

PROPERTY VALUES AND TAXES IN SOUTHEAST WISCONSIN

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INTRODUCTION

This report is an annual Public Policy Forum publication that analyzes property values and property taxes within the seven-county southeast Wisconsin region. The report's primary objective is to measure trends in property values – one of the region's most critical indicators of economic health – and examine how those trends impact the capacity of local governments and school districts to raise the revenues required to deliver essential public services.

This year's report first analyzes 2011 property values, with specific consideration of multi-year trends. We then examine 2012 budgeted tax levies and tax rates of southeast Wisconsin counties and municipalities to explore the relationship between valuations and taxes. That relationship is impacted considerably this year by legislative changes adopted as part of the 2011-13 Wisconsin State Budget placing stringent limits on local government levying efforts. The new levy limit for municipalities and counties is now generally defined as no more than the greater of (a) the previous year's actual levy; or (b) a percentage equal to the percentage change in equalized value due to net new construction. Consequently, local governments having zero net new construction in a given year now might be precluded from receiving any increase in property tax revenue in the following year.¹

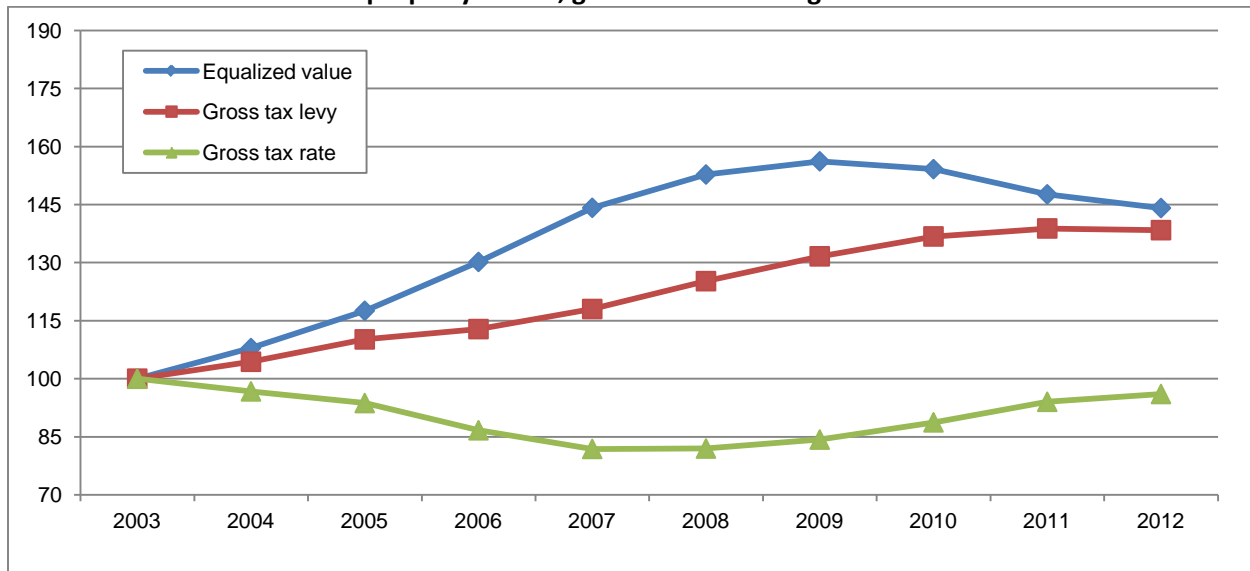
The state budget also lowered school district revenue caps by 5.5% in Fiscal Year 2011-12, which means that school districts that experienced an increase or only a small decrease in state aid were required to lower their levies. For FY 2012-13, school district total revenues (property taxes and state aid) are frozen at the 2011-12 level.

Our 2012 report finds that aggregate property tax levies in southeast Wisconsin declined by 0.3% (see **Chart 1** on the following page). This is the first decrease in the aggregate levy in at least 10 years. Because none of the seven counties in southeast Wisconsin experienced more than 1% growth in new construction in 2011, and because of the impact of the new revenue caps on many local school districts, a minimal increase in the region's aggregate tax levy in 2012 would have been expected. The slight decrease obviously surpasses that expectation.

Chart 1 also suggests that the new levy limit rules and the slowdown in new construction may not have been the only contributing factors to the decline in the aggregate property tax levy. Southeast Wisconsin municipalities also experienced a continued decline in property values, with aggregate values in the region decreasing by 2.4% in 2011. Consequently, an increase in the hypothetical gross tax rate was required to generate even a smaller amount of aggregate tax levy in the region. The property tax rate for southeast Wisconsin increased \$0.46, to \$22.04 per \$1,000 of assessed value in 2012.

¹ The levy limit formula is complicated by exceptions for treatment of certain types of debt service and other miscellaneous factors, so there are some exceptions to this general rule.

Chart 1: Southeast Wisconsin property values, gross tax rates and gross tax levies



