

Parks

Recreation and Culture



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Milwaukee County Supervisor - 16th District



Parks, Recreation & Culture / Public Safety / Transit

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Funding Plan
For
Parks, Recreation & Culture / Transit / Public Safety in Milwaukee County
That leads to property tax relief

The need for property tax relief in Milwaukee County and the State of Wisconsin has been a major issue discussed by different units of government for over a decade. The proposal put forward in the following pages, describes a mechanism in which Milwaukee County can achieve a property tax reduction of \$78 million or more, along with stabilizing a revenue stream for the future.

The 1% sales tax solution and how it can work.

Milwaukee County's current Property tax levy spending on Parks, Recreation & Culture (PR&C) is \$37.5 million this along with \$21.3 million of property tax levy spent on the Milwaukee County Transit System (MCTS) is a ever increasing burden on local homeowners and is a deterrent to future economic growth in Milwaukee County.
(Attachment A - listing of entities that makeup PR&C)

Parks, Recreation & Culture - \$37.5 million

Milwaukee County Transit System - \$ 21.3 million

Total amount = \$58.8 million

The question facing many if not all-local units of government is how to pay for the increasing cost of services that add value to our communities without overburdening property owner or creating a disadvantage economically?

The solution is to shift from a property tax based approach to a sales tax. This is not a new approach but a technique that has been used to pay for recent major community improvements such as Miller Park baseball stadium and the Midwest Airlines convention center. The current sales tax in Milwaukee County in its highest form is 5.85% with the largest share going to the state of Wisconsin.

State of Wisconsin	5.00 %
Milwaukee County	0.50
*Wis. Cntr. Dist.	0.25
Miller Park	0.10
Total	5.85 %

* Wisconsin center district tax is on food and beverage only.

Revenue generated by a 1% sales and use tax can reliably be estimated at \$120 million per year with anticipated annual growth equal to that of the local economic growth. A conservative estimate is that approximately 30% of the sales taxpayers would come from outside Milwaukee County; this will result in a further shifting and spreading of the tax burden of providing Milwaukee County's regional facilities and attractions.

Property Tax Relief

The reduction of Milwaukee County's property tax levy is achieved by using sales tax revenue to supplant the current property tax levy. Reducing the current tax levy from \$241 million to \$182.2 million and leaving approximately \$61.2 million for new investment in our community assets. The new levy amount would be subject to State of Wisconsin tax levy cap restrictions.

The follow is a breakdown of the allocation of new sales tax revenue:

Parks, Recreation & Culture – \$22.5 million of new resources + tax levy replaced \$37.5 million = \$60 million (total equivalent to .5% of sales tax revenue.)

Milwaukee County Transit system - \$18.7 million of new resources + tax levy replaced \$21.3 million = \$40 million (total equivalent to .35% of sales tax revenue.)

Public Safety - \$20 million (total equivalent to .15% of sales tax revenue.)

Public Safety Funds Distribution

Public safety revenue would be passed thru to local municipalities without Milwaukee County taking any administrative fee. The amount of revenue received by each municipality would be based on population. Example: Milwaukee County's population in 2000 was estimated at 940,164. \$20 million divided by 940,164 equals \$21.27 per resident. The city of Wauwatosa's population in 2000 was 47,271 x \$21.27 equals \$1,005,454 million in public safety funds the city of Wauwatosa would receive for uses it deemed appropriate for public safety.

Example#2: North Shore communities, population is 40,590 x \$21.27 = \$863,349.30
(Attachment B – breakdown of funding for each municipality)

Segregated accounts and stabilization fund

Accounts for the PR&C and Transit would be separate from the overall county budget and would not be transferable to other county or municipal programs.

Placing 10% of the sales tax allocated to PR&C into a trust account for the first three (3) years would fund a stabilization reserve. Restrictions on the reserve would include requiring a $\frac{3}{4}$ vote of the members elect of the Milwaukee County Board of Supervisors

for withdrawals, limiting withdrawals to no more than 50% of the fund and restricting fund use to PR&C purposes only. No withdrawals would be permitted in the first three years.

Example: a sales tax allocation for PR&C in the first year is \$22.5 million, a 10% deduction for the reserve account would equal \$2.25 doing this for the next two years and limiting withdrawals would equal approximately \$6.75 to \$7.5 million. The stabilization reserve amount is equal to approximately 11% of the PR&C overall budget.

