

COUNTY OF MILWAUKEE
Memorandum

Date: July 11, 2023

To: Chairwoman Marcelia Nicholson

From: County Executive David Crowley and Director, Strategy, Budget, & Performance, Joe Lamers

Subject: Informational Report in response to File Number 23-685, providing information on the fiscal and policy provisions affecting Milwaukee County in 2023 Wisconsin Act 12

File Type: Informational Report

REQUEST

This report responds to File Number 23-685, passed by the Board of Supervisors at its June meeting, to provide information on the included provisions in 2023 Wisconsin Act 12, and how those provisions affect the County both fiscally and otherwise.

BACKGROUND

2023 Wisconsin Act 12 (“the Act”) was passed on bipartisan votes in the Wisconsin Senate and Assembly and was signed into law by the Governor on June 20, 2023. Broadly, the Act does four things relating to the finances of Milwaukee County:

- (1) Provides the County an option to enact a 0.4% local option sales tax for purposes of funding unfunded accrued actuarial liability (“UAAL”) associated with the County’s legacy Employee Retirement System (“ERS”).
- (2) Milwaukee County’s ERS must set its Assumed Rate of Return (ARR) at 6.8% and its amortization period at no more than 30 years, if the sales tax is adopted.
- (3) To effectuate the local option sales tax, all new employees hired by Milwaukee County to join the Wisconsin Retirement System (“WRS”) rather than ERS.
- (4) Increases shared revenue through creation of new supplemental shared revenue fund and – more importantly – shared revenue is now tied to state sales tax receipts and therefore payments to Milwaukee County can increase with inflation and additional economic activity.

The Act also places several non-fiscal policy requirements upon Milwaukee County, detailed below in this report. Importantly, the non-fiscal provisions of the Act are largely already state law – the decision on whether to enact the local option sales tax has no bearing on whether the policy provisions are enforced against Milwaukee County.

Due to the complexity of the subject matter, this file comprises several reports and accompanying material:

- (1) A report prepared by the Office of the County Executive and Office of Strategy, Budget and Performance broadly explaining the provisions of Act 12.
- (2) A report prepared jointly by the Office of the Comptroller and the Office of Strategy, Budget, and Performance, with additional information on the fiscal impacts of Act 12.
- (3) A copy of Act 12 itself, for reference.
- (4) A State of Wisconsin Legislative Fiscal Bureau Informational Paper on Sales and Use Tax
- (5) A State of Wisconsin Legislative Fiscal Bureau Information Paper on the Wisconsin Retirement System
- (6) A PowerPoint presentation briefly summarizing fiscal impacts of Act 12
- (7) A memo from the Office of Corporation Counsel on the implementation timing of Act 12's various provisions

The Act represents a lifeline for Milwaukee County's finances – without adoption of the sales tax, the County projects a structural deficit of over \$100 million within five years. A deficit of that size would be tantamount to requiring departments to cut 40% of their budgets – including personnel – that would wipe out most, if not all, of the non-mandated services provided by Milwaukee County like parks, transit, and more.

By 2027, Milwaukee County would be unable to provide any services that are not mandated by state law unless the sales tax is implemented. While the revenue earned through the sales tax is earmarked for UAAL payments, property tax levy that was previously set to provide UAAL payments is freed up to use for other priorities in Milwaukee County's budget.

The County Executive and the Administration strongly recommend passage of the local option sales tax to avoid cutting services upon which our residents rely, like transit, public safety, health and human services, and our parks system. In doing so, we recognize that increased taxes of any kind place a unique hardship on the poorest and most at-risk members of our community. If the sales tax is adopted, the County pledges to use the opportunities provided by these additional revenues to lessen the impact on our poorest working families and to shore up and grow services that increase the quality of life in Milwaukee County for all.

ALIGNMENT TO STRATEGIC PLAN

The Act overwhelmingly implicates strategic focus area 3B – *Enhance Milwaukee County's fiscal health and sustainability*. However, without the revenue source provided by the Act, each strategic focus area is at risk as without sufficient funding, Milwaukee County is unable to invest in its strategic focus areas to work

toward our vision of becoming the healthiest county in Wisconsin by achieving racial equity.

VIRTUAL MEETING INVITES

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ATTACHMENTS:

CEX & SBP Report

Comptroller & SBP Report

2023 Wisconsin Act 12

LFB Info Paper – Sales and Use Tax

LFB Info Paper – Wisconsin Retirement System

PowerPoint Presentation

OCC Timing Memo

cc: Kelly Bablitch, Chief of Staff, Milwaukee County Board of Supervisors
Janelle M. Jensen, Legislative Services Division Manager, Office of the County Clerk