



Revenue Models for Milwaukee County Capital Needs



Goals

Capital

- Milwaukee County (& partners) are facing a growing list of large-scale capital projects which cannot be financed without additional revenue
 - Safety Building Replacement (New Criminal Courthouse)
 - Milwaukee Public Museum
 - Mitchell Park Horticultural Conservatory (Domes)
 - Parks Capital/Major Maintenance

Operating

- Cash financing for capital projects is scarce due to the need for that funding to continue operational programming.





Revenue Options

Six Options

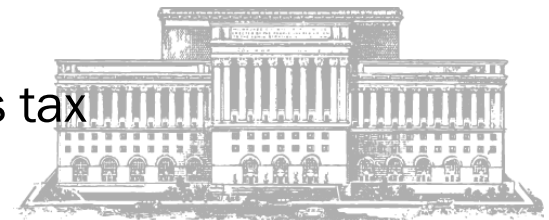
- Option A – Premier Resort Area Tax (PRAT)
- Option B – Hotel, Food & Beverage Taxes
- Option C – General Sales Tax
- Option D – Sales Tax Increment District (STID)
- Option E – Sales Tax – Pittsburgh Model (PITT)
- Option F – Property Tax Referendum





OPTION A – Premier Resort Area Tax (PRAT)

- A 0.5% sales tax on specifically identified categories of goods most related to tourism activities including gasoline, hotels, confectionaries, bakeries, sporting goods, golf courses & misc general merchandise stores
- Already exists in state legislation, municipalities can qualify if
 - 40% of Equalized Assessed value is used by tourism related retailers
 - Governing body passes resolution declaring it a Premier Resort Area
- Proceeds must be used on infrastructure related expenses
- Milwaukee County does not qualify based on statutory criteria
- Already legislative exemption for muni's that don't meet 40% threshold (referendum required instead)
- Lake Delton & Wisconsin Dells allowed 1.25% sales tax

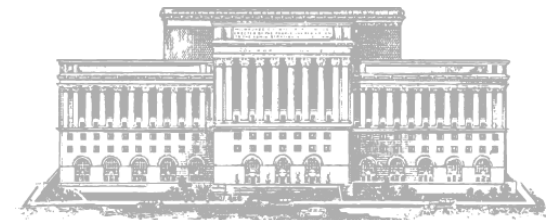




OPTION A – Premier Resort Area Tax (PRAT)

OPTION A – Revenue Projections

Forecast Milwaukee County PRAT Revenue			
	A-1 - PRAT .5%	A-2 - PRAT 1%	A-3 PRAT 1.25%
2020	\$ 38,578,540	\$ 77,157,080	\$ 96,446,351
2021	\$ 39,350,111	\$ 78,700,222	\$ 98,375,278
2022	\$ 40,137,113	\$ 80,274,226	\$ 100,342,783
2023	\$ 40,939,855	\$ 81,879,711	\$ 102,349,639
4 Year Total	\$ 159,005,620	\$ 318,011,240	\$ 397,514,050





OPTION B – Hotel, Food & Beverage Taxes

- Increase existing Wisconsin Center District hotel room taxes and food and beverage taxes in Milwaukee County
- Current fees are Basic Room Tax (2.5%), City of Milw. Add'l Room Tax (7%), Food & Beverage (0.5%) and Car Rental (3%)

Projected Revenue			
	Option B-1	Option B-2	Option B-3
Basic Room Tax	2% Increase	2.5% Increase	3% Increase
Food & Bev.	1.0% Increase	1.25% Increase	1.5% Increase
2020	\$ 29,536,811	\$ 36,921,014	\$ 44,305,217
2021	\$ 30,362,718	\$ 37,953,397	\$ 45,544,077
2022	\$ 31,212,772	\$ 39,015,964	\$ 46,819,157
2023	\$ 32,087,716	\$ 40,109,645	\$ 48,131,574
4 Year Total	\$ 123,200,017	\$ 154,000,021	\$ 184,800,025





OPTION C – General Sales Tax

- A temporary increase in the general sales tax collected by Milwaukee County used for specifically outlined projects.
- All taxable goods subject to collection rate
- Strategy used successfully in Oklahoma City, OK and Denver, CO
- State legislative change required

