



WISCONSIN LEGISLATURE

P. O. Box 7882 Madison, WI 53707-7882

**Assembly Committee on Ways and Means
Testimony on Assembly Bill 521
March 5, 2020**

**Senator LaTonya Johnson
Representative Evan Goyke**

Good morning members of the committee,

Thank you for the opportunity to testify in support of Assembly Bill 521 (AB 521)—which will allow Milwaukee County to hold a referendum asking residents if they support creating a 1.0% local sales tax. AB 521 will provide revenue flexibility for the City of Milwaukee and Milwaukee County by taking pressure off local property tax levies and helping local governments to address critical needs like public safety and capital maintenance.

As Wisconsin's largest city, Milwaukee faces both unique challenges and unique opportunities. Like the state's premier resort areas, Milwaukee attracts millions of visitors from around the globe who take advantage of local attractions like the Fiserv Forum, Summerfest, and the County Zoo. In 2018, tourism accounted for \$2.1 billion of direct visitor spending in Milwaukee County. But because Milwaukee relies so heavily on property taxes to fund its public services, these visitors avoided paying their fair share of local taxes to support these efforts. A local consumption tax would ensure that the tax burden is shared among local residents and the visitors who enjoy what Metropolitan Milwaukee has to offer.

Milwaukee is also unique when compared to peer cities or regions around the country. Other states in the Midwest empower local units of government, especially in the largest communities, to raise revenues and diversify the revenue streams they rely upon to fund public services. Neighboring states have allowed these local governments to increase sales tax to address their unique needs (Minneapolis 8.025%; Chicago 10.25%; Des Moines 7%). Wisconsin should similarly empower the residents of Milwaukee by allowing a binding referendum to decide whether their local governments can increase revenues.

Milwaukee's revenue challenges have been well documented by the Wisconsin Policy Forum. Growing public safety and pension costs are putting unsustainable pressure on local budgets while deferred capital maintenance jeopardizes the future of public assets like parks and museums. AB 521 requires that 25 percent of the revenue from the additional tax be used to provide residential property tax relief, divided evenly between county and municipal property tax relief, and that 7 percent of the revenue be used for public health infrastructure projects, like enhancing public safety, reducing infant mortality, or lead lateral removal. For the remaining 68 percent of tax revenue, the bill requires that the county use half for its operational and capital expenses and distribute the other half to the cities, villages, and towns in the county for their operational and capital expenses. Distributions of revenue to the cities, villages, and towns are based on their population.

Milwaukee drives Wisconsin's economy. Rightly called "Wisconsin's Economic Engine," Milwaukee is the source of the state's largest employers, most employees, and most visitors and events. All of this economic activity produces the largest share of revenues for the state. Allowing Milwaukee to seek revenue alternatives on par with its peer cities in other states will ensure that it can continue to meet its challenges and help move Wisconsin's economy forward.

We would like to thank the Move Forward MKE coalition for their work on this bill and thank you, committee members, for your consideration of this important proposal.



Assembly Bill 521
Public Testimony of Rep. David Bowen
March 5, 2020

Chairman Macco and Members of the Assembly Committee on Ways and Means,

Thank you for allowing me to testify in support for Assembly Bill 521 relating to additional local sales and use tax for Milwaukee County.

Milwaukee is the economic powerhouse of Wisconsin, and it is important that Milwaukee is empowered to help itself and the rest of the state thrive with increased growth. However, there has been a sharp increase in money going to the state from Milwaukee County in the past decade, while returned aid has decreased, leaving an increasingly wider budget gap. Since previously serving on the Milwaukee County Board and a member of the Finance Committee, even with significant cuts and efficiencies, Milwaukee County has struggled to generate local funding for local priorities. This is why it is imperative that Milwaukee County be given the tools it needs to invest in itself.

Assembly Bill 521 would provide property tax relief for Milwaukee County taxpayers, which is currently the revenue source on which the Milwaukee County budget heavily relies. Conversely, the Milwaukee county sales tax is one of the lowest in the nation. This bill would not ask the state for a dime, but instead would allow Milwaukee County, through a binding referendum approval by voters, to increase its sales tax by 1%, providing property tax relief in the process and increasing this alternative revenue stream for much needed services.

As a life-long Milwaukee resident and the third-term Representative for the 10th Assembly District, which contains parts of the City of Milwaukee and the Village of Shorewood, I am glad to see the Legislature take this crucial issue seriously. I have one of the most diverse districts in the state, and my constituents in Milwaukee and Shorewood have expressed overwhelming support for this bill.

By passing this bill and sending it to the governor's desk, let's allow Milwaukee County to control its own destiny. The County and all 19 municipalities will be in a much better position to maintain facilities & infrastructure, preserve community assets, and continue to provide the high-quality services residents have come to rely on. If you like more economic growth and more money coming back to State and local governments to meet local needs and for property tax relief, let's get this done.

Thank you again for allowing me to testify, and I am glad this committee is giving this legislation the attention it deserves.



Testimony on Assembly Bill 521
Assembly Committee on Ways and Means
March 5, 2020

Good morning Chairman Macco, Ranking Member Riemer, and members of the committee. Thank you for the opportunity to speak on this incredibly important legislation. We have heard and will continue to hear how much our state's largest city, county, and economic engine needs this legislation to continue to thrive, so thank you for bringing it before the committee.

