Administrative code Chapter SPS 307 includes a scaled-distance formula calculation. In general, a scaled-distance formula is used to determine the maximum amount of explosives that can be used that ensures safety to structures within a certain distance of the blasting site.)

The bill would prohibit a political subdivision from limiting blasting at a quarry. Notwithstanding the prohibition, a political subdivision would be authorized to require the operator of a quarry to do any of the following: (a) provide pre-blast notice of the blasting operation to all political subdivisions in which the quarry is located and owners of dwellings or other structures within the affected area; (b) require that a pre-blast building survey be conducted by a third party on dwellings and other structures within the affected area; (c) require that pre-blasting well surveys and testing be conducted by a third party within the affected area; (d) provide evidence of insurance to each political subdivision in which any part of the quarry is located; (e) provide copies of blasting logs to each political subdivision in which any part of the quarry is located; (f) provide maps of the affected area to each political subdivision in which any part of the quarry is located; and (g) provide copies of any reports submitted to DSPS relating to blasting at the quarry.

A political subdivision would be authorized to suspend a permit: (a) for a violation of the permit; or (b) for a violation of the state blasting requirements under s. 101.15 of the statutes, and rules promulgated by DSPS related to blasting under s. 101.15 (2)(e), only if DSPS determines that a violation of the requirements or rules has occurred and only for the duration of the violation, as determined by DSPS. (Under s. 101.15, DSPS administers rules under Chapter SPS 307, which

regulate blasting and use of explosives at nonmetallic mining sites.) The provisions would not exempt quarries from state-imposed time-of-day blasting restrictions administered by DSPS administrative code provisions.

A political subdivision would be authorized to petition DSPS for an order granting the political subdivision the ability to impose additional blasting restrictions and requirements on the operator of a quarry. If DSPS issues the order, the order may grant the political subdivision the authority to impose restrictions and requirements related to blasting at the quarry that are more restrictive than the state blasting requirements under s. 101.15 of the statutes, and DSPS rules promulgated under s. 101.15. DSPS could not charge a fee for a petition submitted by a political subdivision under this provision. If a political subdivision were to submit a petition to DSPS because of concerns regarding the potential impact of blasting on a qualified historic building, DSPS would be authorized to require the operator of the quarry to pay the costs of an impact study related to the qualified historic building.

Hours of Operation. A political subdivision would be prohibited from limiting the times or days a quarry may operate if the quarried materials are to be used in a public works project that requires work to be performed during night hours, or on an emergency repair.

Ordinance Effective Dates. The bill would create provisions for the transition of zoning regulation between town and county ordinances. Specifically, for a town that did not have a zoning ordinance previously enacted but adopts a zoning ordinance in lieu of a county zoning ordinance to require a conditional use permit for quarry operations in the town, a permit in effect at the time of transition to town zoning would remain in effect as if issued by the town following the cessation of the county zoning ordinance's effect in the town. The provision would consider the effective date of the town ordinance's adoption to be the issuance date of the permit, to the extent that the town ordinance adopts requirements included in the county ordinance and conditional use permit. The provision would apply reciprocal treatment to permits that would be assumed by counties following repeal of a town zoning ordinance. In all other instances of a county or town enacting a zoning ordinance that requires a conditional use permit to operate a quarry, the ordinance's date of enactment is the effective date.

Milwaukee Sales and Use Taxes and Retirement Systems

Municipal Sales and Use Tax. Engrossed AB 245 would authorize a first class city (currently, only the City of Milwaukee) to adopt an ordinance imposing a municipal sales and use tax of 2.0%, subject to three conditions: (a) the imposition of the sales and use tax receives approval at a referendum held at a spring primary or election, a partisan primary or election or a special election, as allowed under current law; (b) the City makes an election to join the Wisconsin Retirement System (WRS) for all new employees, including employees of other entities that currently participate in the City retirement system, effective January 1 of the year following the year the ordinance is adopted; and (c) beginning in 2025, the City pays the annual amount determined under the bill for the City's share of unfunded actuarial accrued liability under the City retirement system. [As of January 1, 2022, the City retirement system's unfunded actuarial accrued liability was $1.2 billion.] In addition, the bill would specify that, if a first-class city (the City of Milwaukee) has enacted an ordinance regarding the City retirement system that requires an actuary to periodically reset the actuarial contribution rate, the City may not impose a municipal sales and use tax unless the City repeals the

ordinance.

