

# Summary of Governor Walker's 2015-17 State Budget's Impact on Municipalities

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## **Municipal Aid, Levy Limits, Assessment Reform, Property Tax Bills, and Insurance**

**Shared Revenue** – The Governor's budget makes no cuts to the Shared Revenue program. Funding levels are similar to the prior budget. No changes are made to the method for determining each community's shared revenue payment. Shared revenue will continue to be distributed on an historical basis. Under the Governor's budget, most communities will receive the same payments in 2015 and 2016 that they received in 2014.

**Expenditure Restraint Program** – Total funding for this program has remained the same since 2003 and that is proposed to continue. [*The League is seeking a budget amendment modifying the expenditure restraint law to clarify that when two or more communities collaborate on shared service delivery they will not be disqualified from receiving payments under the expenditure restraint program.*]

**Levy Limits** – The Governor's budget makes no changes to levy limits. A municipality may increase its levy from one year to the next by the percentage increase in equalized value from net new construction. A supermajority vote is still required to approve carrying over any unused levy capacity from the prior year. Plus, the maximum amount that can be carried over is 1.5% of a community's total value. [*The league is seeking a budget amendment that would eliminate the supermajority vote requirement and the 1.5% cap*]

**Payment for Municipal Services** – The Governor's budget bill funds the Payment for Municipal Services program at the same level it has been the last couple of years, \$18.5 million. This amount is sufficient to fund only 42% of a community's statutorily-defined entitlement under the program. The budget bill retains the current method for determining the annual payment to municipalities that service state facilities, but explicitly provides that the newly created UW System Authority, rather than the state DOA, "shall make payment for municipal services provided by municipalities to facilities of the authority."

**Property Tax Assessment** – Proposes to change the property tax assessment process from a municipal-based system to a county-based system. Municipalities over 39,000 in population can opt out of county-based assessment. [*The League opposes the shift to county assessment.*]

**Local Government Property Insurance Fund** – The Governor’s budget eliminates the Local Government Property Insurance Fund. [*The League opposes eliminating the fund*]

**Repeal of LEAN Grant Program.** The Governor’s budget repeals a grant program for municipalities seeking partial reimbursement of costs incurred in hiring a LEAN consultant to help the community implement a LEAN efficiency program. Under the program, municipalities were eligible to receive up to \$2,000 in reimbursement.

**Additional Information on Property Tax Bills Required.** The Governor’s budget bill requires that the following new information be included on property tax bills:

1. The amount of the debt service from bonds issued by each taxing jurisdiction and the taxpayer's proportionate share of that amount.
2. The amount of any fees or charges assessed by each taxing jurisdiction that is collected in the tax levy and the taxpayer's proportionate share of that amount.
3. The amount of the taxes levied for the maintenance and operation of each county, city, village, town, school district, and technical college district where the property is located.
4. The amount of the taxes levied to pay for all of the following: a. The redemption charges on any bonded indebtedness or other long-term obligation incurred by each taxing jurisdiction where the property is located. b. Additional amounts levied pursuant to a referendum to exceed a tax levy limitation of a taxing jurisdiction where the property is located. c. The maintenance and operation of any taxing jurisdiction where the property is located, other than the jurisdictions described in subd. 3.

## **Transportation**

**Addressing the Shortfall in the Transportation Fund.** Governor Walker’s budget proposal fails to present a serious long term plan for addressing the shortfall in the transportation fund and instead relies on \$1.3 billion in bonding to pay for state highway construction projects over the next two years. [*The League is urging the Legislature to pass a state budget that includes long-term, sustainable transportation revenues capable of adequately funding state and local transportation needs now and in the future*].

**General Transportation Aids.** The Governor’s budget funds the 4 percent increase for general transportation aids approved in the 2013-15 budget scheduled to take effect in 2015.

**Transit Operating Assistance.** The Governor’s budget fully funds the 4 percent increase for transit aids approved in the 2013-15 budget and scheduled to take effect in 2015.