MCTS fund would work in the same manner requiring that 10% or more of the first three years of sales tax revenue be placed in a trust account creating a stabilization reserve fund for MCTS. Withdrawals would require a $\frac{3}{4}$ vote of the members elect of the Milwaukee County Board of Supervisors and would be limited to no more than 50% of fund. Withdrawals are limited to MCTS purposes only and no withdrawals may be taken from the stabilization reserve fund within the first three years.

The use of a stabilization reserve fund is to help smooth out possible variances in economic activity. Public Safety funds will not be required to establish a reserve fund.

Effect on the average homeowner in the City of Milwaukee

The following is an example of how the property tax bill for an average home (\$150,000 assessed value) in the city of Milwaukee would be affected by a change in the sales tax.

Milwaukee County Tax Levy for 2006 = \$232,500,000 million.

City of Milwaukee Assessed rate = \$4.40

Home in the city of Milwaukee valued at \$150,000 paid **\$660.00 in property taxes** to Milwaukee County in 2006

Milwaukee County Tax Levy for 2007 = \$241,000,000 million.

City of Milwaukee Assessed rate = \$4.17

Due to the real estate market in the Milwaukee area and local assessment practices, the estimated real estate value has increased 10% resulting in the \$150,000 home now being valued at \$165,000.

Home in the city of Milwaukee valued at \$165,000 paid **\$688.00 in property taxes** to Milwaukee County in 2007.

PROPERTY TAX INCREASE of \$28.00 over 2006.

Milwaukee County Tax levy 2007 with Sales Tax = \$182,200,000 million

With the introduction of a sales tax change, Milwaukee County would see a 25% reduction in its tax levy resulting in a major decrease in property taxes for homeowners.

City of Milwaukee Home valued at \$165,000. Assessed Rate = \$3.15

Home in the city of Milwaukee valued at \$165,000 would have paid **\$519.00 in property taxes** to Milwaukee County in 2007.

PROPERTY TAX REDUCTION = \$169.00

Conclusion

The major reduction in the Milwaukee County tax levy that is brought about by the sales tax proposal not only brings property tax relief to homeowners but also creates the revenue necessary for investment in our community assets. Assets that will attract future economic activity and further reduce the need to increase the property tax. The proposal safe guards the revenue generated by instituting segregated non-transferable accounts and establishes' a stabilization reserves to protect against changes in the economy.

The sales tax proposal is not a new invention that has never been tried in Milwaukee County or the state of Wisconsin; in fact it has been the mechanism of choice and has been proven successful.

The overall changes to our statewide economy and national economy along with changes in how people finance the purchasing of property, dictates that local governments need to change the way they tax. The property tax is no longer a sufficient means to judge a person's ability to pay taxes. Current and future efforts must center on creating new solutions that will provide the greatest level of tax fairness.

ATTACHMENT A

List of entities that makeup Parks, Recreation & Culture.

- Milwaukee County Parks Departments
- Milwaukee County Zoo
- Milwaukee Public Museum
- Marcus Center for the Performing Arts
- Milwaukee County War Memorial Center
- Charles Allis / Villa terrace Museum
- Milwaukee County Federated Library System contribution
- Milwaukee County Historical Society
- Milwaukee County Funding for the Arts
- U.W. Extension

ATTACHMENT B

PUBLIC SAFETY FUNDS

City or Village	Population	\$ Amount
Bayside	4,415	93,907
Brown Deer	12,170	258,855
Cudahy	18,429	391,984
Fox Point	7,012	149,145
Franklin	29,494	627,337
Glendale	13,367	284,316
Greendale	14,405	306,394
Greenfield	35,476	754,574
Hales Corners	7,765	165,161
Milwaukee	596,974	12,697,636
Oak Creek	28,456	605,259
River Hills	1,631	34,691
St. Francis	8,662	184,240
Shorewood	13,763	292,739
South Milwaukee	21,256	452,115
Wauwatosa	47,271	1,005,454
West Allis	61,254	1,302,872
West Milwaukee	4,201	89,355
Whitefish Bay	14,163	301,247
TOTAL \$ AMOUNT	940,164	19,997,281



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

March 2, 2007

TO: Representative Jason Fields
Room 109 North, State Capitol

FROM: Bob Lang, Director

SUBJECT: Legislation Authorizing the Creation of Local Park Districts

At your request, this memorandum provides information relevant to several questions you raised regarding LRB 0220/2, which would authorize the creation of local park districts. Also, you asked for information relative to Milwaukee County, where possible.

