

# 2023 Wisconsin Act 12



## Summer Chief Executives Workshop

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Department of Revenue
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League of Wisconsin Municipalities



# Today's Discussion

- ✓ Quick Background
- ✓ Major Provisions of Act 12
  - Supplemental Payments and Existing/New Growth
  - PPT Repeal
  - Expenditure Restraint
  - Innovation Fund
  - Maintenance of Effort
  - Future TID Modifications
- ✓ FAQs for each section
- ✓ Implementation Notes on Major Provisions
- ✓ Administrative Rule Process: Nuts and Bolts



# Legislative Process

- **AB 245** Introduced – **May 3, 2023**, almost 13 months after we first met with the Counties and Towns about forming a coalition.
- Public Hearing May 4 – Urban Alliance about 25 members spoke or registered.
- **SB 301** Introduced – **May 18<sup>th</sup>**
- Public Hearing May 23<sup>rd</sup> – Local Gov Lobby Day about 30 members spoke or registered
- AA 1 to AB 245 adopted and passed on the floor party line
- Senate amended the amended AB 245 with Senate Amendment 1
- Final passage 68/26 Assembly and 21/12 in Senate – Bipartisan in both houses
- **Signed into law June 20<sup>th</sup> Wisconsin Act 12**
- **Funding Followed - 2023-2025 Biennial Budget Signed July 5, 2023**



**Success is  
not about  
perfection**

**It's about  
progress**

**BIG Ask** - Act 12 Dedicates - **One Full Penny of the State Sales Tax**, more than \$1.5 billion annually, to local government.

**MORE:**

- An increase of nearly \$275 million in supplemental funding.
- \$300 million in one-time grants for service consolidation.
- All Communities minimum 20% increase
- Increases in Law Enforcement Training Aids and EMS Aids
- Milwaukee City and Co Sales Tax through enabling legislation

**SUSTAINABLE:** Tied to the economy via the sales tax.

**GROWING:** Future county and municipal aid increases based on estimated increases in sales tax revenue.



# Act 12 Provisions - 'MORE' Continued

- INCREASED Emergency Medical Services Aids – (current annual \$2.2 GPR increased to \$25 million annually)
  - INCREASED Law Enforcement Training Aids (current annual \$2 million GPR/\$4.4 SEG, increased \$8.725 million annually)



# Act 12 Provisions - Increased Funding

**Supplemental Payments** begin July 1, 2024.

- Distributed July and November as currently administered
- Beginning July 1, 2025, **BOTH** old shared revenue and the supplemental bump from 2024 are indexed to the state sales tax.
- Legislative Fiscal Bureau projected increase to be 2.3%
- Supplemental funds may be utilized for: law enforcement, fire protection, emergency medical services, emergency response communication, public works, courts, and transportation.

# FAQs - Increased Funding

**Question:** Are municipalities really getting the full increase in the sales tax?

**Answer:** Yes, but this question is complex.

**Question:** What is the reporting mechanism for the supplement to make certain expenditures are on eligible activities?

**Answer:** DOR will establish the exact reporting mechanism through implementation. Over the coming months the League will work in partnership with the department to make certain municipal concerns are considered and addressed.

# FAQs - Increased Funding

**Question:** On the penalty side of things, does the 15% apply to both portions of Shared Revenue, or just the supplemental?

**Answer:** The penalty is steep; it applies to both a municipality's current and supplemental payments. Act 12 section 215 creates s. 79.039 Wis Stats stating:

79.039 Certain reductions. (1) For the distribution in 2024 and subsequent years, if in any year a county or municipality fails to satisfy the requirements under s. 62.90 (5) (a)\* or 66.0608 (2m)\*, the secretary of administration shall reduce the county's or municipality's total of payments under ss. 79.036\* and 79.037\* for the next year by 15 percent.

\*Where s. 62.90 (5) applies to the City of Milwaukee, 66.0608 (2m) is the maintenance of effort statutory reference, s. 79.036 is the county and municipal aid beginning in 2024, and s.79.037 is the supplemental county and municipal aid payments.



