

School Property Taxes Rebound

School property taxes across Wisconsin are rising by more than \$220 million on December 2019 tax bills, which suggests—when combined with increases in county and technical college district levies—that Wisconsin residents could see their largest property tax increase in a decade. The higher school levies come as state limits on school revenues are being raised for the first time since 2014-15.

On tax bills sent out this month, Wisconsin's school districts together are raising property tax levies by 4.5%—the largest year-over-year increase in a decade. The rise reflects changes in the state budget, as well as recent referenda passed by voters in many individual districts to exceed state-imposed revenue limits. In addition, new data show growth in levies for counties (2.2%) and technical colleges (3.1%), suggesting that the 2019-20 gross property tax levies in Wisconsin might see the highest increase since the last recession.

The tax data come from the state Department of Revenue (DOR) and include the levies reported by counties, technical colleges, and school districts, which together account for roughly two-

thirds of all property taxes in Wisconsin. Statewide figures are not yet available for municipalities, special districts, and tax increment districts, which make up the remaining share of property taxes.

Tracking statewide totals is important because the property tax is the largest state or local tax in Wisconsin, where local governments rely heavily on it to fund public services such as education, police, and fire protection. Despite the overall increase, however, tax bills for individual properties around the state will vary according to local factors and property assessments.

School Districts

Wisconsin school districts levied \$5.21 billion in 2019-20 property taxes, a 4.5% increase over a \$4.99 billion levy

in 2018-19. This represents the first time school taxes rose by more than 2% since 2015-2016, and is the highest since a 6% increase in 2009-10. The K-12 increase was two percentage points greater than the 2.5% growth projected in July by the Legislative Fiscal Bureau (county and tech college levies were in line with LFB estimates).

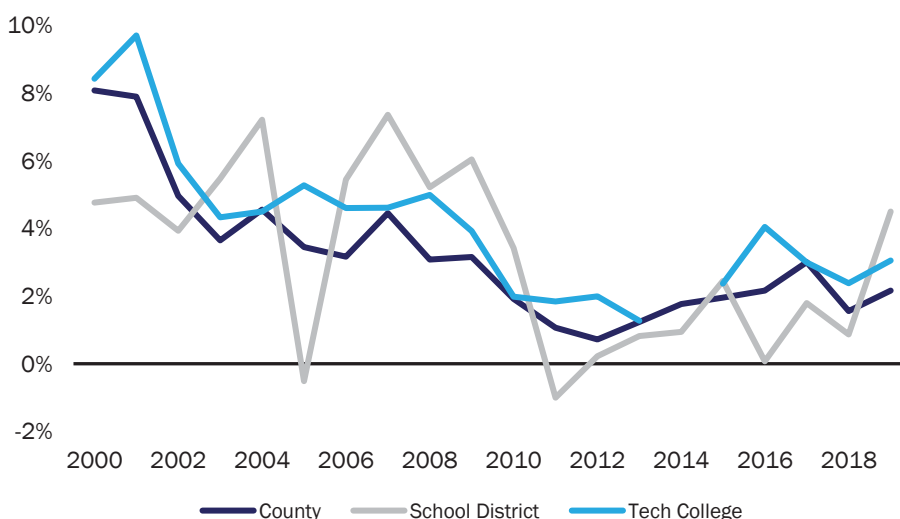
This level of increase, though absent in recent years, is not new to Wisconsin. School district levies increased by more than 4.5% in eight out of the 10 years from 2000 to 2009. (See Figure 1.)

After a decade of relatively tight funding, education advocates may cheer the 2019-20 increase in resources for schools and point out that recent economic gains mean Wisconsin residents are better able to pay for it. Critics may see the increase as contributing to higher taxes overall and Wisconsin's reliance on property taxes to fund local services. (For a look at how much municipal governments depend on property taxes, see our [report, "Dollars and Sense."](#))

While school levy increases have been smaller over the past decade, recent years have also seen a [record amount](#) of school referenda to fund construction projects or increases in districts' operating budgets. Of the 19 districts with a \$3 million or larger increase in property taxes this year, 14 have approved at least one referendum since 2016.

Marquette Law School polling shows voters in the state have favored "increasing spending on public schools" over "reducing property taxes" in eight separate polls taken since 2015—including seven taken since 2018—after favoring lower property taxes in two 2013 polls.

Figure 1: K-12 Taxes Rise After Years of Smaller Increases
% Change in Property Tax Levy by Year, 2000-2019



Source: Wisconsin Department of Revenue

Note: Technical college levies were bought back significantly in 2014/15; this year was removed for scale.