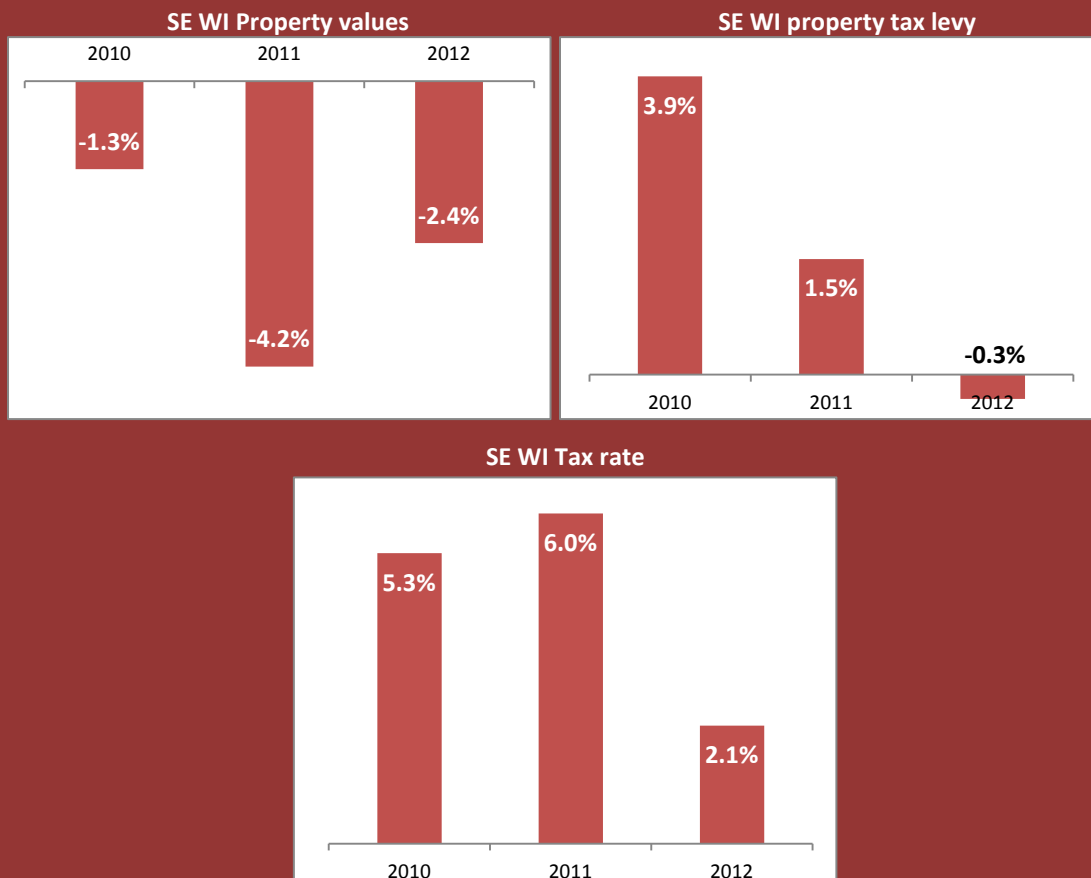
Major Findings

- Aggregate property values in every county in southeast Wisconsin decreased from 2010 to 2011 for the second year in a row. Overall, total property values in southeast Wisconsin decreased 2.4% from 2010 to 2011—the third consecutive year with a decrease, but a smaller decrease than the previous year.
- A decline in *residential* property values was the driving force behind the overall decrease in values. In 2011, the value of residential property in the region totaled \$129.7 billion, a decrease of 2.3% from 2010. The value of commercial property declined 2.5%.
- Of the 11 Metropolitan Statistical Areas (MSAs) that are completely within Wisconsin’s borders, the Milwaukee-Waukesha-West Allis MSA had the largest decline in property values from 2010 to 2011, at 2.4%. The Milwaukee-Waukesha-West Allis MSA also had the largest five-year decline, at 6.4%, followed by the Racine MSA with a five-year decrease of 3.9%.
- The aggregate gross tax levy for southeast Wisconsin totaled \$3.9 billion for 2012, a decrease of 0.3%. This is the first decline in the gross tax levy since at least 2000. A key driver was the aggregate school district tax levy, which decreased 1.2%. Meanwhile, more than half of the municipalities in southeast Wisconsin saw their gross tax levy decrease in 2012.
- Property tax rates in southeast Wisconsin continued their growth trend in 2012, although growth slowed. For the fifth consecutive year, the aggregate gross tax rate increased, rising \$0.46 per \$1,000 of property value to \$22.04. Fifty-six municipalities in southeast Wisconsin had a decrease in their gross tax rate from 2011 to 2012, however. Last year no municipalities had a decrease in their gross tax rate.

Did we hit bottom?

Despite the onset of the national recession in 2007, property values in southeast Wisconsin continued to grow until 2009. Then, over the following three years, they declined 6.5%. From 2010 to 2011 the rate of decline slowed, however, possibly heralding the start of a new upward trend.

From the perspective of local governments, this potentially good news is tempered because levies are based on the prior year's values. When values decline, property tax rates must increase even to generate the same amount of tax levy the next year. Consequently, while the slight decline in gross tax levy in southeast Wisconsin from 2011 to 2012 may be seen as good news for taxpayers, the increase in the tax rate may not be viewed as favorably.



DATA AND METHODOLOGY

Municipal tax rates are based on the total value of all taxable property in each municipality, also known as the tax base. Because local assessors are responsible for determining the property values for their jurisdictions, total assessed value across municipalities and counties is not a uniform measure. To bring all values to a uniform level comparable across jurisdictions, the state equalizes assessed values by using tools such as market sales analysis, random appraisals, and local assessors' reports. Equalized values, calculated yearly, are meant to reflect fair market value (the most probable selling price).

Our analysis utilizes equalized values determined by the Wisconsin Department of Revenue (DOR) as of January 1, 2011. Total property value has two categories: real estate and personal property. Real estate makes up the overwhelming majority of the tax base and has eight classifications: residential, commercial, manufacturing, agricultural, undeveloped, agricultural forest, forest, and other. The three classifications analyzed by the Forum are residential, commercial, and manufacturing.

Changes in property value are classified in three ways. "Economic change" refers to remodeling of existing properties or changes as a result of market conditions, such as during a recession. The other classifications include changes "due to new construction" and "other" changes. The "other" category includes technical corrections that were made to the value of the property, demolition or destruction of property, and changes in the exempt status or classification of property. New construction drives total value growth as previously undeveloped parcels are used more intensively, generating a higher land utility and a higher value.

This report also uses data from the Wisconsin Department of Revenue on 2011-12 municipal property tax levies and tax rates in the seven counties of Southeastern Wisconsin. The data are not fully audited and thus are considered preliminary.

The tax levy is the amount of money that each taxing jurisdiction (county, municipality, school district, technical college district, tax increment finance district, special district and the state) expects to receive from property taxes. Levies were decided late in 2011 for 2012 budgets. To calculate the tax rate as a mill rate, each government divides the levy by the total property value (tax base) in its jurisdiction and multiplies the result by 1,000. This calculation allows property tax payments to be distributed evenly among taxpayers according to individual property values.

Because each property taxpayer lives within several taxing jurisdictions, the various tax rates are added together to arrive at the gross tax rate. It is important to note that in this report, **when the gross tax rate or levy for a particular county is referenced, it does not refer to the rate or levy attributable to county government in that county, but to the aggregate total of all taxing jurisdictions in the county (including the county government)**. Also, the net tax rate that determines each taxpayer's tax bill differs from the gross rate in that the net rate results from subtracting the state tax credit from the gross tax rate. Taxpayers can determine their individual payment by dividing their property value by 1,000 and multiplying the resulting number by the *net* tax rate. The report presents a hypothetical regional and county aggregated gross tax rate calculated by summing each municipality's gross tax rate into a rate for southeast Wisconsin, or for a county, as a whole.

PROPERTY VALUES

Total equalized values

In the first half of the past decade, annual growth in property values accelerated each year. After the real estate bubble burst in 2007, however, growth slowed dramatically, and values began to decline on an annual basis in 2009. In fact, 2011 was the third consecutive year of absolute decline in regional property values. Overall, property values in southeast Wisconsin totaled \$178.2 billion in 2011, down 2.4% from 2010. In 2010, property values in southeast Wisconsin declined 4.2%, the largest decline since at least 1992. In the past five years, property values in southeast Wisconsin are down 6%.

As **Chart 2** shows, property values throughout the entire state generally have been on the same path as southeast Wisconsin. Statewide, property values decreased 1.8% from 2010 to 2011, slightly less than in the southeast Wisconsin region. When the southeast Wisconsin region is taken out of the state totals, property values in the rest of the state declined 1.5% from 2010 to 2011. Over the past five years, statewide property values declined 2%, though when southeast Wisconsin is removed from the state total they remained roughly the same as they were five years ago. This demonstrates that the real estate bubble burst more severely in the region than elsewhere in the state.

Chart 2 also includes City of Milwaukee trends in property values over the past 10 years. Property values in the City of Milwaukee decreased 5.3% from 2010 to 2011, the second year in a row with a decline of more than 5%. The city's property values declined 12% over the past five years, substantially exceeding the decline in the region and that of the state as a whole.