Under the bill, an ordinance that is adopted would be effective January 1, April 1, July 1, or October 1. The bill would require that a certified copy of the ordinance be delivered to the DOR Secretary at least 120 days prior to its effective date. If the City's sales and use tax is imposed at a rate of 2.0%, DOR's fiscal estimate to the bill, as introduced, indicates that sales and use tax collections would be approximately $193.6 million starting in 2024.

The bill specifies that DOR would retain 1.75% of the tax revenues collected for administration of the City sales and use tax. This provision in the bill would mirror current law for county sales and use tax administration and distribution of revenue.

Further, the bill would specify that the City would be required to utilize the revenue generated by municipal sales and use taxes as follows: (a) in each year, no more than 90% of the amount of revenue generated by the municipal sales and use taxes in the first full calendar year in which the tax is imposed would be used to offset the actual costs of the City's annual required employer contribution for its unfunded actuarial accrued liability and to offset the increase in participating city agency employer contribution costs from 2022 to the then-current year for the City retirement system; (b) in each year, the City would use 10% of the amount of revenue generated by the municipal sales and use taxes in the first full calendar year in which the tax is imposed to maintain a level of law enforcement and fire protective and emergency medical service that is at least equivalent to that provided in the City on April 1, 2023; and (c) in any year in which the amount of revenue generated by municipal sales and use taxes exceeded the amount collected in the first full calendar year, and exceeded the amounts necessary to pay the City's annual required employer contribution for its unfunded actuarial accrued liability and the increase in participating city agency employer contribution costs from 2022 (with the limitations specified above), the City would be required to use the excess revenue to increase its number of law enforcement officers and daily staffing level of the paid fire department and to pay the ongoing costs of the increases in law enforcement and fire department staff.

"City agency" would include any board, commission, division, department, office, or agency of the City government including its sewerage district, school board, auditorium board, fire and police departments, annuity and pension board, board of vocational and technical education, Wisconsin Center District, housing authority, Veolia Milwaukee with respect to employees who are participants in the retirement system of Milwaukee on the effective date of the bill, and public school teachers' annuity and retirement fund, by which an employee of the City or city agency is paid.

Under the bill, the City would be required to maintain a level of law enforcement and fire protective and emergency medical service that is at least equivalent to that provided in the City in the previous year, as measured by the number of full-time equivalent law enforcement officers employed by the City and the daily staffing level of the paid fire department. The bill would specify that: (a) the maintenance of effort requirement would exclude positions funded by grants received from the state or federal government; and (b) the City may use any reasonable method of estimating the number of full-time equivalent law enforcement officers employed by the City and the daily staffing level of the fire department for the prior year, but may only consider filled positions in doing so. Further, the bill would require that, beginning after the first full calendar year in which the

municipal sales and use tax is imposed, in any year in which moneys are available from revenue generated by municipal sales and use taxes, the City must use the moneys to increase or maintain increases in the number of law enforcement officers or daily staffing level of the fire department until the City employs 1,725 law enforcement officers, including 175 detectives, and daily staffing level of 218 members of the paid fire department. For 2023, the City would be required to maintain a level of law enforcement and fire protective and emergency medical service that is at least equivalent to that provided on April 1, 2023, as measured by the number of full-time equivalent law enforcement officers and the daily staffing level of the paid fire department.

Under the bill, revenue for unfunded liability costs of the City and for employer contribution cost increases for participating city agencies would be limited to 90% of the first full year of collected revenue, while revenue to support the current costs of law enforcement, fire protection, and emergency medical service would be limited to 10% of the first full year of collected revenue. The dollar amounts that could be used for these purposes would be fixed in subsequent years. Any growth in revenue generated by the municipal sales and use taxes would be used to increase or maintain the number of law enforcement officers and daily staff of the fire department and to continue paying for the ongoing cost of any such increases.

