



Legislative Fiscal Bureau

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TO: Members
Senate Select Committee on Taxpayer Protection Amendment
Assembly Committee on Ways and Means

FROM: Bob Lang, Director

SUBJECT: Comparative Summaries of Joint Resolutions to Limit State and Local Expenditures and Revenues

This memorandum provides a side-by-side summary of four proposals to amend the State Constitution to limit state and local expenditures and revenues:

2003 Assembly Joint Resolution 55 (AJR 55);
2003 Senate Joint Resolution 76 (SJR 76);
2005 Assembly Joint Resolution 40 (AJR 40); and
2005 Senate Joint Resolution 63/Assembly Joint Resolution 77 (SJR 63/AJR 77).

The first three proposals would limit state and local expenditures, and the fourth proposal would limit state and local revenues.

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Attachment

ATTACHMENT

Comparative Summaries of 2003 AJR 55, 2003 SJR 76, 2005 AJR 40, and 2005 SJR 63/AJR 77

2003 AJR 55	2003 SJR 76	2005 AJR 40	2005 SJR 63/AJR 77
SPENDING LIMIT OR REVENUE LIMIT?			
Spending limit.	Spending limit.	Spending limit.	Revenue limit.
DEFINITION OF GOVERNMENTAL UNIT			
<p>"Governmental unit" would be defined in the Constitution to mean the state; any city, village, town, or county; or any school district or special purpose district, other than a sewerage district or water district, authorized by law to levy taxes or charge fees.</p>	<p>There is no specific definition of "governmental unit", but the spending limits would apply to the state and to counties, cities, villages, towns, school districts, and technical college districts (collectively referred to as "local governments").</p>	<p>There is no separate definition of "governmental unit", but the spending limits would apply to the state, school districts, and local governmental units. The terms "school district" and "local governmental unit" are not defined.</p>	<p>There is no specific definition of "governmental unit", but the revenue limits would apply to the state and to counties, municipalities, school districts, technical college districts, and special purpose districts (collectively referred to as "local governments"). "Special purpose district" would mean any entity other than the state, a county, a municipality, a school district, or a technical college district that is authorized to collect taxes or fees. This definition would include metropolitan sewerage districts, sanitary districts, public inland lake protection districts, local exposition districts, and local professional baseball park and football stadium districts, since these districts have been authorized to collect taxes. The definition would also include any entity that has been authorized to collect fees.</p>
			<p>"Municipality" would be defined to include cities, villages, and towns. However, towns that have budgeted revenue (as defined for purposes of the limit) of less than \$1,000,000 for 2009 would not be subject to the limit in that year. The \$1,000,000 threshold would be increased in subsequent years based on increases in the consumer price index for the Milwaukee-Racine area (the "Milwaukee-Racine CPI") from 2007 to the year two years before the year in question. For example, the threshold for 2011 would equal \$1,000,000 increased by the change in the Milwaukee-Racine CPI from 2007 to 2009.</p> <p>The term "municipality" would include a district, utility, or other entity that receives money from taxes or fees and</p>