# Implementation Notes - Increased Funding

- Sep. 15 - Supplemental payment estimates posted on DOR website
- July and November 2024 - supplemental payments distributed, and each year thereafter



# Act 12 Provisions - Existing Programs - PPT

**Complete repeal of **Personal Property Tax**, with state backfilling lost revenue**

**Exempts personal property from taxation beginning with assessments as of January 1, 2024, including:**

**Maintains personal property assessment and taxation laws for:**

- Completion of the 2023 personal property tax for collections during 2024
- Correction of 2023 personal property errors on the 2024 assessment roll
- Assessment of omitted personal property from the 2022 and 2023 on the 2024 assessment roll, or omitted from 2023 on the 2025 assessment roll

# Act 12 Provisions - Existing Programs - PPT

- Adjusting TID personal property base values – establishes a process for municipalities to request DOR adjust the base values of TIDs to account for the exemption of personal property
- Review the TID's base value - to determine if personal property is included
- Requests received by DOR:
  - By 10/31/23 - for 2024 tax year
  - Between 11/1/23 - 10/31/24 - for 2025 tax year

# FAQs - PPT

**Question:** Will the state backfill for PPT?

**Answer:** Yes, beginning in 2025, DOA shall pay to each taxing jurisdiction an amount equal to the property taxes levied on the items of personal property for the Jan 1, 2023, property tax assessments.

Each Municipality must report the amount of the property taxes levied on the items of personal property for assessments as of January 1, 2023

Failure to report causes **STEEP** penalties:

- Reduction of 25 percent, if not filed by June 30, 2024.
- Forfeiture of the municipality's aid if not filed by July 15, 2024.

# Implementation Notes - PPT

- January 1, 2024 – Personal Property is Exempt
- Spring 2024 - new form available for Municipalities to report personal property values as of Jan. 1, 2023
- Aug. 15, 2024 - PPT aid estimates for 2025 posted on DOR website
- 1<sup>st</sup> Monday in May, 2025 - PPT aid payments distributed



# Act 12 Provisions - Existing Programs - ERP

**Expenditure Restraint Program** continues with the following budget exclusions:

- Grants for public safety received from the state or federal government, or innovation fund grants do not count as part of municipal budget.
- Milwaukee sales tax revenue does not count as part of the municipal budget.
- **ERP payments in 2025** same as 2024; **base adjusted to include supplemental CMA payments.**
- Changes effective July 1, 2024

# Implementation Notes - ERP

- Fall 2023 - no ERP budget limit letters issued
- Spring 2024 - Municipalities that qualify will submit ERP worksheet
- Sep. 2024 - ERP estimates for 2025 posted on DOR website (same as 2024 ERP payments)
- Fall 2024 - regular ERP process resumes



# Act 12 Provisions - Innovation Fund

- **\$300 Million**↑ - Apply with an Innovation Plan - with a county, another muni, nonprofit, or private entity.
- No grants distributed after the 4<sup>th</sup> year after DOR rules are developed.
  - **Public safety, fire, EMS (prioritized)**, courts, jails, training, communications, IT, administration (staffing, payroll, HR), public works, economic development, tourism, public health, housing, planning, zoning, parks/rec.
- **Planning Grants** – Beginning in 2024, a municipality with a population 5,000 or less may apply to DOR for a grant to be used only for staffing and consultant expenses for planning the transfer of one or more of the services to another eligible entity. No municipality may receive more than \$100,000





# Act 12 Provisions - Innovation Fund

- Grant amount for 3 years is equal to 25% of the costs of the greater of:
  - Entity with the highest cost prior to consolidation or
  - Cumulative costs of providing the service excluding the costs paid by the highest cost community.
- Total cost savings of 10% must be realized – 50% (of the 10%) after 24 months and full cost savings realized at the end of 36 months.
  - The total cost of providing a service under includes the cost of wages, fringe benefits, training, and equipment associated with providing the service.
- Innovation Fund includes a mechanism for placing a value on the work of volunteers - fair market compensation (admin rules)

# Act 12 Provisions - Innovation Fund

## Additional Details:

- Agreement or contract to transfer services or duties required,
- Agreement/Contract must be for a period of time that is at least twice the length of the payment period (6 years),
- Agreement/Contract specifies the allocation of grant moneys between the counties or municipalities that are parties to the agreement or contract OR how much the municipality will pay a private entity or nonprofit for the service.

