

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: June 1, 2020

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: A resolution (20-398) waiving interest and penalties on delinquent real property tax installment payments pursuant to 2019 Wisconsin Act 185 to provide relief to Milwaukee County property owners during the SARS-CoV-2/COVID-19 Pandemic

FISCAL EFFECT:

- | | |
|--|---|
| <input type="checkbox"/> No Direct County Fiscal Impact
<input type="checkbox"/> Existing Staff Time Required
<input checked="" type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)
<input type="checkbox"/> Absorbed Within Agency's Budget
<input checked="" type="checkbox"/> Not Absorbed Within Agency's Budget
<input type="checkbox"/> Decrease Operating Expenditures
<input type="checkbox"/> Increase Operating Revenues
<input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures
<input checked="" type="checkbox"/> Decrease Capital Expenditures
<input type="checkbox"/> Increase Capital Revenues
<input type="checkbox"/> Decrease Capital Revenues
<input type="checkbox"/> Use of contingent funds |
|--|---|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	\$100,000	0
	Revenue	0	0
	Net Cost	\$100,000	0
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
 - B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
 - C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
 - D. Describe any assumptions or interpretations that were utilized to provide the information on this form.
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A. Approval of this resolution will waive interest and penalties on delinquent real property tax installment payments pursuant to 2019 Wisconsin Act 185 to provide relief to Milwaukee County property owners during the SARS-CoV-2/COVID-19 Pandemic. Any municipality wishing to participate will also need to pass a separate resolution at the local level. For the County to administer any waivers of interest and penalty charges on property tax payments that were due on or after April 1, 2020, a new software system (LandNav) is needed at a cost of approximately \$50,000 for the County to install alone or \$200,000 (including municipalities). This software upgrade would not need to be performed by the municipalities (all communities except for the City of Milwaukee) that use the County-financed software solution. The City of Milwaukee collects its own property taxes, and any unpaid delinquent taxes. As to the City of Milwaukee, the fiscal impact to Milwaukee County for passing a resolution will be zero, since the City of Milwaukee collects its delinquent taxes. The resolution is limited to Post March property taxes since any taxes that were delinquent prior to April 1, would not have been a result of COVID-19 fiscal challenges as passed in Act 185 2019. A previous interpretation of Act 185 2019 has changed which required a change in the fiscal note. As now interpreted, if a Post March tax deferment became delinquent (unpaid) as of October 2, 2020, the County would assess interest and penalty on such delinquency to February 1, 2020, as currently required by Statute. A previous interpretation was such Post March delinquency would be assessed interest and penalty from October 1, 2020, instead of February 1, 2020. As a result of the change in interpretation, there is no fiscal impact to the County for lost interest and penalty income.

B. The direct cost to the County for 2020 and 2021 for the City of Milwaukee is zero and as it relates to suburban communities is as follows:

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

Description	City Of Milwaukee		Suburban Communities	
	2020	2021	2020	2021
Lost interest and penalty on Delinquent Taxes	\$ -	\$ -	\$ -	\$ -
Administrative costs	\$ -	\$ -	\$ 75,000.00	\$ -
Lost interest due to cash flow	\$ -	\$ -	\$ 25,000.00	\$ -
	\$ -	\$ -	\$ 100,000.00	\$ -

The County can assess interest and penalties on delinquent property taxes of 18% per annum. The interest and penalties are assessed from February 1st of the collection year. If the resolution is passed, the County would also assess such interest and penalties from February 1st for post March delinquent taxes. There would be no loss in interest and penalties income to the County.

We have included an estimate of \$75,000 for additional administration costs to implement the resolution. If the resolution is passed, the County Treasurer may have to modify its tax collection software to defer interest and penalties on payments made on deferred taxes to October 1. The proposed cost of this software was \$50,000 (County alone). The full cost of changing the software for the County and all municipalities was \$200,000 and such estimate was included in the resolution. However, the Treasurer will have to work with the software vendor to determine a final cost estimate to meet the needs of the County and the municipalities to implement this resolution. In addition, the County Treasurer may have to hire additional staff to manage the additional collections for increased deferrals and delinquencies, which was estimated at \$25,000. The County Treasurer would work with Suburban communities to possibly ask them to do the collection through October 1st.

The estimated loss in interest income due to fronting the funds to communities for delinquent and deferred property taxes until October 1st is estimated at \$25,000. The County would also lose interest income for lost cash flow due to deferred property tax payments if the resolution is passed for suburban communities. The County is required to partially settle with suburban communities on August 20th and provide the remainder of the settlement on September 20th. The County would have to front this money while still providing delinquent taxpayers the opportunity to defer their tax payment until October 1st.

The potential offset to these costs is CARES funds from the Federal Government. Guidance from the Federal government would allow for costs directly related to dealing with COVID-19 are reimbursable. As a result, the administrative costs would be a recoverable item under CARES Act.

- C. At this time, it is undetermined whether CARES Act funding provided by the federal government to respond to the COVID-19 pandemic could offset the expenses outlined in Item B above. Expenditures (\$75,000) are most likely to be eligible. This resolution authorizes the \$200,000 for the required software upgrades to be charged against the CARES Act revenues received by the County to manage the waiver of penalty and interest payments. Additional administrative expenses of \$25,000 to process the volume of payments may also later qualify

for funding under the grant. Policymakers should be aware that the balance, \$25,000, in potential lost revenues may not be eligible for federal reimbursement.

- D. All the estimates are based on discussions with suburban communities, Corporation Counsel and the County Treasurer Office. Final resolution of the total dollar amount of software changes that will need to be made will be determined over the next several months in working with the County property tax software vendor.

Department/Prepared By Office of the Comptroller - Scott B Manske_____



Authorized Signature

Did Fiscal Staff Review?

Yes

No

Did CDBP Review?²

Yes

No

Not Required

² Community Business Development Partners' review is required on all professional service and public work construction contracts.