2003 AJR 55	2003 SJR 76	2005 AJR 40	2005 SJR 63/AJR 77
			that is authorized, created, or established by a city, village, or town, regardless of whether the governing body of the city, village, or town retains any authority or control over the district, utility, or other entity. Revenue of the district, utility, or other entity would be included as revenue of the associated city, village, or town, unless the revenue is of a type that would not be treated as revenue if received by the city, village, or town. In addition, such revenue would not be included if doing so would result in double counting the revenue.
STATE GOVERNMENT SPENDING/REVENUE LIMIT			
<p>The maximum annual percentage change in fiscal year spending by the state would be limited to inflation in the previous calendar year as compared to the year previous to that year, plus the percentage change in the state population in the previous calendar year if a positive number, adjusted for spending changes approved by the electors under the new provisions after the year in which ratification occurs.</p> <p>"Fiscal year spending" would mean all expenditures and budget stabilization fund and emergency fund reserve increases of a governmental unit except, as to both, those for refunds made in the current or next fiscal year or those from gifts, federal funds, collections for another governmental unit, pension fund earnings, net proceeds of the state lottery, reserve transfers or expenditures, damage awards, or real property sales, and except for the payment of principal and interest for bonding authorized by elector approval under the resolution.</p> <p>"Inflation" would mean the percentage change in the CPI for Milwaukee-Racine, all items, all urban consumers, or its successor index.</p> <p>"Population" would mean either the periodic census conducted by the U.S. Department of Commerce or its successor agency, or the annual update of such census. Population under these provisions would have to be adjusted to match the population under each federal decennial census.</p>	<p>Beginning in the fiscal year following ratification of the amendment, the year-to-year percentage increase in final budgeted state expenditures would be limited to 90% of the percentage change in the three-year rolling average of statewide total personal income, as provided by law, if positive.</p>	<p>Beginning in the fiscal year following ratification of the amendment, the state could not spend in any fiscal year more than the amount it spent in the previous fiscal year increased by the percentage of the average of any increase from the previous three fiscal years in the CPI for Milwaukee-Racine (or its successor index), not to exceed state personal income growth, plus the percentage of any increase in state population, adjusted by the decennial census and corrected over a three-year period.</p>	<p>Beginning in the 2009-10 state fiscal year, the state would be prohibited from collecting and retaining (other than in an emergency reserve fund) more in revenue than it did in the 2008-09 fiscal year, plus its allowable percentage increase under the limit. For each subsequent fiscal year, the state would be prohibited from collecting and retaining (other than in an emergency reserve fund) more in revenues than it was allowed to collect and retain under the limit in the previous fiscal year, plus its allowable percentage increase under the limit.</p> <p>The allowable percentage increase would equal:</p> <ol style="list-style-type: none"> a. The percentage increase in state population from the first to the second of the two years preceding the previous year; plus b. The lesser of the following two percentages: <ul style="list-style-type: none"> (1) the average of the annual percentage increases, if any, in the Milwaukee-Racine CPI (or a successor index) for each of the three fiscal years preceding the previous fiscal year; and (2) the annual percentage increase, if any, in state personal income from the third preceding calendar year to the second preceding calendar year (for the state and other governments with fiscal year budgets, this would be counted from the calendar year in which their fiscal year ends). <p>"Population" would mean annual population estimates adjusted by the most recent decennial census, as determined by the state.</p>

2003 AJR 55	2003 SJR 76	2005 AJR 40	2005 SJR 63/AJR 77
<p>These provisions would first apply on the first day of the first state fiscal year that occurs after ratification of the constitutional amendment.</p>			
<p>SCHOOL DISTRICT AND TECHNICAL COLLEGE DISTRICT SPENDING/REVENUE LIMIT</p>			
<p>The maximum annual percentage change in fiscal year spending by a school district or technical college district would be limited to inflation in the previous calendar year, plus the percentage change in its pupil enrollment in the previous calendar year as compared to the year previous to that year if a positive number, adjusted for spending changes approved by the electors under the new provisions after the year in which ratification occurs.</p> <p>"Fiscal year spending" and "inflation" would be defined as described above.</p> <p>These provisions would first apply on the first day of the first fiscal year of the school district or technical college district that occurs after ratification of the constitutional amendment</p>	<p>Beginning in the fiscal year following ratification of the amendment, the proposal would limit the year-to-year percentage increase in the final budgeted expenditures for school districts and technical college districts to 90% of the percentage change in the three-year rolling average of statewide total personal income, as provided by law, if positive.</p> <p>The Legislature would be allowed to provide for variation in the rate of allowable increases among individual districts, provided that the statewide allowable increase for each type of district does not exceed this percentage. The variations would have to be based, in whole or in part, on changes in pupil enrollment.</p>	<p>Beginning in the fiscal year following ratification of the amendment, a school district could not spend in any fiscal year more than the amount it spent in the previous fiscal year increased by the percentage of the average of any increase from the previous three fiscal years in the CPI for Milwaukee-Racine (or its successor index), not to exceed state personal income growth, plus, for school districts in the aggregate, the percentage of any increase from the previous year in student enrollment.</p> <p>Technical college districts are not specifically mentioned, and may not be subject to any spending limits under the joint resolution. However, it is possible that technical college districts would be subject to the limits on other local government units described below.</p>	<p>Beginning in the 2009-10 fiscal year, school districts and technical college districts would be prohibited from collecting and retaining more in revenue than they did in the 2008-09 fiscal year, plus their allowable percentage increase under the limit. For each subsequent fiscal year, school districts and technical college districts would be prohibited from collecting and retaining more in revenues than they were allowed to collect and retain under the limit in the previous fiscal year, plus their allowable percentage increase under the limit.</p> <p>For school districts, the allowable percentage increase would equal:</p> <ol style="list-style-type: none"> a. The average of the annual percentage increases, if any, in their five-year-old kindergarten through 12th grade enrollment for each of the three years preceding the previous year; plus b. The CPI/personal income growth factor used for the state limit (described above). <p>Technical college districts would be subject to the same revenue limits as the state, except that the population component of the growth factor would be based on population growth in the technical college district rather than statewide population growth.</p>