Chart 2: Change in property values in southeast Wisconsin, State & City of Milwaukee

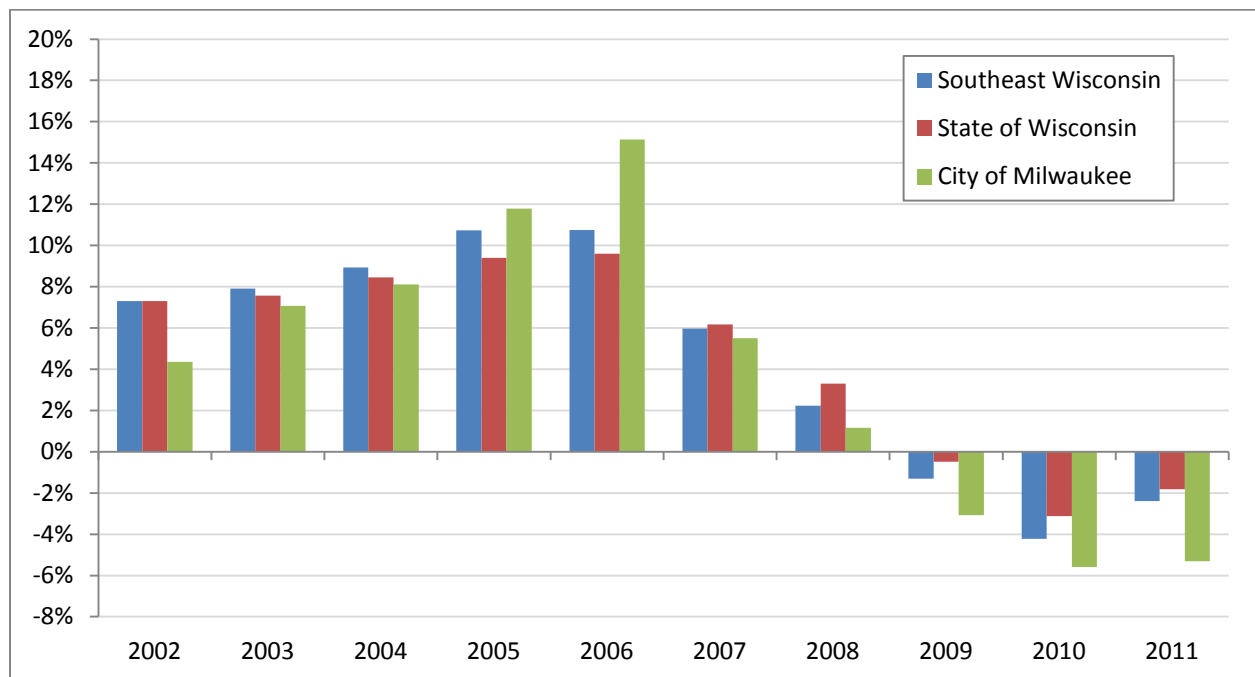
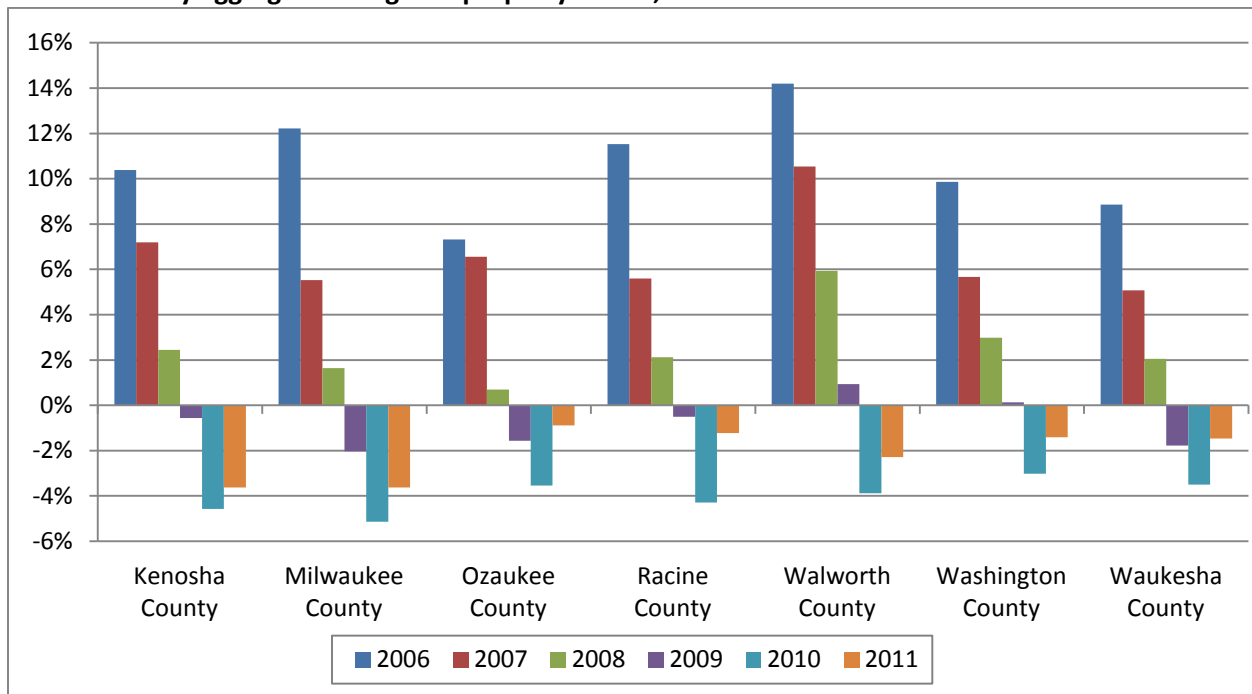


Chart 3 shows that for the second year in a row, all seven counties in southeast Wisconsin had a decrease in property values in 2011. In each county, the 2011 decreases were less than the 2010 decreases, however. Milwaukee County municipalities declined the most in southeast Wisconsin, decreasing 3.6% from 2010 to 2011, with Kenosha County a close second. Ozaukee County municipalities had the smallest decrease from 2010 to 2011, at 0.9%.

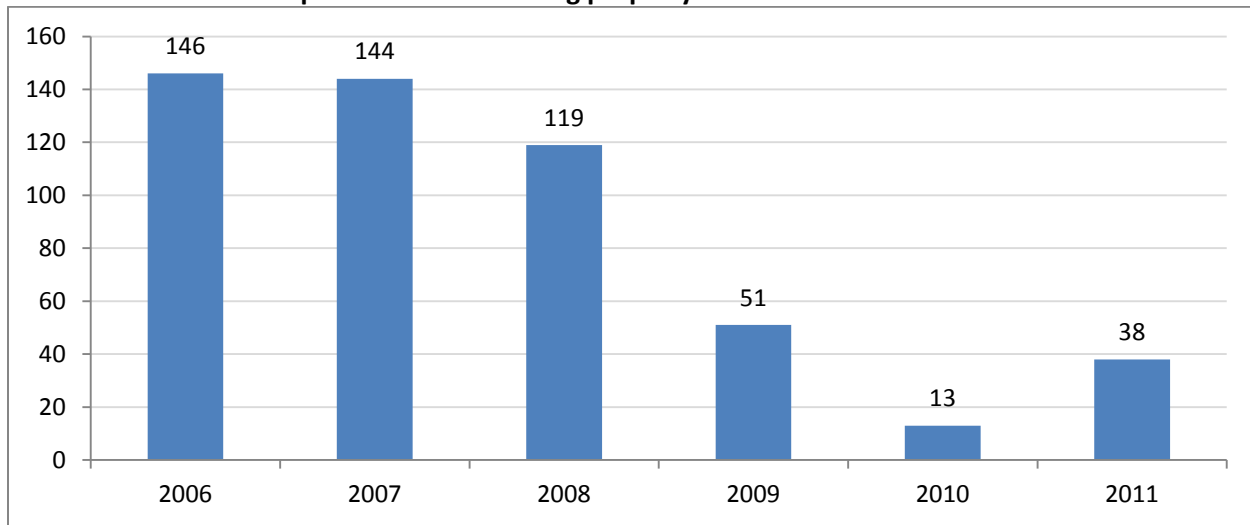
Over the past five years, Milwaukee County municipalities have seen their property values decrease 9%, the largest five-year decrease in southeast Wisconsin. Kenosha County had the second largest decrease, at 6%. Walworth County total property values in 2011 are nearly the same as five years prior, declining less than one percentage point. Ozaukee County and Waukesha County both had five-year declines of 5%, while Racine County had a decrease of 4% over the past five years.