**Transportation Facilities Economic Development and Assistance Program.** The Governor's budget increases funding by \$2,000,000 annually for the transportation facilities economic assistance and development (TEA) grant program, which provides grants to local governments for transportation infrastructure improvements related to local economic development projects. Specify that the state's maximum cost share percentage on a TEA program grant would be increased from 50% to 80%. Annual grant funding would increase from \$3,402,600 to \$5,402,600.

**Harbor Assistance Program.** The budget bill significantly reduces funding for DOT's Harbor Assistance Program. The program is usually funded by a combination of segregated transportation fund dollars and general bonding authority. In the 2013-2015 budget, the program was funded by \$1.3 million in segregated dollars and \$15.9 million in bonding authority. The Governor's budget bill, retains the \$1.3 million in SEG funding, but entirely eliminates the bonding authority. So, the total amount proposed for the biennium is \$1.3 million. [*The League opposes the cut in funding for this program*]

**Transportation Alternatives Program (Bike and Pedestrian paths).** The Governor's budget deletes \$1,000,000 annually in state funding for the transportation alternatives program (TAP). Under current law, state funding for the program can only be used for bicycle and pedestrian projects. Base level federal funding of \$7,049,300 annually would remain for the program.

**Repeal of Provision Requiring Construction of Bicycle and Pedestrian Facilities.** The Governor's budget repeals the statutory provision requiring DOT to ensure that bikeways and pedestrian ways are established in all new highway construction and reconstruction projects funded in whole or in part from state or federal funds.

**Prohibiting Use of State Funds on Community Sensitive Design.** The Governor's budget prohibits DOT from funding aesthetic improvements on state highway projects sought by communities, generally referred to as community sensitive design. The prohibition would first apply to a project for which an agreement between the state and a local government related to community sensitive solutions has not been entered into as of the general effective date of the state budget bill.

## **Economic Development**

**Placing a Cap on the Historic Rehabilitation Tax Credit.** The Governor's budget limits annual awards under the **historic rehabilitation tax credit** to \$10 million. Under the Governor's budget credits are to be awarded on a competitive basis with several criteria, including job creation potential, to determine which applicants receive the credit. The Governor's budget further requires that credits be repaid in proportion to any shortfall in job creation relative to the amounts claimed in the credit application if actual job creation is deficient within the first five years after receiving the credit. These changes begin with the 2016 tax year. [*The League opposes the cap and job creation requirement condition and is working with other stakeholders to amend this provision of the budget.*]

The budget bill also repeals the related credit for non-historic buildings built prior to 1936.

## Natural Resources

**Stewardship Fund.** While the Governor's budget places a moratorium on the state using the Stewardship Fund to acquire land, the local government assistance component of the Stewardship Program remains functioning. The moratorium does not apply to municipalities using funds under the program to acquire land for recreational paths and similar purposes allowed under the program.

**Recycling Grants.** The Governor's budget cuts the recycling grant program by \$4 million in the first year of the biennium. The current funding level is \$19 million, with a \$1 million bonus grant for responsible units that work cooperatively. The budget bill reduces the funding level from \$19 million to \$15 million in the first year of the biennium. In the second year, the funding level is restored to \$19 million. The budget bill retains the \$1 million bonus grant for cooperating municipalities in both years of the budget. [*The League opposes the \$4 million cut in the recycling program.*]

**Urban Forestry Grants.** The Governor's budget retains current funding levels for the urban forestry grant program, which is about \$524,000 annually. However, the bill modifies the types of projects eligible for funding under the grant program. Under the budget bill, DNR may award grants to local governments for removing, saving, and replacing trees in urban areas that have been damaged by disease, infestation, or catastrophic storm events. Under current law, grants can also be awarded for the cost of tree management plans, tree inventories and other tree projects. The budget bill eliminates those costs from grant eligibility. [*The League supports retaining the ability to use Urban Forestry Grants for tree management plans and tree inventories.*]