Additional County Sales and Use Tax. The bill would separately provide authority for an additional county sales and use tax of 0.375% to a county in which a first class city is located (Milwaukee County), subject to three conditions: (a) the imposition of the sales and use tax receives approval at a referendum held at a spring primary or election, a partisan primary or election, or a special election; (b) the County makes an election to join the WRS for all new employees, effective January 1 of the year following the year the ordinance is adopted; and (c) beginning in 2025, the County utilizes revenue from the sales and use tax to pay the amount determined under the bill for the annual payment towards the County's unfunded actuarial accrued liability until the first year in which the system is determined by the system's actuary to be fully funded. [As of January 1, 2022, the County retirement system's unfunded actuarial accrued liability was $537.7 million.] The bill would authorize the County to hold a special election related to the referendum.

Under current law, Milwaukee County has an existing 0.5% sales and use tax that generated $96.3 million in revenue in 2022. Under the bill, as noted above, residents of the City of Milwaukee would vote to approve or reject a municipal sales and use tax, and residents of Milwaukee County would vote to approve or reject an additional county sales and use tax. If both referenda were approved, purchasers of taxable goods in the City would pay both the City sales and use tax and the additional County sales and use tax.

Under the bill, an ordinance that is adopted would be effective January 1, April 1, July 1, or October 1. The bill would require that a certified copy of the ordinance be delivered to the DOR Secretary at least 120 days prior to its effective date. If the County's sales and use tax is imposed at a rate of 0.375%, DOR's fiscal estimate to the bill, as introduced, indicates that sales and use tax collections for the County would increase by approximately $72.6 million on an annualized basis starting in 2024.

In each year, the County would be required to first use revenue generated by additional county sales and use taxes for its employer contribution toward its unfunded liability. After making the

required employer contribution for its unfunded liability, the County would be required to use revenue generated by additional county sales and use taxes for required payments for pension obligation bonds.

Any revenue in any year in excess of the amounts paid for its required unfunded liability and pension obligation bond payments in the previous year would be used as an additional payment for the County retirement system's unfunded liability.

The bill would specify that the County must spend an amount no less than the amount of the required employer contribution in 2022 for the County retirement system's unfunded actuarial accrued liability on the following: (a) Milwaukee County's circuit courts; (b) Milwaukee County's secure residential care center for children and youth; (c) maintaining or increasing compensation of Milwaukee County correctional workers; and (d) the Milwaukee County Medical Examiner's Office.

In a May 4, 2023, fiscal estimate submitted for the bill, as introduced, SWIB indicated that bill provisions providing that newly-hired employees of the City of Milwaukee, city agencies, and Milwaukee County would become WRS participants would have no measurable fiscal impact on the agency. Under current law and under the bill, SWIB manages the investments of the WRS.

In a May 11, 2023, fiscal estimate submitted for the bill, as introduced, the Department of Employee Trust Funds (ETF) estimated that the addition of newly-hired employees of the City of Milwaukee, city agencies, and Milwaukee County to the WRS would increase the number of system entrants by 1,700 individuals annually, in addition to the current level of 23,000 new participants annually. The Department would likely need additional position authority, over time, to accommodate increases in activity, such as transactions and participant interactions (such as calls and emails). In addition, ETF plans to procure and implement a new pension administration system, which could create efficiencies over time. As a result, ETF indicates that the number of additional staff that would be needed and timing of staff additions are unknown at this time.

Sunset of Sales and Use Taxes. The bill requires the City and County to each repeal an ordinance authorized under the bill after the applicable retirement system is determined by the system's actuary to be fully funded, or until 30 years have elapsed since the effective date of the tax, whichever is earlier. After the applicable system is first fully funded, the actuary would determine all future required contributions on the basis of standard actuarial practices. A certified copy of a repeal ordinance would be required to be delivered to the Secretary of Revenue at least 120 days before the effective date of the repeal. The repeal of the ordinance imposing the tax would be required to be effective on December 31.