Chart 3: County aggregate changes in property values, 2007 to 2011



Despite the region-wide decline, some bright spots emerge. For example, 38 municipalities in southeast Wisconsin experienced an *increase* in property values from 2010 to 2011. Four of those municipalities were cities, while the remainder were towns or villages. The largest increase was 3.5% in the Town of Saukville in Ozaukee County (31 of the 38 municipalities had increases of less than 2%). As shown in **Chart 4**, only 13 municipalities in southeast Wisconsin saw increases in their overall equalized values in 2010, which may be an additional sign that a real estate recovery has begun.

Chart 4: Count of municipalities with increasing property values



Causes of property value changes

The major factors behind the decline in property values in southeast Wisconsin are the economic change in real estate values and the slowed growth of new construction in the region. For the second year in a row, real estate values declined in every county in southeast Wisconsin. Meanwhile, as reflected in **Table 1**, economic change accounts for a 3% decline in values in southwest Wisconsin.

Table 1: Changes in aggregate real estate values, 2010 to 2011

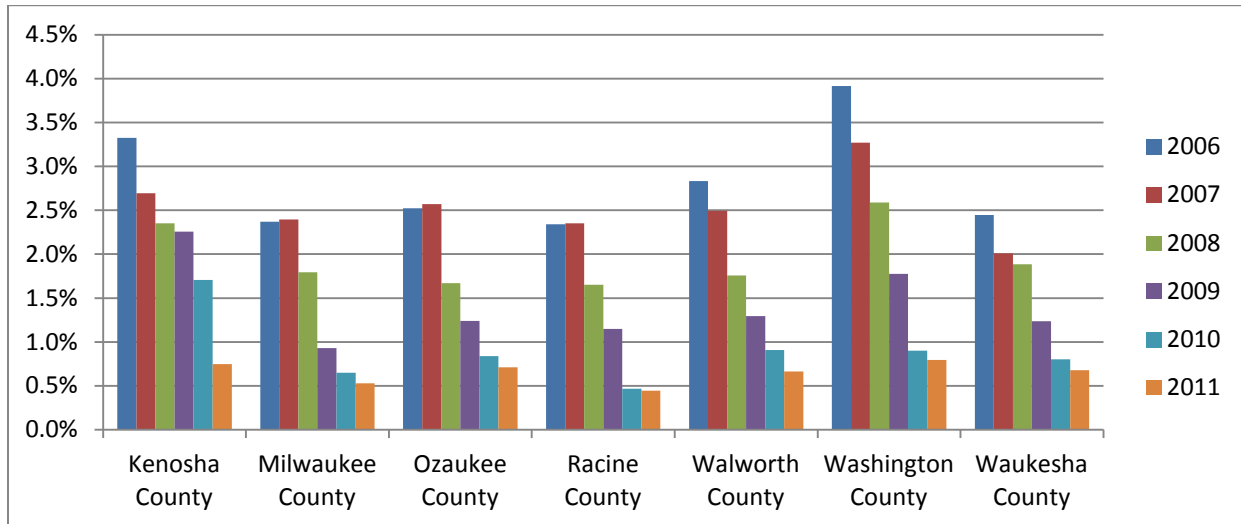
	2011 Real Estate Value	Economic Change	New Construction	Other change	2010 Real Estate Value
Kenosha County	\$13,417,048,900	(\$617,114,300)	\$100,492,000	(\$3,839,800)	\$13,937,511,000
Milwaukee County	\$59,296,906,200	(\$2,396,124,200)	\$313,865,300	(\$44,242,200)	\$61,423,407,300
Ozaukee County	\$10,562,187,100	(\$158,398,400)	\$74,980,100	\$3,258,700	\$10,642,346,700
Racine County	\$14,735,236,800	(\$243,961,300)	\$65,535,400	\$11,925,300	\$14,901,737,400
Walworth County	\$14,509,230,900	(\$319,937,300)	\$96,235,500	(\$115,656,600)	\$14,848,589,300
Washington County	\$13,261,333,600	(\$235,821,600)	\$105,336,100	(\$48,411,700)	\$13,440,230,800
Waukesha County	\$48,475,935,700	(\$916,645,600)	\$328,821,100	(\$122,034,300)	\$49,185,794,500
SE Wisconsin	\$174,257,879,200	(\$4,888,002,700)	\$1,085,265,500	(\$319,000,600)	\$178,379,617,000
State of Wisconsin	\$475,506,244,600	(\$11,295,112,500)	\$3,846,104,900	(\$1,011,436,000)	\$483,966,688,200

In addition, no counties in southeast Wisconsin had new construction growth above 1%. Washington County had the highest new construction growth in the region at 0.8%, while Racine County had the lowest at 0.4%. Overall, new construction in the region grew 0.6% from 2010 to 2011.

Chart 4 shows the decline in new construction in southeast Wisconsin over the past five years, demonstrating that the slowdown occurred in concurrence with the recession. As discussed earlier in this report, new construction is particularly important to local governments as it now determines their ability to increase their tax levies. If the rate of new construction growth does not rebound, then local

governments likely will be unable to use growth in the property tax levy to offset inflationary increases in fixed costs.

Chart 4: Total real estate new construction growth by county, 2006-2011

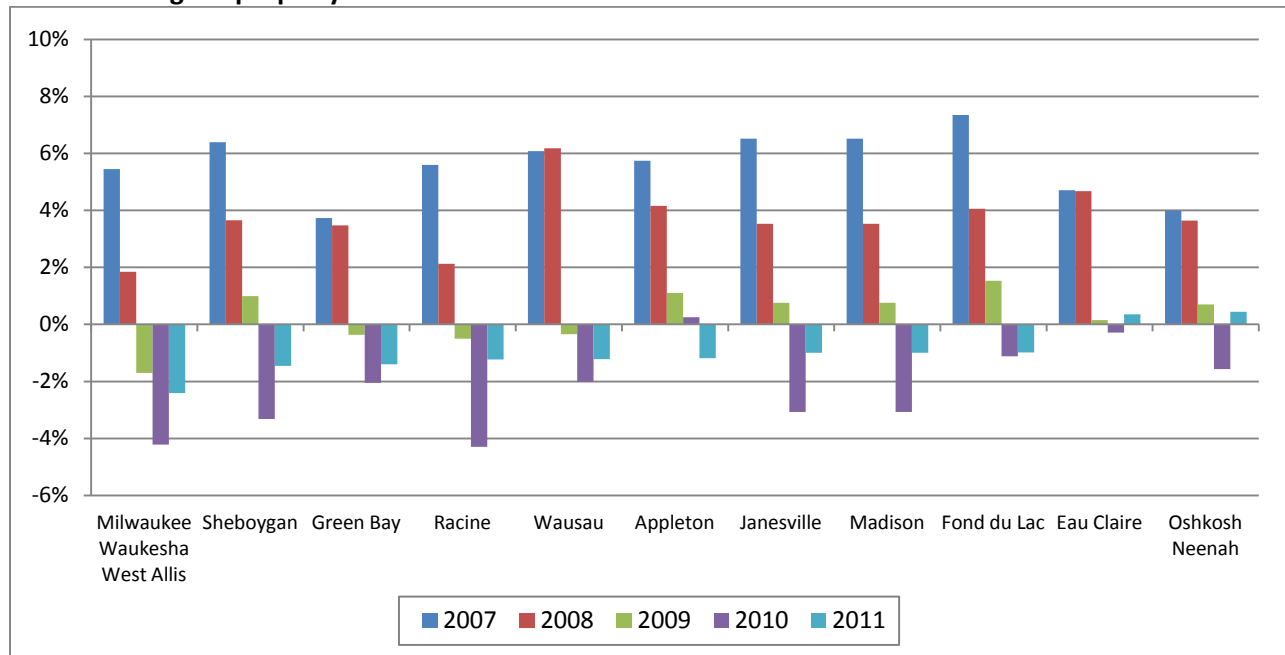


Wisconsin regional comparison

The analysis of **Chart 2** on page 6 reveals that much of Wisconsin’s decline in property values can be attributed to losses in southeast Wisconsin. To put the region in context with other regions, we examined relative growth across the state’s Metropolitan Statistical Areas (MSA). Eleven Wisconsin MSAs are entirely within Wisconsin’s borders, and another four MSAs include parts of neighboring states. For comparison purposes, in this analysis we analyze only the 11 MSAs within the state.

