



## Statement in Favor of Increases for Municipal Service Payments, Shared Revenues, and Other Key Municipal Funding Sources in the 2021-2023 State Budget

April 5, 2021

### Hello and Welcome

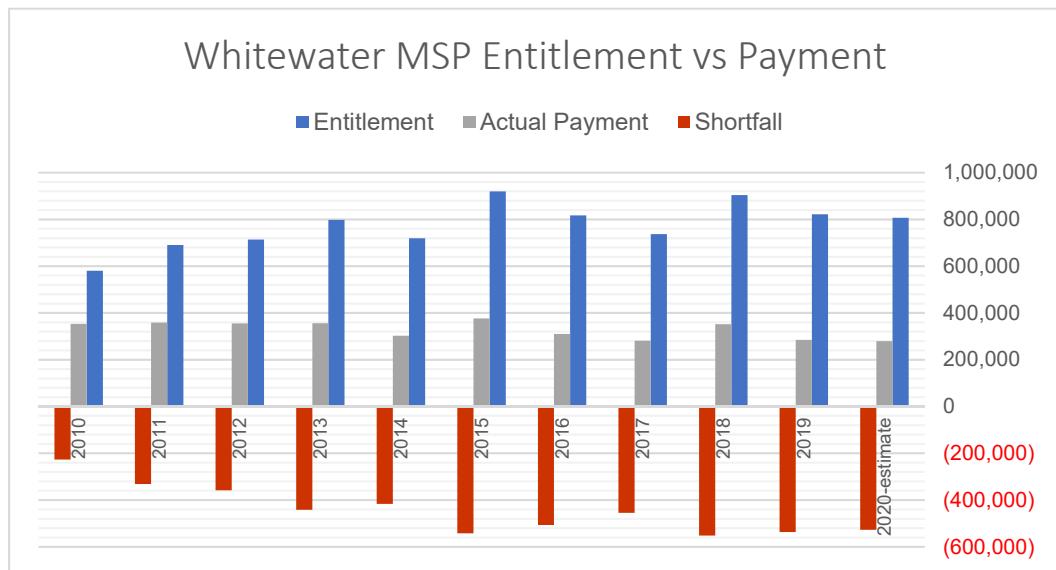
Thank you, Co-Chairs Sen. Marklein, and Rep. Born and the distinguished members of the Joint Committee on Finance for starting the state's budget process in Whitewater.

My name is Cameron Clapper and I am the Whitewater City Manager. It is a pleasure and a thrill to have you all with us today.

I speak on behalf of the City of Whitewater, but also on behalf of cities throughout Wisconsin that are striving every day to maintain key municipal services for communities of Wisconsinites. You will hear from a number of individuals today regarding important initiatives on this fine campus and I support and stand with those individuals. However, my task today is to speak to other important issues affecting local government.

I ask that you consider the following recommendations on items of critical concern to Whitewater and other Wisconsin municipalities.

- Payments for Municipal Services.** Please increase funding for the chronically underfunded Payment for Municipal Services Program. The current funding level is \$18.6 million annually. In 2020 this amount covered only 34.6% of municipal costs for services to state facilities. This resulted in a total funding gap of more than \$35 million for 361 municipalities last year. Whitewater, as an example, was entitled to \$806,510 under the state formula. However, the City only received \$279,052, a shortage of \$527,458. The cumulative total of entitlement dollars withheld from Whitewater over the last 10 years is nearly \$4.9MM. It is noteworthy to share that if state facilities were taxable, the estimated \$404MM in state assets in Whitewater would have generated over \$2.6MM in revenue in 2020 alone. In the absence of these funds, Whitewater is forced to borrow or forgo things like vehicle replacements in our fire department where a new engine, ladder truck, and ambulance are needed. Restoring funding to the Payment for Municipal Services Program would reduce pressure on our property tax levy and assist in the adequate funding of public safety needs.



- Adjust Levy Limits.** Since 2012, municipalities have been allowed to increase their levy only by net new construction. Wisconsin has the strictest levy restriction in the country. The statewide net new construction rate averaged 1.6% in 2020. Whitewater was only allowed to increase its tax levy by \$40,000 (excluding debt service).



Our annual operating budget was \$9.3MM. This is a .05% increase, not even enough to accommodate inflation in operating expenses year over year. The law allows for additional increases in the levy for debt service payments, but this only incentivizes the use of debt which then leads to greater interest costs. Please consider adjusting levy limits in the following ways:

- a. ***Delete net in net new construction.*** Eliminate the need under the levy limit law to subtract tear downs and demolitions from the property value increase caused by new construction. In other words, delete the “net” from “net new construction.” According to the Legislative Fiscal Bureau, demolitions/removals caused a \$409.3 million reduction in the net new construction calculation for 2020. So, the \$9,265,520,500 NNC value DOR put out in August of 2020, would have been \$9,674,863,400 if demolitions/removals would not have been included in the calculation. The statewide NNC% would have increased from 1.60% to 1.67%. This is not a drastic modification statewide overall, but would be significant to communities that are not seeing new growth and are dependent on redevelopment.
- b. ***Allow no-growth communities to increase their levy by 2%.*** Allow communities not experiencing growth to increase their levy by at least 2%, as the Governor is recommending. A 2% floor for levy limit increases is similar to how the levy limit law was first implemented when floors ranging from 2% to 3.86% existed between 2006 and 2011.
- c. ***Eliminate required levy discounts for new fee revenues.*** The Governor proposes eliminating the requirement that a municipality reduce its allowable levy by the amount of fee revenue it received in lieu of property taxes for providing a specified service (i.e., snow plowing, storm water management, fire protection, garbage collection, and street sweeping) that was funded with the property taxes in 2013. Whitewater supports this change and I urge you to include it in your state budget.

3. **Shared Revenue Funding.** Please include a funding increase for shared revenue in this state budget. Over the last 20 years, funding under the program for cities, villages, and towns has been cut by \$94 million. None of those cuts have been restored. At the same time, Wisconsin communities are operating under the strictest levy limits in the nation. The Governor has recommended a 2% increase in shared revenue funding. I urge you to include such a minimal increase in the state budget you prepare. Whitewater is highly dependent on shared revenues. An increase in these funds would have a direct impact on taxpayers by reducing the need to increase the levy or borrow in the future.
4. **Local Transportation Aids.** Please continue to invest in municipal streets. I appreciate that the last two state budgets included increases in general transportation aids (GTA) for municipalities. Nevertheless, GTA currently covers only 16% of municipal transportation costs statewide. Whitewater, like many communities, has fallen behind in street maintenance over time due to existing levy limits and increased costs for services. GTA funding is critical in our efforts to maintain our streets. Please continue increasing the funding for GTA. I would also urge you to reauthorize the \$90 million LRIP supplement included in the last state budget. Grants funded through the program were a boon to many communities in the state.

Thank you for your consideration.

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