# FAQs – Innovation Fund

**Question:** How will DOR define ‘cost saving’ in the Innovation Fund? When will DOR start the administrative rulemaking process?

**Answer:** DOR will establish the exact definitions and mechanism through implementation. Over the coming months the League will work in partnership with the department to make certain municipal concerns are considered and addressed. DOR is expected to begin rulemaking in the following months.

# FAQs – Innovation Fund

**Question:** If a municipality merges services with a school district, can that qualify for Innovation Fund participation?

**Answer:** Municipalities may apply for an innovation grant by sharing or consolidating services with a county, one or more municipalities, nonprofit organization, or private entity. It is our understanding that schools would be eligible partners but remember a priority will be given to county and municipal innovation plans that attempt to realize savings for public safety, fire protection, and emergency services while maintaining the appropriate level of such services.

**Question:** Do libraries qualify for the Innovation Fund?

**Answer:** An innovation plan with a school or library would have to address an eligible sector and would need to realize a cost savings. See the innovation grants and planning grants in Act 12, section 214, page 37-38.

# Implementation Notes – Innovation Fund

## DOR's next steps:

- Requesting resources to administer the grant programs
- Collaborating with the League and other associations
- Draft administrative rules
- Develop infrastructure for reporting, review and distribution



# Act 12 Provisions - MOE

Annual certification of law enforcement and Fire/EMS effort to DOR.

For Police, certify **any one** of the following factors is at least equivalent to that provided in the prior year:

- Number of sworn officers employed
- Amount of property tax levy dollars spent on employment of sworn officers
- Percentage of property tax levy spent on employment of sworn officers

For Fire/EMS, certify **any 2** of the following is at least equivalent to that provided in prior year:

- Expenditures for fire protective services and EMS
- Number of full-time equivalent fire fighters and EMS personnel employed.
- Level of training of and maintenance of licensure for fire fighters and EMS personnel
- Response times for fire and EMS adjusted for call location.

# Act 12 Provisions - MOE

- Police and Fire positions that are state or federally grant-funded are not counted toward MOE (therefore no penalty if you lose positions after grant)
- Required MOE reporting:
  - Police - Municipalities over 20,000
  - Fire/EMS - All Municipalities and Counties
- The penalty of not meeting MOE is 15% of shared revenue
  - Reduction of **total** CMA and supplemental CMA
- A local government can miss certification one year and recertify to the preceding year the year after loss of shared revenue and if DOR approves recertification full shared revenue is restored.

# FAQs – MOE

**Question:** Could you provide clarification regarding the fire MOE for communities that pay into a fire district? Apparently, those payments vary from year to year, both up and down.

**Answer:** Choose a different category to certify in if costs vary year to year.

**Answer:** In section 59, page 13 of Act 12 creating 66.0608 (2m) related to MOE provides the following:

## **MOE reporting exceptions:**

1. Municipalities that receive law enforcement services from a County Sheriff on a non-contractual basis
2. Consolidated police/fire/EMS with another political subdivision in the prior year
3. Entered into a contract with a private entity to provide fire/EMS in the prior year
4. Newly established or joined a newly established police/fire/EMS agency in the prior year

Then the political subdivision may provide a **certified statement** to that effect, **in lieu of MOE certification.**

NOTE: 2-4 only apply to the year following consolidation or entry into a contract.



# FAQs – MOE

**Question:** One of the items that keeps us from employing more officers is the limited number of seats available for training law enforcement officers at tech colleges. Can the state make changes to that to increase seats available for training?

