

Tips for Levy Limit Referendums

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In Wisconsin, local governments must hold a referendum in order to exceed the property tax levy limit. This issue brief contains some tips for local officials considering a levy limit referendum.

INTRODUCTION

In Wisconsin, the State regulates how much local governments can increase their property tax levy each year (“levy limit”). The limit is in comparison to the previous year’s actual property tax levy and the possible increase is a percentage change in net new construction¹. If a local government wishes to exceed this levy limit, they must get permission from their residents through a referendum.²

Historically, levy limit referendums have been rare among general-purpose local governments (i.e. counties, cities, towns, and villages); according to the WI Department of Revenue data, between 2006 and 2017, only 19 general-purpose local governments exceeded the levy limit with referendums. However, this may be changing. According to a report from the Wisconsin Policy Forum, in the November 2018 elections, 15 general-purpose local governments asked voters to exceed levy limits and 11 of those were successful.³

Most elected officials want to provide the best services at the lowest cost to their residents.⁴ However, low levels of net new construction, increasing costs of services, and/or increasing service needs can make a levy limit referendum necessary.⁵ Asking voters for a property tax increase can be a daunting task for local officials. What are some tips to make this process more transparent and efficient? In this issue brief, Bradley Hanson, the city administrator/clerk of the City of Mondovi shares some tips and advice for local officials considering a levy limit referendum based on the City’s successful referendum in 2018.⁶

INVOLVE YOUR KEY ACTORS

Identify, reach out, and involve the key actors in this process. Some examples are:

Elected officials and Staff. Elected officials and staff are key points of communication. As actors closest to the levy referendum process, the public can view them as credible sources of information. But remember this does not mean they have to support the levy referendum. Do your best to explain to them why a levy referendum is necessary, but keep in mind they have their right to disagree and let them say so without repercussions.

Auditor and Bonding Agent. The community’s auditor and bonding agent know debt and spending answers to questions that staff may not have information for on the spot. If possible, get them to attend the open houses.

Landlords and Business Owners. Business owners and landlords have a lot of power when it comes to elections with who they know and talk to. As owners of large properties, they can be particularly sensitive to property tax increases and may even urge tenants to vote against the levy referendum with the threat of a rent increase. The decision to pass on the increase in taxes to tenants is the landlord’s, but remind them that public services support economic development and makes a community more desirable to live in, which in turn, increases property values.



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COMMUNICATION, ESPECIALLY FACE TO FACE, MATTERS

In-person Meetings. Most people can't put a face to their local government. Imagine getting a bill from someone you've never met! Use open houses and community presentations to create opportunities for residents to meet staff and elected officials and ask questions in person. What if people don't come to you? Don't be afraid to go to them! Knocking on doors and delivering information is a great opportunity for one-on-one interactions.

Information in Writing. For those residents who are unable to attend meetings in person, publish everywhere you can and as often as possible.

Put down the consequences of a levy referendum failure (e.g. service cutbacks) in writing. Do not shy away from writing this down. Yes, some may accuse you of using a "scare tactic"; that's why honesty is important. The point is to walk your residents through the reasoning process that led you to this recommendation. If you do not have a list of potential cuts due to the levy limit, how do you know you need a referendum?

Create a "Q & A" sheet with frequently asked questions and post it on the community's website and social media. Include questions even if they could be detrimental to the referendum, such as "Won't my taxes go up if the referendum passes?" It's about building trust.

Trust Takes Time. Building trust takes time. Start talking about this issue at least one year prior to the election.

Take a Long-Term View. Regardless of the outcome of the referendum, schedule a budget meeting between the election day and the budget hearing. This meeting is a critical opportunity to debrief with committee/council members and the broader community to discuss any lessons learned.

HONESTY IS THE BEST POLICY

Throughout the entire process, be honest. Questions from residents need to be answered truthfully and as soon as possible. If you do not know the answer, tell them that, let them know you will get them an answer in a couple of days, and go back the following day and give it to them. This is an old sales tactic called "Under Sell and Over Deliver" and it helps build trust.

ENDNOTES

1. "Net new construction" is calculated and published by the WI Department of Revenue each year (usually August) for each locality.
2. An exception is towns with population under 3,000. These "smaller" towns can exceed the limit with a town meeting, instead of a referendum.
3. Wisconsin Policy Forum. (Nov 30, 2018). "Focus #24: Municipal Voters Approve Levy Hikes." Available online at <https://wispolicyforum.org/focus/municipal-voters-approve-levy-hikes/>.
4. Aldag, A., Warner, M.E., and Kim, Y. (2018). "Leviathan or Public Steward? Evidence on Local Government Taxing Behavior from New York State." *Publius: The Journal of Federalism*. doi: 10.1093/publius/pjy035
5. Kim, Y. (August 2018). "Local Government Fiscal Stress in Wisconsin." *The Municipality*. League of Wisconsin Municipalities. Available online at <http://www.lwm-info.org/DocumentCenter/View/2161/8-18-FINAL-ELECTION-ENGAGEMENT>.
6. Read more tips from the City of South Milwaukee's referendum in the League of Wisconsin Municipalities' January 2018 issue of *The Municipality*. Some key differences between City of Mondovi and City of South Milwaukee are: 1) Mondovi is a smaller, more rural community and 2) Mondovi did not hire a public relations firm.



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