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## **Budgeting in Eden is No Paradise Eden makes the Levy Limit Case**

Imagine being faced with a \$460,000 tab for street repairs knowing your tax levy will total just \$34,000? Welcome to budgeting in the Village of Eden.

Wisconsin's small villages are often caught in this financial trap, with levy limits on one side and old infrastructure on the other. Communities that for years prided themselves on keeping property taxes low now find that when it's time to replace main street or a sewer main, the levy limit law is a barrier. The only way around the barrier is to borrow money; effectively putting today's problems in the laps of tomorrow's residents.

The Village of Eden is a small community just Southeast of Fond du Lac with a population of around 900. According to Census bureau estimates, it's growing, which is unusual for a small village in rural Wisconsin. In fact, the village's slogan is "A place to grow." Unfortunately, that "growth" doesn't extend to the village budget. Under Wisconsin levy limits, Eden will see an allowable levy increase in 2019 of zero. According to the Wisconsin Department of Revenue, Eden's "net new construction" growth in 2018 was a negative 0.26-percent, meaning it would not be allowed to increase its tax levy in 2019. The village will rely on borrowing and a small wheel tax for any funding increases. Efforts to attract grants have failed, due in significant part to the village's small population.

Unfortunately for Eden, costs will not remain at zero. The state is rebuilding Highway 45 and village must pay \$460,000 for its share of the work (Highway 45 is one of Eden's main streets). In addition, for the past two years, Eden has been forced to borrow money to operate. The village has over \$1.7 million in outstanding debt and will be required to pay for the replacement of a seventy-year-old water main. There is no money to pay for new hiring or other costs. The village's sole computer was ten years old before it finally acted up once too often and had to be replaced.

Eden is a typical small Wisconsin community. It serves an area that is primarily agricultural, with some suburban influences owing to the short 20-minute drive to Fond du Lac or 30-minute drive to West Bend. You can rent the village park for a family reunion and the village president has been known to shovel sidewalks in the winter when needed. It embodies the values that Wisconsin points to with pride: small town, strong work ethic, conservative when it comes to spending. But there are limits.

In a report submitted to the League and [posted on our website](#), the village pleads with state policy makers to, "PLEASE FIND A WAY TO HELP THE SMALL COMMUNITIES THAT HAVE BEEN TRYING TO KEEP TAXES LOW."

## 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 36<sup>th</sup>.)

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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/>