



# The 2021-23 State Budget's Impact on Municipalities

Toni Herkert, Government Affairs Director and Curt Witynski, Deputy Executive Director, League of Wisconsin Municipalities

On July 2, the \$87.5 billion 2021-2023 state budget, the first with bipartisan support since 2007, was sent to Governor Evers for his action. The governor signed the budget bill into law as Act 58 on July 8 after making 50 line-item vetoes. For the third consecutive budget, the Legislature and the governor have backed increases in local transportation aids. Even though the state is receiving billions more in revenue than originally anticipated, this budget fails to provide funding increases to any other key municipal programs.

**What's not in the budget?** After Governor Evers introduced his budget in February, the Republican-controlled Joint Committee on Finance (JFC) began developing its own budget plan. They removed nearly 400 of the governor's proposed measures, including a 2% increase in shared revenue funding in both years of the biennium, modifications to the levy limit law sought by the League, an increase in funding for the Payment for Municipal Services Program, and a local sales tax option for populous municipalities. The JFC also stripped restoration of collective bargaining for some municipal employees and prevailing wage requirements for municipal construction projects.

Except for transportation aids, this is a status quo budget for municipalities.

This article provides a more detailed description of the 2021-2023 state budget provisions affecting cities and villages. All items described in this article took effect on July 10 (the day after publication), unless otherwise indicated.

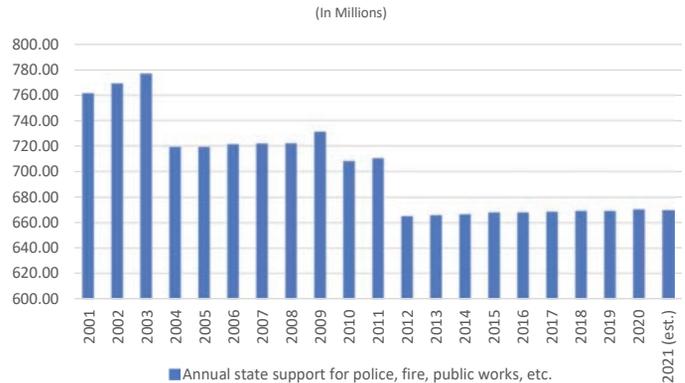


## Shared Revenue and Levy Limits

**Shared Revenue.** The new budget retains the same level of funding for the shared revenue program as the last state budget. A municipality's 2021 and 2022 payments should closely match its 2020 payments.

**Levy Limits.** The same strict levy limits that have been in place since 2011 were unaltered by Act 58. A municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction. All the exceptions and modifications

## Declining Shared Revenues



Source: Legislative Fiscal Bureau, 2019-2021 Budget Summary [https://lfb.wisconsin.gov/budget/2019\\_21\\_biennial\\_budget/](https://lfb.wisconsin.gov/budget/2019_21_biennial_budget/)

to levy limits that exist in current law continue to apply, (e.g., debt service levy exempt from levy limits; municipalities can exceed limits if approved by referendum).

**Expenditure Restraint Program.** Funding for this program remains at \$58 million, the same funding level since 2003.



## Local Transportation Aids

**General Transportation Aids.** The general transportation aids (GTA) program is the second largest program in the Wis. Dept. of Transportation's (DOT) budget and represents approximately 25% of all state transportation fund appropriations. The program helps cities, villages, and towns offset the costs of local road construction, maintenance, traffic enforcement, and other transportation-related costs. The GTA funding level for cities, villages, and towns is currently \$383,503,200. The state budget increases that amount to \$391,173,300 for 2022 and \$398,996,800 for 2023. While this investment represents a 2% increase, it is much less than the 10% increase in the 2019-2021 budget.

All cities and most villages receive their GTA payments under the share of cost formula. Almost all towns are paid GTA on the rate per highway mile basis. DOT is statutorily required to distribute GTA funds first to towns under the rate per mile component of the program. Then, the remainder is distributed to cities and most villages on a share of cost basis.

