

# PREVIEW OF 2015-2016 LEGISLATIVE SESSION: ADVANCING THE LEAGUE'S PARTNERSHIP FOR PROSPERITY AGENDA

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**F**or municipalities, the 2015-2016 legislative session will be similar in many respects to last session's. We expect the legislature will enact several TIF and other economic development bills helpful to municipalities. On the financial side, there may be an increase in transportation dollars for cities and villages, but funding for other programs, such as shared revenue, will likely hold steady or may even decline. Like last session, we anticipate municipalities will need to defend against efforts to interfere with municipal powers, such as placing limits on annexation and extraterritorial zoning.

This article describes who's who in the new Legislature, discusses municipal opportunities and challenges in the 2015-2016 session, and introduces the League's Partnership for Prosperity agenda.

## **REPUBLICANS FIRMLY IN CONTROL**

This session the Republicans control 63 seats in the Assembly to the Democrat's 39, which is the largest GOP majority since the 1950s. The incoming Wisconsin Assembly will have less legislative experience than at any time since the 1960s. Indeed, the majority of members were not around for the Act 10 battle in 2011. In the Senate, the Republicans hold a 19-14 majority. Capitol observers agree that the large GOP majority in the Assembly combined with the retirement of several moderate GOP senators means that the new Legislature is also more conservative than the prior.

The leaders of both houses remain the same as last session. The Senate Majority Leader is Sen. Scott Fitzgerald (R-Juneau). The Speaker of the Assembly is Robin Vos (R-Burlington).

## **THE STATE BUDGET**

The new Legislature's primary focus during the first six months of the session will be enacting the 2015-2017 biennial budget. Governor Walker will introduce his proposed budget sometime in late January or mid-February.

According to a report on state finances released by the Department of Administration (DOA) in November, the state is projected to have a negative fund balance of \$132.1 million at the end of the 2013-2015 biennium. State agency budget requests submitted to the Governor in preparation for the 2015-2017 budget exceeded what the state expects to take in through taxes and other revenue by \$2.2 billion. DOA Secretary Huebsch noted in his November report that this structural deficit number is based on the assumption that all agency budget requests will be funded in their entirety, which he said is a false assumption. While it is certainly common for governors to deny many agency spending requests, the gap is significant none the less.

The state's challenging budget forecast means that there may be pressure to cut funding for municipal programs like shared revenue, payment for municipal services, and the expenditure restraint program.

We anticipate the Governor will likely retain as part of his budget proposal strict property tax levy limits. The Governor may also propose a tax reform package, which may include eliminating the personal property tax on businesses or removing technical colleges from the property tax levy. It is critical for municipal officials to re-

*Legislative Session  
continued on page 8*

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*Legislative Session  
from page 9*

mind legislators that such changes will have negative impacts on TIF districts which need to be addressed.

**SHARED REVENUE**

In the last 10 years the shared revenue program for cities, villages and towns has been cut on three occasions to help address state budget shortfalls. The program was cut by \$48 million in 2012, \$23 million in 2010 and \$57.6 million 2004. No cuts were made to shared revenue in the 2013-2015 state budget. While neither the Governor nor legislative leaders have floated any specific plans, we anticipate that there may be pressure for cuts to be made to the shared revenue program in the 2015-2017 budget given the state’s challenging financial condition. Nevertheless, one of the League’s top priorities this session is convincing the Governor and the Legislature to restore some of the cuts made to the shared revenue program since 2002 and adopt a new formula for distributing any shared revenue increases, which we’ve named the Regional Economic Development Incentive (REDI) program.

**TRANSPORTATION BUDGET**

Last November, Department of Transportation Secretary Mark Gottlieb presented a plan for bridging the growing gap between available revenues and the state’s significant transportation needs. DOT’s 2015-2017 budget recommendation includes an aggressive \$751.4 million package of new taxes and fees, including an increase in the gas tax (\$358 million), and an excise tax on new vehicles (\$378.9 million). On the spending side, the agency’s recommendations are gener-

ally positive for municipalities. DOT’s proposed budget provides increased funding for local road projects and transit.

**GENERAL TRANSPORTATION AIDS**

The General Transportation Aids (GTA) Program provides payments to cities, villages, and towns to help defray a portion of the costs incurred for construction, maintenance, and operation of local roads. Funding for the general transportation aids program was cut by \$30 million in 2012. However, the GTA cuts were applied exclusively against cities and villages. Towns were held harmless. The 2011-2013 state budget also increased from 5% to 10% the maximum cut a community can experience in GTA payments from one year to the next.