Milwaukee is an outlier nationally, and especially in the Midwest, in how our tax base is set up. I am sure everyone up there today knows the stool analogy for tax bases – property, sales, and income taxes make up the three legs of the stool. Compared with other similar cities across the Midwest and the nation, Milwaukee disproportionately relies on the property tax leg as opposed to the other two. This reliance has two major consequences: first, it makes it difficult to have any sort of flexibility at the local level because property values generally remain relatively stable over time. That is a benefit when the economy is booming, but can be a hindrance when a community needs an influx of resources to deal with a growing population or waning state aid. Second, and more importantly, it creates an unsustainable burden on those who pay property taxes. So when we have the opportunity to provide financial flexibility and invest in critical services, while also reducing the property taxpayer's burden, it's an opportunity we need to take.

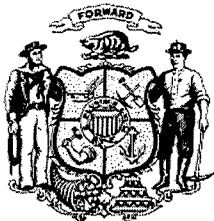
Others who have and will come up here today will talk about the technical aspects of this bill, but I want to talk about what the increase in resources will actually do and why those resources are important. There is a misconception sometimes that local governments are careless and wasteful with the revenue that they have generated. That has arguably been true in the past, and I want to commend the county and our cities for reforming how they handles their finances – they have really committed to transparency, increased efficiency, pursued dramatic cost-saving actions. But they have also been forced to make significant reductions in services that are essential to our constituents and to the continued economic growth of Milwaukee and our state.

This tool will allow us to invest in those essential services, while providing property tax relief. . It would help fund the transit system, which would in turn allow people to commute to jobs across the region and keep our economy – the largest in the Wisconsin – booming. It would help fund Health and Human Services, which is on the forefront of everyone's mind right now, but should always have the resources it needs to serve its population. And it would help in a myriad of other operations, like the court system, like infrastructure and capital projects, like emergency services



– the list is virtually endless. These functions and services of county and municipal government are essential facets of life for so many of our residents, and we have the opportunity to ensure that they continue uninterrupted while *also* providing property tax relief. It is the definition of a win-win.

I want to close by emphasizing that this will not amount to the legislature ceding power to the local governments to raise taxes whenever they feel like it. This is not the legislature voting for a tax increase. It allows the voters, the people who will be affected by the change to make the decision through the referendum process. It would allow those voters to decide for themselves whether these services and property tax relief are worth the minor sales tax increase. I think the answer to that question will be a resounding “yes,” and I urge you to pass this bill out of committee and on the floor. Thank you all for your time, and I will take any questions.



CHRIS LARSON

STATE SENATOR

Testimony regarding Assembly Bill 521 Assembly Committee on Ways and Means March 5, 2020

Thank you Chairman Macco and members of the Assembly Committee on Ways and Means for considering Assembly Bill 521 today.

As a resident of Milwaukee County for my entire life, I believe that this initiative is imperative to support the growth of our community and the services it provides. Over the past several years, Milwaukee County and its municipalities have struggled with falling state revenue support, constricted revenue limits, and rising public service costs. Despite expenditure cuts at all levels of local government, we still face million-dollar deficits that threaten to weaken key government services such as police and fire departments and other services that help our community to thrive.

Unlike our neighboring states who allow local governments to increase sales tax to address their unique needs (Minneapolis 8.025%; Chicago 10.25%; Des Moines 7%), Milwaukee County and its 19 municipalities have not been able to combat their funding challenges due to the state expressly prohibiting revenue flexibility. Furthermore, Milwaukee has one of the lowest sales taxes in the country while homeowners struggle to keep up with ever rising property taxes. We must shift this burden and provide relief to homeowners while, as a community, working to collectively provide funding for our essential public services.

Today, alongside other leaders of businesses, communities, and government, I am supporting the Move Forward MKE initiative to grant Milwaukee County the power to hold a binding referendum on increasing the County sales tax from 0.5 to 1.5 percent (raising the overall sales tax in Milwaukee from 5.6 to 6.6 percent).

If passed into law, residents of Milwaukee County would need to vote to approve the additional sales tax. This gives citizens of our community the essential opportunity to create beneficial change in regards to where our public funding is provided. If this referendum is successful, it will result in an additional \$160 million in much-needed revenue. The legislation requires that 25% of the revenue be used for residential property tax relief and 7% for public health infrastructure projects. The bill requires that the county uses the 34% of revenue for its operational and capital expenses and distribute the other 34% to municipalities on a per capita basis for their operational and capital expenses.

I support this particular measure for revenue flexibility and reducing property taxes. By permitting local residents to choose to raise the sales tax, we would allow further relief for our property tax payers, whilst allowing visitors and tourists that already constitute 25-30% of

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Milwaukee's sales tax base to further contribute. Furthermore, though sales taxes tend to be regressive and disproportionately affect those with lower income, Wisconsin sales taxes thoughtfully exempt basic necessities such as groceries, prescription drugs, certain professional services, rent, and gasoline helping diminish the impact to residents.

This proposal is about allowing the people of Milwaukee County the freedom to determine how to better their community and to find our own balance of revenue and investment. I urge my colleagues to support this initiative to provide Milwaukee County the opportunity to decide where our revenue comes from, creating a sales tax that is more in line with other large metropolitan areas in the Midwest.

I believe this legislation and the approval of this plan by a referendum would exponentially impact both the people and the businesses within the county and within our state. This proposal would create a more promising fiscal future for Milwaukee County, making it more attractive for investment, job opportunities, and in general, creating a better place for our current and future community members to live. We must give the power to the people to move Milwaukee forward.