As shown in **Chart 5**, from 2010 to 2011 all but two of the 11 MSAs within Wisconsin had a decrease in property values. The Milwaukee-Waukesha-West Allis MSA, which includes municipalities in Milwaukee, Waukesha, Ozaukee, and Washington counties, and the Janesville MSA, which is entirely in Rock County, had the largest one-year decreases (2.4%). The Eau Claire MSA and the Oshkosh-Neenah MSA both reversed their negative growth trends and were the only two MSAs to have an increase in property values from 2010 to 2011. The Madison MSA, which is the second largest in terms of absolute property values behind the Milwaukee-Waukesha-West Allis MSA, saw values decrease 1% from 2010 to 2011.

Chart 5: Change in property values in Wisconsin MSAs from 2007 to 2011



Over the past five years, only four of the 11 Wisconsin MSAs had a decrease in total property values. The Milwaukee-Waukesha-West Allis MSA had the largest five-year decrease at 6.4%, while the Racine MSA had the second-largest at 3.9%. The Eau Claire and Appleton MSAs each saw property values increase in the last five years, at 4.9% and 4.3% respectively.

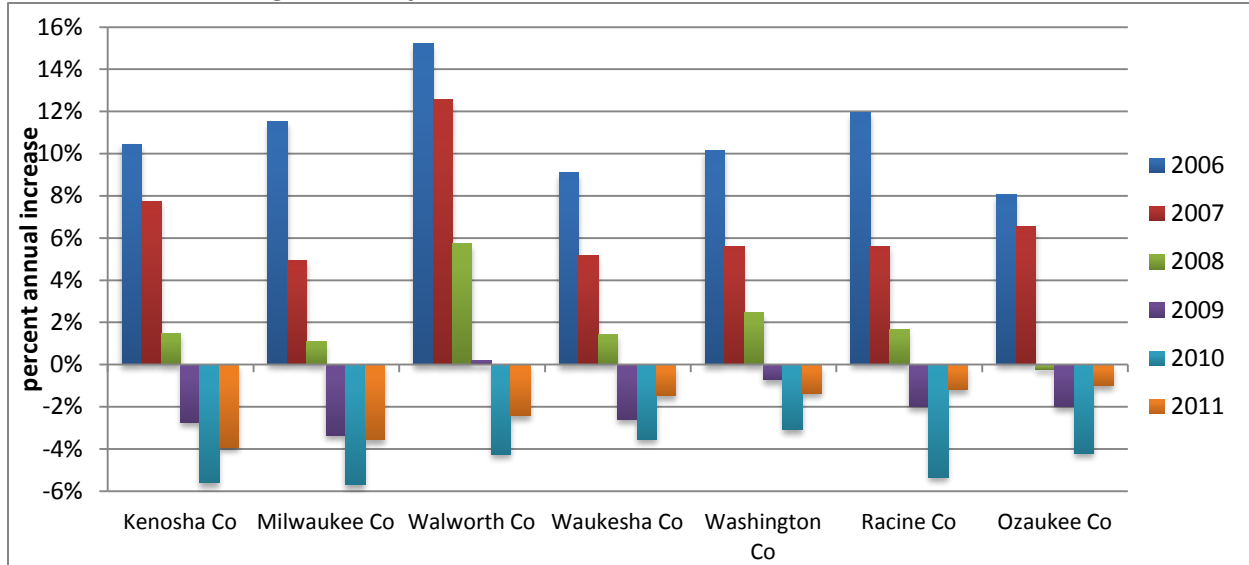
Residential values

Residential property values mirrored the total property value decreases in southeast Wisconsin in 2011, which is not surprising given that residential property accounts for 73% of the region’s total property (totaling \$129.7 billion). Residential property values in the region decreased 2.3% from 2010 to 2011, an improvement from the 4.6% decline the previous year, which was the largest one-year decline since at least 1992. Residential property values throughout the state decreased 1.6% from 2010 to 2011. This is the fourth year in a row in which southeast Wisconsin residential property values have either decreased by more than the state, or not increased as much as the state as a whole. Over the past five years, residential property has decreased 7.5% in southeast Wisconsin and 3.7% in the state as a whole.

While the lower rate at which property values declined can be viewed with cautious optimism, 2011 is the second year in row that aggregate residential property values in *all* seven counties in southeast Wisconsin experienced a decrease. Municipalities in Kenosha County experienced the greatest loss in residential property value, decreasing 3.9% from 2010 to 2011. Milwaukee County municipalities experienced the next largest decrease (3.6%). As shown in **Chart 6**, every county in southeast Wisconsin – with the exception of Walworth County – has experienced at least three straight years of decline in residential property value (this is the fourth consecutive year for Ozaukee County). Over the past five

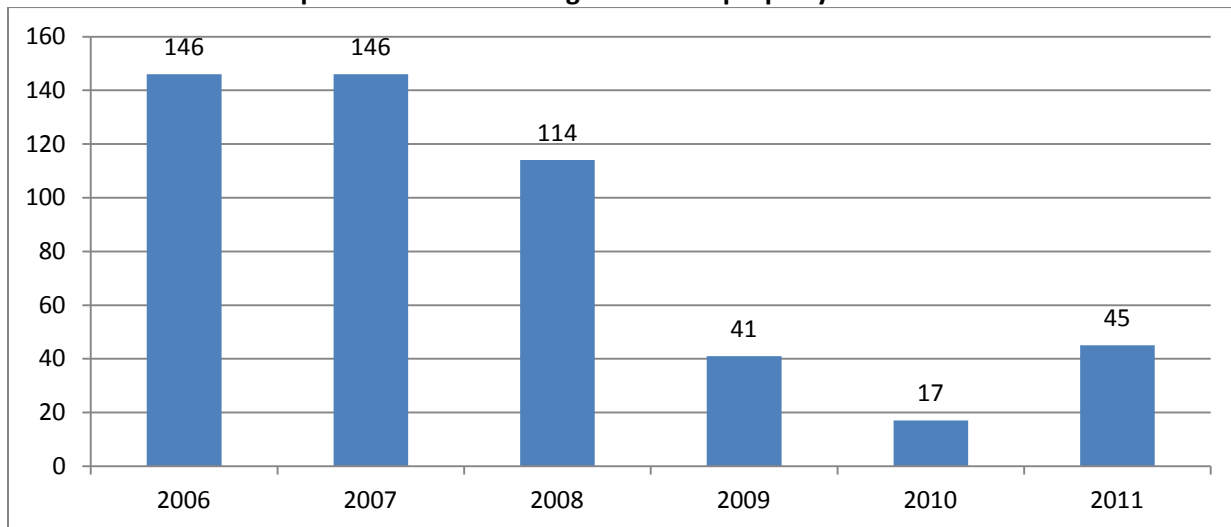
years, Milwaukee County has the largest overall decline in residential property value at 11.1%, with Kenosha County second at 10.5%. Walworth County’s residential property declined 1% over the past five years, the lowest in the region.