Reports and Audits. The bill would create several requirements relating to reports and audits, effective only if an ordinance is adopted to impose a municipal or additional county sales and use tax. Beginning in 2026, each entity would be required to submit to the Joint Committee on Finance an annual report containing detailed information on the entity's expenditures in the previous year from the revenue collected. The annual report from the City would be required to include information on staffing levels related to law enforcement, fire protection, and other public safety measures. Every five years, the Legislative Audit Bureau (LAB) would conduct a financial audit of the expenditures of revenue generated by the sales and use taxes imposed under the bill, and would contract for an actuarial audit of the Milwaukee retirement systems. In addition, the LAB would annually conduct

a financial audit of the Milwaukee retirement systems, to include financial statements as well as an evaluation of accounting controls and accounting records maintained by the systems for individual participants and departments. The cost of the actuarial and financial audits of the Milwaukee retirement systems would be charged to the retirement systems, and the cost of the financial audits of expenditures of revenue would be charged to the City and the County.

Amortization of Unfunded Liability. The bill specifies that required annual employer contributions (including payments toward unfunded actuarial liability) for the City and County retirement systems be determined using an amortization period of not more than 30 years and an investment return assumption that is the same or less than the assumption used by the WRS for actively participating employees (currently 6.8%). Under the bill, future unfunded liabilities resulting from factors such as market returns and standard actuarial practices could be amortized on the basis of standard actuarial practices. The bill would additionally specify that no trustee or administrator of the City or County retirement systems would be subject to liability for complying with the provisions in the bill relating to calculating the required annual employer contribution for the City and County retirement systems.

Potential Shared Revenue Reductions. Under the bill, county and municipal aid (shared revenue) payments to the City or County would be reduced in certain circumstances, as follows: (a) for the distribution in 2024 and subsequent years, if any municipality (city, village, or town) or county failed to satisfy the requirements under the bill relating to maintenance of effort for law enforcement (municipalities only) and fire protective and emergency medical service (municipalities and counties), the state's DOA Secretary would reduce the entity's shared revenue payments for the next year by 15%; (b) if the City of Milwaukee or Milwaukee County were to fail to make the required contribution for the unfunded liability of the entity's retirement system in any year in which a municipal or additional county sales and use tax is imposed, DOR would reduce the shared revenue payments for the City or County for that year by the amount of the unpaid contribution and direct DOA to pay that amount towards the unfunded liability of that retirement system; and (c) if the City or County were to use any revenue from a municipal or additional county sales and use tax for an expenditure that is not authorized under the bill in any year, DOR would reduce the shared revenue payments for the City or County for that year by the amount of the unauthorized expenditure and direct DOA to pay to the City or County the reduced shared revenue amount (if any remained).

Closure of Milwaukee Systems to New Entrants. The bill would specify that if an individual was not an active employee of the City of Milwaukee or Milwaukee County on December 31 of the year that the municipal or additional county sales and use tax ordinance goes into effect, and is hired after December 31 of the same year, the person would not be considered a participant in the City or County retirement system with respect to the position into which the person was hired, regardless of whether the person had previously been employed by the City or County. A person who had previously been employed by the City or County but was not an active employee on December 31 of the applicable year could not accrue any further service under each respective retirement system.

The bill would specify that no provision of the bill may be construed or interpreted as effecting a partial termination of the retirement system of the City of Milwaukee or Milwaukee County.

2023 Act 4; County House of Correction. The bill would specify that, for purposes of

determining protective occupation participant status under the WRS and the provisions of 2023 Act 4, a county jailer includes an employee of a county whose principal duties involve supervising, controlling, or maintaining a house of correction or the persons confined in a house of correction, as assigned by a county board of supervisors. The provision would be effective January 1 following the year in which an ordinance is adopted imposing either a municipal or additional county sales tax. Under current law, the definition of county jailer includes such employees with respect to county jails, but does not specifically include employees who work at a county house of correction. Also under current law, and under the bill, the county board of any county may establish, relocate, and maintain within the county a house of correction for the reformation and employment of persons sentenced to confinement therein.

