



COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Office of the Comptroller
Scott B. Manske, Comptroller

REVISION #2

DATE : October 05, 2023
TO : David Crowley, Milwaukee County Executive
Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors
FROM : Scott B. Manske, Comptroller
SUBJECT : Tax Levy Limit Calculation for the 2024 Budget

Summary

Based on the 2024 Recommended Budget, the property tax levy is currently \$4,828,475 under the maximum allowable levy permitted by the state-imposed levy limits.¹

Analysis

The 2024 Budget is the first budget that includes an additional 0.4% sales tax². The additional sales tax must be used to fund Milwaukee County's unfunded pension liability and/or its debt service related to Pension Obligation Bonds ("POB"). The County has \$26,682,069 of POB debt service payments due in 2024. **Any sales tax used to finance the Pension Obligation Bond debt service will reduce the debt service that is able to be exempted from the levy limits.**

The Recommended Budget uses \$23,447,035 of the estimated \$84,085,035 0.4% sales tax for payments of the POB debt service. As a result, the County must reduce the amount of debt service that is able to be exempted from the levy limits by \$23,447,035.

The estimated allowable levy amount for the 2024 Budget has decreased by **(\$19,171,525)** compared to the 2023 Adopted Budget.

The Recommended Budget includes \$288,922,151 of levy (excluding SEWRPC). The maximum allowable levy (excluding SEWRPC) is \$293,750,626. The additional levy that may be included in the 2024 Adopted budget compared to the 2024 Recommended Budget is \$4,828,475.

¹ Wisconsin State Statutes 66.0602

² 2023 Wisconsin Act 12 (Act 12) was enacted on June 20, 2023. County Board Resolution 23-719 authorized the collection of an additional 0.4% Milwaukee County sales tax.

Comparison of 2023 Adopted Budget to 2024 Allowable Levy				
	2023 Adopted Budget	2024 Allowable Levy	Variance	
Operating Levy	\$223,790,670	\$227,071,796	\$3,281,126	
Debt Levy	\$89,131,481	\$66,678,830	(\$22,452,651)	
Total	\$312,922,151	\$293,750,626	(\$19,171,525)	
Comparison of 2024 Allowable Levy to 2024 Recommended Budget				
	2024 Allowable Levy	2024 Recommended Budget	Variance	
Operating Levy	\$227,071,796	\$222,243,321	\$4,828,475	
Debt Levy	\$66,678,830	\$66,678,830	\$0	
Total Remaining Allowable Levy	\$293,750,626	\$288,922,151	\$4,828,475	

Calculation of Allowable Levy for 2024		
	2023 Adopted Levy (Excluding SEWRPC)	\$312,922,151
A)	Net New Construction and Terminated/Subtracted TIDs	\$2,862,831
B1)	0.4% Sales Tax Funding for POBs Reduces Amount Financed by Levy	(\$23,447,035)
B2)	Growth in Gross General Obligation Debt Service *	\$994,384
C)	Change in EMS Levy Available to be Levied Separately *	\$416,165
D)	SEWRPC Levy Change	\$2,130
	Total Changes to Allowable Levy	(\$19,171,525)
	2024 Allowable Levy (Excluding SEWRPC)	\$293,750,626
	2024 CEX Recommended Levy	\$288,922,151
	Remaining Allowable Levy	\$4,828,475

* 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 2024 Budget is 1.231% and the Terminated/Subtracted TID percentage is 0.165%. For the 2023 Budget, the County may increase its levy by \$2,862,831 because of these factors. For comparison purposes, last year’s net new construction percentage was 1.1138% and the terminated TID percentage was 0.139%, which made \$2,785,291 available under this provision.

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. Debt service represents the principal and the interest payments on the County’s general obligation debt and is supported by tax levy. Act 12 authorized the County to collect an additional 0.4% sales tax beginning in 2024. The additional sales tax must be used to fund Milwaukee County’s unfunded pension liability and/or its Pension Obligation Bonds. **Any sales tax used to finance the POB debt service will reduce the debt service that is able to be exempted from the levy limits.** The Recommended Budget applies \$23,447,035 of the 0.4% Sales Tax to the payment of POB debt service expenses.

For 2024, the gross debt service is budgeted to increase by \$994,384. Based on the gross debt service increase of \$994,384 and the decrease from financing of \$23,447,035 of POB debt service with the 0.4% sales tax, the County’s allowable levy will decrease by **(\$22,452,651)** under this provision. The 2024 debt service amounts will change based on the sizing/structure of the 2023 bond issuances. The bond issuances are anticipated to occur on October 17.

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 2023 Adopted Budget to increase the County’s levy by \$5,175,076: the tax levy for EMS in 2023. Any increase in the EMS 2024 budgeted tax levy would become available to be levied separately, while any decrease would lower the County levy for EMS, and the County levy overall. For 2024, based on the current amount included in the Recommended Budget, the tax levy contribution to EMS will increase by \$416,165 to \$5,591,241, thus increasing the tax levy exclusion provided by this provision by \$416,165.

The 2024 Recommended Budget levy is \$4,828,475 under the Maximum Allowable Levy. If the Adopted Budget Levy is less than the total maximum allowable levy, the Office of the Comptroller would reduce the amount of levy excluded for EMS by \$4,828,475. This would not affect the County’s total Budgeted Levy, but it would provide flexibility to utilize this exclusion in future budgets.

D) 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 2023 to 2024 change for SEWRPC is a decrease of \$2,130 which increases the allowable levy for other uses by \$2,130.

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”)³. 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.

For 2024, it is anticipated that the County will receive a State personal property aid payment of \$1,499,034, in lieu of County property tax levy. This amount is unchanged from the prior year. Since the personal property aid amount is unchanged; there is no impact to the County’s allowable levy.

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 impact the 2025 Budget. The County’s levy limit will be adjusted down by the same amount as the personal property payment.

³ Wisconsin Statute 70.111 (27) (b)

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

There is no additional allowable levy available under this provision for the 2024 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.



Scott B. Manske
Comptroller

cc: Supervisor Liz Sumner, Chairwoman, Committee on Finance
Mary Jo Meyers, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board
Joe Lamers, Director, DAS-PSB
Dan Laurila, DAS-PSB
Vince Masterson, DAS-PSB
Amy McKinney, DAS-PSB
Stephen Cady, Comptroller's Office
Pamela Bryant, Comptroller's Office
Justin Rodriguez, Comptroller's Office