Chart 6: Rates of change in county residential value totals, 2007-2011



With regard to the region’s municipalities, 45 experienced an increase in the residential tax base from 2010 to 2011, a reversal of the trend in recent years. In fact, in 2010, only 17 municipalities had an increase in residential property values. This pattern, coupled with the slowing rate of property value decline, is further evidence of a possible new upward trend.

Chart 4: Count of municipalities with increasing residential property values

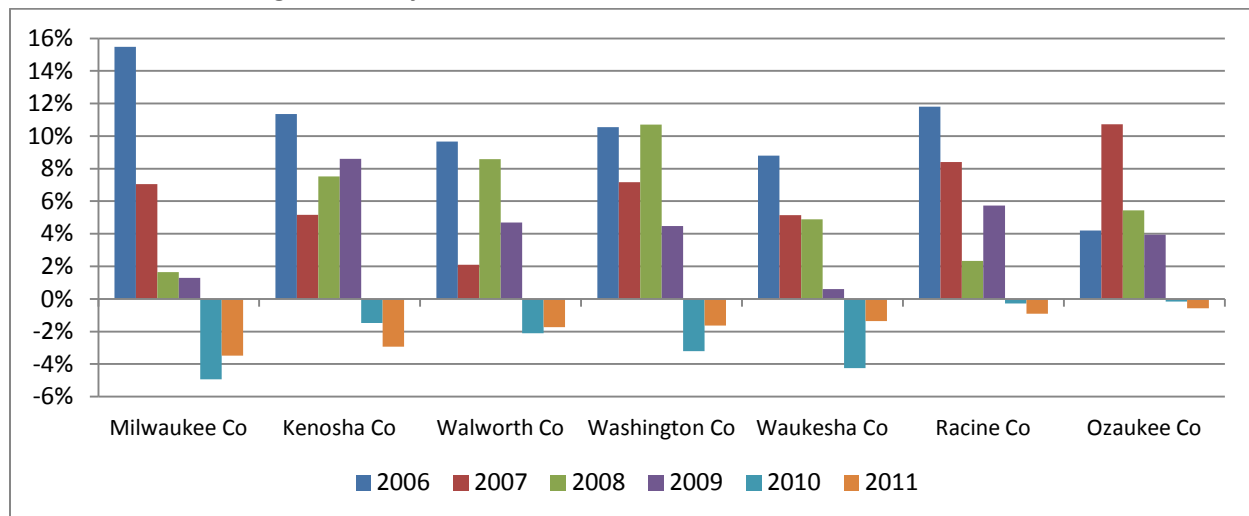


Commercial and manufacturing values

Commercial property in southeast Wisconsin totaled \$38.3 billion in 2011, equaling 21.5% of the region's total property value. The value of commercial property in the region decreased 2.5% from 2010 to 2011, the second consecutive year of decline.

As **Chart 7** shows, every county in southeast Wisconsin experienced a decrease in commercial property for the second year in a row. Milwaukee County saw the largest decrease in commercial property value in 2011 at 3.5%. Kenosha County experienced the second-largest decrease at 2.9%, and was the only county in the region to suffer a larger decrease in 2011 than in 2010. Ozaukee County had the smallest decline in commercial property value in the region at 0.6%.

Chart 7: Rates of change in county commercial value totals, 2007-2011



At the municipal level, 47 municipalities in southeast Wisconsin experienced an *increase* in commercial property values from 2010 to 2011, as compared to 32 the previous year. The City of Milwaukee, which has the largest commercial tax base in the region at a total of \$9.5 billion, saw its commercial value decrease 4.4% in 2011, slightly greater than the 4.2% decrease the prior year.

While the overall decline in commercial property value slowed this year, manufacturing property values saw another year of accelerating value loss. The magnitude of the decrease was small, however, as on the whole, manufacturing property value across the state decreased by about \$5 million.

Manufacturing property accounts for 3% of all property in southeast Wisconsin. Aggregate manufacturing property values in the region decreased 1.8% from 2010 to 2011, surpassing the decline of 0.4% from 2009 to 2010. This was the third annual decrease in a row. Just over half (66) of the region's 120 municipalities with a manufacturing tax base saw a decrease in their total manufacturing property value in 2011, while 31 saw no change.

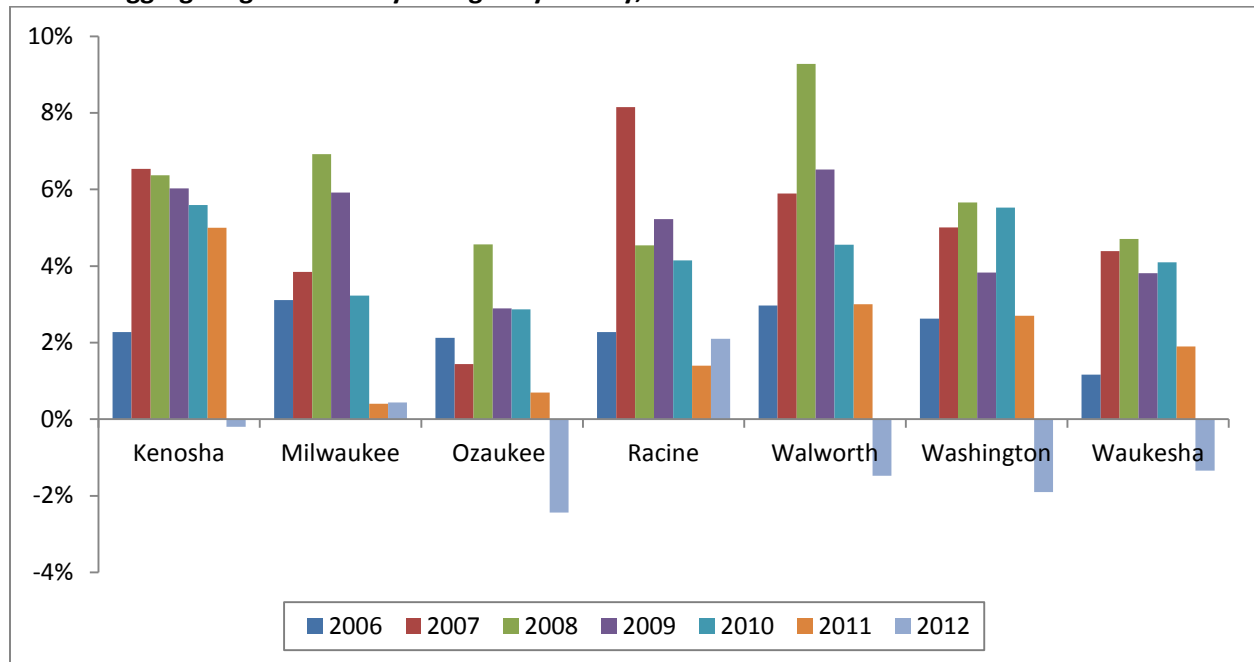
PROPERTY TAXES

Property tax levies

Our analysis of regional property tax levy trends examines tax levies and rates adopted in 2011 for the 2012 budget year. The analysis shows that five of the seven counties in southeast Wisconsin saw a decrease in the total amount of property tax levied for 2012. The overall gross tax levy for the region decreased 0.3%, which is the first decrease in at least the past 10 years. This represents continuation of a five-year trend, as the rate of increase in the previous four years had been steadily slowing until this year's slight decrease.

