



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT WALKER
GOVERNOR

MIKE HUEBSCH
SECRETARY

Division of Intergovernmental
Relations

Post Office Box 8944
Madison, WI 53708-8944
Voice (608) 266-0288
Fax (608) 267-6917

STATE OF WISCONSIN

MUNICIPAL SERVICES PAYMENTS (MSP) PROGRAM

PROGRAM GUIDELINES

TABLE OF CONTENTS

Program Operation Guidelines	2
Introduction	2
(1) User Fee Payments	2
(2) Calculated-Negotiated Annual Payments	2
I. Definitions and Terminology	3
II. Administrative Policy And Procedures	3
III. Formula Determination of Entitlement	5
Sample Calculation of MSP Entitlement	6
Step I: Determine Net Cost of Providing Service	6
Step II: Determine Portion of Net Cost Supported by Local Property Tax	6
Step III: Determine Portion of Net Cost that is Attributable to State Facilities.....	6
IV. Entitlement Negotiation and Adjustments	6
A. Special Conditions Which Warrant Negotiation of General Entitlements	6
B. Special Conditions For Police Services	7
V. Riot and Extraordinary Police Services.....	8
VI. County Government Service Claims.....	8
VII. Additional Information	9

November 2012
Department of Administration
Division of Intergovernmental Relations

Municipal Services Payments Program Operation Guidelines

Introduction

Section 70.119 Wisconsin Statutes (Laws of 1977), provides two means whereby the state shall make reasonable payments to municipalities for certain services directly rendered to state facilities:

(1) User Fee Payments

State payments will be made at established rates for such services as water, sewer, electrical power directly provided to state facilities by a municipality, including garbage and trash collection and disposal, which are financed in whole, or in part, by special charges or user fees. Timely payments for such fees will be made by the state agency responsible for a given facility out of the funds appropriated to that agency or institution.

(2) Calculated-Negotiated Annual Payments

Annual state payments based upon a formula calculation (and negotiation if needed) will be made by the Department of Administration, from specific appropriations provided under s. 20.835(5)(a), for police and fire protection, solid waste handling and other services directly provided to state facilities by a town, village or city which makes no special charge or user fee for such service. In addition, payments may be made in response to claims for certain services provided by a county. Payments are recommended by the Department of Administration each year, subject to the annual review and approval of the Joint Committee on Finance of the Legislature.

The payments related to user fees (Item 1 above) are handled routinely by the respective state agencies in response to municipal billings for eligible services. **(The calculated-negotiated annual payments referred to (item 2) above form the basis for the municipal services payments (MSP) program and are determined by the definitions and procedures contained in these guidelines.)**

The primary purpose of the program is to make an equitable annual payment to municipalities, from a specific state appropriation, in recognition of critical services directly provided to state facilities. The intent of the statute and the effect of these guidelines is to aid in the reduction of local real property taxes by making a state contribution toward the cost of certain municipality generated services financed out of local property tax revenue. The amount of an entitlement per municipality is determined largely by formula, and through additional negotiation for special conditions or situations which may arise.

No special application or request on the part of a city, village or town is required in order to be eligible for the formula determined entitlements. Program administration will be conducted by the Department of Administration. When notice to the department is required under these guidelines, it shall be addressed to:

Philip E. Wells, Program Administrator
Telephone: (608) 266-1927
E-Mail: philip.wells@wisconsin.state.gov

Municipal Services Payments
Wisconsin Department of Administration
101 East Wilson Street - 9th. Floor
P.O. Box 8944
Madison, Wisconsin 53708-8944
Fax: (608) 267-6917

Inquiries regarding the program may also be addressed to the Program Administrator.

I. DEFINITIONS AND TERMINOLOGY

DEPARTMENT. The Department of Administration.

ENTITLEMENT. An amount of money a municipality appears to be entitled to, as determined by approved county claims or by the formula calculation and/or negotiation of cost, tax, revenue and valuation data as related to services per facility.

JOINT COMMITTEE ON FINANCE. The Joint Committee on Finance is a statutory, 16-member standing committee of the Wisconsin Legislature. The Committee's primary responsibility is to serve as the principal legislative committee charged with the review of all state appropriations and revenues. The Committee's title is abbreviated in these guidelines as JCF.

MUNICIPALITY. Cities, villages, towns, counties and metropolitan sewerage districts with general taxing authority.

MUNICIPAL SERVICES. Police and fire protection and garbage-trash collection and disposal services for which no special charges or user fees are levied (services not considered under s. 70.119(1)) directly provided to a state facility and subject to the approval of the Joint Committee on Finance.

PAYMENT. The amount based on total entitlements for aggregate services rendered (as may be reduced for self-provided services and proration if necessary) as approved by the Joint Committee on Finance for release to a municipality.

