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Real World Challenges Posed by Levy Limits: The City of Columbus Columbus makes the levy limit case

The City of Columbus is a typical Wisconsin community. It's an attractive, small-but-not-too-small city of 5,000 people straddling the Columbia-Dodge county line. They have an interesting downtown, a great library, an Amtrak station, the Christopher Columbus Museum, an aquatic center and a river (the Crawfish). They're also being strangled slowly by state-imposed levy limits.

In 2018, the state granted Columbus permission to increase its levy by the percentage of "net new construction" that took place the year before. In this case, the allowable increase was 1.861 percent (inflation in 2018 was 2.44%). That translates into an additional \$45,000 in spending authority for the City's \$4 million budget. Put another way, it's almost enough to pay just about half of the increased health insurance premium for city staff and nothing more. And 2018 was a typical year.

Columbus, like most Wisconsin cities, villages and towns, has not seen a levy increase equal to inflation in over six years. As a result, the city has been slowly but surely reducing its long-term maintenance and services to residents. The changes have been subtle, but they're starting to show.

"We are running our Public Works Department with equipment we purchased in the 1990's," says Kim Manley, the City's Director of Finance and Treasurer. "It should be replaced, but there's just no budget for that. We are, however, spending thousands of dollars each year on maintenance to keep that out-of-date equipment working."

The city's street repair budget is almost non-existent, and the roof over the Senior Center should have been replaced years ago. As for personnel, the city hasn't been able to offer meaningful raises to its employees for years, and all of its salary ranges are lagging behind the already-competitive labor market.

"In the real world, we should be setting aside a little money each year so that larger purchases or projects can be funded, or at least partially funded without the city going deeper into debt. But with levy limits, I can't set aside any dollars for needed new police squad cars, the roof or that old equipment. We scrimp and save every penny."

Manley told us that the problem is building on itself. "Every year we have to say we can't afford to do something or maintain something - then another year goes by and we are still trying to maintain the core services at our minimum levels. Our debt continues to grow and it's concerning to me as a Finance Director to know that we're putting our community in this type of situation."

In the Governor's proposed budget, cities, villages, towns and counties would be able to come closer to keeping up with inflation. The budget proposes restoring a 2% "floor" for property tax levies. The League supports that change for the sake of cities like Columbus.

The Case for Retaining Governor's Evers' Levy Limit Changes

The Governor recommends as part of his state budget allowing local governments to increase levies annually by the greater of net new construction or 2 percent beginning with levies set in 2019. He also recommends eliminating the requirement that a municipality reduce its allowable levy by the amount by which it increases fees for garbage collection, storm water management, snow plowing, fire protection, or street weeping.

The League strongly supports this long-needed adjustment to levy limits for the following reasons:

- From 2006-2011 state imposed levy limits allowed a community to increase its levy from one year to the next by roughly the rate of inflation even if the community experienced little or no growth.
- Since 2011 the limits have been based exclusively on the percentage increase in property value caused by new construction. Once the inflation floor was eliminated in 2011, many no-growth communities have been unable to increase their levies.
- The state's levy limit policy has created a dynamic in which fast growing cities and villages have the financial resources to invest in services and infrastructure that help them further increase their growth, while the many no-growth and slow-growth communities stagnate.
- Since 2012, only 62 of 600 cities and villages experienced new construction averaging at least 2% per year over the six years. 186 experienced growth of less than .5% per year over the same time period. These slow-growing cities and villages are predominately small, with populations less than 5,000, but also include larger cities like West Allis and Racine. (Source: *The Wisconsin Taxpayer*, Vol. 86, Number 3, March 2018.)
- Wisconsin has one of the tightest property tax levy restrictions in the country. Indeed, among the ten states in which local governments are most dependent on property tax revenue, Wisconsin's net new construction limit on annual growth in property taxes is the most strict. Source: *Dollars and Sense*, Wisconsin Policy Forum, February 2019.
- Of 1,852 cities, villages, and towns in the 2018-2019 tax year, 1,026 could increase their levy by less than 1%, because of low new construction rates, and 1,583 could increase their levy by less than 2%. Source: Governor Evers' state budget address
- According to the U.S. Census, Wisconsin cities and villages rank 36 nationally on spending for local services. (Total 2015 expenditures by Wisconsin cities and villages surveyed were \$2,205 per capita, compared to \$3,443 nationally, giving Wisconsin municipalities a national ranking of 36th.)

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The League of Wisconsin Municipalities advocates for Wisconsin's cities and villages, large and small, urban and rural, speaking up for local democracy and common-sense citizen led government. Learn more at <http://www.lwm-info.org/>