

Summary of County Library Tax Issues in Ozaukee County
November 12, 2001

Two issues related to the County Library Tax surfaced in Ozaukee County during its recent budget meetings.

The first issue was the County Library Tax exemption requirement.

In a recent Journal Sentinel article, the exemption requirement was the subject of a Town of Cedarburg meeting. Subsequently, there was a meeting hosted by Ozaukee County officials, with the three municipalities in Ozaukee County affected by the exemption requirement: City of Mequon, Town of Cedarburg and Town of Grafton. All three communities participate in separate joint library agreements - City of Mequon and the Village of Thiensville; Town and City of Cedarburg; and the Town and Village of Grafton.

The County Corporation Counsel and Finance Director explained the statute and the application of the statute to the group of municipal officials (mixture of town board supervisors, town administrators, village administrators, library directors and even a municipal attorney). All the municipal officials thought the statute was unfair, an unfunded state mandate, and produced unintended consequences for their municipalities.

Some background, (I think this was explained in the news article): Oz. County increased its appropriation for county library service last year by 26%, because they are now supporting the shared library automation project in addition to reimbursing libraries and bookmobile service. The tax levy rate increase by 22% - from \$0.27 per \$1000 equalized value (EV) to \$0.335 per \$1000 EV. The increase in the tax rate was also caused by the total implementation of the Agricultural Land Use Assessment, since the non-librariated areas of Ozaukee County are primarily Towns with large areas of farms. When this latter rate is used in the exemption calculation for 2002, the requirement increased by 20% to 30% for the three communities because of their high equalized value. For the Town of Cedarburg, the requirement increased from \$132,165 to \$177,237; for Town of Grafton, it increased from \$98,364 to \$125,610; and for Mequon it increased from \$767,465 to \$1,002,092. In all of these cases, their joint library agreement did not produce the amount required for the exemption, as it had in previous years. The joint library agreements allocated the costs on circulation or circulation and registration. The three communities have high equalized value so the tax rate for library services is close to the county library tax rate. The per capita support for their libraries is in the \$25 to \$30 range.

All three communities balked at this requirement, since they believed they were supporting their library well. In order to meet the requirement, the three communities considered removing themselves from the joint library agreement. Doing this during the final 3 months of the year would have been disastrous for the libraries and the remaining communities. The three communities asked the Ozaukee County officials for some relief from the requirement. The County stated that they were administering the exemption formula in 43.64 appropriately. The three communities asked if they could use other library related municipal expenses to meet the requirement. The County was aware of the Division's opinion that debt service and capital expenses were not to be used by municipalities to meet the exemption requirement. They also knew that the County may determine how the exemptions are granted. In this meeting, among the three communities, the libraries and the County officials, the County stated that municipalities could use debt service and capital expenses to meet the requirements. They based their statement on 43.52, which states that, a municipality "may establish, maintain and equip a public library, and may annually levy a tax or appropriate money to provide a library fund, to be used exclusively to maintain the public library." Based on conversations with the County's auditors and their interpretations of this sentence, they stated that "maintain" and "equip" could assume annual capital expenses as well as capital expenses spread over a period of time.

The second issue is the County Library Tax.

A supervisor introduced a motion to split the county library tax - one part would be levied against the non-librariated municipalities for reimbursing libraries and the bookmobile service, the second part would be levied against the whole county for the shared library automation project. He believes that it is fair to levy the cost of serving non-librariated residents on the non-librariated areas but it is not fair to levy the cost of the shared library automation project (which benefits all county residents) on only the non-librariated areas. He argued that the shared library automation project was not included in any definition of "library services" and thus the County was not obligated to include it in the county library tax. He further stated that if his motion was enacted, then the librariated municipalities would only have to meet the exemption requirement for the part of the county library tax levied for library service to non-librariated areas. If this were the case then the three communities above would easily meet the exemption requirement. He also raised the question about the three-year average for the county library service appropriation. Including capital expenses could increase the three-year average to a level that would be higher than what is needed to provide the library service to non-librariated areas.

A couple of observations:

The supervisor's motion on capital expenses does make some sense. Removing capital expenses (if the capital expenses benefit all county residents) from the county library tax would remove the problem that the exemption requirement created. The tax increase for the capital project causes a spike in the exemption requirement and then decreases the exemption requirement after the capital project is paid off.

It also might mitigate a future problem with the maintenance of effort requirement. The capital project would increase the three-year average. When the capital project is paid off, the county's average may be above the needed funds for county library services.

If capital expenses are allowed in the county library service appropriation, why should we not allow capital expenses in municipal library appropriations to meet the exemption requirement?

If the Ozaukee County municipalities seek some legislation on this, it could take a number of forms:

1. Modify the exemption formula.
2. Define municipal appropriation to a library fund so as to include debt service, capital expenses.
3. Define county library services more precisely to include or exclude capital expenses.
4. Allow county to create a two-tier tax - one for county library services to nonlibrariated areas, one for improvement of municipal libraries. The former would be levied on the nonlibrariated areas, and the latter would be levied on the whole county.