



Local Government Levy Limits



Constraints on Local Government Levies

- Current limit:
 - ✓ The prior year's actual levy may be increased by a percentage equal to net new construction in the preceding year (or zero, if none)
 - ✓ Subject to numerous adjustments that may reduce or increase allowable levy
- County Rate Limits:
 - ✓ Operating levy rate limits permanently repealed in 2013
 - ✓ Debt levy rate limits still apply



Section A - Line #1

Prior Year Actual Levy

- DOR will pre-fill in this amount
- Verify that this number was your actual levy (per statement of taxes)
- For counties, this total excludes levies for:
 - ✓ A county children with disabilities education board
 - ✓ bridge and culvert construction and repair
 - ✓ payments to public libraries
 - ✓ countywide emergency medical system



Section A - Line #1 (cont.)

The number DOR put on Line 1 does not match my Statement of Taxes, help! Possible reasons:

- Your prior year levy included a referendum approved increase - DOR will subtract this
- You levied for a revenue bond payment shortfall last year - this will also be subtracted by DOR



Section A - Line #2

Prior year levy for unreimbursed emergency expenditures under Wisconsin Statutes Section 323.10

- Subtracted from prior year actual levy
- DOR will pre-fill in this amount
- Check to ensure amount is the same as submitted on the Adjustment G line on p.2 of the prior year worksheet



Section A - Line #3

Prior year levy claimed for General Obligation (G.O.) debt authorized after July 1, 2005

- Subtracted from prior year actual levy
- DOR will pre-fill in this amount
- Check to ensure amount is the same as amount claimed on the Adjustment E line on p.2 of the prior year worksheet



Section A – Line #3 (cont.)

- ▲ Is your prior year allowable levy greater than your prior year actual levy as a result of your “Adjustment E” (post-05 debt) entry on the prior year worksheet?
 - ✓ Creates a penalty for the current year because a larger amount is subtracted than is necessary
 - ✓ The same holds true if you claimed, but did not actually levy for, unreimbursed emergency expenses
 - ✓ **You will need to file an amended worksheet**



Section A - Line #3 (cont.)

- ▲ Penalty results from claiming a larger than needed adjustment (i.e. allowable levy exceeds actual levy)

	Incorrect		Correct	
	2017/18	2018/19	2017/18	2018/19
Base Levy	1,000,000	1,050,000	1,000,000	1,050,000
Post-2005 Debt Adj.	100,000	-100,000	50,000	-50,000
Allowable Levy	1,100,000	950,000	1,050,000	1,000,000
Actual Levy	1,050,000		1,050,000	



Section A - Lines #4 - #5

Determination of levy limit prior to adjustments. DOR will pre-fill in these lines.

Line 4 - Adjusted Actual Levy (Line 1 less Line 2 & 3)

Line 5 - One time TID termination or TID subtraction

- Cannot be carried forward
- Base building - can be used to reduce or eliminate Adjustment E amount on page 2

Line #6: Adds the following

- Net new construction
- Any increase allowed as a result of TID closure or subtraction calculated on Line 5



Section A - Lines #5

Example of TID closure adjustment

Levy Year	2018
Calendar Year/Budget Year	2019
Line	Actual
1 Prior Year's Actual Levy	1,863,491
2 Exclude prior year levy for unreimbursed expenses related to an emergency	0
3 Exclude prior year levy for new general obligation debt authorized after July 1, 2005	(296,575)
4 Adjusted Actual Levy	1,566,916
TID Closure Calculations	
TID Closed Before April 15 in This Levy Year	Yes
Projected TID Increment Value	34,001,300
Projected Total TID Out EV in Closure Year	219,511,400
Increment value as a percentage of TID OUT EV	15.49%
Termination TID % (50% of increment value as a percentage of TID OUT EV)	7.75%
Amount Applied to Prior Year Adjusted Actual Levy	121,358
5 TID Closure Applied to Adjusted Actual Levy	1,688,274