General Sales Tax Increase		
	Option C-1	Option C-2
2020-2023	<u>.5% Sales Tax Increase</u>	<u>1% Sales Tax Increase</u>
4 Year Total	\$ 331,261,708	\$ 662,523,416

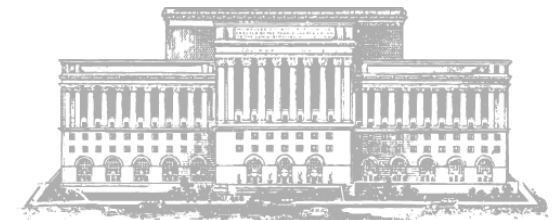




OPTION D – SALES TAX INCREMENT DISTRICT (STID)

- State sales tax revenues are frozen at a point in time and growth from base is diverted to a different purpose for a specified period of time. Same concept as Real Estate Tax Increment District.
- State would forego revenue, Heavy reliance on continued growth of economy
- Models could range from complete freeze to percentage share with state.

Sales Tax Increment Totals (2020-2023)			
	Normal Growth (2.5%)	Slow Growth (1.5%)	Negative Growth
D1 (100%)	\$ 284,428,831	\$ 196,012,872	\$156,061,330
D2 (50%)	\$ 142,214,416	\$ 98,006,436	\$ 78,030,665





OPTION E – SALES TAX PITTSBURGH MODEL

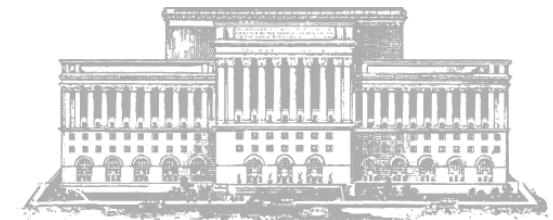
- Countywide 1% general sales tax distributed to three entities
 - 50% - Regional Asset District (newly created local gov unit)
 - 25% - Allegheny County
 - 25% - Local Municipalities
- First year sales tax proceeds for County & Municipalities were required to reduce existing taxes (personal property tax, etc.)
 - Regional Asset District
 - No ability to levy additional taxes, only distribute from sales tax
 - Bonding authority
 - 2% of funds must be spent on regional parks (1% within City of Pitt, 1% rest of county)
 - Administrative costs capped at 1%
 - Funds can be spent on both operating and capital needs
 - Seven member governing board – 6 of 7 votes needed to expend funds
 - Twenty seven member advisory committee comprised of community members





OPTION E – SALES TAX PITTSBURGH MODEL

- Local municipalities are required to contribute 25% of growth increment on intergovernmental cooperation
- Pittsburgh Case
 - Law enacted in 1993, initial funding year 1995
 - Governance changes at cultural institutions from city owned to non-profit with funding provided by Regional Asset District (2017 figures)
 - 1991 National Aviary transitioned to non-profit (\$1.3m)
 - 1993 Phipps Conservatory transitioned to non-profit (\$2.5m)
 - 1994 Pittsburgh Zoo & PPG Aquarium transitioned to non-profit (\$4.2m)
 - Stadium & Convention Center Dist. (\$14.3m)
 - Carnegie Library/Allegheny County Libraries – (\$30.9m)
 - Pitt/Allegheny Parks (\$28.5m)
 - Carnegie Museums (\$3.3m)

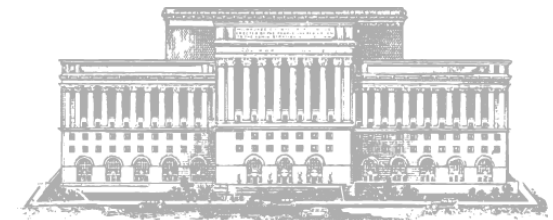




OPTION E – SALES TAX PITTSBURGH MODEL

- Local municipalities (129) are funded through a formula based on equalized value distance from county median. City of Pittsburgh received \$21.4m in funding in 2017.