In addition, the bill would specify that, for the purposes of Act 4, Milwaukee County would be treated as a county that did not classify county jailers as protective occupation participants as of January 1, 2024.

Prohibited Subjects of Bargaining. The amendment would specify that, for City and County public safety employees, prohibited subjects of collective bargaining would include, with respect to the City and County retirement systems: any terms of such retirement systems, including but not limited to the costs, payments, contributions, benefits, or design, including all impacts or effects that any changes made to the retirement system might have upon the wages, hours, or conditions of employment.

Public Utility Employees. The bill would specify that the City of Milwaukee and Milwaukee County may not choose to exclude any public utility employees if either entity elects to become a WRS employer. The provision would be effective January 1 following the year in which an ordinance is adopted imposing either a municipal or additional county sales tax. Under current law, any municipal employer that elects to become a WRS employer may choose not to include any of its public utility employees.

Additional Retirement System Provisions. The bill would additionally specify that: (a) the City and County and their respective retirement boards may not increase, or in any way enhance, the benefits of employees remaining in the City or County retirement system, except as required for compliance with federal law; (b) the boards of each of the Milwaukee retirement systems must terminate the system within a practicable time after the final payment has been made to members or their beneficiaries; (c) at no time after July 1, 2023, or the effective date of the bill, whichever is later, may a county or city create a retirement system; and (d) the City and County must annually pay the actuarially-determined normal cost that is not covered by employee contributions. The bill would also specify that employee contributions for the retirement system of Milwaukee County would be calculated as half of actuarially required normal cost contributions. Under current law, employees in the County system must pay half of actuarially required contributions, including contributions associated with both normal costs and unfunded actuarial accrued liability.

The bill would require that, as soon as possible after an ordinance is adopted imposing a sales and use tax, the City or County retirement system must submit to the Legislative Reference Bureau (LRB) a notice specifying the date the ordinance was passed, for publication in the administrative register. If such notice is not received by the LRB before the first day of the 25th month beginning

after the effective date of the bill, the following provisions of the bill, which are matters of statewide concern and not a matter of local affair or government, would be void: (a) the requirement that the Legislative Audit Bureau, once every five years, conduct a financial audit of expenditures of municipal and additional county sales and use tax revenues; (b) authorization provided for the Legislative Audit Bureau to charge the City of Milwaukee and Milwaukee County for the cost of the audits; (c) the definition of county jailer as it relates to WRS protective occupation participants; (d) the provision relating to public utility employees of the City of Milwaukee or Milwaukee County with respect to inclusion of such employees in the WRS; (e)the requirement that the City and County annually pay the actuarially-determined normal cost that is not covered by employee contributions; (f) the exclusion of new employees of the City and the County from the Milwaukee retirement systems; (g) the termination of the City and County retirement systems; and (h) the prohibition against any city or county from creating a retirement system.

Other Milwaukee City and County Provisions

City of Milwaukee Fire and Police Commission. The bill specifies that at least one member of the board of fire and police commissioners in a first class city (the City of Milwaukee) must be selected from a list submitted by the employee association that represents non-supervisory law enforcement officers, and at least one member must be selected from a list submitted by the employee association that represents fire fighters. The bill would specify that: each list must each contain three names; the individuals on the lists must have professional law enforcement or firefighting experience and be at least five years removed from service as a law enforcement officer or fire fighter; the individuals on each list would be required to be residents of the City and could not be currently employed by the City; and the lists must be provided no more than three months after the occurrence of a vacancy in a position that would be filled by selection from one of the lists. The mayor would be required to make an appointment within 45 days of receiving the list.