What fiscal restraints would a park district be under?

The proposal would grant local park districts the authority to impose a property tax. This authority would be independent of the municipalities or counties from which the district is created. However, in the district's initial year, its levy would be set at the greater of the sum of the tax levies imposed for park and recreational purposes in the district's underlying municipalities or counties in either of the two years preceding the district's creation. Thereafter, the district's tax levy would be prohibited from exceeding one mill, based on the district's equalized value. For 2006, Milwaukee County's equalized value equaled \$61,640.0 million, so a tax levy of one mill would have generated \$61.6 million to fund 2007 expenditures. Milwaukee County's 2007 budget reports authorized expenditures for its Department of Parks, Recreation, and Culture of \$40.1 million. This does not include \$1.5 million in parks-related costs included under the budgets of other departments. Of these expenditures, the County indicates that \$23.5 million are borne by the property tax and \$18.1 million are funded from other revenues. While Milwaukee County provides most park services in the County, cities and villages also provide some services. Based on financial reports for the most recent year on file with the Department of Revenue, 2005 park and recreation expenditures in Milwaukee County cities and villages totaled \$10,358,900.

How would the district levy additional resources for its operations?

The proposal would authorize local park districts to exceed the one mill limitation, as

separate and independent government, local park districts would be recognized as a body corporate and politic. The proposal would grant districts a number of powers, including to adopt an official seal, sue and be sued, maintain an office, employ personnel, enter contracts, purchase insurance, adopt and enforce rules and regulations, accept gifts and aid, receive revenue, impose fees, pay bills, and issue debt. Each district would be required to hire a parks director and clerk.

I hope you find this information helpful.

BL/RO/bh

Starbucks Example

2006 example

One Grande Mocha cost = \$3.50

Sales Tax = 5.85%

Breakdown

State 17.50 cents
Milw. Cnty 1.75
Wis. Cntr. Dist. .. .88
Miller Park35

Total 20.48 cents

With 1% Sales Tax = \$3.50 x 6.85% = .2398 or 24 cents / 4 cent increase.

**** STARBUCKS COFFEE COMPANY ****

THIRD WARD #02512
MILWAUKEE WI53202
--- DUPLICATE RECEIPT ---
1 GR MOCHA 3.50
SUBTOTAL 3.50
TAX 5.85 0.20
TOTAL 3.70
CASH 20.00
CHANGE DUE 16.30

02512 01B2 699884 001175980M
06/07/06 07:52
--- DUPLICATE RECEIPT ---
Love What You Do.
Talk to a store manager
about working at Starbucks or
visit Starbucks.com/careers.

2007 example

One Grande Mocha cost = \$3.55

Sales Tax = 5.85%

Breakdown

State 17.75 cents
Milw.Cnty 1.78
Wis.Cntr.Dist.89
Miller Park36

Total 20.78 cents or 21cents

With 1% Sales Tax = \$3.55 x 6.85% = .2432 or 24 cents / 3 cent increase.

**** STARBUCKS COFFEE COMPANY ****

THIRD WARD #02512
MILWAUKEE WI53202
--- DUPLICATE RECEIPT ---
1 GR MOCHA 3.55
000047
SUBTOTAL 3.55
TAX 5.85 0.21
TOTAL 3.76
CASH 5.00
CHANGE DUE 1.24

02512 01A1 700975 001060342M
04/18/07 09:10
--- DUPLICATE RECEIPT ---
How Green Can You Be?
Play Planet Green Game and
plug in the code COOLBEANS to
access a bonus set of wheels.
www.planetgreengame.com

WISCONSIN VS ILLINOIS TAX RATES

A side-by-side comparison of tax rates in the State of Wisconsin and Illinois

Wisconsin Taxes

Corporate Income

Base: Net Income
Rate: 7.9%
(plus a recycling surcharge equal to 3.00% of tax due before credits).
Apportionment: 100% sales (eff. 2008)

Personal Income

Rates: 4.60% to 6.75%
(the recycling surcharge also applies to net business income of individuals at the rate of 0.2%).*

Property

Base: Real property and tangible personal property (exemptions for machinery and equipment used in manufacturing; manufacturing, merchant and farm inventories; and computer hardware and software.)