Sales Tax Pittsburgh Model (2020-2023)				
Option	Sales Tax Percent	Regional Asset District (50%)	County Total (25%)	Municipal Total (25%)
E-1	0.50%	\$ 165,630,854	\$ 82,815,427	\$ 82,815,427
E-2	1.00%	\$ 331,261,708	\$ 165,630,854	\$ 165,630,854
E-3	1.25%	\$ 414,077,135	\$ 207,038,568	\$ 207,038,568
E-4	2.00%	\$ 662,523,416	\$ 331,261,708	\$ 331,261,708

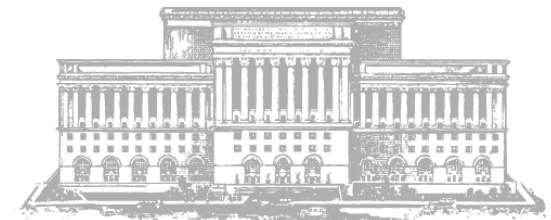




OPTION F – PROPERTY TAX REFERENDUM

Wisconsin State Statutes (59.605) allow counties to exceed established tax levy rate limits by

- a. Passing a resolution to exceed the limit for either a
 - Set number of years or
 - Indefinite period
- b. Schedule referendum – special, primary (fall/spring) or general no earlier than 70 days after passage of resolution
- c. Public notices (A-E) required by County Clerk
- d. ONLY specific language from statute on ballot

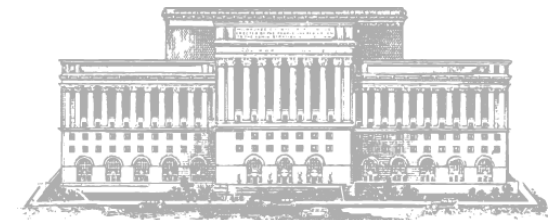




OPTION F – PROPERTY TAX REFERENDUM

- Median home value in Milwaukee County is \$151,200
- Chart represents Milwaukee County portion ONLY of total tax bill

Equivalent Sales Tax	Annual Property Tax Levy Increase	Annual Property Tax Increase (\$150k home)	Percent Increase
0.25%	\$ 40,000,000	\$ 98	12%
0.50%	\$ 80,000,000	\$ 195	21%
1.00%	\$ 160,000,000	\$ 391	35%
2.00%	\$ 320,000,000	\$ 782	52%



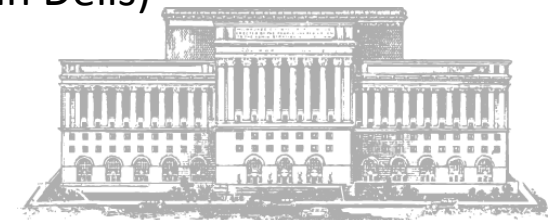


POLICY CONSIDERATIONS - PEER STATES

Sales Tax

Midwest Sales Tax Comparison					
State	State Sales Tax Rank	Statewide Percent	Max Local Tax Rate	Average Combined Sales Tax Percent	Total Sales Tax Rank
Indiana	2	7.00%	0.00%	7.00%	22
Minnesota	6	6.88%	2.00%	7.42%	17
Illinois	13	6.25%	4.75%	8.70%	7
Iowa	16	6.00%	1.00%	6.80%	27
Michigan	16	6.00%	0.00%	6.00%	38
Wisconsin	33	5.00%	1.75%	5.42%	44

- 66 of 72 Wisconsin Counties levy allowable half cent sales tax. Most of state is at a rate of 5.5%
- Max Local Tax Rate of 1.75% only occurs in municipalities where PRAT allowed at highest rate of 1.25% (Lake Delton & Wisconsin Dells)



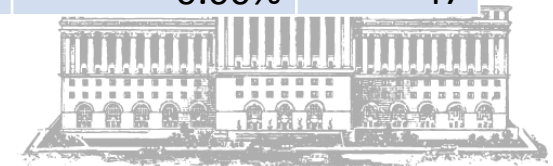


POLICY CONSIDERATIONS - PEER STATES

Of States that charge a sales tax, Wisconsin has the lowest combined rate in the contiguous United States