2003 AJR 55	2003 SJR 76	2005 AJR 40	2005 SJR 63/AJR 77
SPENDING/REVENUE LIMIT FOR OTHER LOCAL GOVERNMENTAL UNITS			
<p>The maximum annual percentage change in fiscal year spending by other governmental units would equal inflation in the previous calendar year, plus the percentage change in new construction and improvements and additions to, and reconstructions of, existing construction of real property in the governmental unit in the previous calendar year as compared to the year previous to that year if a positive number, adjusted for spending changes approved by the electors under the new provisions after the year in which ratification occurs.</p> <p>This provision would apply to any city, village, town, or county; or any special purpose district, other than a sewerage district or water district, authorized by law to levy taxes or charge fees.</p> <p>"Fiscal year spending" and "inflation" would be defined as described above.</p> <p>These provisions would first apply on the first day of the first fiscal year of the governmental unit that occurs after ratification of the constitutional amendment</p>	<p>Beginning in the fiscal year following ratification of the amendment, the proposal would limit the year-to-year percentage increase in the final budgeted expenditures for counties, cities, villages, and towns to 90% of the percentage change in the three-year rolling average of statewide total personal income, as provided by law, if positive.</p> <p>The Legislature would be allowed to provide for variation in the rate of allowable increases among individual local units of government, provided that the statewide allowable increase for each type of local government does not exceed this percentage. The variations would have to be based, in whole or in part, on changes in: (a) for cities, villages, and towns -- on new construction net of property removed; and (b) for counties -- on population.</p>	<p>Beginning in the fiscal year following ratification of the amendment, a local governmental unit could not spend in any fiscal year more than the amount it spent in the previous fiscal year increased by the percentage of the average of any increase from the previous three fiscal years in the CPI for Milwaukee-Racine (or its successor index), not to exceed state personal income growth, plus the percentage of any increase from the previous year in property values attributable to new construction.</p> <p>"Local governmental unit" would not be defined.</p>	<p>Beginning in the 2009 calendar year or the 2009-10 fiscal year, municipalities (as defined above), counties, and special purpose districts would be prohibited from collecting and retaining more in revenue than they did in the 2009 calendar year or the 2008-09 fiscal year, plus their allowable percentage increase under the limit. For each subsequent fiscal year, these entities would be prohibited from collecting and retaining more in revenues than they were allowed to collect and retain under the limit in the previous fiscal year, plus their allowable percentage increase under the limit.</p> <p>For municipalities, the allowable increase would equal:</p> <ol style="list-style-type: none"> a. 60% of the percentage increase in their property values attributable to new construction (net of the value of any property removed or demolished) from the first to the second of the two previous years; plus b. The CPI/personal income growth factor used for the state limit (described above). <p>Counties and special purpose districts would be subject to the same revenue limits as the state, except that the population component of the growth factor would be based on population growth in the county or special purpose district rather than statewide population growth.</p>
DEFINITION OF SPENDING/REVENUE TO WHICH THE LIMITS WOULD APPLY			
<p>The definition of "fiscal year spending" to which the state spending limit would apply would mean all expenditures and budget stabilization fund and emergency fund reserve increases except, as to both, those for refunds made in the current or next fiscal year or those from gifts, federal funds, collections for another governmental unit, pension fund earnings, net proceeds of the state lottery, reserve transfers or expenditures, damage awards, or real property sales, and except for the payment of principal and interest for bonding authorized by elector approval under the</p>	<p>The limit would apply to total budgeted expenditures made by the state, except those that are specifically excluded by law in legislation enacted following ratification of the constitutional amendment. However, with three exceptions, the Legislature could not exclude expenditures from the limit that are funded from a state tax, fee, license, or charge for services imposed or authorized by state statute or administrative rule on individuals, businesses, or agencies outside state government, or from any interest derived from</p>	<p>The Legislature could, by law, exclude any expenditure from the state's limit other than for expenditures funded from taxes, fees, tuition, or charges for services that are deposited into the general fund, transportation fund, conservation fund, environmental fund, recycling fund, public benefits fund, or universal service fund.</p> <p>The state's spending limit would be reduced by any amount transferred to a fund from which excluded expenditures are</p>	<p>The joint resolutions would create a definition of revenue that includes the following items: (a) moneys received from taxes, fees, licenses, permits, assessments, fines, and forfeitures imposed by the state or a local government; (b) lottery proceeds net of prizes; (c) tribal gaming proceeds; (d) all moneys received from bonds, except from municipal economic development bonds (defined as bonds issued to finance real property improvement that is directly related to economic developments, as defined by law), from the refinancing of bonds, or from short-term cash flow borrowing; (e) revenue transferred or spent from a state emergency</p>