Section A – Lines #6

Example of Net New Construction adjustment

Levy Year	2018
Calendar Year/Budget Year	2019
Line	Actual
1 Prior Year's Actual Levy	1,863,491
2 Exclude prior year levy for unreimbursed expenses related to an emergency	0
3 Exclude prior year levy for new general obligation debt authorized after July 1, 2005	(296,575)
4 Adjusted Actual Levy	1,566,916
5 TID Closure Calculations (Previous Slide)	1,688,274
Net New Construction Calculation	
Net New Construction Percentage (Pre-filled by DOR)	0.769%
Applied to Prior Year Adjusted Actual Levy	12,049
6 Net New Construction plus TID Closure applied to Adjusted Actual Levy	1,700,323
7 Greater of Line 5 or Line 6	1,700,323



Section A - Line #8 - #9

- Line #8 is your levy limit prior to adjustment
 - ✓ 2018 worksheet included an adjustment for the 2019 personal property aid
 - ✓ One-time adjustment will not be on the levy limit worksheet going forward.
- Line #9 is the total of adjustments from Section D of the worksheet



Section A - Line #10

Sum of line #8 (limit before adjustments) and line #9 (total adjustments)

This is your maximum allowable levy

Remember:

- If you plan to levy less than the maximum allowable amount, reduce your Adjustment E and/or G lines so that the allowable levy does not exceed your actual levy



Section A - Line #11

For Towns of less than 3,000 population only

Allows for a higher levy than allowed on Line 9 provided that:

- The Town Board adopts a resolution supporting an increase and specifying the percentage
- Town electors adopt a resolution endorsing the Town Board resolution (can be done at an Annual or Special Town Meeting)



Section B and Section C

	One-Year Carryforward		Five-Year Carryforward
Allowable Amount	Capped at 1.5% of prior year's actual levy		Capped at 5.0% of prior year's actual levy less adjustments
Occurs When	Prior year's actual levy was less than allowable levy		Percentage increase in actual levy less adjustments in prior years was less than net new construction
Approval	Up to 0.5% Majority	0.51 % - 1.5% $\frac{3}{4}$ Majority	$\frac{2}{3}$ Majority
G.O. Debt Test	Does not apply		G.O. debt outstanding in current year must be less than in prior year to claim

For towns, a majority vote of the electors at an annual or special town meeting is required for the one-year carry forward



Section B and Section C

- Cannot claim both the one year carryforward and five year carryforward in the same year
- Most local governments will not have a carryforward as a result of claiming an adjustment for G.O. debt service authorized after July 1, 2005
- One-year carryforward entered into Section D, Adjustment A
- Five-year carry forward entered into Section D, Adjustment R



Section D – Debt Service Adjustments

Background

- For purposes of levy limits, general obligation (G.O.) debt is segregated into two categories based on the date of authorization:
 - ✓ Prior to July 1, 2005
 - ✓ On or after July 1, 2005
- Pre-July 1, 2005 G.O. debt that is refunded with debt authorized on or after July 1, 2005 falls into the latter category
- “*Authorized*” refers to the act of adopting an initial or authorizing resolution (not actual issuance)



Section D – Debt Service Adjustments Background

- Some of the debt service adjustments are based on the debt payment, while others are based on the debt levy. Important to note this distinction:
 - ✓ “Debt” or “Debt Service” refers to the gross principal and interest payment due
 - ✓ “Debt Service Levy” refers to that part of the debt payment actually paid from the tax levy (net of abatement sources such as TIF increments, utility revenues, special assessments, etc.)