In its budget request for the 2015-2017 state budget, the DOT recommended no change in funding levels for GTA. The League is seeking increased funding and changes to the general transportation distribution formula.

**LOCAL TRANSPORTATION FACILITIES IMPROVEMENT PROGRAM**

DOT recommends combining three local transportation programs (Surface Transportation Program — Urban, Surface Transportation Program — Rural, and the Local Roads Improvement Program), into a new Local Transportation Facilities Improvement Program. The new program would not use federal funds, which will provide more program flexibility and local control. Additional funding of \$30.1 million in 2017 is requested for the new program, as well as \$9.9 million for the Local Bridge program, for a total increase of \$40 million in local financial assistance. Also, the local

match for most projects under the new program will be 60/40 instead of 50/50.

### TRANSIT AIDS

DOT's budget recommendation includes a 2% across the board increase in transit operating aids for all tiers for each year of the biennium. It also includes a new \$15 million annual capital program to help transit systems purchase buses with an 80/20 match. DOT is also recommending spending \$16.1 million annually on a new targeted program to increase transit. The proposal also includes a one-time \$30 million general obligation bonding authority to build compressed natural gas bus fueling stations. The stations are estimated to cost between \$2 and \$3.5 million to construct. The Transportation Fund will pay the debt service on the bond proceeds. DOT is proposing to retain the mass transit program in DOT, but shift \$275.8 million in funding for the program from the Transportation Fund to the general fund.

### MUNICIPAL OPPORTUNITIES AND CHALLENGES

We foresee opportunities to work with the Republican majority on a number of items beneficial to municipalities, including the following:

1. The enactment of several positive changes to the tax incremental financing law being recommended by the Legislative Council study committee on the TIF law.
  2. Working with the Wisconsin Realtors Association and other groups on ways to get farmers to do their part in reducing the amount of phosphorus running into Wisconsin's lakes and streams.
  3. Working with Department of Administration staff to prohibit recently incorporated municipalities from immediately expanding their boundaries to include the remaining town remnant absent the approval of neighboring municipalities.
  4. The enactment of a plan to close the widening gap between our transportation system's significant needs and currently available revenues.
- At the same time, we expect the following challenges this session, which includes several preemption proposals that we have defeated in the past. Municipal officials will need to work hard again this session to defeat these bills and program funding changes:
1. Given the state's declining fiscal health, (the gap between estimated revenues and agency spending requests for the 2015-2017 biennium (structural deficit) is \$2.2 billion), the Governor and state legislature could reduce funding for shared revenue, payment for municipal services, and other municipal programs in 2016 to help the state balance its books.
  2. The state forecasts substantial shortfalls in its Transportation Fund going forward. Unless significant new revenue sources are included in the next state budget, general transportation aids and mass transit aids for municipalities could be reduced.
  3. The last state budget required a municipality to reduce its allowable tax levy by the estimated amount of new fee revenue it collects for providing the following five services: garbage collection, fire protection, snow plowing, street sweeping, and storm water management. The legislature could expand this list to include recycling and other services.
  4. Legislation interfering with local control over the spending of room tax revenue.
  5. Legislation requiring a municipality to share any Payments in Lieu of Taxes (PILOT) it receives from tax exempt entities with other taxing jurisdictions, such as the county.
  6. Legislation eliminating the personal property tax on businesses. (This will cause more of the tax burden to be shifted to homeowners, but will not reduce the amount of tax revenue a municipality collects. Also, the state could blunt the tax shift by reimbursing municipalities for the loss of personal property taxes, similar to computer aid.)
  7. Legislation requiring municipalities to pre-fund post-retirement health benefits offered to new employees.
  8. Legislation limiting municipal annexation powers.
  9. Legislation reducing municipal extraterritorial zoning powers.
  10. Legislation interfering with municipal finance (e.g., prohibiting municipalities from using money borrowed for capital projects to pay salaries of city engineering staff working on the projects).

*Legislative Session  
continued on page 10*

*Legislative Session  
from page 10*

### THE LEAGUE'S PARTNERSHIP FOR PROSPERITY AGENDA

As always, the League will fight hard to defeat legislation interfering with local control. Indeed, the principles guiding the League's legislative activity have remained consistent throughout the years: protect local control and preserve local revenue sources. This means we oppose reductions in shared revenue and other state aid programs and preemption of municipal power.