<p>2003 AJR 55</p>	<p>joint resolution.</p>	<p>2003 SJR 76</p>	<p>these revenues.</p> <p>The three types of spending that could by law be excluded from the state limit include: (a) expenditures for tax credits; (b) expenditures funded from tuition revenues; and (c) expenditures where under the 2003 Wisconsin Statutes, the revenue was deposited in a fund other than the general fund (including program revenue accounts), transportation fund, conservation fund, environmental fund, petroleum inspection fund, recycling fund, public benefits fund, or universal service fund. The proposal would create a state general fund in the Constitution, which would consist of all moneys that are required to be deposited into the fund by law. The proposal would also define "general purpose revenues" to mean all moneys that are deposited into the state general fund by law, other than any moneys credited to program revenue appropriation accounts that are created by law.</p> <p>For local governments, the limit would apply to total budgeted expenditures made by each local government, except those that are specifically excluded by legislation enacted following ratification of the constitutional amendment. However, with four exceptions, the Legislature could not exclude expenditures funded from any revenue derived from a local tax, fee, license, or charge for services imposed or authorized by a local government on individuals, businesses, or agencies outside local government, or from any interest derived from these revenues.</p> <p>The four types of spending that could by law be excluded from the limit include: (a) expenditures for debt service; (b) expenditures for tax incremental financing districts; (c) expenditures funded from tuition revenue; and (d) expenditures where, in 2003, the revenue was deposited in a fund other than the local government's general fund.</p>	<p>2005 AJR 40</p>	<p>made.</p>
<p>2005 SJR 63/AJR 77</p>	<p>reserve fund, except for moneys transferred or spent for refunds or relief from state taxes; and (f) for the state, the amount of any tax credit enacted after December 31, 2008, if the credit percentage exceeds the applicable highest marginal tax rate.</p> <p>The definition of revenue created by the joint resolutions would specifically exclude excess revenue that the state must deposit into an emergency reserve fund and moneys used for debt service on a municipal economic development bond or to pay a damage award. In addition, moneys received from the following would be excluded from the definition of revenue: (a) the federal government; (b) the provision of governmental services by the state or a local government to governmental entities; (c) gifts; (d) damage awards; (e) real property sales to taxable entities; (f) the operation of a telephone, gas, electric, or water utility; (g) for medical care provided by hospitals, nursing homes, assisted living facilities, or other medical facilities operated by the state or a local government; (h) unemployment insurance taxes; (i) insurance assessments or premiums; (j) employee payments for fringe benefits; (k) governmental property insurance; (l) investment trusts; (m) private purpose trusts; (n) college savings programs; (o) fees imposed for airport or mass transportation systems; and (p) tuition or fees imposed on students to support university or technical college functions. Revenue for the base year for the limit (either calendar year 2008 or fiscal year 2008-09) would not include any moneys generated from bonds.</p> <p>The joint resolutions would allow the Legislature to exclude, for local governments only, revenue from any source other than taxes. However, the Legislature could not exclude any money generated from licenses that exceeds the cost of issuing the license or any money generated from a fee that exceeds the cost of providing the service associated with the fee.</p>	<p>2005 SJR 63/AJR 77</p>	<p>reserve fund, except for moneys transferred or spent for refunds or relief from state taxes; and (f) for the state, the amount of any tax credit enacted after December 31, 2008, if the credit percentage exceeds the applicable highest marginal tax rate.</p> <p>The definition of revenue created by the joint resolutions would specifically exclude excess revenue that the state must deposit into an emergency reserve fund and moneys used for debt service on a municipal economic development bond or to pay a damage award. In addition, moneys received from the following would be excluded from the definition of revenue: (a) the federal government; (b) the provision of governmental services by the state or a local government to governmental entities; (c) gifts; (d) damage awards; (e) real property sales to taxable entities; (f) the operation of a telephone, gas, electric, or water utility; (g) for medical care provided by hospitals, nursing homes, assisted living facilities, or other medical facilities operated by the state or a local government; (h) unemployment insurance taxes; (i) insurance assessments or premiums; (j) employee payments for fringe benefits; (k) governmental property insurance; (l) investment trusts; (m) private purpose trusts; (n) college savings programs; (o) fees imposed for airport or mass transportation systems; and (p) tuition or fees imposed on students to support university or technical college functions. Revenue for the base year for the limit (either calendar year 2008 or fiscal year 2008-09) would not include any moneys generated from bonds.</p> <p>The joint resolutions would allow the Legislature to exclude, for local governments only, revenue from any source other than taxes. However, the Legislature could not exclude any money generated from licenses that exceeds the cost of issuing the license or any money generated from a fee that exceeds the cost of providing the service associated with the fee.</p>	<p>2005 SJR 63/AJR 77</p>	