PAYMENT FLOOR. No entitlement will be recommended for a municipality where the total annual entitlement is less than one-hundred (\$100) dollars.

PRORATED ENTITLEMENT REDUCTION. In the event the annual state appropriation for MSP is insufficient to meet the statewide total of all entitlements, the entitlements will be reduced prorata so that the total of all approved payments will not exceed the appropriation available.

SERVICES DIRECTLY PROVIDED. Those services provided by a municipality that are not included in an existing service contract or agreement with a state agency, are necessary to the normal functioning, safety and peace of a state facility and are approved by the Joint Committee on Finance.

STATE FACILITIES. All state owned and operated buildings and structures or institutional groups of buildings and structures, except highway structures, including the branch campuses of the University of Wisconsin Center System, operated by the state for purpose of conducting authorized activities. Facilities leased by a state agency that are subject to property taxes are not included.

II. Administrative Policy And Procedures

- A. The Joint Committee on Finance is the central authority for the review and approval of all program guidelines, approval of recommended annual payment amounts and for the approval of municipal services which may subsequently be included in the guidelines for the MSP.
- B. The Department will calculate the amount of annual entitlement, including any special adjustments on a MSP WORKSHEET for each service provided by the municipality. A worksheet(s) will be sent to the clerk of each of the appropriate municipalities for review by local officials. If officials have any questions or challenge the aptness or accuracy of the data presented on the worksheets, they must notify the Department within 20 days of receipt of the worksheets. A challenge should indicate the area of possible error, oversight or change. Information developed on the worksheets will be submitted, along with entitlement/payment recommendations, to JCF by the Department.

- C. Amounts of annual entitlement to eligible cities, villages and towns will be determined largely by formula, and in some instances through additional negotiation, by the Department. According to s. 70.119 (6), no later than November 15 annually, the department shall report to the co-chairpersons of the committee, the results of its negotiations and the total payments proposed to be made in the subsequent calendar year. If the co-chairpersons of the committee do not notify the department that the committee has scheduled a meeting for the purpose of reviewing the proposed total payments within 14 working days after the date of the department's report, the department may make the payments.
- D. No payments will be recommended for a municipality which has no property tax levy for municipal purposes or where the calculated entitlement is less than one-hundred (\$100) dollars.
- E. In the event the annual appropriation for MSP is insufficient for full payment of annual entitlements, each municipality's entitlement will result in a prorated entitlement reduction until the total is equal to the amount of appropriation available.
- F. Payments for any approved claims for county services (see Section VI) during the calendar year will be made at the same time, and in addition to, payments for formula derived entitlements. However, such county claim payments will also be proportionately reduced because of insufficient appropriation.
- G. Negotiation or discussion of program related issues is not dependent upon completion of the annual municipal financial report. Discussion and negotiation may be conducted at any time during the year, at the convenience of local officials, provided that sufficient local financial documentation is available.
- H. An overpayment or underpayment in excess of \$5,000 during one program year to a municipality due to incorrect fiscal data, building inventory misallocation or inadvertent oversight discovered within two (2) years from the date that the disbursement is sent to the municipality will be subject to fiscal adjustment in subsequent MSP year(s). In the case of a municipality that is not eligible for a payment in a subsequent year, the municipality must promptly return the amount of overpayment to the Department of Administration. In the case of an underpayment, the municipality will receive the amount even if it is not eligible for a payment in the subsequent year.
- I. Entitlement eligibility will usually be determined for the site municipality, i.e., the civil jurisdiction in which the state facility is located. Where the site municipality provides inadequate or no service, the site municipality can contract for adequate service. The state agency responsible for a facility has the prerogative of selecting the most adequate service source available. In these cases, a formal intergovernmental agreement between the municipalities must document the service arrangement and be provided to the Department upon request. Payment for services will be provided to the site municipality using the program formula to determine the payment amount.
- J. In rural fire service situations where multiple civil jurisdictions may be serviced by a single fire protection unit (department, district, company, etc.), the payment will be made to the site municipality unless some form of service agreement has been negotiated between the state agency and a fire service municipality. It is assumed that fire service costs reported by

the site municipality will be reflective of support contributions or charge payments made to the fire protection unit by the municipality.

- K. Only the operational and overhead costs of a municipal department or agency which is actually responsible for providing a service will be included in the estimation of a service cost; e.g., motor pool or automotive maintenance costs of police patrol cars can be included under police costs but costs of the city attorney's office cannot be included.
- L. Charges for services financed by special assessments, user charges, surcharges, or metered rates are not eligible under MSP but are the responsibility of the specific state agency administering the facility.
- M. State agencies are also responsible for making reasonable payments from their budgets for all sewer services. Where sewer service costs are financed partially or wholly by property taxes, state agencies shall make reasonable payments for that portion of sewer services otherwise paid by property taxes. Municipalities may establish an equitable special charge or user fee pursuant to s. 66.0821(4)(a) for that portion of sewer services paid by property taxes. The Department shall review the charge to determine that it is fair and equitable, and shall then encourage state agencies to make payment. The municipality shall periodically bill the state agencies for all sewer service costs.

