



COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Office of the Comptroller
Scott B. Manske, Comptroller

DATE : May 5, 2017
TO : County Executive, Chris Abele
Chairman, Theodore Lipscomb, Sr.
FROM : Scott B. Manske, Comptroller
SUBJECT : Impact to Milwaukee County of the Transportation Funding Proposal

Policy Issue:

A Legislative Fiscal Bureau (LFB) memo summarizes a 2017-19 State Transportation Budget funding proposal (Proposal) that is being introduced by members of the State Assembly that would among other things 1) Eliminate Milwaukee County's ability to implement a Vehicle Registration Fee (VRF)¹, 2) Eliminate the sales tax exemption for gasoline and diesel purchases in the State and 3) Retain a portion of county sales tax revenues. **This analysis only considers the potential estimated impact of the three items identified above.**

Summary:

The adopted budget for 2017 includes VRF revenue of \$13.5 million. Based on our estimates, under item 1 above, the County would receive \$8.0 million less in budgeted VRF revenue for 2017 and \$16 million less than anticipated for 2018. The County would have to create a plan to reduce budgeted expenditures for 2017 to eliminate any deficit resulting from this legislation.

We have found that on items 2 and 3, the benefit to the County from the elimination of the exemption for sales tax on motor vehicle fuel, would be almost completely offset by the State retaining a portion of County sales tax revenue.

Elimination of Milwaukee County Vehicle Registration Fee

In 2016, Milwaukee County passed a resolution (File 16-567) that instituted a Milwaukee County VRF. The 2017 Adopted Budget included \$13,466,451 in VRF revenue.² The Milwaukee County VRF became effective for all vehicles whose registration expired on March 1, 2017 or later.

¹ Current State Law allows all Counties and Municipalities to implement a Vehicle Registration Fee (Wis Stat. 341.35)

² Of the \$13,466,451, \$11,497,964 is included in the Transit Operating Budget and \$1,968,487 is in Project WT083 Bus Rapid Transit.

The LFB summary of the proposal states that, “any county that first imposed a wheel tax in 2017, that was in effect prior to April 1, 2017, would only be allowed to retain their wheel tax if approved by voters by referendum.” Milwaukee County is the only county that began a VRF in 2017.

The date on which Milwaukee County’s VRF would be prohibited is not specified in the summary. If the Proposal removes Milwaukee County’s VRF affecting all vehicles expiring after June 30, 2017, **it is estimated that Milwaukee County would experience a 2017 budget shortfall of approximately \$8 million³. The estimated 2018 impact would be approximately \$16 million.**

Elimination of the Sales Tax Exemption for Motor Fuel and the State Retention of a portion of Counties’ Sales Tax

The summary indicates that the Proposal would direct the State to collect sales tax on the purchases of gasoline and diesel fuel beginning on October 1, 2017. The Milwaukee County estimated amount of gasoline purchased in Milwaukee County is approximately 91 million gallons. The estimated amount of diesel fuel purchased in Milwaukee County is 29 million gallons.⁴ Assuming average prices⁵ of \$2.40/gal. for gasoline and \$2.95/gal. for diesel, the estimated additional Milwaukee County sales tax collections is \$1.5 million for 2017 and \$6.0 million for 2018.

The summary also indicates that under the Proposal the State would retain \$18 million from the 64 counties that collect sales tax during the 1st year of the biennium and \$25 million during the second year of the biennium. **There is no information available that indicates the timing or the allocation methodology associated with the retainage of the county sales tax revenues.**

Using the 2016 statewide total county collections from the Wisconsin Department of Revenue, Milwaukee County collects approximately 20.4% of the total amount collected by all 64 counties.⁶ Assuming that the amount retained by the State was done in a similar fashion, the State would retain approximately \$1.2 million of Milwaukee County’s 2017 sales tax collections and approximately \$5.0 million of Milwaukee County’s 2018 sales tax collections.

The estimated net impact from the motor vehicle sales tax and the State’s county sales tax retainage is estimated to be approximately \$0.3 million in 2017 and 1.0 million in 2018.



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³ Assumes total actual 2017 VRF Revenue \$5.4 million compared to a revenue budget of \$13.5 million (four months of VRF Revenue with an average of 45,144 vehicles per month and includes \$0.17 per vehicle State admin fee)

⁴ The actual amount of gasoline and diesel purchased in Milwaukee is not known. The estimate is based on a statewide estimate from LFB and then the estimate of the County’s portion is based on the County’s 2016 portion of total taxable sales for all goods.

⁵ The average prices are indicated on page 3 of the LFB summary document.

⁶ <https://www.revenue.wi.gov/DORReports/cotax16.pdf>

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