2003 AJR 55	2003 SJR 76	2005 AJR 40	2005 SJR 63/AJR 77
CARRYOVER OF UNUSED SPENDING/REVENUE AUTHORITY			
<p>No provision.</p>	<p>As noted, the limit for a year would apply to allowable spending in the prior year. Therefore, any excess of allowable expenditures for a year over the amount budgeted for the year would be carried over for purposes of determining the allowable expenditures for the following year.</p>	<p>Notwithstanding the above provisions, the state, a school district, or a local governmental unit could adopt the amount it spent in the previous fiscal year as its current fiscal year spending limit.</p>	<p>As noted, the revenue limit for a fiscal year would be based on allowable revenue from the previous year rather than the actual revenue. Therefore, the state and local governments would be allowed to carry forward 100% of their unused revenue limit authority.</p>
ADJUSTMENTS FOR TRANSFERS OF PROGRAM RESPONSIBILITY AND CHANGES IN LOCAL GOVERNMENT BOUNDARIES			
<p>The Legislature, by law, would have to provide a mechanism to adjust the amount of a limitation under these provisions to reflect any subsequent transfer of all or any part of the cost of providing a governmental function. The mechanism would have to adjust the amount of a limitation so that total costs are not increased as a result of the transfer. The adjustment mechanism would have to be used in determining a limitation under these provisions beginning with the fiscal year immediately following the transfer.</p> <p>The Legislature, by law, would also have to provide a mechanism to adjust the amount of a limitation under these provisions to reflect the cost of providing a governmental function on account of any subsequent annexation; creation of a new governmental unit; or consolidation, or change in the boundaries, of a governmental unit. The mechanism would have to adjust the amount of limitation so that total costs are not increased as a result of the annexation, creation, consolidation, or change in boundaries. The adjustment mechanism would have to be used in determining a limitation under these provisions beginning with the fiscal year immediately following the annexation, creation of a new governmental unit, or consolidation or change in the boundaries of a governmental unit.</p>	<p>No provision.</p>	<p>The Legislature could, by law, adjust the spending limit to accommodate the transfer of services from any governmental unit to another, including the transfer of services that results from annexation.</p>	<p>The Legislature would be allowed, by law, to adjust the revenue limit for the state or local governments to accommodate the transfer of services from any affected government to any other affected government. The authority would include the transfer of services resulting from an annexation. An increase to one government's revenue limit due to this provision would have to be offset by a corresponding decrease to the revenue limit of other governments affected by the transfer of services.</p>

2003 AJR 55	2003 SJR 76	2005 AJR 40	2005 SJR 63/AJR 77
REDUCTIONS IN STATE AIDS			
No provision.	No provision.	The state's spending limit would have to be reduced by the amount of any reduction in state aids to other governmental units.	<p>The state's revenue limit for a fiscal year would be reduced by the amount of any reduction in the aggregate amount of state aid provided to local governments, as compared to the previous fiscal year. This reduction would not apply if a program or function for which the state aid is provided is either eliminated or commensurately reduced in scope or applicability, as determined by the Legislature. The joint resolutions would define "state aid" to mean all of the following, as defined by the Legislature by law, but not to include a one-time grant: (a) shared revenue; (b) equalization aids; (c) community aids that are used to provide social services; (d) general transportation aids; (e) categorical school aids; and (f) aid to technical college districts.</p> <p>A local government would be allowed to collect additional revenue in the current year (calendar year or fiscal year, as applicable) if it receives less state aid (as defined above) in that year than it received in any previous year beginning with either the 2008 calendar year or 2008-09 fiscal year, as applicable. The amount of additional revenue would be limited to an amount equal to the highest level of state aid received in any year beginning with either the 2008 calendar year or 2008-09 fiscal year, as applicable, minus the current year's state aid. The additional revenue would not be included in determining the local government's revenue limit. Therefore, this would be an allowable adjustment that would be recalculated each year, based on that year's aid levels, and would not be added to the revenue limit base. A local government could not use this adjustment for a state aid reduction if a program or function for which the state aid is provided is either eliminated or commensurately reduced in scope or applicability, as determined by the Legislature.</p>
REDUCTION IN LIMIT BY GOVERNING BODY			
No provision.	No provision.	No provision.	The revenue limit for the state could be reduced by a majority vote of the members of each house of the Legislature. Similarly, the revenue limit for a local