In addition, the League will pursue its own legislative changes favorable to municipalities. Last October, the Board of Directors approved the League's Partnership for Prosperity legislative agenda for the upcoming session. It emphasizes that thriving municipalities are critical to a successful state economy and that the state needs to nurture high quality communities to help spur job creation. The agenda asks the state to focus its support and limited resources for local government on incorporated communities, which are the economic engines of the state as evidenced by the following:

- Wisconsin's metropolitan regions already account for 75 percent of the state's Gross Domestic Product.
- Wisconsin's cities and villages are home to 70 percent of the state's population, 87 percent of all manufacturing property, and 89 percent of all commercial property.
- Most of the small businesses created in Wisconsin get their start in cities and villages.

- Cities and villages are where nearly all technology based entrepreneurship is occurring in Wisconsin.

The agenda calls for a new state-local partnership to drive the state's economy forward by:

- Helping communities continue to provide quality local services while controlling property taxes.
- Investing in local transportation infrastructure.

A full copy of the *Partnership for Prosperity* agenda appears on page 12 of this magazine or on the League's website at <lwm-info.org>. We urge you to read it and to share a copy with your state legislators.

#### STAY INFORMED

Local officials can stay informed about activities in the state capitol through the League's *Legislative Bulletin* and the *Capitol Buzz*. Both of these publications are distributed by e-mail. The *Legislative Bulletin* is published each Monday morning that the Legislature is in session. It provides a comprehensive review of new legislation affecting municipalities. It also notifies local officials about upcoming hearings on bills affecting municipalities. The *Capitol Buzz* provides breaking news and legislative updates and alerts on municipal issues as needed.

Any municipal official may receive these complimentary publications by e-mail upon request. If you want to subscribe to the *Bulletin* or the *Buzz*, please send an e-mail to [gsumi@lwm-info.org](mailto:gsumi@lwm-info.org). Also, both the *Bulletin* and the *Buzz* are posted on the League's Web site: <http://www.lwm-info.org>

We post a great deal of information about legislative issues on the legislative resources page of our Website, including League memos, testimony and correspondence on municipal bills.

Finally, a new way for League members to keep informed about legislation this session is by following us on Twitter: [@CurtWitynski](https://twitter.com/CurtWitynski); [@DeschaneJerry](https://twitter.com/DeschaneJerry); and [@LeagueWIMunis](https://twitter.com/LeagueWIMunis).

The League's lobbying staff works for you. Call or e-mail League staff with any questions, concerns, or recommendations you may have about legislative issues at (800) 991-5502.



# JOIN THE LEAGUE'S LOBBYING TEAM AND HELP ADVOCATE ON MUNICIPAL ISSUES

We need your help to advance the League's Partnership for Prosperity agenda (see page 12) and defend against legislative interference with local control during the 2015-2016 legislative session. The League's strength is in its membership, but we are only strong when our members are engaged.

Municipal officials are encouraged to join the League's Lobbying Corps and/or Rapid Action Team. Lobbying Corps members meet in Madison 3-4 times a session to lobby their own state legislators on League issues. The Rapid Action team is a network of active League members willing to contact their state legislators in response to emailed calls to action from League staff.

## LOBBYING CORPS

Any elected or appointed municipal official can join the League's Lobbying Corps. Members are expected to participate in 2015 lobbying days at the state capitol on:

February 18 (the Legislature will begin to debate the state's budget),  
May 13 (this is the League's Legislative Luncheon), and  
November 11 (the important fall Legislative Floor Session.)

The League's Lobby Day starts at 9:30 with a briefing on current legislative issues. Members then walk to the Capitol to meet with their legislators and lobby League legislative positions. After spending the morning in the Capitol, the members reconvene for lunch and report out. Note: Members of the Lobbying Corps are automatically added to the League's Rapid Action Team and receive legislative emails.

Travel Expenses: The League reimburses Lobbying Corps member mileage expenses and will also reimburse members for one night's lodging and meals if you travel more than 400 miles round trip to attend the meeting.

## Rapid Action Team

This is the League's "virtual lobby team." Members receive email alerts with talking points from League staff and are asked to quickly communicate the League's position on pending legislation to their state legislators.

Interested?: Signup for the Lobbying Corps and/or the Rapid Action Team on the League's web site <<http://tinyurl.com/lobbyingteam>>

Questions?: Contact Gail Sumi at 608-267-4477 or [gsumi@lwm-info.org](mailto:gsumi@lwm-info.org).