



For more information:

Rob Henken
President, Public Policy Forum
414-276-8240
414-708-4392 (cell)
rhenken@publicpolicyforum.org

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Region's property tax levies drop 3% in 2015

Decrease linked largely to change in technical college funding framework

MILWAUKEE – *Friday, September 4, 2015* – Aggregate property taxes collected in the southeast Wisconsin region fell by 3% (\$121 million) from 2014 to 2015, with each of the seven counties in the region seeing individual declines – the first time that has happened since at least 2000. The decrease in the region's aggregate tax levy was accompanied by an even larger (5.4%) decrease in the aggregate gross tax *rate* for property owners in the region, from \$23.93 per \$1,000 of equalized value in 2014 to \$22.63 in 2015. This is the first year the region's tax rate has declined since 2008.

Those findings are included in the Public Policy Forum's latest property tax and values report, an annual publication that measures trends in property values – one of the region's most critical indicators of economic health – and examines how they impact the capacity of local governments and school districts to raise revenues.

According to the report, the "decline in levies resulted largely from the passage of Wisconsin Act 145." That legislation – signed into law in March 2014 – provided more than \$400 million in additional state aid for the state's technical colleges, with a corresponding requirement that property taxes across the state be reduced by a roughly equivalent amount.

In the southeast Wisconsin region, Act 145 helped produce a \$137 million decrease in property taxes levied by technical colleges, which caused the percentage of the region's aggregate gross levy that is derived from technical colleges to decline from 7% in 2014 to 3.5% this year.

The report notes that "the state's effort to provide property tax relief via a change in the funding framework for technical colleges has succeeded...(but) it also has created a larger obligation for state taxpayers to finance the state's technical college system. This increased pressure on state resources contributed to the substantial challenges faced by lawmakers during the recently concluded deliberations on the 2015-17 state budget."

The report explains that the substantial decrease in the region's property tax rate is attributed not only to the reduction in levies, but also to growth in property values. The 2015 property tax rates are closely tied to 2014 property values, which increased by 2.6%.

Recently released data from the Wisconsin Department of Revenue show that in 2015, property values in the region increased for the second consecutive year (after five consecutive years of decline). However, the 2% growth in values in 2015 was lower than the 2.6% experienced the year before.

Other key findings from the 2015 analysis of property values and taxes in southeast Wisconsin:

- In 2015, every county in the region experienced an increase in property values, though there were disparities in increases across the region. For example, property values in Kenosha County increased by 4.8%, while those in Milwaukee and Walworth counties increased by only 0.7%.
- The City of Milwaukee was one of only 26 municipalities in the region that did not experience an increase in overall property values from 2014 to 2015. Property values declined in Milwaukee by 0.6%.

- Residential values – which comprise the greatest share of overall property values in the region – continued the growth observed in 2014, but again at a slower rate (1.9%). All counties in the region experienced growth in residential values, led by Ozaukee County at 3.7%.
- The property taxes levied by school districts remain the largest component of the annual property tax bill, accounting for 45.4% of the aggregate tax levy in southeast Wisconsin. In 2015, the budgeted aggregate school district levy for southeast Wisconsin remained mostly unchanged (decreasing by 0.06%), thus contributing slightly to the region's overall decline in tax levies.
- To calculate an average tax bill in southeast Wisconsin, we apply the average residential property value in the region to the gross tax rate. The hypothetical average tax bill in the region declined by \$118 to \$4,298 in 2015.

"The overall message to taxpayers and citizens conveyed by this year's analysis of property values and taxes in southeast Wisconsin is a positive one," concludes the report. "Not only were tax levies and tax rates down for 2015, but 2015 property values are up, signaling less pressure on policymakers to raise rates for 2016. While the expenditure pressures facing local governments and school districts undoubtedly have not subsided, their ability to address those pressures going forward will be enhanced – at least a bit – if property values continue to grow."

The Forum report was sponsored by Baird. It can be downloaded from the Forum's website at www.publicpolicyforum.org.

Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of public policy issues.

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