



COUNTY OF MILWAUKEE INTEROFFICE COMMUNICATION

Office of the Comptroller
Scott B. Manske, Comptroller

DATE : September 10, 2018

TO : County Executive, Chris Abele
Chairman, Theodore Lipscomb, Sr.

FROM : Scott B. Manske, Comptroller

SUBJECT : Preliminary Tax Levy Limit Estimate for the 2019 Budget

Policy Issue:

The tax levy limit for Milwaukee County is controlled by State Statute 66.0602. The Office of the Comptroller has followed that policy in determining the preliminary limit for 2019.

In general, the allowable increase in levy is limited to the growth in net new construction/terminated tax incremental financing districts (+\$2,934,582) and the growth in the debt service (+\$648,122). The additional allowable levy resulting from these factors is \$3,582,704.

New for 2019, the County must reduce its levy to reflect the receipt of Personal Property Aid, which is anticipated to be \$1,616,781. Additional discussion regarding this provision is on page 3 of this memo. While the revenue is lost from property tax levy, the State will cover this loss with an additional State payment for personal property revenue, thus making the County whole. The County will be more limited in future tax levy increases as a result of reduced tax base growth on certain categories of personal property. This will also result in greater portions of the County's future tax levy being paid by other taxpayers (e.g. residential and commercial taxpayers).

The year over year change in tax levy for the Southeastern Wisconsin Regional Planning Commission (SEWERPC) is also used to calculate the allowable levy. The 2018 to 2019 change for SEWERPC is a decrease of \$12,740 which increases the allowable levy for other uses by \$12,740.

However, there are some items that are excluded from the State imposed tax levy limits. Emergency Management Services (EMS) can be separately levied for by the County, up to EMS's tax levy requirements. The County had utilized this exclusion in prior years to increase the County's levy by \$3.0 million: the tax levy for EMS in 2018. For 2019, it is anticipated that the tax levy contribution to EMS will decrease to \$2.6 million, thus lowering the tax levy funding provided by this exclusion. Based on the 2019 EMS Request the overall levy would need to be reduced by \$370,931.

The County may also utilize \$655,938 of unused allowable levy as part of the carryforward provision included in State Statute 66.0602 (3) (fm).

Therefore, the preliminary levy amount available without using the carryforward provision is \$1,595,102. The maximum available including the use of the carryforward provision is \$2,251,040. *Changes made throughout the budget process and the final sale of the 2018 bond issuances will cause this number to change.*

2019 Allowable Levy Increase*

Levy Limit Provision	Additional Allowable Levy
A) Net New Construction (1.43%) and Terminated TIDs	\$2,934,582
B) Change in Debt Service	\$648,122
C) Change in EMS Levy Available to be Levied for Separately	(\$370,931)
C) 2018 Levy Overage	(\$12,630)
D) Personal Property Aid Levy Adjustment (New for 2019)	(\$1,616,781)
SEWRPC 2018 vs. 2019 Levy Change	\$12,740
Maximum Allowable Levy (Less the Carryover Provision)	\$1,595,102
F) Carryover Provision (Requires 2/3 Vote and lower general obligation debt in current year than previous year)	\$655,938
Levy Amount Available Including Utilization of the Carryover Provision which requires a 2/3 Vote	\$2,251,040

* These amounts are preliminary and are subject to further revision throughout the budget process.

A) Growth Due to the County's Valuation Factor (Wis. Stat. 66.0602 (2))

Current State Statute allows for the County to increase its levy to reflect increases in its valuation. The valuation changes are a function of the net new construction percentage change and the closeout (termination of) Tax Incremental Financing Districts ("TIDs") within the County. The net new construction percentage for the 2019 Budget is 1.43% and the Terminated TID percentage is 0.015%. For the 2019 Budget, the County may increase its levy by \$2,934,582 as a result of these factors.

B) Debt Service (Wis. Stat. 66.0602 (3) (d) (2))

The County has the option to increase its tax levy anytime the debt service increases. The County; however, must decrease its tax levy anytime debt service decreases. For 2018, the debt service is expected to increase by \$648,122. As a result, the County may increase its tax levy by a maximum amount of \$648,122 under this provision. The amount includes estimated 2019 debt service related to the 2018 bond issuances. This amount will change when the actual sale of the County's 2018 bond issuances occurs in September/October. Please contact the Office of the Comptroller for any update to this estimate based on recent debt analysis.

