



Act 12: Shared Revenue

In 1911, Wisconsin became the first state in the union to adopt a state income tax. In doing so, the state began “sharing revenues” with local governments and provided 90% of state income tax revenue to fund local services and limit property taxes. Over the next century, that percentage fell to only 6.8%. The County and Municipal Aids (CMA) formula – the modern version of shared revenue – was originally calculated considering population and ability to generate revenue locally but has been frozen for two decades. This led to almost inexplicable variations in the amount of aid each municipality received. Act 12, signed into law June 20th, begins to address these variations in funding and provides significant increases in CMA for all local governments. Most importantly, Act 12 also ties shared revenue to the state’s economy, allowing it to grow at the same rate as state sales tax.

Legislators, their staff, and local government stakeholders like WTA spent countless hours negotiating on Act 12 to increase local government funding in ways that the Assembly, Senate, and Governor could all support. The result is a true compromise, with provisions liked and disliked by each. This article will begin to explain the details of Act 12. WTA plans to offer more detailed educational opportunities over the next few months to provide a greater understanding of this new law.

County and Municipal Aid / Supplemental Aid

Act 12 overhauls the state’s approach to local government funding and dedicates one cent of the state’s five cent sales tax (about \$1.5 billion annually) to a local government account that will fund various new and existing local programs. Beginning in 2024, each municipality will annually receive its current CMA payment in addition to a new, supplemental payment. In future years, both payments will grow by the rate of growth in state sales tax. Supplemental aid is calculated largely based on population, with separate but similar formulas applied for those municipalities under 5,000 in population, those between 5,000 and 20,000, and those over 20,000. Note that while some municipalities will see a much higher percentage increase in shared revenue than others, these percentages do not tell the full story. As mentioned above, many municipalities had been receiving so much less in shared revenue relative to others that even relatively small dollar amount increases result in much higher percentage increases for those communities.

The remainder of the funds in the new local government account will be used to repeal the personal property tax (described below), and to fund several other existing programs.

Innovation Fund

In addition to the one cent of the state sales tax dedicated to local funding, Act 12 also creates a 3-year, \$300 million Innovation Fund to incentivize the consolidation of local services. Using one-time surplus

funding, the Innovation Fund will provide grants to local governments that consolidate any of the following local services. Grants will only be available for consolidations that occur after DOR creates rules for this program.

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|-----------------|------------------------|-------------------------|
| ✓ Public safety | ✓ Communications | ✓ Public health |
| ✓ Fire | ✓ IT | ✓ Housing |
| ✓ EMS | ✓ Administration | ✓ Planning |
| ✓ Courts | ✓ Public works | ✓ Zoning |
| ✓ Jails | ✓ Economic development | ✓ Parks and recreation. |
| ✓ Training | ✓ Tourism | |

To receive an innovation grant, a consolidation plan must reduce expenditures for a given service by at least 10 percent, with half of the projected savings realized within the first two years, and all of the savings realized within three years. Grant amounts will generally equal 25 percent of the cost to provide the service in the year immediately preceding the consolidation, excluding the costs paid by the local government with the highest costs in the prior year. So, all local governments involved in a consolidation will benefit from a grant, but the highest cost local government is excluded when calculating grant awards. Grants for public safety, fire, and EMS will be prioritized above all others.

Act 12 also creates an innovation planning grant to help municipalities with a population of 5,000 or less plan for consolidation of these services. More details on the innovation fund and planning grants will become available as DOR creates these programs. Grant availability is expected to begin in mid-2024.

Repeal of the Personal Property Tax

A long time coming, Act 12 repeals what is left of Wisconsin’s personal property tax beginning with property tax assessments as of January 1, 2024. Most items that had been classified as personal property are exempted from taxation while certain other items, such as manufactured and mobile homes not otherwise exempt from taxation, will be reclassified as real property for the purposes of taxation. Beginning in 2025, DOR will annually pay each local government an amount equal to the personal property taxes that had been levied as of January 1, 2023.

Emergency Services

In addition to providing critical additional funding for emergency services, Act 12 also provides staffing flexibility to help towns and villages improve their services through the following changes.

1. Prohibits the Department of Health Services (DHS) from requiring emergency medical responders to take the NREMT test. Local providers may still require this test if desired.
2. Requires DHS to issue the emergency medical responder certifications to applicants with relevant education, training, and experience gained in connection with military service.
3. Allows an ambulance that is engaged in a nonemergent interfacility transport to be staffed with one emergency medical technician and one individual who is certified in CPR.