The bill would additionally specify that provisions relating to the Board would first apply to a vacancy that occurs on the effective date of the bill, except that if the Board has a member with professional law enforcement experience and a member with professional firefighting experience, the bill provisions would first apply to the vacancies created by the expiration of the terms of those members or a vacancy created by the death, resignation, or removal of those members. The bill would also specify that a member of the City of Milwaukee Board of Fire and Police Commissioners may not continue in office after the expiration of his or her term unless the member is reappointed to the Board and confirmed by the Common Council.

Under current law, the Board is comprised of either seven or nine citizens, of which no more than three (if the board has seven members) or four (if the board has nine members) may belong to the same political party. The bill would maintain these provisions, and additionally specify that two of the members would be selected from lists submitted by the organizations representing the police and fire union groups, as specified above.

The bill would repeal a statutory provision allowing the board of fire and police commissioners to prescribe policies and standards for the police and fire departments. Instead, the bill would specify that the Board could advise the Common Council regarding any recommended policy changes. Under current law, the board of fire and police commissioners in the City must

conduct a policy review at least annually of all aspects of the operations of the police and fire departments of the City, may prescribe general policies and standards for the police and fire departments, and may inspect any property of the departments, including but not limited to books and records, required for a review.

The bill would also remove the authority of the board of fire and police commissioners to prescribe rules for the government of the members of each department, and to prescribe a procedure for review, modification, and suspension of any rule which is prescribed by the chief. Current law language authorizing the Common Council to suspend any rule prescribed by the Board would also be repealed. Instead, the bill would specify that the chief of each department must establish policies relating to the control and management of each department and the Common Council could suspend or modify any such policies by a two-thirds vote of the council.

School Resource Officers. The bill would require the Milwaukee Public School District Board, beginning January 1, 2024, to ensure that no fewer than 25 school resource officers are present at schools within the district during normal school hours and that school resource officers are available during before-school and after-school care, extracurricular activities, and sporting events as needed. The bill would also require that, beginning January 1, 2024, the Milwaukee Public School Board must ensure that the 25 school resource officers complete the 40-hour course sponsored by the National Association of School Resource Officers. In addition, the bill would specify that the Milwaukee Public School District and the City must agree to an apportionment of the cost of the school resource officers. Beginning in the 2025-26 school year, the school board would be required to consider the statistics it receives regarding certain violations of law alleged to have occurred on school property or transportation, where a charge was filed or a citation was issued, when deciding which schools it places school resource officers. [The collection of statistics is described below under "Statistics and Reporting; High School Incidents."] School resource officer would be defined as a law enforcement officer who is deployed in community-oriented policing and assigned by the law enforcement agency that employs him or her to work in a full-time capacity in collaboration with the school district.

In a May 3, 2023, fiscal estimate submitted for the bill, as introduced, DPI estimated school resource officer costs of approximately $2 million annually for 25 officers based on a starting salary of $60,000 and fringe benefit costs constituting 36% of salaries. The Department notes costs would likely be greater than this, given that salaries increase with experience. [In addition, based on the amounts indicated in the City of Milwaukee 2023 adopted budget for Police Department salaries and fringe benefits, the cost of fringe benefits may be closer to, or greater than, 46% of salaries.]

Fixed Guideway Transportation System. The bill would specify that no moneys raised by levying taxes may be used by the City for developing, operating, or maintaining a rail fixed guideway transportation system (trolley/streetcar).

In addition, the bill would specify that a tax incremental district in the City may not include as project costs any direct or indirect expenses related to developing, constructing, or operating a rail fixed guideway transportation system. The provision would not apply to the route traversing Clybourn Street and Michigan Street, referred to as the "Lakefront Line." Under current law, such a tax incremental district may not include as project costs any direct or indirect expenses related to

operating a rail fixed guideway transportation system. The bill would add expenses related to developing and constructing to the list of prohibited project costs.

Positions Promoting Individuals or Groups. The bill would specify that no moneys raised by levying taxes may be used by the City to fund any position for which the principal duties consist of promoting individuals or groups on the basis of their race, color, ancestry, national origin, or sexual orientation.