**Answer:** Act 12 did not modify the number of seats available for training but Act 19 did provide additional funding for **law enforcement training aids and increases funding** for Department of Justice law enforcement training grants by **\$2.3 million by providing \$8.8 million annually** from the new Local Government Fund.

# Implementation Notes – MOE

- Spring 2024 - new MOE form available for electronic filing
  - Due July 1, 2024 to DOR
  - Annual reporting each year thereafter
- Sep. 15, 2024 - DOR must include any reductions in the 2025 shared revenue estimates
- July and November 2025 - shared revenue distributions less any MOE reductions



# Act 12 - Reform Provisions - TIDs

- Beginning with new TIDs created in 2025 and beyond, **the percentage of new construction value** that occurs within a TID that may be applied in determining a municipality's allowable levy increase **is limited**.
- Pre-2025, a municipality may apply 100% of “net new construction” w/in TID to determine the levy increase.
- 2025-beyond, a municipality would be able to apply 90% of new construction (not “net new”) that occurs within the TID.

# Act 12 - Reform Provisions - TIDs

- **Limit on levy increase at TID closure**—Beginning with new TIDs created in 2025 and beyond, the bill allows a municipality a one-time levy adjustment equal to **10% of the newly-created value within the TID**; the adjustment may be **increased to 25%** (an additional 15%) if the TID closes prior to 75% of its anticipated life.
- Current law allows a one-time levy adjustment equal to 50% of the newly-created value within the TID and there is no incentive for early closure.
- For a tax incremental district created after December 31, 2024, at the time of approval the joint review board shall establish the year of expected termination of the tax incremental district.

# FAQs – TIDs

**Question:** Once a TID closes, does the PPT in it go away?

**Answer:** No, Act 12 establishes a process for municipalities to request DOR adjust the base values of TIDs to account for the exemption of personal property.

Section 66 of Act 12, page 14 creates s. 66.1105 (5) (j) which states: Upon receiving a written application from the city clerk, in a form prescribed by the department of revenue, the department shall recalculate the base value of a tax incremental district affected by 2023 Wisconsin Act 12 to remove the value of the personal property.

NOTE: A request received under this paragraph **no later than October 31** is effective in the year following the year in which the request is made. A request received after October 31 is effective in the 2nd year following the year in which the request is made.

# FAQs – TIDs

**Question:** How exactly does "net new" differ from "new" construction in the TIF districts?

**Answer:** Under net new construction, if you have property that was in base and then you demolish that cost is netted against new construction. Under new construction a municipality will get the full new increment instead of a deduct for exemptions, demolitions etc.

**Question:** Housing Extension - If holding the TID open one more year for extension and it pushes it over the 75%, do we get the bump or not?

**Answer:** This is unclear in the legislation, we will be working the DOR on allowing the extension to count after the 75% closure calculation is determined.