III. Formula Determination of Entitlement

- A. For most cities, villages and towns, the entitlements for services rendered will be automatically determined by the program formula based mainly on information presented in the most recent (see C below) Financial Report form submitted to the Department of Revenue. The formula calculates, in effect, a form of "proxy -tax" for police and fire protection service and solid waste handling (where applicable) for each facility.
- B. The sources of data to be used in the MSP entitlement formula include: the full value of state facilities as annually determined by the Division of State Facilities, Department of Administration; the equalized full value of local taxable improvements as determined annually by the Department of Revenue; specific municipal fiscal information (cost of services, services revenues, services aids, relief, federal revenue sharing etc.), as reported annually to, and certified by, the Department of Revenue; and any other information sources necessary to provide accurate, timely and corroborative data used in the formula.
- C. Entitlements for the current calendar year are calculated on the basis of previous calendar year fiscal information. However, the payments are not mailed to municipalities until the year following. For example- entitlements calculated for payments recommended in 2012 will be based on service costs, local revenues and property values for 2011. The actual payment is made early in the year 2013.
- D. A MSP entitlement for a city, village or town is calculated for each type of service. An example of how the formula determines the Base Entitlement is shown on the accompanying page. Note that property values are determined for "improvements only" - land values are not considered.
- E. The formula calculation assumes that the service provided to a state facility is performed at a level equal to or greater than that provided for private enterprises and residences and that the quality of service is sufficient to meet the normal operating standards required by a state facility.

Deviations from standard levels and quality of service will cause reductions or elimination of formula calculated entitlements.

Sample Calculation of MSP Entitlement

Step I: Determine Net Cost of Providing Service

A. Service resources expended (Cost) (personnel, fringe benefits, equipment, capital development, etc.)	\$2,480,000 (A)
B. Service resources provided (Revenues) (specific state and federal aids, subsidies, service fees, etc.)	280,000 (B)
C. net service costs [(A) - (B)]	2,200,000 (C)

Step II: Determine Portion of Net Cost Supported by Local Property Tax (Assumes that state shared revenue payments are used locally to help defray part of the net cost.)

D. State shared revenues (Includes tax rate disparity revenues)	7,920,000 (D)
E. Municipal property taxes collected (includes TIF taxes)	7,480,000 (E)
F. Total general revenue [(D) + (E)]	15,400,000 (F)
G. Percentage of general revenue provided by the municipal property taxes collected [(E) / (F)]	0.48571 (G)
H. Net cost supported by local property tax [(C) X (G)]	1,068,562 (H)

Step III: Determine Portion of Net Cost that is Attributable to State Facilities

I. Value of state buildings (net of land)	32,900,000 (I)
J. Equalized full value of local buildings (net of land)	616,200,000 (J)
K. Total value of buildings [(I) + (J)]	649,100,000 (K)
L. Proportion of total value which is state buildings	0.05069 (L)
M. MSP entitlement [(H) X (L)]	\$54,165 (M)

IV. Entitlement Negotiation and Adjustments

For the majority of municipal service situations, the basic program formula will readily calculate equitable base entitlements for each facility. However, it is recognized that certain locally unique conditions may require possible adjustments of the entitlement level indicated by the formula calculation. Where entitlement adjustments are warranted, such adjustments will be determined by state-local negotiation of the facts of the issue. Negotiations, as may be necessary, will be conducted by the Department with appropriate local officials (or their designees).

A. Special Conditions Which Warrant Negotiation of General Entitlements

1. A service cost not normally incurred by the community under routine municipal responsibility but is attributable primarily to the presence of a state facility.
2. Reporting error or oversight in municipal fiscal information.
3. Municipal annexation of improved areas.
4. Alteration of state facility status, e.g., specific use, closing, sale or lease for non-state purposes, construction.
5. Emergency or other variations not necessarily reflected in current fiscal-operational information.
6. Seasonal variations of need or municipal workload.
7. Should a state agency determine that it is in their best interest to negotiate fees with a provider of police, fire or solid waste service, they may do so by requesting permission from the Department to negotiate with a provider or providers for services and payment. Upon receipt of the request, the Department will respond within 30 days whether or not permission has been granted. DOA reserves the right to provide assistance or negotiate directly on behalf of state

agencies including the University of Wisconsin Hospitals Clinics Authority for municipal services. Should the Department grant permission to a state agency to negotiate for municipal services with a provider and the parties successfully negotiate terms, a signed agreement must be completed by July 1 of the current calendar year, so that payment calculations can be made for that respective year. If negotiations are not successfully concluded by July 1 of the current year, the deadline is moved to the following July 1. A copy of the final agreement must be submitted to DOA within 30 days after the agreement is signed by designees of both the respective state agency and service provider. If the department determines that the agreement is detrimental to either party or if it does not comply with current legal standards, a written notice of objection voiding the agreement will be submitted to both parties within 30 days upon receipt of the written agreement. Should the parties decide to suspend negotiations, a written notice shall be submitted to the Department either within 30 days of the termination of negotiations or before July 1 of the current year.