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Tony Evers
Governor

Peter W. Barca
Secretary of Revenue

Testimony on AB 521 by Peter Barca, Secretary of the Department of Revenue
Local Option Sales Tax
March 5, 2020

Chairman Macco, Ranking Member Riemer, Members of the Assembly Committee on Ways and Means:

Thank you for holding this important hearing and for allowing me the opportunity to testify on the topic of a local option sales tax, both for information purposes as well as to make the Committee aware of the information and work we have underway at the DOR.

As the Secretary of Revenue, I have heard repeatedly from the staff in our State and Local Finance Division, who as part of their everyday duties, regularly have discussions with leaders of cities, towns, villages, and counties, that these local leaders are all significantly challenged as they look for any way possible to meet their budget obligations in a time of increasing costs and limitations on revenue options. Therefore, while this bill has considerable support throughout Milwaukee County, it is valuable not just for their county, but it also bears examination to be extended to other communities as well. The overreliance on local property taxes makes it more difficult for all locally elected leaders to find solutions that help raise necessary revenue, as none of them want to further burden the local property taxpayers.

These local leaders from communities across the state are looking to creative ways to pay for local government services and public works projects. They are looking beyond shared revenue and state aids, since those sources have largely not kept pace with expenses. For example, some areas are seeking to create "Premier Resort Areas" as a means of raising revenue to make public improvements or engage in public works programs in their areas.

We are encouraged by this hearing today as a means to continue the debate and hope to continue to explore wide-ranging solutions by identifying and working to find common ground. Various ideas have been advanced on placing limitations on any new local option sales tax – limitations that the funds be used for specific projects, for pension obligations, or for property tax relief. All these ideas need careful consideration, and the DOR is collecting relevant data to facilitate policy considerations.

I am confident that by continuing this conversation we can arrive at a framework that can accommodate the demands on our local governments, while at the same time protecting the property taxpayers and our tax base. I pledge the Department's full support in these conversations, and I look forward to working with all of you on this important topic.

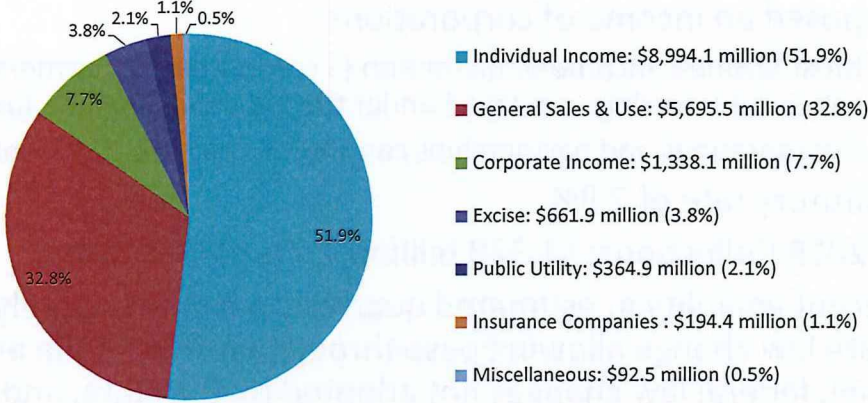
Again, thank you for your time today.

Assembly Committee on Ways and Means

Secretary Peter Barca
Department of Revenue

March 5, 2020

State General Fund Taxes FY2019



Individual Income Tax

- Wisconsin has graduated individual income tax rates, with four brackets starting at 3.86%, then increasing to a top rate of 7.65%
- Rate/Brackets for single taxpayers:

over	but not over	2019 tax is	of the amount over
\$0	\$11,760	3.86%	\$0
\$11,760	\$23,520	\$453.94 + 5.04%	\$11,760
\$23,520	\$258,950	\$1,046.64 + 6.27%	\$23,520
\$258,950		\$15,808.10 + 7.65%	\$258,950

- FY2019 Collections: \$8.994 billion (51.9% of GPR taxes)
- Includes taxes on wages, investment income, business income, etc...

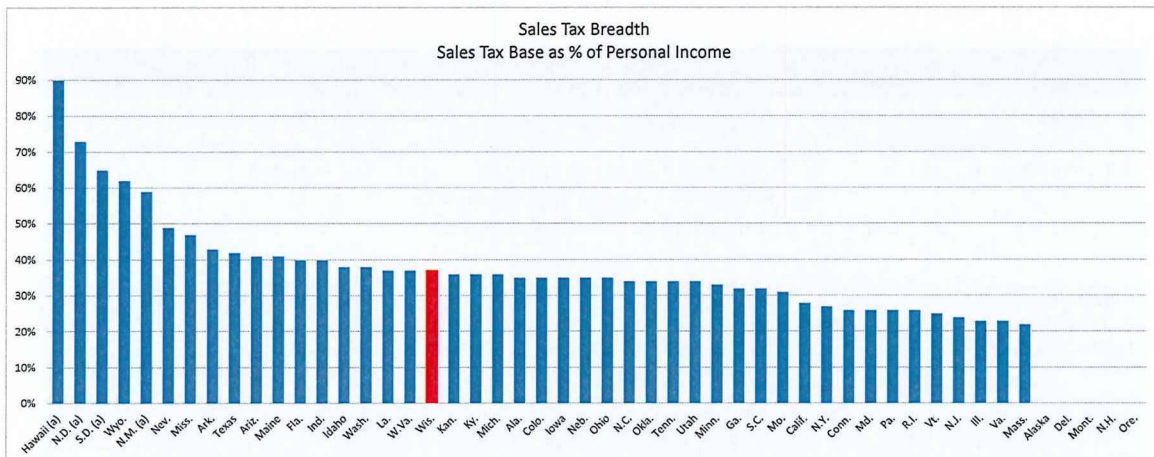
Corporate Income and Franchise Tax

- Imposed on income of corporations.
 - Most business income of tax-option (S corporations), partnerships, and sole proprietorships are taxed under the individual income tax.
 - S corporations and partnerships can elect to pay tax at the entity level.
- Statutory rate of 7.9%
- FY2019 Collections: \$1.338 billion (7.7% of GPR taxes)
- Recent volatility in estimated quarterly payments largely due to a state law change allowing pass-through entities to file at the entity level, federal law changes not adopted by the state, and audit collections.