Statewide average rate (excluding Milwaukee County) is estimated at \$19.55 per \$1,000 of full value. Rate for property in Milwaukee County is estimated at \$27.00 per \$1000 of full value.

Sales & Use

State rate: 5.00%
Local County option: 0.50%
Stadium Taxes: 0.10% / 0.50%
(Metro-Milwaukee / Brown County)
Combined rates: 5.00% - 5.60%

Unemployment Compensation

Base: \$10,500
Rates: 0.05% - 9.80%
New Employers: 3.25% to 3.40%
New Construction Employers: 6.60%

Illinois Taxes

Corporate Income

Base: Net Income
Rate: 7.3%
(4.8% corporate tax plus a personal property replacement tax of 2.5%).
Apportionment: 100% sales

Personal Income

Rates: 3%
(S corporations, trusts, and partnerships pay an additional personal property replacement tax of 1.5% of net income).

Property

Base: Real property

Statewide average rate (excluding Cook County) is estimated at \$20.00 to \$30.00 per \$1,000 of full value for commercial and non-commercial property. Cook County average commercial/industrial rate is estimated at \$60.00 to \$100.00 per \$1,000 of full value.

Sales & Use

State rate: 6.25%
Local option rate: 0.25% to 3.00%
Combined rates: 6.25% to 9.25%
(for general merchandise)
Cook/DuPage County: 9.00% / 7.75%

Unemployment Compensation

Base: \$11,000
Rates: 1.1% to 8.9%
New Employers: 4.2% generally

City of Chicago - Additional Taxes

Employer's Expense Tax, Vehicle Fuel Tax, Telecommunications Tax, Transactions Tax

* Surcharge limited to maximum of \$9,800 and a minimum of \$25. The surcharge is generally imposed on taxpayers engaged in trade or business with gross receipts of at least \$4,000,000 for the taxable year.



Governor Jim Doyle, Chairman

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ForwardWI.com

Source: Deloitte & Touche LLP, January 2006

WISCONSIN VS MINNESOTA TAX RATES

A side-by-side comparison of tax rates in the State of Wisconsin and Minnesota

Wisconsin Taxes

Corporate Income

Base: Net Income
Rate: 7.9%
(plus a recycling surcharge equal to 3.00% of tax due before credits).
Apportionment: 100% sales (eff. 2008)

Alternative Minimum Tax

None

Personal Income

Rates: 4.60% to 6.75%
(the recycling surcharge also applies to net business income of individuals at the rate of 0.2%).*

Property

Base: Real property and tangible personal property (exemptions for machinery and equipment used in manufacturing; manufacturing, merchant and farm inventories; and computer hardware and software.)

Statewide average rate (excluding Milwaukee County) is estimated at \$21.00 per \$1,000 of full value. Rate for property in Milwaukee County is estimated at \$27.00 per \$1000 of full value.

Sales & Use

State rate: 5.00%
Local County option: 0.50%
Stadium Taxes: 0.10% / 0.50%
(Metro-Milwaukee / Brown County)
Combined rates: 5.00% - 5.60%

Unemployment Compensation

Base: \$10,500
Rates: 0.05% - 9.80%
New Employers: 3.25% to 3.40%
New Construction Employers: 6.60%

Minnesota Taxes

Corporate Income

Base: Net Income
Rate: 9.8%
Apportionment: 100% sales (eff. 2014)

Alternative Minimum Tax

Base: Alt. minimum taxable income
Rate: 5.8%

Personal Income

Rates: 5.35% - 7.85%

Property

Base: Real property and a few select types of personal property, e.g. certain electric generating and transmission equipment.

The rate is estimated at \$33.00 per \$1,000 of full value for commercial-industrial property.

Sales & Use

State rate: 6.50%
Local County option: 0.00% to 1.00%
(Cook County)
Local City option: 0.50% to 1.00%
Combined rates: 6.50% to 7.50%

Unemployment Compensation

Base: \$24,000
Rates: 2.7% to 9.7%
New Employers: 2.74%
New Construction Employers: 9.68%

* Surcharge limited to maximum of \$9,800 and a minimum of \$25. The surcharge is generally imposed on taxpayers engaged in trade or business with gross receipts of at least \$4,000,000 for the taxable year.



Governor Jim Doyle, Chairman

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Source: Deloitte & Touche LLP, August 2006