

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: May 19, 2020

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: A resolution waiving interest and penalties on delinquent real property tax installment payments pursuant to 2019 Wisconsin Act 185 to provide relief to Milwaukee County property owners that self-certify they used at least 25% of the property as their primary residence and/or owner-occupied business during the SARS-CoV-2/COVID-19 Pandemic

FISCAL EFFECT:

- | | |
|---|--|
| <input type="checkbox"/> No Direct County Fiscal Impact
<input type="checkbox"/> Existing Staff Time Required
<input checked="" type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)
<input type="checkbox"/> Absorbed Within Agency's Budget
<input checked="" type="checkbox"/> Not Absorbed Within Agency's Budget
<input type="checkbox"/> Decrease Operating Expenditures
<input type="checkbox"/> Increase Operating Revenues
<input checked="" type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures
<input type="checkbox"/> Decrease Capital Expenditures
<input type="checkbox"/> Increase Capital Revenues
<input type="checkbox"/> Decrease Capital Revenues
<input type="checkbox"/> Use of contingent funds |
|---|--|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	SEE NARRATIVE	SEE NARRATIVE
	Revenue	\$0	\$0
	Net Cost	SEE NARRATIVE	SEE NARRATIVE
Capital Improvement Budget	Expenditure	\$0	\$0
	Revenue	\$0	\$0
	Net Cost	\$0	\$0

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

This fiscal note reflects much of the information that was contained in File No. 20-366, most notably the report from the Office of the Treasurer and Office of the Comptroller. NOTE: The hardship definition in this resolution is limited to property owners that self-certify they used at least 25% of the property as their primary residence and/or owner-occupied business compared to the general declaration of hardship contemplated in the report. Please see that file for more information. (The memo is also attached to this file as well.)

- A. Approval of this resolution will waive interest and penalties on delinquent real property tax installment payments pursuant to 2019 Wisconsin Act 185 to provide relief to Milwaukee County property owners that self-certify they used at least 25% of the property as their primary residence and/or owner-occupied business during the SARS-CoV-2/COVID-19 Pandemic. Any municipality wishing to participate will also need to pass a separate resolution at the local level. For the County to administer any waivers of interest and penalty charges on property tax payments that were due on or after April 1, 2020, a new software system (LandNav) is needed at a cost of approximately \$200,000. This software upgrade would also need to be performed by the municipalities (all communities except for the City of Milwaukee) that use the County-financed software solution to improve the accuracy and efficiency of the annual tax settlements.
- B. It is projected that approval of this resolution will result in an expenditure and revenue impact of \$339,000 for 2020 and \$200,000 in subsequent years for a total impact to the County of \$539,000. For 2020, the \$339,000 impact includes: \$89,000 in lost interest and

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

² Community Business Development Partners' review is required on all professional service and public work construction contracts.

penalty revenues on delinquent tax accounts, \$200,000 for new software that is need to account for the interest and penalty waivers, \$25,000 for administrative costs related to processing an increased volume of delinquent taxes and \$25,000 in lost interest due to cash flow. For 2021 and beyond, the lost interest and penalty revenues on delinquent tax accounts is estimated to be \$200,000.

- C. At this time, it is undetermined whether CARES Act funding provided by the federal government to respond to the COVID-19 pandemic could offset the expenses and lost revenues outlined in Item B above. Expenditures (\$225,000) are most likely to be eligible, but revenue loss replenishment (\$314,000) will require further clarification. Moreover, the initial allocation of CARES Act funding must be expended by December 31, 2020 which causes much greater uncertainty for unrealized revenues in 2021 and beyond. This resolution authorizes the \$200,000 for the required software upgrades to be charged against the CARES Act revenues received by the County to manage the waiver of penalty and interest payments. Additional administrative expenses of \$25,000 to process the volume of payments may also later qualify for funding under the grant. Policymakers should be aware that the balance, \$314,000, in potential lost revenues may not be eligible for federal reimbursement and could adversely impact the County's budget in 2020 and future years when the waived penalty and interest payments would have otherwise been paid.
- D. See the report in File No. 20-366 (and attached to this file) for more information on the methodology used to calculate the figures used in this fiscal note. The estimates provided above are 50% less for lost interest and penalty revenues than the figures used in File 20-366. This is due to the hardship criteria outlined in this resolution (property owners must self-certify they used at least 25% of the property as their primary residence and/or owner-occupied business) that narrows the number of parcels that may be eligible for a waiver of interest and penalty on a late property tax installment payment.

Department/Prepared By Steve Cady, Research and Policy Director, Office of the Comptroller

Authorized Signature *Stephen J. Cady*

Did DAS-Fiscal Staff Review? Yes No

Did CBDP Review?² Yes No Not Required