Sales and Use Tax

- Imposed on sales of tangible personal property (unless exempt) and specific services.
- Statutory rate of 5.0% *5.5% w/local County Tax*
- FY2019 Collections: \$5.696 billion (32.8% of GPR taxes)
- County Sales Tax (imposed in 67 counties as of 1/1/20) at a rate of 0.5%. Baseball District tax imposed at a rate of 0.1%
- Wisconsin's maximum state/local sales tax rate of 5.6% is lower than in the majority of other states
- Sales tax breadth measures the share of state economic activity that is subject to the sales tax. WI is around 37% (tied - 16th broadest tax base)

Sales and Use Tax (cont.)



Source: Tax Foundation - WI has 16th broadest sales tax base in the US (breadth)

Sales and Use Tax (cont.)

Wisconsin and Neighboring State Tax Rates

State	State rate	Max local rate	Combined rate
Illinois	6.25%	4.75%	11.00%
Indiana	7.00	--	7.00
Iowa	6.00	2.00	8.00
Michigan	6.00	--	6.00
Minnesota	6.875	1.5	8.375
Wisconsin	5.00	0.60	5.60

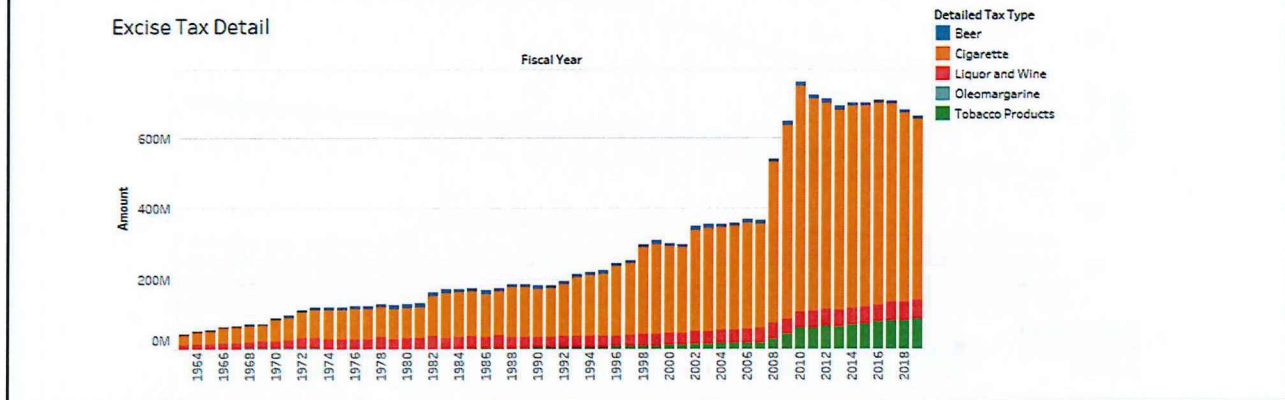
Source: Avalara

General Fund Excise Taxes

Product	Tax Rate	FY19 Collections
Cigarettes	\$2.52 per pack	\$514.2 million
Tobacco Products	Tobacco: 71% of mfr list price Cigars: 71% capped at 50 cents/stick Moist Snuff: 100% of mfr list price	\$85.5 million
Vapor Products	5 cents per mL	N/A – First Imposed Oct 1, 2019
Liquor and Wine	6.605 to 85.86 cents/liter based on alcohol content	\$53.6 million
Beer	\$2 per 31 gallon barrel	\$8.5 million

General Fund Excise Taxes (cont.)

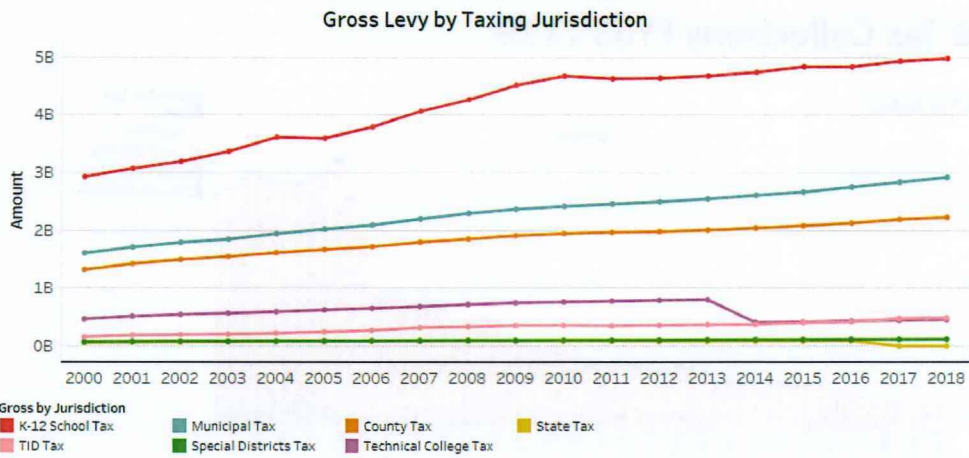
Excise Tax Collections FY63-FY19



Property Taxes

- Local property taxes imposed on real (land and improvements) and personal property.
- 2018-19 Gross Levy: \$11.198 billion
 - School Levy Tax Credit: \$940 million (all real and personal property)
 - Net Levy: \$10.258 billion
 - Less Lottery Credit: \$235 million (primary residences)
 - Less First Dollar Credit: \$149 million (all improved real property)
- Local governments assess property and collect taxes
- DOR assess manufacturing property (less than 3% of all property)

Property Tax (cont.)