The budget increases the per-mile aid payment for towns by 2% each year from \$2,628 to \$2,681 in 2022 and \$2,734 in 2023. Current law caps GTA payments at 85% of local transportation costs. The budget moves the cost cap to 98% for towns in the bottom quartile of equalized value. Currently GTA covers only 16% of city and village transportation costs on average.

In addition, Act 58 includes a provision setting aside \$1 million annually to make GTA adjustment payments to towns receiving mileage aid and whose costs are affected by the timing of reimbursement payment reporting.

An individual community's actual 2022 GTA payments will depend on application of the share of cost distribution formula. Municipalities on Share of Cost will receive a minimum 90% and maximum 115% of their 2021 GTA payment. The DOT calculates and mails to municipalities the estimate of their GTA payments by early October.

**Local Road Improvement Program (LRIP) Supplement.** The 2021-2023 state budget provides \$100 million in 2021-2022 on a one-time basis to be used to fund local road projects under the Local Roads Improvement Program discretionary component to be allocated as follows: \$25,386,000 for cities and villages, \$35,559,100 for counties, and \$39,054,900 for towns.

**Mass Transit Aids.** Act 58 reduces mass transit operating assistance by 50% in 2022 for tier A-1 (Milwaukee County Transit) and tier A2 (Madison Transit) transit systems. The reductions to both cities' systems total \$41,341,600. Funding levels for Tier B and Tier C transit systems remain unchanged from the current year.

**Paratransit Aids.** The 2021-2023 budget provides a 2.5% annual increase for the specialized transportation assistance program for seniors and individuals with disabilities.

**Ports.** The budget provides \$15.3 million in bonding for the Harbor Assistance Program to assist harbor communities along the Great Lakes and Mississippi River in maintaining and improving waterborne commerce. Wisconsin has 29 ports that compete for grant funding to support projects such as dock reconstruction, mooring structure replacement, dredging, and the construction of facilities to hold dredged material.



**Other Local Aid, Grant, and Loan Programs**

**Aids in Lieu of Property Taxes.** The budget requires the Wis. Dept of Natural Resources (DNR) to pay \$3.50 per acre for aids in lieu of taxes on all lands acquired by the DNR before



ALIGNED VISIONS.  
SUSTAINABLE PROJECTS. A BETTER WORLD.

**SOLVING YOUR  
MOST COMPLEX  
CHALLENGES.**

With SEH, you are a true partner and collaborator.



Building a Better World for All of Us®

Engineers | Architects | Planners | Scientists

800.325.2055 | [sehinc.com/subscribe](http://sehinc.com/subscribe)

July 1, 1969, including \$3.20 from GPR and \$0.30 from the forestry account of the conservation fund. It sets the minimum payment for aids in lieu of taxes on lands acquired between July 1, 1969, and December 31, 1991, at \$3.50 per acre. It requires the DNR to pay no less than \$3.50 per acre for aids in lieu of taxes on lands acquired since January 1, 1992, for each acre or portion of an acre in each taxation district (a town, village, or city). (Note: This provision increasing DNR PILOT payments mainly helps towns, but a few cities and villages will also see increased PILOT payments for DNR-owned land located in their borders.)

**Broadband Bonding.** The 2021-2023 budget provides for \$129 million in bonding for the popular broadband expansion grant program. For-profit and not-for-profit organizations, telecommunications utilities, and municipalities partnering with those organizations and utilities are eligible to apply for grants. In the budget, the Legislature added findings to the broadband program which included a determination that providing grants for construction of broadband infrastructure to increase internet access in unserved and underserved areas of the state is a statewide responsibility of statewide dimension.

**Clean Water Fund and Safe Drinking Water Program.** The budget provides that the State Building Commission may contract additional revenue obligations in an amount up to \$24.7 million for the Clean Water Fund and Safe Drinking Water Fund Programs. This funding will be utilized as the state match to secure the maximum Federal Capitalization Grant for the programs. The clean water fund program provides low-interest loans to municipalities for planning, designing, constructing, or replacing a wastewater treatment facility, or for nonpoint source pollution abatement or urban stormwater runoff control projects. The safe drinking water loan program provides financial assistance to municipalities for the planning, design, construction, or modification of public water systems.

