

# SCHOOL TAX LEVIES RISE BUT PACE SLOWS

Amid a pandemic and global recession, school districts are increasing property taxes for the coming year by a smaller amount than last year but still by the second-highest percentage since 2010. A key factor was successful voter referenda, including one linked to a \$42.5 million levy increase for the Milwaukee Public Schools alone. Increases in county and technical college taxes on this December's bills suggest that the overall property tax increase will also be one of the largest in recent years.

Statewide, residents of Wisconsin will see a 3.3% increase in property taxes going towards K-12 schools on their December bills to nearly \$5.4 billion. Though this represents a slowdown from the 4.5% growth in 2019, it is still greater than any other year over the past decade. The increase likely reflects the high rate of passage for recent district referenda and – for certain districts at least – increases in state revenue limits for schools.

Technical colleges will increase their levies by 3.3% overall – nearly the same percentage as last year – from \$471.2 million to \$486.5 million. Levies going towards the state's 72 counties will increase by 2.1%, from \$2.28 billion to \$2.33 billion (see **Figure 1**).

The tax data come from the Wisconsin Department of Revenue (DOR), which does not yet have figures on levies for municipal governments. That said, technical

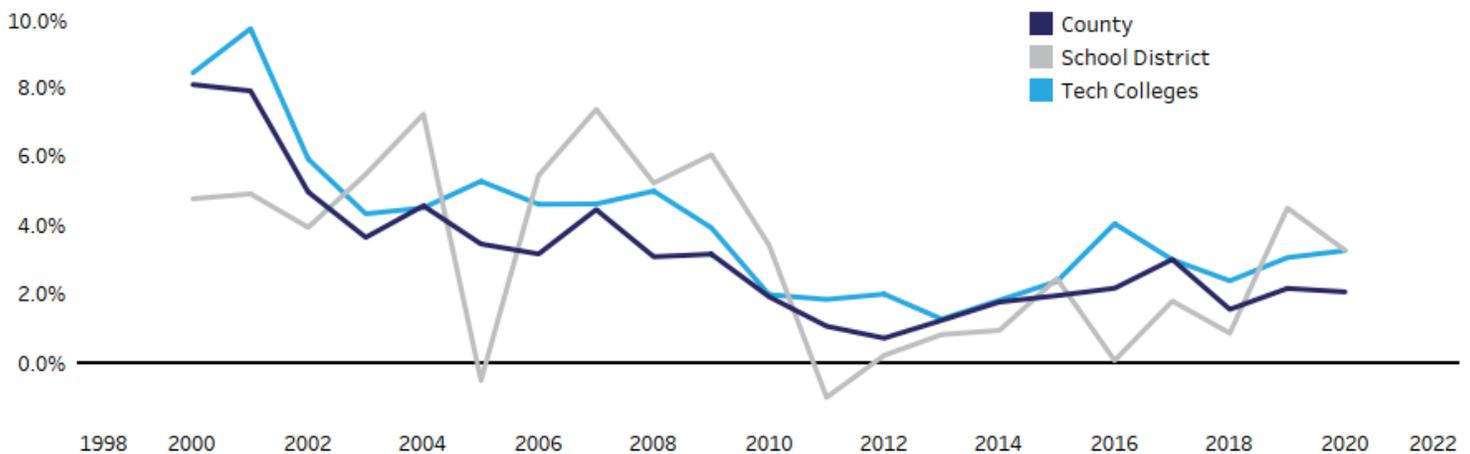
colleges, K-12 schools, and counties together account for about two out of every three property tax dollars. Their totals suggest the statewide percentage increase on the overall property tax bills this December will be lower than the 3.7% rise last year but still higher than nearly all other years over the past decade.

Property taxes matter because they are the single largest tax paid by Wisconsin residents and also the biggest source of local funding for schools, police, fire protection, and roads. For more on last year's figures, see our [Property Values and Taxes Datatool](#).

This analysis looks only at gross property tax levies and does not account for the state's school levy, lottery, and first dollar credits, which reduce net property taxes by a combined total of more than \$1.3 billion. This year, the amounts for all three credits are budgeted to remain stable.