Section D – Adjustment B

Decrease in levy amount from prior year's pre-July 1, 2005
G.O. Debt levy

Amount of negative adjustments



Issue Dated	G.O. Corporate Purpose Bonds 6/1/2005			General Obligation Refunding Bonds 6/1/2005			Total Payment	Change in Pymt Over Prior Year	Less Tax Increments	Less Spec Assmts	Total Levy	Change in Levy Over Prior Year	YEAR
Year	Prin (6/1)	Rate	Interest	Prin (6/1)	Rate	Interest							YEAR
2019	220,000	3.300%	66,445	160,000	3.650%	37,728	484,173		(85,934)	(98,864)	299,375		2019
2020	225,000	3.400%	58,990	165,000	3.700%	31,755	480,745	(3,428)	(85,197)	(98,378)	297,171	(2,205)	2020
2021	250,000	3.500%	50,790	175,000	3.750%	25,421	501,211	20,466	(90,237)	(100,211)	310,764	13,593	2021
2022	275,000	3.600%	41,465	180,000	3.850%	18,675	515,140	13,929	(126,586)	(99,338)	289,217	(21,547)	2022
2023	300,000	3.700%	30,965	190,000	3.900%	11,505	532,470	17,330	(132,386)	(100,753)	299,332	10,115	2023
2024	325,000	3.800%	19,240	195,000	4.000%	3,900	543,140	10,670	(137,696)	(99,450)	305,994	6,663	2024
2025	335,000	3.900%	6,533				341,533	(201,608)	(136,613)		204,920	(101,075)	2025
TOTAL	1,930,000		274,428	1,065,000		128,984	3,398,411	(142,640)	(794,649)	(596,992)	2,006,771	(94,456)	



Section D - Adjustment C

- Increase in payment amount from prior year's pre-July 1, 2005 G.O. Debt payment
- Levy worksheet refers to levy amount only but statute refers to General Obligation Debt Payments

Amount of payment increases

Issue Dated	G.O. Corporate Purpose Bonds 6/1/2005			General Obligation Refunding Bonds 6/1/2005			Total Payment	Change in Pymt Over Prior Year	Less Tax Increments	Less Spec Assmts	Total Levy	Change in Levy Over Prior Year	YEAR
Year	Prin (6/1)	Rate	Interest	Prin (6/1)	Rate	Interest							YEAR
2019	220,000	3.300%	66,445	160,000	3.650%	37,728	484,173		(85,934)	(98,864)	299,375		2019
2020	225,000	3.400%	58,990	165,000	3.700%	31,755	480,745	(3,428)	(85,197)	(98,378)	297,171	(2,205)	2020
2021	250,000	3.500%	50,790	175,000	3.750%	25,421	501,211	20,466	(90,237)	(100,211)	310,764	13,593	2021
2022	275,000	3.600%	41,465	180,000	3.850%	18,675	515,140	13,929	(126,586)	(99,338)	289,217	(21,547)	2022
2023	300,000	3.700%	30,965	190,000	3.900%	11,505	532,470	17,330	(132,386)	(100,753)	299,332	10,115	2023
2024	325,000	3.800%	19,240	195,000	4.000%	3,900	543,140	10,670	(137,696)	(99,450)	305,994	6,663	2024
2025	335,000	3.900%	6,533				341,533	(201,608)	(136,613)		204,920	(101,075)	2025
TOTAL	1,930,000		274,428	1,065,000		128,984	3,398,411	(142,640)	(794,649)	(596,992)	2,006,771	(94,456)	



Section D – Adjustment C (cont.)

- Can add the increase even if tax levy is not used to support the payment
- Always to your advantage to claim this addition
- It is possible to have both a negative adjustment, and an increase in payment in the same year



Section D – Adjustment D

Allowable increase for political subdivision's share of refunded or rescinded taxes

Source for the entries on this line is the notice of refunded or rescinded taxes provided by the Department of Revenue to the municipal or county clerk pursuant to Wisconsin Statutes Section 74.41(5)