2003 AJR 55	2003 SJR 76	2005 AJR 40	2005 SJR 63/AJR 77
<p>No provision.</p>	<p>No provision.</p>	<p>A local governmental unit could exempt itself from any new mandate imposed by the state that is not fully funded by the state or from any mandate for which the state reduces the percentage of costs the state pays for the mandate.</p>	<p>government could be reduced by a majority vote of the local government's governing body. Since the limit for subsequent years is based on the allowable revenues for the prior year, a reduction under this authority would permanently lower allowable revenues.</p>
MANDATE RELIEF			
<p>No provision.</p>	<p>No provision.</p>	<p>A state law or administrative rule that requires the expenditure of funds by a local government could not be enacted or adopted after the resolutions are ratified unless the state provides for the payment to the local government of an amount equal to the reasonable costs that the local government incurs to comply with the law or rule. This prohibition would not apply to a state law or administrative rule enacted or adopted to comply with a requirement of federal law, including a requirement related to the receipt of federal aid. The Legislature would be the sole determiner of "reasonable costs" under this provision.</p>	<p>A state law or administrative rule that requires the expenditure of funds by a local government could not be enacted or adopted after the resolutions are ratified unless the state provides for the payment to the local government of an amount equal to the reasonable costs that the local government incurs to comply with the law or rule. This prohibition would not apply to a state law or administrative rule enacted or adopted to comply with a requirement of federal law, including a requirement related to the receipt of federal aid. The Legislature would be the sole determiner of "reasonable costs" under this provision.</p>
DECISIONS REQUIRING VOTER APPROVAL			
<p>Beginning on the first day that occurs after ratification, a governmental unit would have to have elector approval in advance for any of the following:</p> <ul style="list-style-type: none"> a. Exceeding a spending limit described above. However, approval could not be given for exceeding a spending limit on a permanent basis. b. A new tax (other than an emergency tax as described below), tax rate increase, extension of an expiring tax, or a tax change causing a net tax revenue gain to the governmental unit, including one required under: (1) Article VIII, Section 5 of the Constitution (balanced budget requirement); (2) Article X, Section 4 of the Constitution (taxes required to be imposed by towns and cities that receive revenues from the school fund); and (3) Article XI, Section 3 (3) or (4) of the Constitution (taxes required by local government units to pay debt service). 	<p>For the state, expenditures above the limit would be allowed if approved in advance in a statewide referendum. Approval of additional spending under this provision would increase total allowable spending by the state.</p> <p>For local governments, expenditures above the limit would be allowed if approved in advance in a local referendum. In addition, the proposal would allow the Legislature, by law, to provide an exemption from the local referendum requirement for certain towns, based on their population. Under this provision, the Legislature could allow towns with populations below a threshold, determined by law, to exceed the spending limit if approved by resolution at the annual town meeting or a special town meeting. Approval of additional spending under these provisions would increase total allowable spending for the individual local</p>	<p>Governmental units that are authorized to impose a tax or fee could not do any of the following without the approval of the electorate at a referendum:</p> <ul style="list-style-type: none"> a. Increase net taxes; b. Issue new bonds, except for self-funding economic development bonds and bonds for which the debt service may be paid within the spending limit; or c. Spend more than allowed under the spending limit. <p>The Legislature would be required to provide, by law, for dates for which referenda could be held, including a date in the fall of each odd-numbered year.</p>	<p>The revenue limit for the state or a local government could be exceeded only with the approval of the electors of the state or local government at a referendum. The referendum would have to be held in such manner and at such time as the Legislature prescribes. The referendum question would have to specify whether the increase in the revenue limit is on a recurring or nonrecurring basis. Recurring increases in any one year would be limited to the greater of \$50,000 or 15% of the revenue limit that is in effect prior to the increase.</p>

<p>2003 AJR 55</p>	<p>2003 SJR 76</p>	<p>2005 AJR 40</p>	<p>2005 SJR 63/AJR 77</p>
<p>c. Authorizing bonding other than bonding to refund or refinance outstanding bonds.</p> <p>A ballot issue under these provisions could be submitted only at an election at which either members of the Legislature or members of the judiciary are regularly elected or at a primary election held to nominate candidates to be voted for at such an election, or on the Tuesday next succeeding the first Monday of November in odd-numbered years.</p> <p>A ballot question for an increase in spending, taxation, or bonding would have to begin "SHALL (GOVERNMENTAL UNIT) SPENDING LIMITS BE EXCEEDED BY (full fiscal year dollar amount in excess of the limit)?" or "SHALL (GOVERNMENTAL UNIT) TAXES BE INCREASED BY (first, or, if phased in, final, full fiscal year dollar increase) ANNUALLY?"; or "SHALL (GOVERNMENTAL UNIT) BONDING BE INCREASED BY (INCREASE)?".</p>	<p>government and for all local governments in the aggregate.</p>		
<p>EMERGENCY TAXES</p>			
<p>Any emergency tax imposed by the state would have to meet all of the following conditions:</p> <p>a. Two-thirds of the members elected to each house of the Legislature would have to declare the emergency and impose the tax by separate recorded roll call votes;</p> <p>b. Emergency tax revenue could be spent only after the emergency fund reserve created by the joint resolution is depleted (see below), and would have to be refunded within 180 days after the emergency ends if not spent on the emergency;</p> <p>c. Unless the emergency tax is approved at the first election at which a ballot issue may be submitted (described above) that occurs at least 60 days after the declaration of emergency, the tax would expire at the end of the taxable year in which the election is held.</p> <p>"Emergency" would mean a sudden unexpected</p>	<p>No provision.</p>	<p>No provision.</p>	<p>No provision.</p>

