**Fiscal Facts: Slow pace of new construction in Wisconsin raises questions**

The tepid pace of new construction in Wisconsin trails recent increases in property values and raises questions about using it as the sole factor to limit local property tax increases.

New state figures show property values in Wisconsin rose last year by the fastest rate since before the Great Recession, with most of that growth comes from appreciation of existing properties. New construction, meanwhile, is growing slowly and is not contributing to rising overall property values in the state the way it did before the recession.

This matters for taxpayers and elected officials because the state uses net new construction to limit property tax increases for local governments across Wisconsin. The link between levy limits and net new construction was established in 2005, when the rate of net new construction statewide was 2.82%. The rate has not reached 2005 levels since, and has been below 1.75% in every year since 2008.

In 2018, the statewide rate of net new construction (1.60%) barely surpassed the relatively low rate of inflation from January 2018 to January 2019 (1.55% as measured by the Consumer Price Index). Less than a quarter of all municipalities had rates of net new construction above the rate of inflation, including only seven of the 20 most populous cities and villages: Madison, Kenosha, Eau Claire, Janesville, Wauwatosa, Wausau, and Menomonee Falls.

Since 2014, the south-central portion of Wisconsin — which includes Madison, Janesville, and Beloit — has had the highest rate of net new construction of any part of the state; 2019 was the third straight year that the region enjoyed a rate above 2%. The west-central region of the state, including Eau Claire, La Crosse, and Wausau, had a rate of 1.85% in 2019, its highest since 2008 and the only other regional rate to beat inflation. The northern region had a rate of just 0.85% and remained under 1% net new construction for the 11th straight year.

A similar story can be told at the county level. Clark, St. Croix, and Dane counties had the highest rates of net new construction, and represented three of just 22 counties that outpaced inflation. Meanwhile, none of the 20 counties located north of Wausau had net new construction rates above 1.5%.

The slow and uneven growth in new construction raises the question of whether the state should reconsider its use as the sole factor in limiting the growth in property taxes. Tying tax increases to net new construction has slowed the growth of municipal and county levies to the benefit of property owners. However, linking increases year after year to a factor that lags inflation for many Wisconsin communities makes it difficult for them to maintain service levels over time.

*This information is a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at wispolicyforum.org.*