City and County Operations. The bill would specify that the Milwaukee Common Council or Milwaukee County Board may enact an ordinance or adopt a resolution that includes new program spending or increases the total number of positions only upon a two-thirds vote of all members of the council or board. The provision would not apply to a program that is intended to reduce expenditures or consolidate or reorganize existing services into a different administrative structure without increasing expenditures. This provision would not apply if the County or City do not impose the sales and use tax created under the bill.

The bill additionally includes several provisions relating to other matters, which would apply regardless of any action that may be taken relating to sales and use taxes or pension systems:

- specify that the total amount of budgeted expenditures related to cultural or entertainment matters or involving partnerships with nonprofit groups may not exceed 5% of the total budget for the City or the County. This limitation would not apply to County expenditures for parks, including zoos, or for health or transit services. In addition, the limitation would not apply to City expenditures for a charter school authorized by the Common Council.

- require budget submissions of the City or County estimating each department's needs for the following fiscal period to also include a bill to reduce each department's budget by 5% of the base budget level for the current fiscal period.

- require the City or County to identify all buildings that the City or County are authorized to sell and that are not being used, prepare a plan for the use or sale of the buildings, and also submit the plan to the Joint Finance Committee.

- require the City to obtain an independent audit of the Office of Violence Prevention and submit the audit to the Legislature.

- require the County to prepare a report on changes to its compensation plan that are necessary and desirable to make the County competitive in the market for correctional workers at a sustainable level of funding.

Other Statewide Local Government Provisions

Municipal Nondiscrimination Policy. The bill would specify that no county, city, village, or town may discriminate against or grant preferential treatment on the basis of race, color, ancestry, national origin, or sexual orientation in making employment decisions regarding its employees or contracting for public works, unless required to secure federal aid.

Statistics and Reporting; High School Incidents. The bill would require all public high schools,

including charter schools, and private high schools participating in a parental choice program, beginning in the 2024-25 school year, to collect and maintain statistics of incidents alleged to have occurred of the following nature: homicide; sexual assault; burglary, robbery, or theft; battery, substantial battery, or aggravated battery; arson; use or possession of alcohol, a controlled substance, or a controlled substance analog; possession of a firearm in or on the grounds of a school in violation of current law regarding the same; and a violation of a municipal ordinance relating to disorderly conduct. The requirement would only apply to an incident that occurred during school hours, during a school-sanctioned event that occurred before or after school hours, or during the transportation of pupils to or from school on property owned or leased by the school, on transportation provided by the school or school district, and which was reported to law enforcement and resulted in a charge or citation. Each school board, operator of a charter school, and governing body of a participating private high school would be required to submit the statistics, excluding the identities of any pupils, to the Department of Public Instruction by July 31 of each year. The Department would be required to promulgate administrative rules to implement the provision in accordance with the uniform crime reporting system of the Department of Justice. The Department of Public Instruction and Department of Justice would cooperate to develop a reporting system that incorporates the uniform crime reporting system to meet the specified requirements.

In addition, the bill would specify that: (a) based on the collected statistics, the annual school and school district accountability report of the Department of Public Instruction must include the total number of incidents per 100 pupils reported by the school or school district, the average number of incidents per 100 pupils reported statewide, and the number of incidents per 100 pupils by school or school district and statewide average for those incidents relating to homicide, sexual assault, battery, substantial battery, or aggravated battery, or a violation of a municipal ordinance relating to disorderly conduct; and (b) the Department may not consider crimes statistics reported by a school or school district for purposes of determining a school or school district's performance on the annual school and school district accountability report.

In a May 3, 2023, fiscal estimate submitted for the bill, as introduced, DPI indicated that the reporting requirements would incur costs for schools to collect, maintain, and report statistics. Costs would vary from school to school are, therefore, indeterminate. The fiscal estimate also indicated that the provisions would require DPI to commit staff time to developing a new reporting system that could incorporate the statistics into school and school district accountability reports. The Department estimates the work could total approximately 800 staff hours.

BL/lb