<p>2003 AJR 55</p> <p>happening; an unforeseen occurrence or condition; a perplexing contingency or complication of circumstances; a sudden or unexpected occasion for action; an exigency; or a pressing necessity. The term would exclude economic conditions, revenue shortfalls, and salary and fringe benefit increases of a governmental unit.</p> <p>As noted, emergency taxes could be enacted without voter approval.</p>	<p>2003 SJR 76</p>	<p>2005 AJR 40</p>	<p>2005 SJR 63/AJR 77</p>
<p>RESERVE FUND REQUIREMENTS</p>			
<p>Budget Stabilization Fund. Each governmental unit would be required to reserve in a budget stabilization fund an amount equal to a specified percentage of its fiscal year estimated spending:</p> <ol style="list-style-type: none"> a. For the first fiscal year that occurs after ratification, at least 1%; b. For the second fiscal year that occurs after ratification, at least 2%; c. For the third fiscal year that occurs after ratification, at least 3%; and d. For all later fiscal years, 4% to 15%. <p>Unused reserves would become part of the next year's reserve in the budget stabilization fund.</p> <p>If the use of the reserve decreases the reserve below 4% in the fourth fiscal year that occurs after ratification or a later year, the governmental unit, beginning in the fourth fiscal year, would have to reserve the following amounts, in addition to the unused reserve from the previous year:</p> <ol style="list-style-type: none"> a. 1% or more for the first year after the reserve is decreased below 4%; b. 2% or more for the second year after the reserve is decreased below 4%; 	<p>Any unencumbered general purpose revenues at the close of each odd-numbered fiscal year would be deposited into a budget stabilization fund until the amount in the fund is equal to 3% of general purpose revenue expenditures. Amounts in the budget stabilization fund could be appropriated for allowable expenditures as needed.</p>	<p>If a governmental unit's revenues in any fiscal year exceed its spending limit for that year, the governmental unit would have to deposit the excess revenue into a separate fund, except that the total amount of the fund could not exceed an amount equal to 15% of its spending in that year.</p> <p>The governmental unit would be allowed, without voter approval, to make expenditures from the fund in any fiscal year to: (a) reduce taxes or fees; (b) spend in any fiscal year in which the spending limit exceeds revenues; or (c) by a two-thirds vote of the governing body, to pay the costs of an emergency unrelated to economic conditions. Emergency expenditures and expenditures to reduce taxes and fees made under this provision would be excluded from the spending limit.</p>	<p>Any revenue received by the state in excess of the state's revenue limit would have to be deposited into an emergency reserve fund. However, the total amount in the emergency reserve fund could not exceed 8% of the state's total revenue in the previous fiscal year.</p> <p>Expenditures from the emergency reserve fund could only be made by a majority vote of the members of each house of the Legislature. Such expenditures could only be made for relief from taxes imposed by the state or to substitute for current revenues in a fiscal year in which the state's current revenues are less than the state's allowable revenues.</p>

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<p>c. 3% or more for the third year after the reserve is decreased below 4%; and</p> <p>d. 4% or more for the fourth year after the reserve is decreased below 4%.</p> <p>Money reserved under this provision could not be expended by the state unless two-thirds of the members elected to each house of the Legislature, or by a governmental unit other than the state unless two-thirds of the members of the governing body of the governmental unit, declare the necessity for the expenditure and make the expenditure by separate recorded roll call votes.</p> <p>Emergency Fund. In addition to the budget stabilization fund, each governmental unit would have to reserve in an emergency fund an amount equal to a specified percentage of its fiscal year estimated spending:</p> <ol style="list-style-type: none"> For the first fiscal year that occurs after ratification, at least 1% but not more than 3%; For the second fiscal year that occurs after ratification, at least 2% but not more than 3%; For all later fiscal years, 3%. <p>Unused reserves would become part of the next year's reserve in the budget emergency fund.</p> <p>If the use of the reserve decreases the reserve below 3% in the third fiscal year that occurs after ratification or a later year, the governmental unit, beginning in the third fiscal year, would have to reserve the following amounts, in addition to the unused reserve from the previous year:</p> <ol style="list-style-type: none"> 1% or more for the first year after the reserve is decreased below 3%; 2% or more for the second year after the reserve is decreased below 3%; and 3% for the third year after the reserve is 			