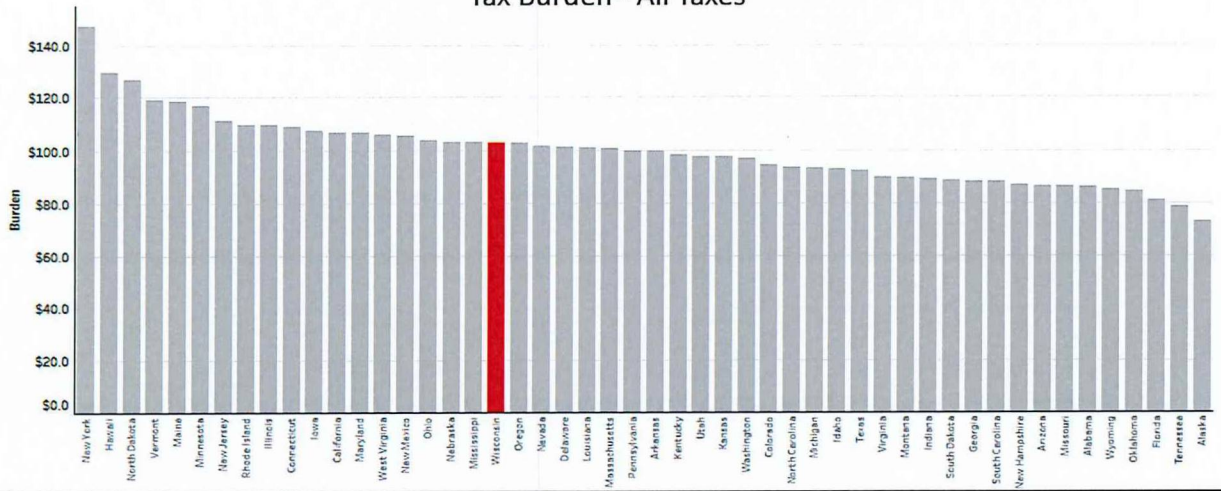
Tax Burden Rankings

Tax Type	Tax Burden (tax per \$1,000 of personal income)	Rank Among 50 states (1 = highest)
All Revenue	\$237.1	30th
Own Source Revenue	\$149.2	25th
All Taxes	\$103.2	19th
Property	\$34.9	16th
General Sales	\$20.4	33 rd
Individual Income	\$28.4	11th
Corporate	\$3.5	16 th

Source: DOR calculations based on US Census Bureau and Bureau of Economic Analysis Data 2016-17 Data (most recent available – calculated in November 2019)

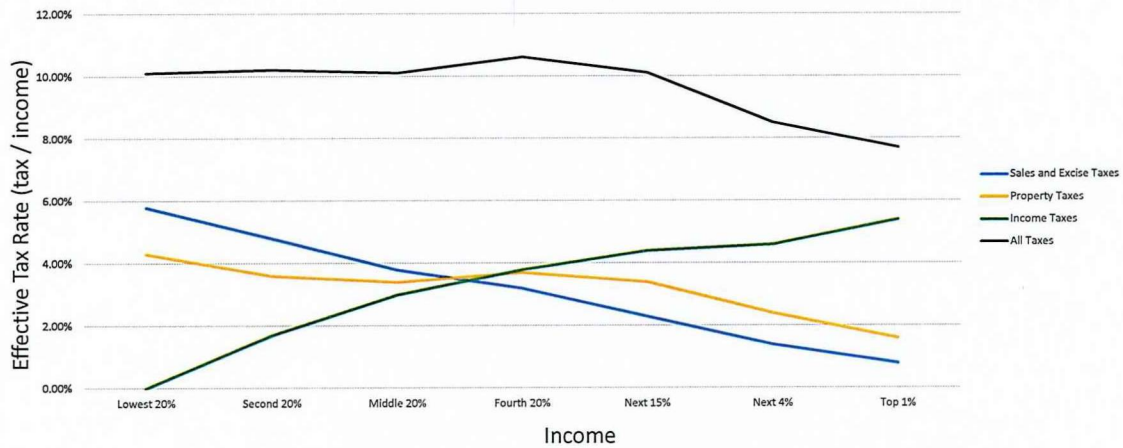
Tax Burden Rankings (cont.)

Tax Burden - All Taxes



Wisconsin Tax Equity

Wisconsin Effective Tax Rate by Income Quintile from ITEP "Who Pays?" Reports



**Testimony of The Hon. Theodore Lipscomb, Sr.,
Chairman, Milwaukee County Board of Supervisors**

Assembly Committee on Ways & Means
March 5, 2020

AB 521

Chairman Macco & other honorable members of the Committee – Thank you for holding this public hearing. I am grateful for your service to the State of Wisconsin, for your consideration of this innovative legislation, and for the opportunity to share my enthusiasm for our growing partnership of Milwaukee County leaders, both public and private, who are interested in advancing a renewed funding mechanism for our local governments.