**Homelessness.** Act 58 provided an additional \$600,000 annually to the Housing Assistance Grant Program doubling the current annual funding. The governor had proposed increasing funding to \$5 million annually. In addition, the budget modified the homeless employment program to require municipalities to provide a match of at least \$10,000, rather than \$50,000 under current law. The program provides grants to municipalities to connect homeless individuals with permanent employment. The match requirement was reduced to see if more municipalities would utilize the program.

**Medicaid Reimbursement Rate for Ambulance Runs.** The Legislature included in its version of the budget the first increase to Medicaid reimbursement rates for ambulance

services since 2004. The budget sets aside over \$16 million to increase the Medicaid reimbursement rate for all ambulance trips to up to 80% of the current Medicare “urban rate.”

**Payments for Municipal Services Program.** Funding for the payment for municipal services program remains significantly underfunded reimbursing only 34% of a municipality’s costs. The budget held funding at the same level as under the prior budget, \$18,584,200 annually. The state uses this money to reimburse municipalities for police, fire, and other services provided to tax-exempt state-owned properties.

**Personal Property Tax Repeal Hold Harmless.** The Legislature included \$202 million in the Joint Finance Committee’s supplemental account for the purpose of making payments to municipalities in 2023 if the governor signed the personal property tax repeal legislation into law. The funding would have held municipalities harmless. The implementing legislation to end the personal property tax was introduced as a separate bill, AB 191, which the governor vetoed the same

► p.17



#LeagueWI2021

## 123rd Annual Conference

What local government can and cannot do is often determined by policymakers at the state and federal level. Join Glendale’s Tomika Vukovic (left), Manitowoc’s Justin Nickels (center), and Westby’s Danny Helgerson (right) at these Annual Conference sessions that will help you navigate the political and regulatory landscape.

- Alternatives to Property Taxes
- Stormwater Sen\$e - TMDL
- Scrambled Eggs & Politics
- From City Hall to the State Capitol
- Adaptive Management for Phosphorous Reduction
- Advocating for Municipalities in the Capitol

**Register today**

<https://lwm-info.org/731/Annual-Conference>

day he signed the budget. The hold harmless funding remains in the JFC supplemental account. The governor's veto message indicated he hoped the Legislature would reintroduce a bill that addresses the Department of Revenue's late technical concerns and also provides greater certainty and stability for local government aid.

**PFAS Firefighting Foam.** The budget includes \$1 million in funding for collecting and disposing of PFAS-containing firefighting foam. The governor had recommended the same amount for the same purpose. The governor had also recommended creating a municipal grant program with ongoing funding of \$10 million to help municipalities engage in multiple activities to respond to suspected or known PFAS contamination. The final budget did not include the grant program.

**Producer-Led Watershed Grants.** Act 58 increases the statutory cap on annual producer-led watershed protection grant awards from \$750,000 to \$1 million and provides an additional \$250,000 nonpoint segregated funds each year during the 2021-2023 biennium. This program funds farmers who work together to minimize runoff to local waterbodies shared by neighboring municipalities.

**Recycling Grant Program.** Funding for the municipal and county recycling grant program was not changed and remains \$19 million annually.

**State Aid for Tax Exempt Computers.** This program reimburses municipalities for lost revenues caused by the creation of personal property tax exemptions for computers, cash registers, and fax machines. The prior formula for calculating aid payments was repealed by the 2017-2019 state budget. In 2019, each community that received an aid payment in 2018 received an aid payment equal to that previous payment increased by the change in the inflation rate. Beginning in 2020, and each year thereafter, communities receive an amount equal

▶ p.18



**Cedar**  
CORPORATION

**Community Infrastructure  
Architecture & Environmental Services**

---

*Building Communities Just Like YOURS!*

www.cedarcorp.com  
GREEN BAY • MENOMONIE • MADISON • CEDARBURG



**Bauman**  
**Associates** Ltd.

Certified Public Accountants & Advisors

## Your Municipality Partner

Real-time solutions for outsourced municipal finance/comptroller positions serviced by CPA's and other professionals with extensive experience in Wisconsin municipality finance.