<p>2003 AJR 55</p> <p>decreased below 3%, but the emergency fund could not exceed 3%.</p> <p>Money reserved in an emergency fund could not be expended by the state unless a simple majority of the members elected to each house of the Legislature, or by a governmental unit other than the state unless a simple majority of the members of the governing body of the governmental unit, declare the necessity for the expenditure and make the expenditure by separate recorded roll call votes.</p>	<p>2003 SJR 76</p>	<p>2005 AJR 40</p>	<p>2005 SJR 63/AJR 77</p>
<p>REQUIRED TAX REDUCTIONS AND REFUNDS</p>			
<p>The state and other governmental units would be required to reduce tax rates for the next tax year to reflect the excess of revenues over expenditures in a tax year, unless the electors approve a taxing or spending change.</p> <p>In addition, the state and other governmental units would be required to refund revenue collected, kept, or spent in violation of the above provisions since four full fiscal years before a suit is filed with 10% annual simple interest from the date of the initial violation. Notwithstanding the Constitution's uniformity clause, a governmental unit could use any reasonable method for a refund under this provision, including a temporary tax credit or rate reduction, and a refund would not have to be proportional when previous payments are impractical to identify or return.</p>	<p>Any excess state revenues that are not deposited into the budget stabilization fund described above would have to be used in the following fiscal year for tax relief as provided by law.</p>	<p>No provision.</p>	<p>Any excess state revenue that is not deposited into the emergency reserve fund described above would have to be returned to the taxpayers in the fiscal year following the fiscal year in which the state has the excess revenue.</p> <p>If a local government receives revenue in a year (calendar year or fiscal year, as applicable) that exceeds its revenue limit for that year, the local government would have to return the excess revenue to its taxpayers in the following year.</p>
<p>SELF-EXECUTING; SEVERABILITY</p>			
<p>All of the new provisions would be self-executing and severable.</p>	<p>No provision.</p>	<p>No provision.</p>	<p>No provision.</p>
<p>STANDING TO ENFORCE THE NEW PROVISIONS</p>			
<p>Any individual or class of individuals would have standing to bring a suit to enforce the new provisions. A court of record would have to award a successful plaintiff costs and reasonable attorney fees in the suit, but could not allow a governmental unit to recover costs and reasonable attorney fees unless a suit against it is ruled frivolous.</p>	<p>No provision.</p>	<p>No provision.</p>	<p>Any individual or class of individuals residing in the state would have standing to bring a suit to enforce the new constitutional provisions as they relate to the state or to the local government in which the individual or class of individuals resides or pays property taxes. A court would be required to award a successful plaintiff costs and reasonable attorney fees, but could not allow the</p>

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			state or a local government to recover costs and reasonable attorney fees unless a suit against it is ruled frivolous.
NO GRANT OF NEW TAXING POWER			
The new provisions would not grant new taxing power.	No provision.	No provision.	No provision.
MODIFICATION TO CONSTITUTIONAL AMENDMENT PROCESS			
No provision.	No provision.	No provision.	<p>The joint resolutions would create a new, shorter process to amend the constitutional revenue limits that the resolutions would establish. Currently, either house of the Legislature may initiate a proposed constitutional amendment. If both houses of the Legislature agree to the proposal by majority votes, the proposal is to be referred to the next Legislature and is to be published for three months prior to the time of the election of that Legislature. If a majority of the members of each house of the next Legislature agree to the proposed amendment in the same form, the Legislature must submit the proposed amendment to the people in such manner and at such time as the Legislature provides. If a majority of the people voting on the question approve the proposed amendment, the constitution is amended.</p> <p>Under the joint resolutions, a proposed amendment to the newly-created constitutional section that directly relates to the revenue limits created by that section would only have to pass each house of the Legislature once, rather than twice, before being submitted to a vote of the people. This would allow the revenue limit provision to be amended without an intervening vote by the people for a second Legislature, which would accelerate the amendment process. However, an affirmative vote of the people would still be required.</p>
INITIAL APPLICABILITY			
The new provisions (Article VIII, Section 11 of the State Constitution) would first apply to a governmental unit on the first day of the first fiscal year of the governmental unit that occurs after ratification of the constitutional amendment or as otherwise stated above.	No separate initial applicability date. However, as noted above, the spending limits would first apply to the first fiscal year beginning after ratification of the amendment.	No separate initial applicability date. However, as noted above, the spending limits would first apply beginning in the fiscal year following ratification of the constitutional amendment.	No separate initial applicability date. However, as noted above, the revenue limits would first apply to the 2009 calendar year (for local governments with a calendar year budget) or to the 2009-10 fiscal year (for the state and local governments with a fiscal year budget).