AB521 provides a pathway to fund existing local government services and legacy obligations while reducing County and municipal reliance upon property taxes to fund operations and capital expenses. The Milwaukee County Board of Supervisors supports the legislation and is committed to meaningful policy change that advances the capacity of County government to be the partner our State, communities and voters deserve.

Milwaukee County and its municipalities have come together to offer a creative solution that gives local voters the ability to solve a local problem. With this legislation we have an opportunity to provide adequate funding for state-mandated services and invest in our parks, museums, and public safety, while also reducing property taxes.

The legislation before you, while not perfect, provides an innovative path forward for our County that is at scale with the challenges we face. The legislation was drafted as a solution specific to our County as we have done the work to develop and nurture a coalition of stakeholders within our own community and to identify a policy direction on which we all agree. We worked to convene a growing coalition of diverse stakeholders to identify a new path forward. We engaged participation in the Fair Deal Task Force from municipal leaders, our seniors, faith communities, parks and transit advocates, business and labor. Also, we hosted more than a dozen town hall style listening sessions throughout our County to share our challenges and listen for solutions. This legislation is the fruit of our collective hard work.

This legislation shifts a large portion of the burden of local government finance off of the shoulders of property owners while generating revenue in line with the needs of the County and its cities and villages. It calls for the voters of Milwaukee County to be given the authority to decide if the County should have a new 1% sales tax – the revenue from that tax should be used to provide all property owners with property tax relief and revenue should be shared between the County and all its municipalities based upon population. We project that this proposal as presented in Representative Goyke's substitute amendment, if enacted, will result in \$40 million in property tax relief in Milwaukee County. It would generate approximately \$160 million in revenue with 25% being dedicated to ease the burden of property taxes financing County and municipal government. The remaining funds would be split between the County and the municipalities with a portion being dedicated to funding cooperative capital projects that advance public health like investments in lead remediation.

In 2008 we placed a similar proposal in the form of a non-binding referendum before the voters of Milwaukee County and it passed. The State of Wisconsin did not act to approve the increase and, as a result, it did not take



effect. More than a decade later, our financial challenges have increased despite a strong economy and the case for new tools of local government finance is even clearer.

Milwaukee County is home to proud Wisconsinites, the state's largest population, the largest economy and the largest concentration of cultural assets in Wisconsin. We are proud of our growth and the many contribution that our County, its taxpayers and its visitors make to Wisconsin. We think that you will agree that a strong Milwaukee County contributes to a strong Wisconsin.

Like our peer county governments, many of the services we provide in Milwaukee County are mandated state services – funded by the levy on local property owners. From the courthouse to public safety and human services to the jail to property recording and tax collection – Milwaukee County executes essential state services but with local tax dollars. We shepherd programs that give a helping hand to the most vulnerable in our community while investing in improvements to the quality of both life and commerce of everyone in our community through enterprising programs from the airport to the zoo.

However, we're at a critical crossroad. Over the last decade we have been faced with difficult county budget choices despite the economic success and growth of our County. While Milwaukee County residents and workers contributed robustly to the economic resurgence of the Wisconsin economy after the last recession, the County has not realized a similar improvement in state shared revenue. Despite our economic growth during the same time, state shared revenue across all programs has remained flat or even declined for more than ten years. Further, we are limited by state law in the local revenue choices available to address our financial obligations – leaving only an increase in property taxes or an increase in the vehicle registration fee. Finally, despite prudent reforms and sound financial planning made by current County leaders, we are burdened by the legacy obligations of past County decisions related to public pensions and healthcare.

To live within our means and meet our obligations with limited revenue options, our County has made deep and lasting cuts to our operations. We've reduced our staff by more than 1,300 positions since 2008. We've shrunk our real estate footprint by more than 1.6 million square feet. We've been forced to close the gap in funding our operations but have significant and growing deferred maintenance costs across our county. As this body well knows, projects requiring capital investment only become more expensive with each year of deferred action.

Without intervention from the State on the way it is funded, Milwaukee County's obligations and state mandates alone will soon consume all our local tax levy. That will leave no levy funding for other things our taxpayers care deeply about like improved public safety, parks, transit, cultural assets and other quality of life priorities. That is not a sustainable course and it is not fair to the voters and taxpayers of Milwaukee County.

As your partners in implementing state policies, Milwaukee County leaders understand the challenge you face in legislating tax policy that meets your obligations and the demands of the public. We stand ready to work with you as partners in delivering world-class service to the taxpayers and visitors to our county and Wisconsin. Together, we can continue to move Wisconsin Forward.

Thank you for the opportunity to address this important legislation. We are asking for your help and support.



Ashanti Hamilton

City of Milwaukee Common Council

Testimony on AB 521/SB 471

Assembly Ways and Means Committee

March 5, 2020

Thank you to Rep. Macco and to the members of the Ways and Means committee for holding this hearing today and to Rep. Goyke and Sen. Johnson for authoring AB 521/SB 471. I am Milwaukee Common Council President Ashanti Hamilton and I am here today in support of the bill.

