



COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Office of the Comptroller
Liz Sumner, Comptroller

DATE : September 13, 2024
TO : David Crowley, Milwaukee County Executive
Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors
FROM : Justin Rodriguez, Capital Projects Manager, Office of the Comptroller
SUBJECT : Preliminary Tax Levy Limit Estimate for the 2025 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 2025.

In general, the allowable increase in levy is limited to the growth in net new construction/terminated tax incremental financing districts (\$2,573,243 for 2025) and the estimated growth in the Net Debt Service (\$9,125,715 for 2025). The Net Debt Service represents the principal and interest payments on the County's general obligation debt that is supported by tax levy; it excludes Pension Obligation Bond ("POB") debt service that is supported by the 0.4% sales tax. The additional allowable levy for 2025 resulting from these two factors is \$11,698,958.

There are four other factors, which also have an impact of increasing or decreasing the allowable property tax levy. The four factors, along with their impact on the allowable County property tax levy, are as follows: change in the levy for emergency management services (allowable increase of \$515,352), change in the levy for Southeastern Wisconsin Regional Planning Commission (allowable increase of \$11,475), adjustments in personal property aid (decreases allowable levy by \$3,969,107), and tax levy carryover provisions from prior years (no allowable amount available).

The preliminary levy amount available is \$8,256,678 for 2025. *This preliminary amount includes estimates for the 2025 Recommended Budget. These estimates are subject to change. In addition, the 2024 bond issuances will occur in October 2024 and will cause this number to change.*

2025 Budget - Allowable Levy Increase

Levy Limit Provision	Additional Allowable Levy
A) Net New Construction and Terminated/Subtracted TIDs	\$ 2,573,243
B) Change in Net Debt Service (Excludes POB Debt Service Financed by 0.4% Sales Tax)*	\$ 9,125,715
C) Change in EMS Levy Available to be Levied Separately*	\$ 515,352
D) Personal Property Aid Adjustment	\$ (3,969,107)
E) SEWRPC Levy Change	\$ 11,475
F) Carryover Provision (Requires 2/3 vote of County Board and lower general obligation debt than prior year) (No amount available)	\$ -
Maximum Additional Allowable Levy	\$ 8,256,678

* 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))

The County may 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 2025 Budget is 1.108% and the Terminated/Subtracted TID percentage is 0.042%. For the 2025 Budget, the County may increase its levy by \$2,573,243 because of these factors. For comparison purposes, last year’s net new construction percentage was 1.231% and the terminated TID percentage was 0.165%, which made \$2,862,831 available under this provision.

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

Net Debt Service represents the principal and interest payments on the County’s general obligation debt that is supported by tax levy. Debt service supported by tax levy is exempted from the County’s levy limit. All the county’s non-airport debt service is supported by tax levy **except** for the portion of the POB debt service that is financed with the County’s 0.4% sales tax.

2023 Wisconsin Act 12 (“Act 12”) authorized the County to collect an additional 0.4% sales tax beginning in 2024. According to Act 12, the additional sales tax must be used to fund Milwaukee County’s unfunded pension liability and/or its POB debt service. Any 0.4% sales tax used to finance the POB debt service reduces the total debt service that can be exempted from the levy limits.

New for the 2025 Budget

In December 2023, after the adoption of the County’s 2024 budget, 2023 Wisconsin Act 40 (“Act 40”) was enacted. Act 40 changed the permitted uses of the County’s 0.4% sales tax to include payments for the employer contribution for the County’s Employee Retirement System (“ERS”). This change allows the 0.4% sales tax to replace a like amount of tax levy for the employer contribution. The table below compares the uses of the 0.4% sales tax in the 2024 Adopted Budget with the **anticipated** 2025 Recommended Budget.

Year	0.4% Sales Tax & Uses				Levy Financed POB and Total POB DS	
	Budgeted Sales Tax	Pension UAAL Costs	POB Sales Tax Funded	ERS Employer Contribution	POB Property Tax Funded	Total POB Debt Service
2024	84,085,035	60,638,000	23,447,035	-	3,235,034	26,682,069
2025	83,580,649	57,801,000	18,940,096	6,839,553	18,364,382	37,304,478

For 2025, the Net Debt Service is estimated to increase by \$9,125,715. The increase of \$9,125,715 is driven by a gross debt service increase of \$4,618,776 and a decrease in the amount of POB debt service financed by the 0.4% sales tax of \$4,506,939. The County may increase its tax levy by a maximum amount of \$9,125,715 under this provision. The 2025 debt service amounts will change based on the sizing/structure of the 2024 bond issuances. The bond issuances are anticipated to occur on October 8 and October 23.

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

Under State Statute, Emergency Management Services (“EMS”) can be separately levied for by the County, up to EMS’s tax levy requirements. The County utilized this exclusion in the 2024 Adopted Budget by separately levying \$5,238,327 for EMS. For 2025, the EMS levy amount anticipated to be included in the Recommended Budget is \$5,753,679, thus increasing the tax levy exclusion provided by this provision by \$515,352.

D) 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 included machinery, tools and patterns not used in manufacturing (“newly exempt personal property”)¹. 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. 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. Therefore, in lieu of County property tax levy for personal property, the County receives a payment from the State budget.

In 2023, 2023 Wisconsin Act 12 (“Act 12”) eliminated the taxation of personal property beginning with the property tax assessments as of January 1, 2024. Act 12 also included aid to taxing jurisdictions equal to the property taxes that would have been levied on the personal property. This change will first impact the 2025 Budget. The County will receive a personal aid payment of \$5,468,141 in 2025. The County’s levy limit will be adjusted down by the same amount as the personal property aid payment, not including personal property aid related to terminated TIDs.

The 2024 Budget included an adjustment of \$1,499,034. In the 2025 Budget, the County’s levy limit will be adjusted down by \$5,468,141. Therefore, the incremental impact for the County’s 2025 Budget is a levy limit reduction of \$3,969,107.

E) Southeastern Wisconsin Regional Planning Commission (SEWRPC) levy change

The year over year change in tax levy for the Southeastern Wisconsin Regional Planning Commission (SEWRPC) is also used to calculate the allowable levy. The 2024 to 2025 change for SEWRPC is a decrease of \$11,475 which increases the allowable levy for other uses by \$11,475.

¹ Wisconsin Statute 70.111 (27) (b)

F) Carryforward Provision (Wis. Stat. 66.0602 (3) (fm))

There is no additional allowable levy available under this provision for the 2025 Budget.

The County may carry forward the difference between its valuation factor in the previous year and the actual percentage increase in levy attributable to the valuation factor. 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.

The 2020 Budget utilized this provision to increase the levy limit by \$2,946,235. The \$2,946,235 represented the entire amount of allowable levy available under the carryforward provision. No carryover amount has been available since the 2020 Budget.



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