4. Prohibits ambulance and emergency medical service providers from prohibiting an EMT or EMR from being employed by or volunteering with another service provider.
5. Prohibits DHS from requiring a rural ambulance service provider to stock an ambulance with equipment to perform all functions that the emergency medical services practitioner with the highest level of license staffing the ambulance may perform in order to upgrade its ambulance service level.

Maintenance of Effort Requirements

Act 12 requires that all local governments annually certify that Fire and EMS efforts have not been reduced year over year. Municipalities may satisfy this requirement by certifying that any two of the following have been maintained at a level at least equivalent to the previous year. You need not certify the same two options every year.

1. Expenditures for fire/EMS services.
2. Number of full-time equivalent fire and EMS personnel.
3. Level of training and maintenance of licensure for fire and EMS personnel.
4. Response times for fire and EMS adjusted for call location.



Town officials and WTA staff with Governor Evers immediately following the signing of Act 12.

There is an additional maintenance of effort requirement for law enforcement services that is only applicable to municipalities over 20,000 in population. Smaller municipalities are not subject to this requirement. Failure to meet either maintenance of effort requirement in any given year will result in a penalty of 15% of that year’s shared revenue payment.

Quarry Operations

Many aspects of quarry operations are regulated by state and federal law, but local governments also possess certain regulatory authority. Act 12 does not eliminate local regulatory authority, but it does change that authority to some extent. Note that these changes are generally targeted to gravel pits and construction aggregate rather than sand or other mining operations. While WTA was not supportive of any limits on local regulatory authority in this legislation, we are confident that the changes here represent the least disruptive outcome attainable for local quarry regulation.

One concern we’ve heard from town officials is that this act eliminates quarry licensing authority. That’s not the case. Act 12 actually codifies quarry licensing authority for the first time, eliminating any doubt that towns can regulate quarries in this way. The act does limit when a licensing ordinance may apply, however, prohibiting the enforcement of license requirements that are also addressed in a zoning ordinance. In other words, Act 12 states that in the event a licensing ordinance and a zoning ordinance regulate the same aspect of quarry operations, only the zoning ordinance applies. Licensing provisions

not addressed by the zoning ordinance remain applicable, and the entire licensing ordinance may stay on the books in the event that the zoning ordinance is later amended or repealed.

Wisconsin's Department of Safety and Professional Services (DSPS) regulates blasting by administrative rule. A few local governments have imposed blasting requirements beyond those imposed by DSPS. Act 12 does not change any state standards related to blasting but does generally limit local government authority to exceed those state standards. Local governments may still impose certain administrative regulations related to blasting, however, such as requiring notice prior to blasting, requiring proof of insurance, and time of day limits. Local governments may also suspend a quarry permit for violations of state blasting standards if DSPS determines that a violation of those standards has occurred.

Further, Act 12 prohibits a local government from restricting the hours that a quarry can extract and process aggregate in limited circumstances when the quarry is serving a public works project that requires nighttime construction. This limitation was added with bipartisan support to streamline certain road projects but will not affect most quarry operations – generally only applying to state highway projects where work needs to be completed at night.

Other Provisions Included in Act 12

More information about these provisions will be provided in upcoming WTA educational programming. Please also feel free to contact the WTA office with questions.

1. Eliminates the levy limit transfer that occurs when political subdivisions transfer the responsibility to provide services unless the participating political subdivisions file notice of service transfer with the DOR. This allows local flexibility to decide if a levy transfer will occur.
2. Limits Tax Increment District (TID) growth as a factor in annual levy increases and limits the allowable levy increase at TID closure.
3. Prohibits local health mandates closing business for longer than 30 days without governing body approval.
4. Prohibits local governments from discriminating against or providing a preference in hiring or contracting based on race, color, ancestry, national origin, or sexual orientation (unless required to receive federal aid).
5. Prohibits advisory referenda, except those concerning the following topics.
 - Capital projects funded via property taxes.
 - Local revenue sharing agreements.
 - Boundary agreements.
 - The establishment of municipal cable, broadband, or telecommunications utilities.
6. Requires local government approval for stewardship projects that take place North of U.S. Highway 8.

Milwaukee

There are several Milwaukee specific provisions in this bill that will not affect other municipalities. These sections generally allow the city and county to impose local sales taxes to cover unfunded pension liabilities. There are several restrictions placed on the city and county under these provisions including a requirement that all new employees participate in the Wisconsin Retirement System. The sales tax sunsets when existing pension liability is fully funded, or after 30 years.