

RESEARCH AND ANALYSIS SECTION - LEGISLATIVE REFERENCE BUREAU

2007 Proposed Budget Summary: Tax Stabilization Fund

The Tax Stabilization Fund (TSF) balance available for 2007 purposes and subsequent years' budgets is **\$46,822,000**. The 2007 proposed budget TSF annual withdrawal of **\$23,175,000** would leave a remaining available balance of **\$23,647,000** prior to 2006 regeneration.

Tax Stabilization Fund 1998– 2006: Balance as of January 1 *

Year	Balance Available **	Withdrawal
1998	44,009,000	17,600,000
1999	33,770,000	12,820,000
2000	29,400,000	11,250,000
2001	19,437,000	5,500,000
2002	21,529,440	11,000,000
2003	29,122,000	9,300,000
2004	33,745,000	16,870,000
2005	34,342,000	16,621,000
2006	33,900,000	16,328,000
2007 Proposed	46,822,000	23,175,000
Average	32,607,644	14,464,000

* These figures are from the Comprehensive Annual Financial Report, Years 1998-2005.

**Balance available at the time of budget consideration.

1. The **\$23,175,000** TSF withdrawal in the 2007 proposed budget includes:
 - A **\$20,850,000** sustainable withdrawal.
 - A **\$325,000** revenue anticipation withdrawal for revenue that has not been recognized by the Comptroller nor approved by the Common Council. This revenue relates primarily to increases in various fees and permits.
 - A **\$2,000,000** withdrawal reserved for legal liabilities.
2. At this time, Budget Office's estimated 2006 TSF regeneration is **\$20,000,000**.
3. A balance of **\$23,647,000** will remain prior to 2006 regeneration.

Description and Legal Basis

1. The Tax Stabilization Fund (TSF) is the portion of unrestricted general fund balance not designated for a specific purpose.
2. Withdrawal from the TSF serves as a revenue item in the budget, and offsets the amount of property tax levy that would otherwise be required.

3. State law permits cities of the first class to establish a TSF. The City of Milwaukee, in establishing a TSF, set forth the following purposes and objectives for the fund in section 304-29 of the Milwaukee Code:
 - To assist in stabilizing the city's tax rate "within reasonable limits" from year to year.
 - To protect the city and its citizens from fluctuations in the City property tax rate "which can result from erratic variations in non-property tax revenues".
 - To improve the city's financial planning ability.
 - To better enable the city to comply with state levy limits.

4. The primary **funding sources** for the TSF established by Section 304-29 of the Milwaukee Code are:
 - Revenue surpluses, i.e., the difference between estimated revenues and the actual receipts.
 - Unexpected appropriations not carried-over, except from internal service funds.
 - Any internal service fund retained earnings that exceed 5% of that fund's budget.

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