As **Chart 8** shows, Racine and Milwaukee counties were the only counties with growth in the aggregate property tax levy from 2011 to 2012. Racine County's aggregate gross tax levy grew 2.1%, which was the highest in the region. Racine also was the only county with a growth rate higher than last year. Ozaukee County had the largest aggregate decline in gross tax levy at 2.4%. It is important to note that prior to 2007, the growth in aggregate tax levy was buoyed by growth in property values. This year's decline likely is tied both to several years of declining property values and the imposition of new levy limits.

Chart 8: Aggregate gross tax levy changes by county, 2006 to 2012



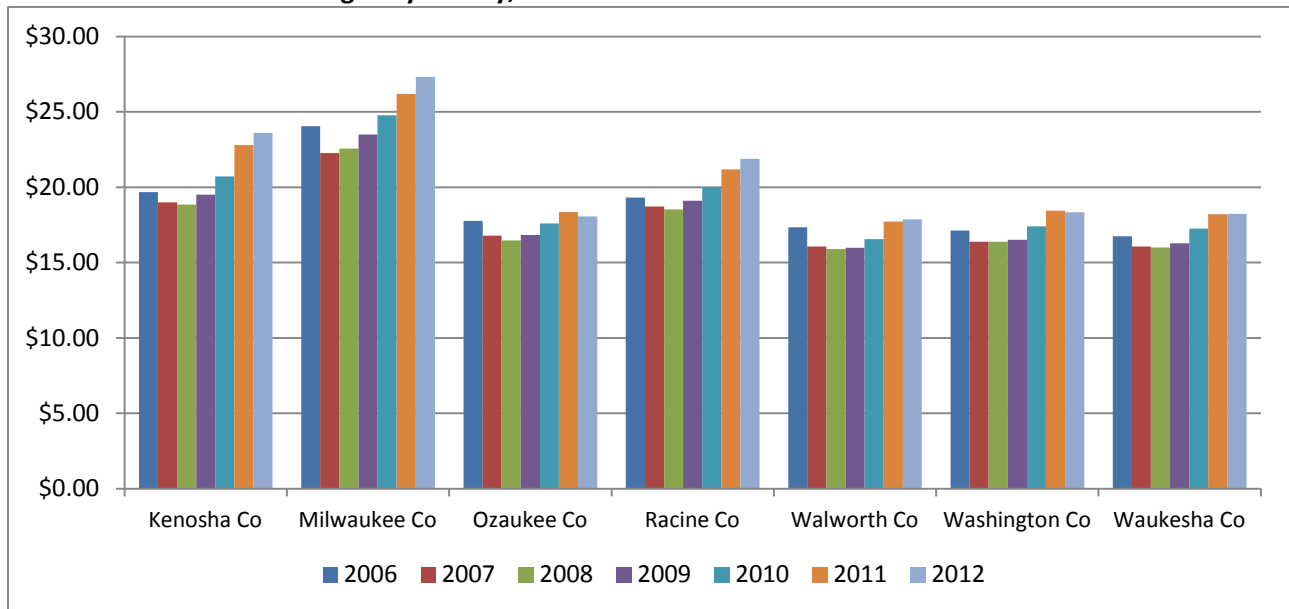
At the municipal level, more than half of the municipalities (81) had a decrease in their gross tax levy, compared to 19 last year and just 10 the year before that. The Village of Mount Pleasant in Racine County had the largest increase in gross tax levy at 4.5%. The City of Milwaukee's gross property tax levy increased less than one percentage point from 2011 to 2012.

Property tax rates

Property tax rates in southeast Wisconsin continued their upward trend in 2012. The aggregate gross tax rate in the region increased \$0.46 per \$1,000 of property value, marking the fifth consecutive annual increase, though the rate of growth has slowed. The aggregate gross tax rate in southeast Wisconsin is now \$22.04 per \$1,000 of assessed value. Tax rates typically can be expected to increase during a time of property value decrease, even under strict levy limits, as the drop in value requires a tax rate hike just to maintain a stable tax levy.

While the regional gross tax rate increased, the aggregate gross tax rate did not increase in every county. As shown in **Chart 9**, two counties (Ozaukee and Washington) saw a decrease in their aggregate gross tax rate for the first time since 2008. The aggregate gross rate in Milwaukee County grew by \$1.11 per \$1,000 of property value to \$27.31 in 2012, the largest increase in the region. Kenosha County had the next-largest increase in the region at 3.6% (to \$23.60).

Chart 9: Gross tax rate changes by county, 2006 to 2012



In a reversal of recent trends, 56 municipalities in southeast Wisconsin had a decrease in their gross tax rate from 2011 to 2012. Last year, no municipalities had a decrease in their gross tax rate while in 2010, only five of the region's municipalities experienced a decrease.

School districts

As shown in **Chart 10**, school districts account for the largest percentage of the aggregate tax levy in southeast Wisconsin at 45%, which means that school district levies tend to drive overall changes to regional levies. **Chart 11** shows that the aggregate school district tax levy for southeast Wisconsin steadily increased from 2007 to 2011, before decreasing 1.2% in 2012. Also, for the first time since 2008, more municipalities (83) saw their corresponding school district tax rate decrease than increase. Last year, only two municipalities experienced a decrease in the school district tax rate. The new statutory revenue cap decrease of 5.5% helps explain the smaller school district tax levies. Under the 2011-13 biennial budget, school districts were required to decrease their total revenues (property tax and state aids) by that amount. The 1.2% decrease in the aggregate levy indicates that much of that revenue cap decrease accrued to the state aid portion of the revenue ledger.

Chart 10: Southeast Wisconsin aggregate tax levy breakdown, 2012

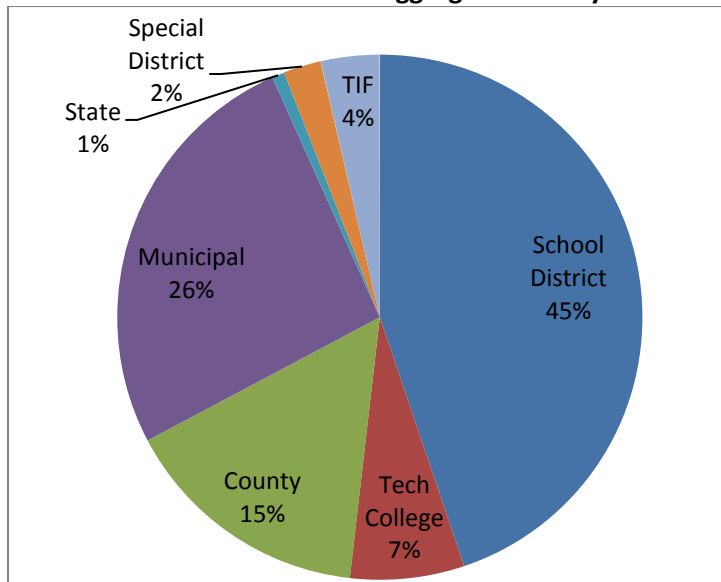
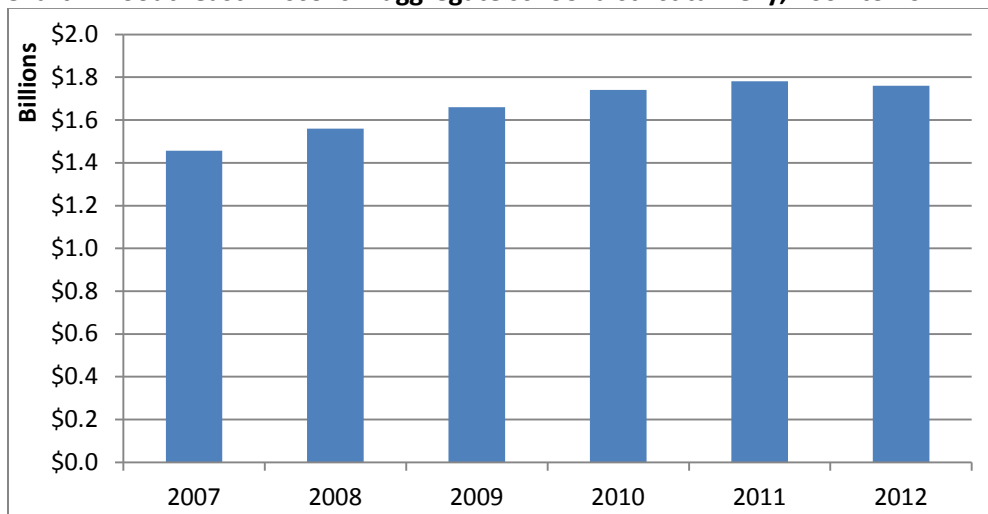