C) Items Excluded from the Levy Limit Provision (Wis. Stat. 66.0602 (3) (e))

The County's levy for the countywide Emergency Medical Services (EMS) is not subject to the levy limit. The County has the ability to levy for these items separately. The total County levy for this item in the 2019 Requested Budget is \$2,651,209. The County used \$3,022,140 of the EMS exclusion by levying separately for this item for the 2018 Adopted Budget. Assuming the 2019 Adopted Budget levy amount for EMS is equal to the Requested amount, a levy reduction of \$370,931 would be required.

In previous years, the Levy Limit memos from the Office of the Comptroller had indicated that the County also had the ability to levy separately for its contribution (\$66,650) to the Milwaukee County Federated Library System. Wisconsin Department of Revenue ("DOR") has indicated that this provision is only available to County's with a population of less than 750,000¹. As a result of the County's inability to utilize this exclusion, the 2018 Adopted Budget was \$12,630 over the levy limit and therefore the state shared revenue payment was reduced by this overage.

D) New for 2019 Personal Property Aid Levy Adjustment (Wis. Stat. 66.0602 (2) (b))

The 2017-2019 state budget (2017 Wisconsin Act 59) expanded the types of personal property that are exempt from taxation. The expansion includes machinery, tools and patterns not used in manufacturing ("newly exempt personal property")². The 2017-2019 state budget also included aid (beginning in 2019) to taxing jurisdictions equal to the property taxes that would have been levied on the newly exempt personal property. The DOR has indicated that the County will receive a personal property aid payment of \$1,616,781 in 2019.

¹ Wisconsin Statute 43.12 (7)

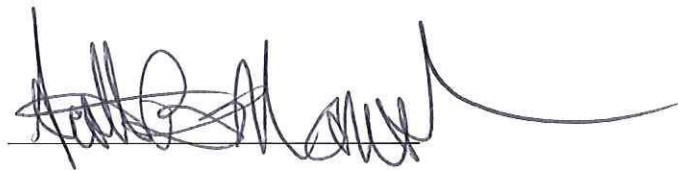
² Wisconsin Statute 70.111 (27) (b)

In addition to providing aid to jurisdictions, the 2017-2019 state budget also adjusted the levy limit down by the same amount as the aid payment. An illustration of how the Milwaukee County Aid/Levy Adjustment works is included in the table below.

	Milwaukee County	Personal Property Taxpayers	State of Wisconsin
Personal Property Aid Payment - Gain (Loss)	\$1,616,781	\$0	(\$1,616,781)
Property Tax Levy - Gain (Loss)	(\$1,616,781)	\$1,616,781	\$0
Net Impact - Gain (Loss)	\$0	\$1,616,781	(\$1,616,781)

E) Carryforward Provision Added in the 2015-2017 State Budget-
(Wis. Stat. 66.0602 (3) (fm))

The County has the ability to carry forward unused levy limit capacity for a period of up to five years under certain conditions. Under prior law, unused levy limit capacity could only be carried forward to the following year and was permanently lost if unused. Under this provision, the maximum amount of carry forward that can be claimed as an adjustment in any given year is equal to 5% of the prior year's actual levy. Claiming the carry forward requires approval by a 2/3 majority vote of the governing body, and the amount of general obligation debt outstanding in the year the carry forward is claimed must be less than the amount of general debt outstanding in the prior year. The amount of the potentially available carry forward adjustment is determined by totaling the amount of any *unclaimed* carry forward percentages from each of the preceding five years' levy limit worksheets. However, since the law specifies that the first worksheet that can be considered is the one for the 2014 levy, this is a four-year look back and will not truly provide for the potential of a five year carry forward until the 2019 levy year (2020 Budget). For the 2019 Budget, the amount of levy available under this provision is estimated to be \$655,938. The 2020 Budget will be the last year that the \$655,938 will be available.



Scott B. Manske
Comptroller

pc: Supervisor Luigi Schmitt, Chair, Committee on Finance and Audit
Raisa Koltun, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board
Teig Whaley-Smith, Director, Department of Administrative Services
Joe Lamers, Director, DAS-PSB
Jeremy Lucas, DAS-PSB
Stephen Cady, Comptroller's Office
Pamela Bryant, Comptroller's Office
Justin Rodriguez, Comptroller's Office