Section D - Adjustment E

Debt service for G.O. Debt authorized on/after July 1, 2005

Maximum allowable amount for this line

Amount actually needed
for debt payment

Issue Dated	General Obligation Corporate Purpose Bonds 9/1/2008			General Obligation Promissory Notes 3/1/2012			Total Payment	Less Utility Revenues	Less Impact Fees	Total Levy	YEAR
	Prin (9/1)	Interest	Total	Prin (3/1)	Interest	Total					
2019	290,000	115,920	405,920	190,000	17,230	207,230	613,150	(202,960)	(25,000)	385,190	2019
2020	300,000	106,350	406,350	200,000	12,840	212,840	619,190	(203,175)	(25,000)	391,015	2020
2021	310,000	96,150	406,150	210,000	8,020	218,020	624,170	(203,075)	(25,000)	396,095	2021
2022	320,000	85,300	405,300	220,000	2,750	222,750	628,050	(202,650)	(25,000)	400,400	2022
2023	330,000	73,780	403,780				403,780	(201,890)	(25,000)	176,890	2023
2024	340,000	61,570	401,570				401,570	(200,785)	(25,000)	175,785	2024
2025	350,000	48,650	398,650				398,650	(199,325)	(25,000)	174,325	2025
2026	375,000	35,000	410,000				410,000	(205,000)		205,000	2026
2027	400,000	20,000	420,000				420,000	(210,000)		210,000	2027
TOTAL	3,015,000	642,720	3,657,720	820,000	40,840	860,840	4,518,560	(1,828,860)	(175,000)	2,514,700	



Section D – Adjustment E (cont.)

Amount claimed will be subtracted out the following year

- Claim only what you need and will actually levy
- If you overstate (maximum allowable levy exceeds actual levy), you create a penalty as was discussed in relation to Line 3.

If I am paying some of my post July 1, 2005 G.O. debt with other than levy dollars, can I claim the total payment amount and use that levy capacity for other purposes?

- Yes, but be cautious (more on this later)



Section D – Adjustment F

Levy increase based on an approved referendum question

- Resolution must specify proposed amount of the levy increase beyond the allowable amount and if increase is one-time or ongoing.
- Must state purpose of the proposed increase.
- Must know net new construction amount before a referendum is held. Net new construction is available in August, so November election is only time a levy limit referendum can occur.



Section D – Adjustment G

- Ability to add to limit unreimbursed expenses related to an emergency declared by the Governor under Wisconsin Statutes Section 323.10
- Any amount claimed is removed from the limit in the following year
- Same concern as with post July 1, 2005 G.O. debt – do not claim an adjustment unless you will actually levy the dollars



Section D – Adjustment H

Used to increase or decrease your levy limit for cost shifts related to provision of consolidated services with another governmental entity

- There must be an intergovernmental cooperation agreement in place (Wisconsin Statutes 66.0301)
- The cost shift must be a result of an agreement to change apportionment of costs to reflect a more equitable distribution



Section D – Adjustment H (cont.)

Example: Community A and B fund a joint library. The basis for the cost share changes from valuation to population, resulting in an increase in Community A's share of the joint library cost

Community A

- Increases its share of cost to pay for service
- Amount of levy increase claimed as Adjustment H

Community B

- Decreases its share of cost to pay for service
- Amount of levy decrease claimed as Adjustment H
- Amount of decrease must be the same as the amount of the Community A increase



Section D – Adjustment I (Municipal Only)

Adjustment for increases in charges assessed by a joint fire department* Can only be claimed if the following two conditions are met:

- The increase over the prior year cannot exceed the change in the CPI**, plus 2% (if the increase in total charges is greater this Adjustment cannot be taken)
- Each governing body served by the joint department must adopt a resolution in favor of exceeding the limit

* *Organized under Wisconsin Statutes Sections 61.65(2)(a)3., 62.13(2m), or 66.0301(2)*

** *Change in the U.S. CPI for urban customers, U.S. city average, as determined by the U.S. Department of Labor for the preceding 12 months ending on September 30 in the year of the levy*



Section D – Adjustment J (Municipal) or I (County)

Transfer of services to other governmental units

- If a service was transferred to another political subdivision in the preceding year, subtract the levy amount that would have been incurred to provide this service
- *Example* – a county assumes responsibility for providing health department services in a city that previously provided this service – the city must decrease its levy limit by the amount it levied last year to provide that service



Section D – Adjustment K (Municipal) or J (County)

Transfer of services from other governmental units

- If a political subdivision provides a service transferred from another government that provided the service in the preceding year, add the levy increase needed to provide this service
- *Example* – a city decides to start its own library, and was previously served by a county wide library system. The city may increase its levy by the amount needed to provide the new service



