



COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Office of the Comptroller
Scott B. Manske, Comptroller

DATE : September 17, 2019

TO : Chris Abele, Milwaukee County Executive
Theodore Lipscomb, Sr., Chairman, Milwaukee County Board of Supervisors

FROM : Scott B. Manske, Comptroller

SUBJECT : Preliminary Tax Levy Limit Estimate for the 2020 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 2020.

In general, the allowable increase in levy is limited to the growth in net new construction/terminated tax incremental financing districts \$3,013,386 and the estimated growth in the debt service \$627,208. The additional allowable levy resulting from these two factors is \$3,640,594.

There are four other factors, which also will have an impact on the allowable property tax levy for 2020. The four factors are as follows, along with their impact on the allowable County property tax levy: adjustment in personal property aid (allowable increase of \$117,747), change in the levy for Southeastern Wisconsin Regional Planning Commission (allowable increase of \$2,380), change in the levy for emergency management services (allowable increase of \$668,817) and tax levy carryover provisions from prior years (allowable increase of \$2,946,235 with 2/3 vote of the County Board of Supervisors). See separate discussion on the carryforward, since this amount was unanticipated until our review of the Wisconsin Department of Revenue ("DOR") website and discussion with the DOR.

Therefore, the preliminary levy amount available without using the carryforward provision is \$4,429,538. The maximum available including the use of the carryforward provision is \$7,375,773. *Changes made throughout the budget process and the final sales of the 2019 bond issuances will cause this number to change.*

2020 Budget Allowable Levy Increase*

Levy Limit Provision	Additional Allowable Levy
A) Net New Construction (1.355%) and Terminated TIDs	\$3,013,386
B) Change in Debt Service	\$627,208
C) Change in EMS Levy Available to be Levied for Separately	\$668,817
D) Personal Property Aid Levy Adjustment	\$117,747
E) SEWRPC 2019 vs. 2020 Levy Change	\$2,380
Maximum Allowable Levy (Less the Carryover Provision)	\$4,429,538
F) Carryover Provision (Requires 2/3 Vote and lower general obligation debt in current year than previous year)	\$2,946,235
Levy Amount Available Including Utilization of the Carryover Provision which requires a 2/3 Vote	\$7,375,773

* 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 2020 Budget is 1.355% and the Terminated TID percentage is 0.106%. For the 2020 Budget, the County may increase its levy by \$3,013,386 as a result of these factors.

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. For 2020, the debt service is estimated to increase by \$627,208. Based on current amounts included in the 2020 Recommended Budget, the County may increase its tax levy by a maximum amount of \$627,208 under this provision.

The Recommended Budget includes the final results from the bond sales that occurred on September 12, 2019. The County has sold its Series 2019A General Obligation Refunding Bonds (tax-exempt), its Series 2019B General Obligation Refunding Bonds (taxable), and its Series 2019C General Obligation Promissory Notes (tax-exempt).

The 2020 debt service amounts will change when the remaining sales of the County's 2019 bond issuances occurs in October.

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

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 2019 Adopted Budget to increase the County's levy by \$2,651,209: the tax levy for EMS in 2019. Since the EMS exclusion amount in the 2019 Budget was equal to EMS tax levy, any increase in the 2020 budgeted tax levy would become available to be levied, while any decrease would lower the County levy for EMS, and the County levy overall. For 2020, based on the current amount included in the Recommended Budget, the tax levy contribution to EMS will increase to \$3,320,026, thus increasing the tax levy funding provided by this exclusion by \$668,817.

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 includes 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. The County received a personal property aid payment of \$1,616,781 in 2019.

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.

For 2020, the State Department of Revenue has indicated that the County will receive a personal property aid payment amount of \$1,499,034. Since the personal property aid amount has been reduced by \$117,747; the County's allowable levy increases by \$117,747.

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 2019 to 2020 change for SEWRPC is a decrease of \$2,380 which increases the allowable levy for other uses by \$2,380.

¹ Wisconsin Statute 70.111 (27) (b)

F) Carryforward Provision Added in the 2015-2017 State Budget-
(Wis. Stat. 66.0602 (3) (fm))

The County has the ability to 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 2019 Budget included an actual levy amount that was equal to the maximum allowable levy amount available including the utilization of \$655,938 of carryforward. However, since there was a reduction in the levy attributable to the County's valuation factor, the 2019 budget net new construction growth percentage of 1.433% or \$2,946,235 is available under the carryforward provision. This percentage will be available for up to five years. This factor is shown on the State Department of Revenue (DOR) website as being available, and has been confirmed with the State DOR.

The factor can be used in whole or in part, but is available only for a five year period (2020 – 2024).



Scott B. Manske
Comptroller

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