# Implementation Notes – TIDs

- Aug. 2023 - DOR certified TID net new construction for the first time

<https://www.revenue.wi.gov/SLFReportsassessor/2023tidnnc.pdf>

- Levy limits - updates to 2025 Levy Limit Worksheet



# Act 12 Supplemental Information

## League Critical Local Services Website

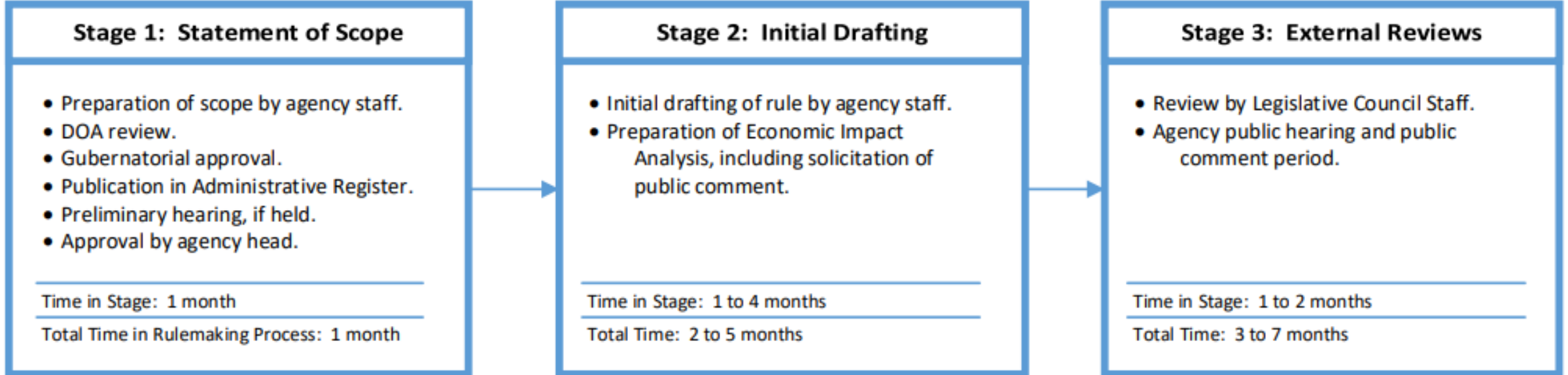
- <https://www.lwm-info.org/1679/Critical-Local-Services-Funding>

## DOR Act 12 Fact Sheet

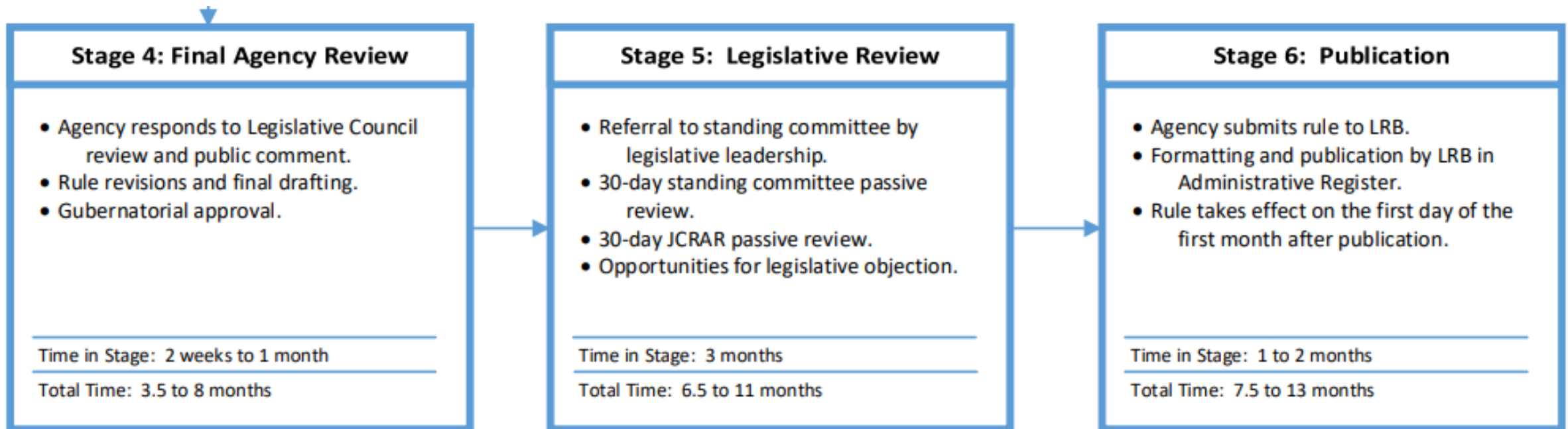
- <https://www.revenue.wi.gov/Documents/2023-Act12-Information.pdf>



# Administrative Rule Process



# Administrative Rule Process



Additional resources:

- [Rulemaking Leg Council Info Memo](#)

# Implementation Workgroup

The League is looking for technical experts to sit on an implementation workgroup to consult with DOR on the administrative rule development to provide municipal guidance for implementation.

Time commitment:

- 3-4 meetings about 2 hours each,
- At least one longer meeting in person in Madison, and
- expedited review of language as it is developed.



# Questions and Comments



**Thank  
You**

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