Section D – Adjustment K (County Only)

Adjustment for consolidation of services

- Add the increase to the levy by the county to provide a service that was provided by a city, village, or town in the preceding year and was consolidated at the county level
- Adjustment J can accomplish the same thing – no apparent benefit to using Adjustment K vs. J



Section D – Adjustment L (Municipal Only)

Adjustment for loss of land to annexation

- Decreases the allowable levy for a town if any lands were annexed by a city or village in the prior year
- The amount of the decrease is an amount equal to the town only property taxes collected in the prior year from the annexed parcel(s)



Section D – Adjustment M (Municipal Only)

Adjustment for gains of land due to annexation

- Increases the allowable levy for a city or village if any lands were annexed in the prior year
- The amount of the increase is an amount equal to the town only property taxes collected in the prior year from the annexed parcel(s)



Section D – Adjustment N (Municipal) or L (County)

Lease Revenue Bonds

- Applies only to Lease Revenue Bonds issued before July 1, 2005
- Any increase in lease payment from the preceding year can be added to the levy limit
- Can add the increase even if tax levy is not used to support the payment
- Always to your advantage to claim this addition



Section D – Adjustment O (Municipal) or M (County)

Shortfall adjustment for revenue bonds

- If pledged revenues are inadequate to meet debt service payments, the shortfall in revenues can be levied for and claimed on this line as an exemption from the limit
- Whatever amount is claimed on this line will be deducted from your actual levy on the following year's worksheet (an off sheet adjustment done by DOR)



Section D – Adjustment O (Municipal) or M (County) Continued

To claim this adjustment, the revenue bond must be issued under Wisconsin Statutes:

1. Section 66.0621 – Utility Revenue Bonds

- ✓ Includes payments due to joint fire department if proceeds of the bond were used to pay for a fire station and the municipality is obligated to pay for its share of the debt under an agreement entered into under Section 66.0301.

2. Section 66.0713(4) – Special Assessment B Bonds



Section D - Adjustment P (Municipal Only)

General fund shortfall resulting from a loss of revenue from the sale of water or other commodity to a manufacturer that has discontinued operations

- Limited applicability
- Was included as part of the changes made by the 2011-2013 biennial budget to benefit a specific municipality



Section D – Adjustment Q (Municipal) or N (County)

A negative adjustment applies if a “covered service” was funded in whole or part by the 2012 tax levy for the 2013 budget

Covered services:

- Garbage collection (does not include recycling)
- Snow plowing
- Storm water management
- Street sweeping
- Fire protection (does not include the production, storage, transmission, sale and delivery, or furnishing of water for public fire protection purposes).



Section D – Adjustment Q (Municipal) or N (County) (cont.)

Negative Adjustment

- The levy limit is reduced by the amount of fee revenue resulting from implementation of a user fee.
- The amount of the reduction is equal to:
 - ✓ Estimated user fee revenue
 - ✓ Not to exceed levy support provided for that service in the 2013 budget
- Applies to fees or increases implemented on or after July 2, 2013



Section D – Adjustment Q (Municipal) or N (County) (cont.)

Negative Adjustment

- Also applies to PILOT payments
 - ✓ If a PILOT is paying for covered services, a deduction must be taken for that portion of the PILOT that pays for covered services
- Negative adjustment for covered service does not apply if a resolution stating the levy limit should not be reduced is approved in a referendum.



Section D – Adjustment Q (Municipal) or N (County) (cont.)

Example 1 (Full Conversion to User Fee):

	2013 Budget	CY Budget	Fee Increase
Revenues			Neg. Adjustment
Tax Levy	\$ 100,000	\$ 0	
User Charges	<u>\$ 0</u>	<u>\$ 125,000</u>	- \$ 100,000
Total	\$ 100,000	\$ 125,000	
Expenditures			
Garbage Collection	<u>\$ 100,000</u>	<u>\$ 125,000</u>	
Total	\$ 100,000	\$ 125,000	



Section D – Adjustment Q (Municipal) or N (County) (cont.)