Bottom 10 Combined Sales Tax Rates United States

State	State Sales Tax Rank	Statewide Percent	Max Local Tax Rate	Average Combined Sales Tax Percent	Total Sales Tax Rank
Virginia	31	5.30%	0.70%	5.63%	41
Maine	29	5.50%	0.00%	5.50%	42
Wyoming	40	4.00%	2.00%	5.46%	43
Wisconsin	33	5.00%	1.75%	5.42%	44
Hawaii	40	4.00%	0.50%	4.35%	45
Alaska	46	0.00%	7.50%	1.76%	46
Delaware	46	0.00%	0.00%	0.00%	47
Montana	46	0.00%	0.00%	0.00%	47
New Hampshire	46	0.00%	0.00%	0.00%	47
Oregon	46	0.00%	0.00%	0.00%	47

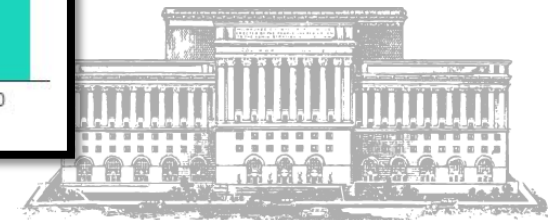
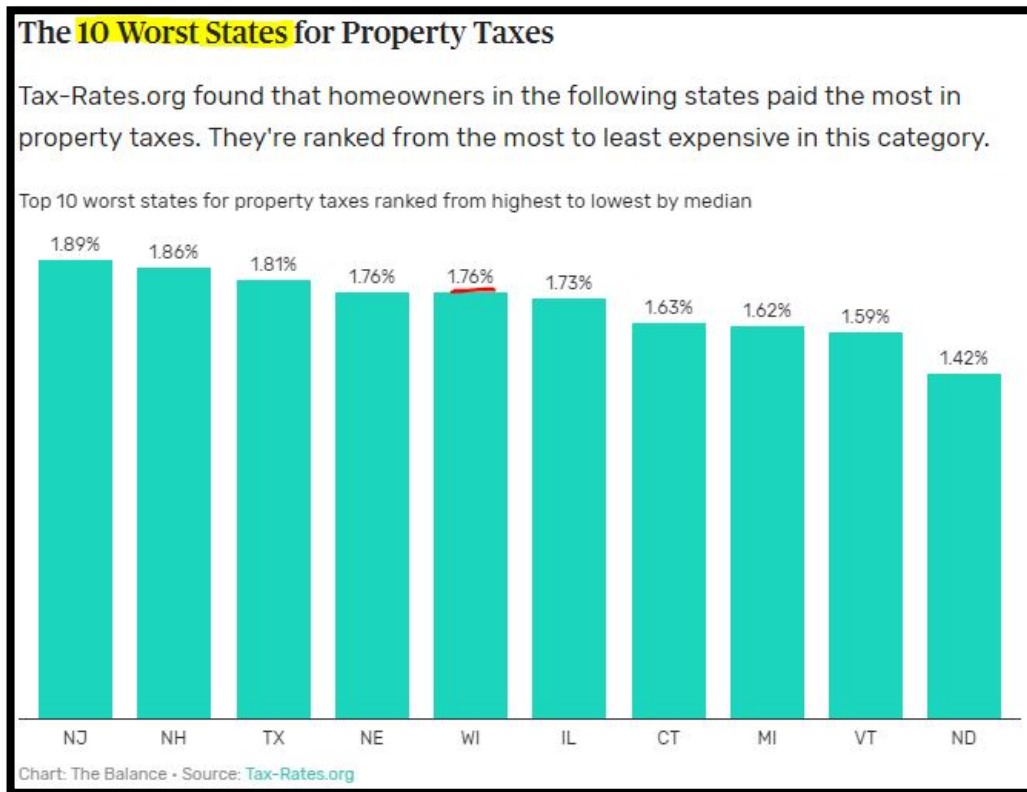




POLICY CONSIDERATIONS - PEER STATES

Property Tax

- Wisconsin property owners pay 1.76% of their home value on average in property tax, ranking it as one of the TOP FIVE most expensive in U.S.