**Figure 1: Growth in Property Taxes Fairly Steady Amid Pandemic**

% Change in Property Tax Levy by Year, 2000-2020



Source: Wisconsin Department of Revenue

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



## SCHOOL DISTRICTS

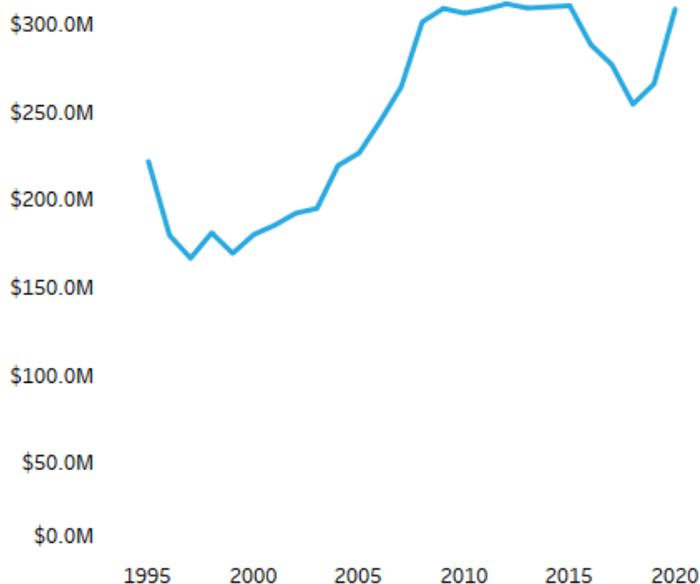
Wisconsin's 421 elementary and secondary school districts are levying \$5.38 billion in property taxes on December 2020 bills, up from \$5.21 billion last year. Though a smaller increase than last year, the rate of growth is still greater than that [projected](#) during state budget deliberations in 2019 and marks only the third time since 2011 that the increase in school levies topped 2%.

Notably, property owners within the city of Milwaukee will see their school district taxes increase by 16% collectively, as the Milwaukee Public Schools' (MPS) levy will increase from \$265.7 million in 2019 to \$308.2 million this year. In raw dollars, the increase was the largest for MPS since at least 1995. It is important to note, however, that the MPS levy dropped substantially from 2015 to 2018 and – even after this latest increase – remains \$3 million less than it was in 2012 (see [Figure 2](#)) even before adjusting for inflation.

The 16% increase for MPS was not within the top 10 districts statewide, ranking 12th-highest. In fact, 32 Wisconsin districts will increase their 2020-21 levy by at least 10%. As with most of these other districts, the increase for MPS was largely attributed to a voter referendum, which in MPS' case allowed an additional

**Figure 2: MPS Referendum Returns Taxes to Former Level**

Milwaukee Public Schools Property Tax Levy, 1995-2020



Source: Wisconsin Department of Revenue

Note: not adjusted for inflation

\$57 million in taxes this year on top of what state revenue limits permit. Of the 20 districts with the highest percentage levy increases this December, 16 have passed at least one referendum since 2018. Recently, we [highlighted](#) the strong success rate of school referenda in 2020 despite the difficult economy.

Another factor affecting property taxes was the interplay between changes in school revenue limits and state aid to schools. Barring a voter referendum, the state caps the amount of revenue per student that school districts can raise from property taxes and general school aids combined. After four years of stagnant per pupil revenue limits, the 2019-21 state budget increased them by \$175 per pupil last year and \$179 per pupil this year, with the 2020-21 increase amounting to roughly \$150 million statewide. In both years, the state also increased the revenue limits for certain low-spending districts.

Last year, the state provided an \$83 million increase in general school aids – not enough to cover the increase in revenue limits. This year, the state provided an additional \$163.5 million in general aids, a 3.4% increase that was the largest since 2005 and – looking at the state as a whole – was more than enough to cover the \$179 per pupil growth in the main revenue limits, curbing the overall growth in property taxes statewide.

However, state formulas determine the fortunes of individual districts, and not all will get an increase in either their general school aid or revenue limit. Those that did receive a revenue limit increase without a corresponding increase in state aid can increase property taxes to make up the difference.

Another potential factor this year was a 3% drop in headcount student enrollment in September as well as a massive drop in summer enrollment. Both those decreases served to lower the amount that school districts statewide would typically be allowed under the three-year rolling average enrollment figures used in revenue limit calculations.

The state does provide a one-time exemption that shields districts from the effects of an enrollment decline on their revenue limits. Yet the enrollment decline could have a greater downward effect on school property taxes, state aid payments, and overall revenues in future years.