Example 2 (Fee Increase to Reduce Levy Requirement):

	2013 Budget	CY Budget	Fee Increase
Revenues			Neg. Adjustment
Tax Levy	\$ 100,000	\$ 50,000	
User Charges	<u>\$ 0</u>	<u>\$ 75,000</u>	- \$ 75,000
Total	\$ 100,000	\$ 125,000	
Expenditures			
Garbage Collection	<u>\$ 100,000</u>	<u>\$ 125,000</u>	
Total	\$ 100,000	\$ 125,000	



Section D - Adjustment S (Municipal) or P (County)

Sum of Adjustments

Also entered on Line 8 in Section A on Page 1



Changes for 2019 Levy – Workforce Housing

2017 Wisconsin Act 243 permits municipalities to increase their levy limit by \$1,000 for each new single-family residential dwelling unit issued an occupancy permit in the preceding year if the following are also the case:

1. The dwelling unit is located on a parcel of no more than $\frac{1}{4}$ acre. (Or on a parcel of no more than one acre in a town).
2. The dwelling is sold for not more than 80 percent of the median price of a new residential dwelling unit within the municipality.



Workforce Housing Adjustment Continued

- The additional amount the municipality can levy under this provision must be used to pay for the cost of police protective services, fire protective service, or emergency medical services.
 - To claim this adjustment, the municipality must not decrease the amount it spends for these services as compared to the preceding year.
-



Levy Limit Management

Some debt service adjustment related strategies to consider:

- Using abated post July 1, 2005 G.O. debt service to increase allowable levy
- Short term financing



Abated Post-2005 Debt

Worksheet allows you to claim up to the total amount of your post-2005 G.O. debt payment on the Adjustment E. line

Amount actually needed for debt payment

Year	Total Payment	Less Utility Revenues	Less Impact Fees	Total Levy	Abated Debt Levy	YEAR
2019	632,610	(202,960)	(25,000)	404,650	227,960	2019
2020	638,650	(203,175)	(25,000)	410,475	228,175	2020
2021	643,630	(203,075)	(25,000)	415,555	228,075	2021
2022	647,510	(202,650)	(25,000)	419,860	227,650	2022
2023	650,250	(201,890)	(25,000)	423,360	226,890	2023
2024	651,810	(200,785)	(25,000)	426,025	225,785	2024
2025	652,150	(199,325)	(25,000)	427,825	224,325	2025
2026	410,000	(205,000)		205,000	205,000	2026
2027	420,000	(210,000)		210,000	210,000	2027

TOTAL 5,346,610 (1,828,860) (175,000) 3,342,750 2,003,860

Additional levy capacity not needed for debt payments



Abated Post-2005 Debt

Advisability of claiming a Line E adjustment greater than actually needed for debt payments

- If additional levy will be used for capital projects or non-recurring expenditures, probably a good strategy
- A concern if additional levy will be used for recurring operating expenses
 - ✓ Works only if outstanding debt payments remain stable or grow
 - ✓ Potential for a budget hole if debt payments decrease



Short Term Financing

Allows funding of capital projects on a near cash basis by converting the capital levy to short-term debt

- Debt issued must be G.O.
- Advisable to pay off within 90 days
- Must be issued prior to setting subsequent year's levy, for example:
 - ✓ Loan approved November 1
 - ✓ Loan P&I amount claimed as a Line E. adjustment
 - ✓ Levy approved November 15
 - ✓ Loan repaid February 1



Short Term Financing Example

Capital Equipment Budget	
PD Squad #1	50,000
PD Squad #2	50,000
PD Squad #3	50,000
Plow Truck	200,000
Staff Vehicle	35,000
TOTAL	385,000

Short Term Financing			
Principal	Rate	Interest (90 Days)	Total Payment
50,000	2.500%	313	50,313
50,000	2.500%	313	50,313
50,000	2.500%	313	50,313
200,000	2.500%	1,250	201,250
35,000	2.500%	219	35,219
385,000		2,406	387,406

Additional cost to taxpayers as compared to true cash financing is \$2,406 in this example (90 days of interest expense)