Just eight of the state's 421 districts account for more than 1/3 of the \$224 million increase this year. Five of the districts with the largest dollar increases in taxes—Madison Metropolitan, Sun Prairie, Middleton-Cross Plains, DeForest, and Verona—are located in Dane County.

In raw dollars, Madison (\$22.1 million) and Milwaukee (\$11.6 million) had the biggest increases of any district, which translated into increases of 7.2% and 4.6% respectively. The Legislative Fiscal Bureau reports general state aid to Milwaukee Public Schools is going down by 1.9% and the district's budget shows a little less than half of the overall property tax increase is going to recreation and community programs and facilities and not to core district operations. In Madison, general school aids are falling by 15% and voters cast ballots to exceed revenue limits in 2016.

Since 1993-94, the state has limited the per pupil revenue that school districts can receive from property taxes and state general aid. Districts cannot exceed the caps without a successful referendum, but if a district's general aid falls, the school board can increase property taxes to offset the loss.

In the past, the revenue limits generally were increased by the rate of inflation, but in recent years the increases have been smaller. From 2015-16 until last year, no per pupil adjustment was made to the limit, so districts would have to offset any increase in their general state aid by cutting property taxes. However, districts did receive some additional state aid that was outside the revenue caps.

In the recent state budget, Democratic Gov. Tony Evers and the Republican-controlled Legislature increased the revenue limits by \$175 per pupil in 2019-20 and \$179 in 2020-21 and also raised the limits for low-spending districts. In addition, the budget increased general school aids by \$83 million in 2019-20 and \$164 million in 2020-21. In districts where the revenue limit increase exceeded the increase in general

aids, school boards can raise property taxes by the remaining amount.

Other factors that could account for some of the increase in property taxes include growing enrollment in the Racine and statewide voucher school programs—public schools can levy property taxes to backfill decreased state aid for participating students—as well as spending on community recreation programs outside of revenue limits.

Counties

Counties account for about 20% of all property taxes statewide. In 2019-20, county property taxes increased by 2.2% to \$2.28 billion, up from \$2.23 billion in 2018-19. Sixty-six of Wisconsin's 72 counties raised their property tax levy, including two (Bayfield and Trempealeau) that increased it by more than 10%.

Milwaukee County surpassed a tax levy of \$300 million for the first time, though its increase (2.3%) remained in line with the statewide increase. Dane County raised its levy to \$193 million, an increase of 4.4%. Most counties with levy increases larger than 5% were located in the northern and western parts of the state.

Like technical colleges and municipalities, counties generally cannot increase property taxes used for ongoing operations by more than the amount of net new construction in their boundaries. County property taxes are worth watching because they are significant in their own right and because increases in municipal levies (which are not yet available from DOR) tend to track the change in county levies fairly closely.

Tech Colleges

Technical college property tax levies only account for about 4% of the statewide levy each year. The statewide total this year rose 3.1% from \$457.2 million

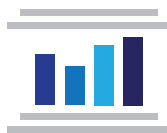
to \$471.2 million. Twelve of Wisconsin's 16 technical college districts saw levy increases of at least 2%, including four with at least a 5% increase. Only the Milwaukee Area (\$94 million) and Madison Area (\$79.9 million) districts had total levies that exceeded \$50 million. After the state provided aid to reduce technical college property tax levies by nearly half in 2014-15, the state has seen five straight years of at least 2% growth in these property taxes.

Conclusion

This analysis looks only at gross property tax levies, meaning state tax credits that buy down the property tax—the School Levy, Lottery, and First Dollar credits—have not yet been factored in. The first two credits are essentially flat in the state budget but the lottery credit is budgeted for a substantial increase.

Additionally, municipal property tax levies, as well as tax increment and special districts, have not been factored into this analysis since data on them is not yet available. That said, there is reason to believe that Wisconsinites will see the largest overall property tax increase in a decade this year. This is in part a reminder that local governments in the state rely heavily on the property tax—in Milwaukee that has led to a discussion over whether city and county residents should be able to vote on a plan to increase the local sales tax and use a portion of the proceeds to reduce property taxes.

Looking ahead, the state budget allows for an additional revenue limit increase for schools in 2020-21, though as noted the state is also raising general school aids. In addition, many of the last year's school referenda are still being phased in, and large districts such as Milwaukee and Madison are contemplating putting additional referenda before voters as they seek to improve outcomes for students. The issues raised by this year's tax bills will bear watching in 2020 as well.



— WISCONSIN —
POLICY FORUM
Impartial research for informed debate