Chart 11: Southeast Wisconsin aggregate school district tax levy, 2007 to 2012



EFFECTS ON TAXPAYERS

Property tax bills

The annual change in one's property tax bill reflects not only a change in the property tax rate, but also any change in the assessed value of one's home. A decrease in the assessed value of one's home, however, may not translate into a lower tax bill if the increased tax rate outweighs the loss in assessed value.

This year, we calculated an average tax bill using the average residential equalized value in 2011 in each county and applying the 2012 aggregate gross tax rate for each county. For the second year in row, Waukesha County had the highest average residential property value, at \$275,794, followed closely by Ozaukee County with an average of \$272,285. The average residential property value in Milwaukee County in 2011 was \$154,341, the lowest in the region and 6.3% less than in 2010.

Our calculations indicate that consistent with declining property values and slowed growth or declines in gross tax rates, the average hypothetical homeowner in the region saw a slight decrease in property taxes in 2012. As shown in **Table 2**, the average hypothetical gross tax bill in southeast Wisconsin decreased slightly over the past year, from \$4,448 in 2011 to \$4,389 in 2012. Six of the seven counties in southeast Wisconsin had a decrease in the hypothetical gross tax bill, with Racine County the only county to experience an increase.

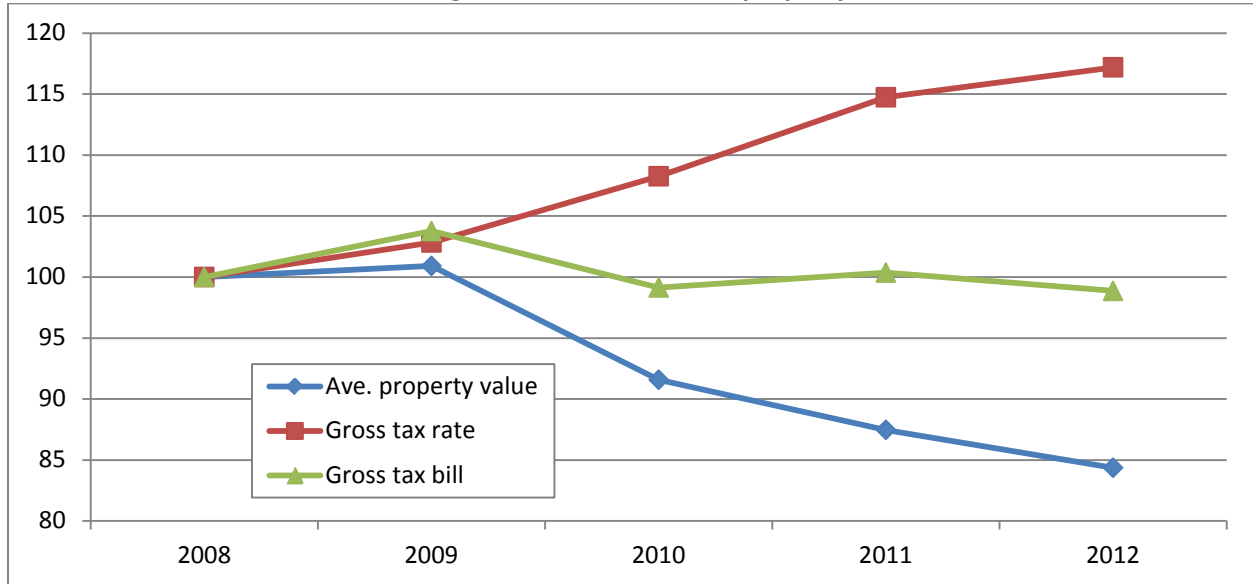
Table 2: Average property values, aggregate gross tax rates, and hypothetical gross tax bills

	2010 Averages			2011 Averages			2012 Averages		
	Value*	Rate	Bill	Value*	Rate	Bill	Value*	Rate	Bill
Kenosha Co	\$189,243	\$20.71	\$3,918	\$178,702	\$22.79	\$4,073	\$172,257	\$23.60	\$4,065
Milwaukee Co	\$174,578	\$24.77	\$4,324	\$164,693	\$26.20	\$4,315	\$154,341	\$27.31	\$4,215
Ozaukee Co	\$291,345	\$17.59	\$5,125	\$275,277	\$18.36	\$5,054	\$272,285	\$18.07	\$4,921
Racine Co	\$175,539	\$19.99	\$3,509	\$166,272	\$21.18	\$3,521	\$164,432	\$21.89	\$3,600
Walworth Co	\$253,525	\$16.55	\$4,197	\$242,315	\$17.73	\$4,297	\$236,472	\$17.88	\$4,228
Washington Co	\$226,077	\$17.40	\$3,934	\$219,856	\$18.44	\$4,053	\$216,335	\$18.34	\$3,968
Waukesha Co	\$290,093	\$17.25	\$5,004	\$279,736	\$18.22	\$5,096	\$275,794	\$18.24	\$5,031
SE WI	\$216,180	\$20.36	\$4,401	\$206,139	\$21.58	\$4,448	\$199,152	\$22.04	\$4,389

*Represents residential values from the previous year.

Chart 12 further illustrates how the average residential values and the gross tax rate can affect the gross tax bill by depicting the average residential property value, aggregate gross tax rate and hypothetical gross tax bill in southeast Wisconsin on the same scale. The chart shows that with the continued drop in the average property value, the hypothetical gross tax bill decreased slightly due to the slowed growth of the aggregate gross tax rate.

Chart 12: Southeast Wisconsin average tax bill, tax rate, and property value, indexed to 100



CONCLUSION

For the second time since the recession began in 2007, the average hypothetical homeowner in southeast Wisconsin saw his or her tax bill decrease in 2012. There may be multiple causes for this decrease, including a continued (though slowing) decline in property values across the region. Undoubtedly, however, a major contributor was the strict new local government property tax levy limits imposed by the 2011-13 State Budget. The tie to new construction for counties and municipalities placed a significant limit given that new construction in the region increased only minimally. Meanwhile, the new limits placed on local school districts required them to reduce their total revenues by 5.5%, which also constrained the levy.

When analyzing their revenue-generating capacity for the next few years, individual local governments should be encouraged by evidence that the most damaging effects of the recession may be behind us. More municipalities experienced higher overall, residential, and commercial property values in 2011 than in 2010, a reversal of the trend over the past several years of declining values in nearly all municipalities.

It is important for local elected officials and their constituents to understand, however, that even those local governments that experience an increase in overall values likely will be limited in their ability to generate increased property tax levies, unless they see a corresponding increase in new construction. That likely is good news for property taxpayers, but it also may portend continued challenges for local government officials in their efforts to maintain existing service levels while accommodating growth in fixed costs.