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April 5, 2021

Members of the Joint Committee on Finance:

As you begin preparing your version of the biennial state budget I write as the Administrator for the City of Omro to urge you to consider the following recommendations on items of critical concern to Wisconsin municipalities:

1. **A modest increase in 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, communities are operating under the strictest levy limits in the nation. The Governor has recommended a 2 percent increase in shared revenue funding. We urge you to at least include such a minimal increase in the state budget you prepare. Our city's annual shared revenue payments over the last several years have remained at \$762,702. In 1996, the amount was \$873,847, a reduction of \$111,145 over the past 25 years. A 2% increase would mean \$15,254 more dollars for our city. Our revenues without property taxes are almost exactly the same in 2021 as they were in 2002 at \$1,598,000 for both of those years! We also lost revenue dollars with the state change in personal property collection. The state computation for personal property replacement brought in only \$7604 of the \$25,947 we lost due to the changes that the companies immediately made to their filing categories. With this, just like the cable franchise fees, we also lost the increases we received annually when bringing in new businesses and new homes with cable customers. With our stagnant revenues, every dollar we bring in is essential to use toward infrastructure, public safety salaries & benefits, as well as other needs and expenses that are outside of the city's control.
2. **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) that go to municipalities like ours, but sadly, we only received that increase for 2021, which still leaves us \$13,000 below where we were in 2018. Transportation Aids rely on a formula that takes into account spending over the past several years. Those that are able to increase their spending get more in transportation aids and therefore can spend more. Those that cannot get less and therefore start a spiral of spending less and receiving less, year after year.

Nevertheless, GTA currently covers only 16% of municipal transportation costs statewide. We urge you to continue to increase funding for GTA, which is critical to helping communities like ours pay for maintaining quality streets. We also urge you to reauthorize the \$90 million LRIP supplement that you included in the last state budget. The competitive grant program was very popular.

3. 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. **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 LFB, 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. I can’t imagine why we wouldn’t want to encourage redevelopment at all levels of government.

b. **Allow no-growth communities to increase 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.

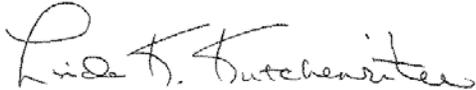
c. **Fee Revenue for Certain Services should not Affect Allowable Levy.** The Governor proposes eliminating the requirement that a municipality reduce its allowable levy by the amount of fee revenue it received in lieu of property taxes for providing a specified service (i.e., snow plowing, storm water management, fire protection, garbage collection, and street sweeping) that was funded with the property taxes in 2013. We support this change and urge you to include it in your state budget.

In summary, our municipalities have been “doing more with less” for 20 years. Our council answers directly to our constituents not only at the polls, but in the grocery stores and during breakfast with their families on a Sunday morning. They are also taxpayers and affected by their own decisions made in the council chambers during the budget process. They make these decisions with the utmost care and concern for their neighbors and the needs of the municipality at the time. Municipalities do not have the option of bringing in sales taxes or income taxes and have very little opportunity to raise revenues outside of property taxes.

Yet the expenses continue to go up and our citizens demand at least the level of services they had before, if not more. Modest annual increases at or just below the cost of living are well tolerated when they occur. The taxes I paid this year for my small home are \$200 less than the taxes I paid in 2007. The blocks of roads that can be paved or resurfaced with the monies brought in are lowered every year. We operate with the same number of employees as when I started here in 1986, yet we have several more miles of roads and at least a dozen more cul-de-sacs to take care of. Please help us to provide our citizens with the services they demand and the infrastructure they need by addressing the issues I've laid out above.

Thank you for considering my comments.

Sincerely,

A handwritten signature in cursive script that reads "Linda K. Kutchenriter". The signature is written in black ink and is positioned below the word "Sincerely,".

Linda Kutchenriter, City Administrator/Treasurer
City of Omro, Wisconsin