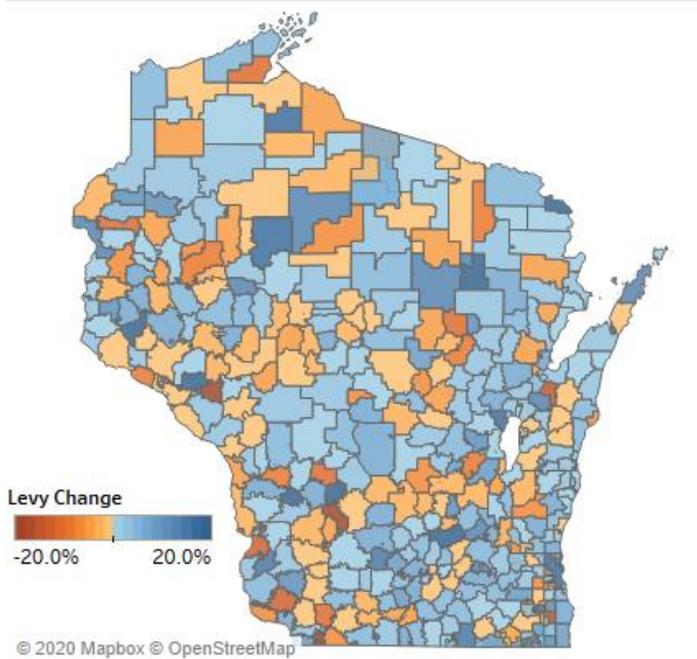


Despite the general trend of increased property taxes for schools, 150 districts – more than one-third of those in the state – will decrease their levy, including large districts like New Berlin (-\$3.4 million), De Pere (-\$3.2 million), Wauwatosa (-\$2.5 million), Eau Claire (-\$2.2 million), and La Crosse (-\$2.0 million) (see **Figure 3**).

Milwaukee (\$42.5 million) and Madison (\$19.9 million) – the state’s two biggest districts – adopted the largest increases in raw dollars, and in both cases that was due to successful referenda this year. If their levies were removed from the statewide totals, then the overall increase this year would be 2.3% instead of 3.3%.

**Figure 3: How School Levies Changed**

% Change in Property Taxes from 2019-2020 to 2020-2021 by School District



## COUNTIES

Behind municipalities and school districts, counties levy the third-highest amount in local property taxes, accounting for about 20% of the total each year. In 2020, county levies are increasing by 2.1%, from \$2.28 billion in 2019 to \$2.33 billion this year. Two counties – Richland (18.5%) and Price (12.8%) – are seeing notable increases while Ozaukee County’s levy is declining by 1.8%.

Milwaukee County’s levy will increase just 0.9% to \$304.8 million. Dane County will increase its levy by 4% - 11<sup>th</sup>-highest in the state – and top \$200 million for the

first time. Both counties will see a lower increase to property taxes than last year.

As is the case with municipalities, increases to county property tax levies used for operations generally are limited by the state to the rate of net new construction within their borders. Therefore, though municipal levy data are not yet available, county levies may give us a sense of the scale of increases that will be adopted by cities and villages.

## TECH COLLEGES

Levies for technical colleges increased by 3.3%, from \$471.2 million in 2019 to \$486.5 million this year. Fourteen of the 16 total technical college districts saw levies increase between 1.4% and 6.7%; outliers were Chippewa Valley (Eau Claire), with a 17.4% increase, and Nicolet (Rhineland), with a 22.4% decrease.

The Madison and Milwaukee Area districts are the only ones with levies exceeding \$50 million, and tech college levies overall account for only about 4% of local property taxes. This will be the sixth straight year in which tech college levies increased between 2% and 5%.

## CONCLUSION

As we discussed when we first assessed the pandemic-related impacts on local government budgets in [April](#), Wisconsin’s heavy reliance on property taxes may actually be an advantage in this time of crisis. That is because property taxes typically are not subject to the immediate sharp drops seen in revenues from other major taxes, like sales or income taxes, during the initial phase of a downturn or recession.

The preliminary figures discussed here support that notion, as this December’s statewide property tax increase will be one of the largest of the past decade. That, in turn, will generally ensure a steady flow of resources to local governments and school districts from their largest local revenue source.

An important downside is that the increases may pose some hardship for property owners and that they come at a particularly inopportune time given the economic impacts of the pandemic. On the other hand, they will also help maintain key services such as public health, education, and public safety at a time when they may be most valued.