Currently under state law, municipal governments can only have two revenue sources—shared revenue and the property tax. Years of frozen shared revenue has required us to be too reliant on the property tax as the cost to continue operations has increased especially related to public safety operating and pension costs. With these rising costs and flat revenue, we have been fiscally responsible and have had to make some tough decisions including cutting 60 police positions in our 2020 budget. The 2020 police salary budget is actually \$6.7 million more than last year which perfectly illustrates the problem-- we have fewer officers but they cost more. Since 2003, we have cut over 1000 positions from City departments.

As the Wisconsin Policy Forum so aptly described, “we are between a rock and a hard place.”

The need for additional revenue is urgent. For too long, we as municipal leaders have asked for an increase in shared revenue. Obviously, that hasn’t worked. Today, we are asking for the authority to diversify our revenue sources with a one percent sales tax approved by our voters that would provide property tax relief and additional revenue to address looming fiscal challenges.

Milwaukee is unique as the only first class city in Wisconsin that serves as the cultural and commercial center in the most populous region of the State. The City of Milwaukee must provide essential services for our residents but also for those who come to Milwaukee daily to work and play. Right now, the burden is too great on Milwaukee property taxpayers to fund those services for everyone. Wisconsin must recognize Milwaukee’s unique needs as other

Midwestern states do by granting their largest city the ability to diversify its revenue through local options.

We have an opportunity to replicate the State-County-City partnership that was created through the investment in the Fiserv Forum. When we work together to facilitate an environment that fuels economic growth, it is a win-win for the State of Wisconsin, for the County and for the City of Milwaukee. We have already seen positive results of that investment which included workforce development and training opportunities, small business hiring, worker wage increases, increased development and increasing property values, not to mention an increase in civic pride and State general purpose revenue. An investment in Milwaukee is an investment in Wisconsin which benefits all of our citizens. The current revenue structure constrains our full economic potential. A rising tide lifts all boats.

We are simply asking you to allow us to ask our residents if they want to support a sales tax increase. We are asking to stand on our own two feet and we are asking you to help us, help you. A strong Milwaukee is a strong Wisconsin.

Thank you and I encourage your support of AB 521/SB 471.





TESTIMONY: AB 521/SB 471

**Tim Sheehy, President, Metropolitan Milwaukee Association of Commerce
March 5, 2020**

Thank you Chairman Macco for holding this timely hearing. Thanks to Rep. Goyke and Sen. Johnson for the thoughtful drafting and introduction of SB 471/AB 521.

No legislation survives contact with the legislature. But this bill is a great start to address the pressing need in Milwaukee to upgrade the connection between our regional economy and the governmental services we all rely on. Specifically, a connection that affords Milwaukee County and its municipalities the benefit of a diversified revenue source from taxes on the sale of goods and services. To achieve this, we need the state's help through enabling legislation.

MMAC represents 2,000 companies that employ over 300,000 people in greater Milwaukee. We are here as part of a Milwaukee Forward coalition. A coalition that is unprecedented in its public, private, bi-partisan and multi-jurisdictional make up. Earlier this year you received a letter from MMAC's current chair, and 6 past chairs supporting SB 471/AB521 in enacting an added sales tax in Milwaukee County. Let me again highlight two reasons this bill is important to the employers in the coalition:

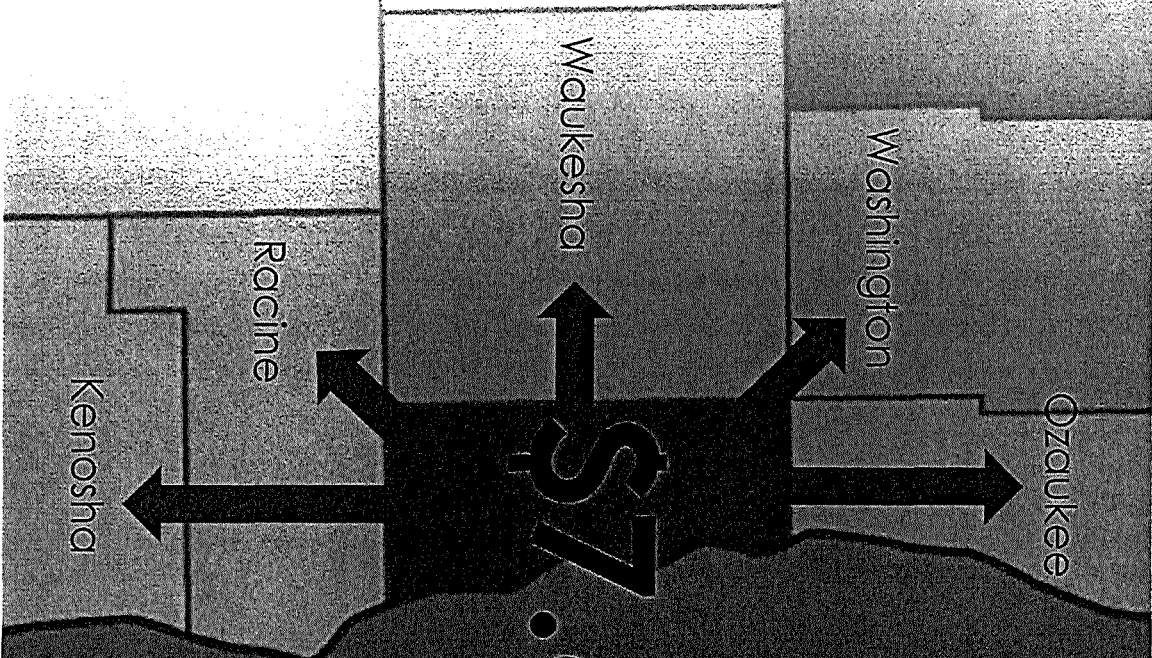
- Over reliance on the property tax as a source of local funding has grown to be an archaic reflection of economic development. For example, taxpayers in the 7-county region living outside of Milwaukee County earn \$13B annually from jobs held in Milwaukee County. Milwaukee County is home to 50% of the jobs in the M7 region, and 60% of the jobs in metro Milwaukee. To put a fine point on this, when adjusting for the inflow and outflow of employment earnings, Milwaukee County exports \$7.6B in personal income each year. Milwaukee is the only net exporter of personal income in Southeastern Wisconsin. In fact, of the 20 Wisconsin Counties that are net exporters of personal income, Milwaukee's total is 8% greater than all the other 19 combined. In this regard, Milwaukee is a unique economy.

