

FISCAL REVIEW SECTION - LEGISLATIVE REFERENCE BUREAU

2005 Proposed Budget Summary: Tax Stabilization Fund

The Tax Stabilization Fund (TSF) balance available for 2005 purposes and subsequent years' budgets is **\$34,300,000**. The 2005 proposed budget TSF annual withdrawal of **\$16,321,000** would leave a remaining available balance of **\$18,000,000** prior to 2004 regeneration. The proposed withdrawal does not include **\$550,000** in anticipation of recognition by the Comptroller and will only be transferred in the event that the proposed Assessor's Office appraisal service charge is not adopted.

Tax Stabilization Fund 1995– 2004: Balance as of January 1 *

Year	Balance Available **	Withdrawal
1996	\$ 49,551,000	\$ 18,900,000
1997	46,883,000	16,326,000
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 Proposed	34,342,000	16,321,000
Average	34,178,844	13,588,822

* *These figures are from the Comprehensive Annual Financial Report, Years 1996-2003.*

** *Balance available at the time of budget consideration.*

The \$16,321,000 for withdrawal in the 2005 proposed budget includes:

- **\$16,321,000** for contribution to property tax levy offset. At this time, the estimated 2004 regeneration is **\$13,000,000**.
- A balance of **\$18,000,000** will remain prior to 2004 regeneration.

(**\$550,000** in an added withdrawal will be required pending revenue that has not been recognized by the Comptroller nor approved by the Common Council. This revenue includes the proposed Assessor's Office appraisal fee in 2005 that requires approval and subsequent recognition.)

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.

Proposed TSF Policy

The Government Finance Officers Association (GFOA) has recommended that local governments establish policies regarding the ongoing level and utilization of unrestricted fund balances.

A draft TSF policy was proposed with the 2002 budget. This proposed formal policy requires a minimum TSF balance that is equal to 5% of the last three-year average general fund experience. If the fund balance falls below that level, withdrawals for tax purposes will be limited to prior year fund regeneration. Although the city has maintained a balance of 5% on an informal basis that was consistent with recommended practices, no formal policy exists.

The 2005 proposed TSF withdrawal follows the current informal policy guidelines by maintaining the TSF balance at 5% of general fund expenditures.

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