B. Special Conditions For Police Services

Where the state provides its own self-police services, or where the character of the state institution requires only a reduced level of local police services, appropriate reductions will be made in the MSP base entitlement for police services as follows:

- a. Deduct 20% of the base entitlement for facilities with self-provided security personnel or twenty-four hours a day, seven days a week state personnel in attendance. The need for local police service is extremely rare due to the self-security provided or restricted public access. However, local police provide occasional patrol or close cooperation and generally consider the facility within their central responsibility. Facilities in this category include major state office buildings, domiciliary and controlled environment institutions or seasonal public usage. Examples: Central Wisconsin Center, or the Capitol Building.
- b. Deduct 40% of the base entitlement for facilities with twenty-four hours a day, seven days a week self-provided security personnel but generally unrestricted public access (except night hours). Local police are needed less than 25% of the time to assist state personnel but do perform varying amounts of on-premise patrol, most investigation or other law enforcement functions. Examples: University of Wisconsin-Superior.
- c. Deduct 50% of the base entitlement for facilities with full-time, self-provided twenty-four hours a day, seven days a week police protection with full arrest authority, but generally unrestricted public access (except night hours for certain buildings) and free movement of institutional population. Local police have only cooperative on-premises responsibility but extensive off-premises facility related responsibility. On premise effort by local police is less than 25% of the time (annually). Example: UW-Madison.
- d. Deduct 80% of the base entitlement for minimum and medium security correctional institutions with restricted public access. Local police are needed less than 25% of the time (annually). Local police have minor responsibility for institution protection and safety. Example: Fox Lake Correctional Institution.
- e. Deduct 90% of the base entitlement for maximum security institutions with highly restricted and controlled public access. Local police are needed less than 25% of the time (annually) to assist state personnel with public control. Local police have no responsibility for overall institution protection and safety. Example: Waupun State Prison.

Payments related to ambulance costs will not be subject to this provision even if such costs may be attributed to police activity by the local financial report.

2. Supplements to adjusted entitlements may be made in recognition of widely varying needs of facilities, local cooperative agreements, quality and quantity of state or local police services, etc. Supplemental amounts above the base schedule may be negotiated. The categories of supplements are:
 - a. Add 20% of the adjusted entitlement as a supplement where local police provide direct service for the safety and security of a facility and its occupants, in the form of on-site patrol and enforcement and related investigative or logistic support from 25 to 50% of the time or make more than 33% of the on-premises arrests.
 - b. Add 40% of the adjusted entitlement as a supplement where local police provide direct support (as described above) from 50 to 75% of the time, and more than 33% of the arrests.
 - c. Add 60% of the adjusted entitlement as a supplement where local police provide direct support (as described above) more than 75% of the time or more than 50% of the arrests.
3. In no instance will the combination of adjustments and supplements exceed 100% of the original formula entitlement. Nor will the amount of entitlement for police service be reduced by an amount in excess of the amount expended by the state for self-police service at a given facility.

V. Riot and Extraordinary Police Services

The MSP program contains no provision for payments for so-called riot and extraordinary police payments. Local officials and agency staff should contact the State Claims Board for information concerning related claims. Phone (608) 264-9595 or write to: State Claims Board, Wisconsin Department of Administration, 10th Floor, 101 E. Wilson St., PO Box 7864, Madison, WI 53707-7864. Statutory provisions for extraordinary police service charges are found in s. 16.008, Laws of 1977.

VI. County Government Service Claims

- A. . Services eligible for payment under s. 16.51(7) of statutes cannot be included under MSP claims. Riot control activity qualifying as "Extraordinary Police Service" (as defined in s. 16.008) is not included. Please refer to guideline section V. Where county sheriffs provide services to facilities located in incorporated municipalities with or without a local police force, county sheriffs will not receive payment directly from MSP funds. Rather, the county and the municipality may establish an intergovernmental agreement under which the county receives appropriate payment from the municipality. The intergovernmental agreement shall be provided to the Department upon request. The entitlement formula will continue to be used to determine the payment to that municipality. Any compensation paid by that municipality to the county sheriff's department for services conducted at the state facilities, as specified in the intergovernmental agreement between the municipality and the county, will continue to be an eligible police service expense under the program.

VII. Additional Information

Call (608) 266-1927 for information related to the Municipal Services Payments Program.