There is a significant disconnect utilizing local property taxes as the primary or exclusive support mechanism for services, infrastructure, and unique quality of life assets that benefit most of the region's economy. This disconnect is also reflected in higher property taxes that pose a visible barrier to corporate expansion and attraction, and more importantly to workforce recruitment. An incremental increase in the Milwaukee County sales tax better connects the value the region's economy places on these services, and does so with a more representative and diversified revenue stream.

- Despite spending below the average of their major metropolitan peer groups, both the City of Milwaukee and Milwaukee County have significant fiscal challenges. This is in part due to the dated fiscal constraints of the property tax, and in part due to the substantive costs associated with a large urban center. As one example, without taking from the Mayor's remarks, in 2018, the City's police force had 103 fewer officers than it did a decade earlier, but its budget was \$82M higher at \$298M. At \$298M the budget for policing exceeds the City's entire property tax levy! Our coalition is not asking the State for a handout or a fix, we are asking for the tools to address these challenges ourselves.

We need to build on the shared revenue program, creating a better partnership that benefits Milwaukee, it's region, and the State. As employers, fiscal stability is a winning economic development policy, and we will advocate for this sales tax solution until the politically impossible becomes the politically inevitable.

###



2018 REGIONAL NET EARNINGS

Milwaukee County is a net exporter of personal income

\$7.6B

- Milwaukee County = 20%
- 60% MSA Employment
- 50% M7 Employment



March 5, 2020

Testimony by the Milwaukee County Commission on Aging in Favor of Assembly Bill 521

Committee Chair Macco, Vice Chair Wittke and honorable committee members:

We deliver this testimony as the Milwaukee County Commission on Aging to urge passage by this Committee of AB521, relating to additional local sales and use tax for Milwaukee County.

The Milwaukee County Commission on Aging is a citizen board responsible for developing and implementing a coordinated system of community-based services and advocating on behalf of Milwaukee County's 172,000+ residents aged 60 and older.

Mr. Chair, as you know, counties and municipalities deliver critical services and are stewards of vital civic, cultural, economic, and environmental resources. At the same time, local governments are severely constrained in their ability to raise and allocate revenues from the populace who live, work, study and recreate within their borders. At this point, almost all of the discretionary revenue available to Milwaukee County to provide these services and preserve these state assets comes from property tax – and the County's ability to raise property tax is restricted by state law.

We come before you today because the population of older adults is growing exponentially, while Milwaukee County's tax levy available to provide supportive services and preserve cultural assets dedicated to older adults is declining. By 2034, the Census predicts there will be more people aged 65 years and older than children for the first time in history. By 2040, the population in Milwaukee County aged 60 and over is projected to grow by 44,000 – more than four times the rate for the population under age 60.

At the same time, the homeownership rate in Milwaukee County has declined precipitously over the past decade and remains 15% below the average rate in Wisconsin. Since the revenue requirements of the County and municipalities are not declining and taxation of some commercial property is exempted, the remaining residential homeowners (the largest number of whom are over age 65) assume a disproportionate share of the costs to provide services mandated by the state and provided by the County and the nineteen disparate municipalities within its borders.

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Testimony of the Milwaukee County Commission on Aging
in favor of Assembly Bill 521
March 5, 2020

As you have heard, Milwaukee County taxpayer contributions to the State have increased by hundreds of millions of dollars over the past decade, while state aids returned to Milwaukee County have been held flat or decreased. Moreover, because mandated services such as courts and public safety continue to demand substantial resources, discretionary programming is forced to be cut or eliminated.

For example, Milwaukee County's five senior centers, which serve nearly 6000 older adults every year are almost entirely funded through the property tax levy. Much to our constituent's dismay, these senior centers have suffered from decades of deferred maintenance and, more recently, programmatic budget cuts. Yet they are only one small group in a broad portfolio of civic facilities that require reinvestment.

Another example: the Milwaukee County Aging Resource Center is disproportionately underfunded in part because of a willingness by the County at the inception of the statewide ADRC system to forego almost \$3 million in annual allocation to ensure that all other regions of the state would have access to ADRC services. Similarly, the Elder Benefit Specialist program in Milwaukee County is underfunded per capita compared to all other counties in the state. Milwaukee County has never recovered its ability to fully serve its growing aging population through these critical programs.

We are not asking the state legislature to fix all of these disparities. We are asking the legislature to provide Milwaukee County residents with the opportunity to choose for themselves whether to grant their local governments additional tools and resources to serve them. This is individual choice, local control, and small government at its finest.

The Commission on Aging wholeheartedly supports this legislation and asks that the Ways and Means Committee take the necessary action to pass this bill onto the floor.

Thank you for your time and consideration.

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