In addition to being able to assist you with all your daily accounting needs, we are able to assist with your year-end audit process, greatly reducing the associated stress and anxiety. We also provide:



- ▶ A team approach to all engagements which gives you access to our firm's experts and greatly improves your internal controls
- ▶ Human Resource advisory services
- ▶ Payroll processing and consulting
- ▶ Assistance with preparing the annual budget
- ▶ High-level analysis of finances as it relates to debt portfolio options, levy limit impact, TIF Districts, etc.
- ▶ Ability to work remotely using your software in a secure environment
- ▶ And so much more...

## Contact Us

Gregory Mleziva: [gregorymleziva@baumancpa.com](mailto:gregorymleziva@baumancpa.com)  
or Eric Davidson: [ericdavidson@baumancpa.com](mailto:ericdavidson@baumancpa.com)

888.952.2866 | [baumancpa.com](http://baumancpa.com)

to the 2019 aid payment amount. There was no change in this program in this budget.

**Stewardship.** Act 58 reauthorizes the Knowles-Nelson Stewardship program for four years at the current funding level of \$33.25 million, but increases local assistance grants from \$6 million to \$9.25 million annually. Local assistance grants were one of the *only* programs to receive a bump in funding and received the largest increase. Municipalities use these grants to improve public access to urban lakes and rivers, construct bike or walking paths, and other green space projects.

**Video Services Provider Fee.** The budget provides a \$5 million annual increase in the video services provider fee payment to fund the program at just over \$10 million annually. This is sufficient to pay the estimated increase in the fee payments owed to municipalities.

**Volunteer Fire Fighters and EMT Length of Service Awards.** Act 58 eliminates the statutory cap on the total amount provided each year by the Department of Administration for length of service awards (LOSA) for volunteer fire fighters, first responders, and emergency medical technicians. Making the annual appropriation for LOSA sum sufficient ensures there will always be enough money to fully fund this popular program.

## Conclusion

Except for increases in local transportation aids, the 2021-2023 state budget is a status quo budget for cities and villages. While Governor Evers introduced a budget that increased funding for shared revenue, allowed communities to increase property tax levies by a minimum of 2%, and provided for a local sales tax option for some communities, the Legislature removed those and other items helpful to local governments.

The League will continue to develop communication and media strategies to better inform legislators and the public about the critical role the state plays in funding local services like police, fire, and EMS.

Your advocacy efforts make a difference. Thank you for participating in the League's lobbying efforts. Only by working together can we have an impact in the Legislature. Your continued engagement in lobbying is critical to the League's success during the remainder of the legislative session. Invite your state legislators to visit your city or village and take them on a tour of your facilities and operations. Remind them about the importance of preserving local control. Emphasize that local elected officials are in the best position to decide local policy matters.

## About the Authors:

Toni Herkert, Government Affairs Director for the League, is the former longtime policy advisor for Wisconsin State Senator Robert Cowles (R-Green Bay). She most recently served as a Policy Analyst and Clerk of the Senate Committee on Natural Resources and Energy. She is an expert on issues related to water regulation, including permitting and zoning. Toni holds a B.S. in Environmental Science and Political Science from St. Norbert College and an M.S. in Environmental Science and Policy from the University of Wisconsin Green Bay. She also previously worked at the WIDNR, Wisconsin Lakes and NEW Water (formally Green Bay Metropolitan Sewerage District). Contact Toni at [therkert@lwm-info.org](mailto:therkert@lwm-info.org)

Curt Witynski is the Deputy Executive Director for the League. Curt helps with the League's lobbying and educational programs, while managing the League's day-to-day operations. Curt joined the League staff as Assistant Legal Counsel in 1987. Before becoming Deputy Executive Director, Curt served as the League's Legal Counsel for eight years. Contact Curt at [witynski@lwm-info.org](mailto:witynski@lwm-info.org)

**Made In Wisconsin**

# Trash Bags

Connor Luetzow  
Sales Manager

**Family Operated**

**Stronger Than Store bought**

**Increases Revenue**

**Supports Local Wisconsin Business.**

**Every House Needs & Uses Bags.**

[www.LuetzowInd.com](http://www.LuetzowInd.com)  
**800-558-6055**



## Create Your Rescue Plan Roadmap

*Achieve Community Recovery Success with Polco's American Rescue Plan Act (ARPA) Package*

Engage Your Community • Rebuild Economies • Promote Equity

Successful recoveries require that local leaders understand the impacts and needs of residents and businesses. So Polco's new ARPA Engagement Package helps you hear from your community and uncover the insights you need to best leverage federal funds.