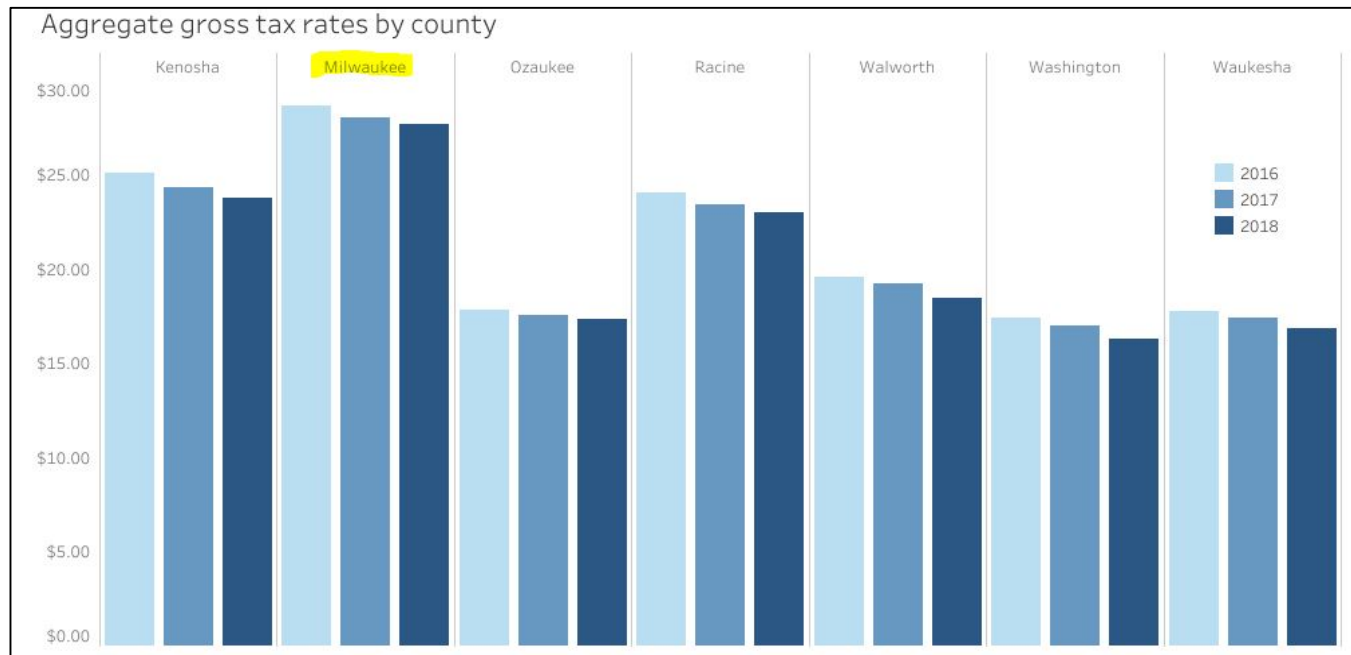




POLICY CONSIDERATIONS - PEER STATES

Property Tax

- Within Southeastern Wisconsin, Milwaukee County property taxes are higher than adjacent counties.
- “Milwaukee County continues to have the highest aggregate gross tax rate in the region by a wide margin at \$27.69 per \$1,000 of equalized value” – Wisconsin Policy Forum





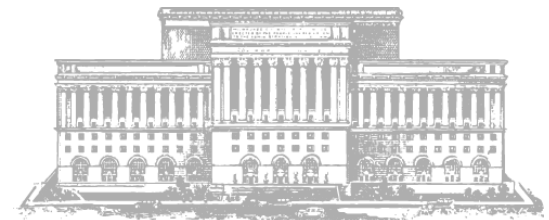
POLICY CONSIDERATIONS

Financing

- Cash vs. Borrowing
 - Interest cost
 - Timeline
 - Project capacity
 - Political capital

Operations vs. Capital

- How much capital relief benefits Ops budget
- Offsetting Revenue needed? (Shared Revenue, taxes)





RECAP

- Any new revenues will require changes in state legislation
 - Must be amenable to both Governor & Legislature
- Authorization of new revenues is often accompanied by a required local referendum
 - Local citizen support required
- Sales tax burden in Wisconsin is comparatively low
- Property tax burden in Wisconsin is comparatively high