“

The Treasury urges state, territorial, tribal, and local governments to “*engage their constituents and communities in developing plans to use these payments, given the scale of funding and its potential to catalyze broader economic recovery and rebuilding.*”

”

### Discover More

[polco.us/arpa-engagement-package](https://polco.us/arpa-engagement-package)



Polco provides award-winning community engagement services using online surveys and research to bring the voice of everyday residents to community leaders. With Polco, leaders around the nation can make better informed decisions for their communities.

**Contact Us:** [polco.us/contact](https://polco.us/contact)  
608.709.8683

## DID YOU KNOW?



The Wisconsin Department of Revenue (DOR) released its annual Equalized Values Report on August 13, 2021. The report shows Wisconsin's total statewide equalized property value as of January 1, 2021, was \$654 billion, a 7% increase over the prior year. Other facts from the report include:

- Nearly half of the state's total equalized value exists in cities (\$301 billion).
- Personal property makes up \$10 billion of the \$654 billion in total statewide equalized property value.
- Nearly 70% of personal property values are located in cities.
- Residential property makes up 71.5% of the state's total equalized value.
- The statewide 2021 net new construction percentage is 1.6%.

View interactive data and statistics on equalized property values for certain years, locations, and classifications here: <https://www.revenue.wi.gov/Pages/SLF/EqualizedValue.aspx>



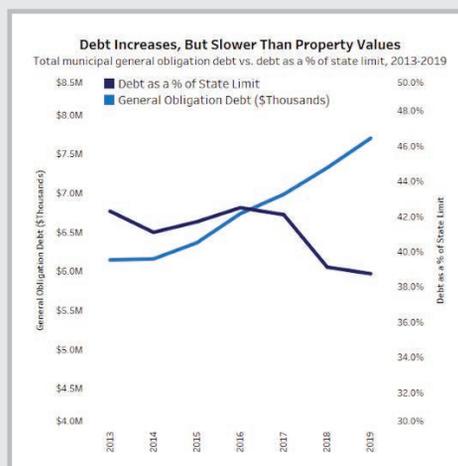
## DataTool: Municipal Debt Up Overall in 2019, But Property Values Grew Faster

Municipalities throughout Wisconsin saw significant increases in debt in 2019, though property values across the state grew at an even greater rate, according to the findings of the latest edition of the Wisconsin Policy Forum's Municipal DataTool.

The data used in this year's Municipal DataTool come from reports compiled by the Wisconsin Department of Revenue in 2019 and 2020. As such, much of the data reflects conditions prior to the COVID-19 pandemic.

The 5.2% increase in general obligation debt - from \$7.3 billion in 2018 to \$7.7 billion in 2019 - easily outpaced inflation. General obligation (G.O.) debt is backed by the full faith and credit of municipalities and is often used for the funding of capital projects such as streets and buildings.

In Wisconsin, municipal borrowing is limited to 5% of the equalized property value for a given city or village. The total equalized property values for Wisconsin municipalities grew 6.2%, from \$352.4 billion in 2018 to \$374.4 billion in 2019.



As such, the amount of municipal debt as a percentage of the allowed state limit decreased from 39.1% in 2018 to 38.7% in 2019 - the third consecutive annual decrease.

State levy limits on municipalities may be contributing to their rising debt levels. Under state law, municipalities generally can only raise taxes for operations by the percentage increase in their property values due to net new construction.

Since debt payments are excluded from the limits, municipalities may be turning to borrowing to fund spending they would have traditionally paid for in cash. This ongoing trend bears monitoring in the years to come.

*This information is a service of the Wisconsin Policy Forum, the state's leading resource for nonpartisan state and local government research and civic education. Learn more at [wispolicyforum.org](http://wispolicyforum.org)*