Reducing the property tax incentive for sprawl through cost containment & reduction

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How much would we have to cut City of La Crosse expenses to reduce taxes enough to discourage the property tax incentive for urban sprawl?
Local municipality is the incorporated City or Village; or the unincorporated town government

In La Crosse County, the local municipal levy represents 7% - 45% of your property tax bill
What is the “Levy”? 

- The LEVY is the total annual cost to be covered by the local taxpayer for municipal services 
- It typically represents the difference between a municipality’s annual expenditures and annual revenues 
- The Levy is assessed against every real property based on each property’s proportional assessed value.

How much was the 2008 Levy for La Crosse? 

- City of La Crosse 2009 annual expenditures:  
  - $68.7 million 
- Minus City of La Crosse 2009 annual revenues (not taxes)  
  - ($34.7 million) 
- However, we can’t forget about the TIF increment:  
  - $2.2 million  
  - Approximately 6.65% of Total value of La Crosse is in TIF  
  - Max. 12% per State Statute 
- Total City Levy for 2009 budget: **36.2 million**

Note: the 2008 Levy pays the 2009 budget
Mill Rate = Annual Levy/Annual Assessed Value

- 2008 Levy: **$36.2 million**
- $36.2 million/$2.933 billion
- $12.36 per $1,000 of assessed value

How much would we have to cut City of La Crosse expenses to reduce taxes enough to not encourage urban sprawl?

La Crosse:
- $12.36/$1,000
- If La Crosse = Onalaska 51% cost reduction
- If La Crosse = Holmen 63% cost reduction
- If La Crosse = Shelby or West Salem ~70% cost reduction
- If La Crosse = Medary 94% cost reduction

- Onalaska: $6.01/$1,000
- Holmen: $4.59/$1,000
- Shelby: $3.81/$1,000
- West Salem: $3.55/$1,000
- Medary: $0.77/$1,000
But…..

• Debt service can’t just “not be paid”
• Do we really want to cut Police or Fire?
  – By the way …. We can’t!
  – *Wis Act 28* prohibits cuts to these Departments (below 2009 levels)
  – Police, Fire & debt service represent 52% of the City of La Crosse’s operating expenses
  – So if we can’t cut from the 52% – how much can we cut from the other 48%?

Therefore…..

• If you cut 100% of all other programs, you would drop the mill rate by 48%
• To equal Onalaska’s mill rate, La Crosse needs a 51% reduction to its budget
  – City Hall would have no IT Department
  – City Hall would have no HR Department
  – City Hall would have no Assessor or City Attorney
  – City Hall would have no Mayor’s staff
  – The City of La Crosse would have no Park’s and Recreation staff
So how much should the City cut?

- Current Mill Rate $12.36/$1,000
- A reduction to $11/$1,000 means a 27% reduction to all Departments*
- A reduction to $10/$1,000 means a 40% reduction to all Departments*
- A reduction to $9/$1,000 means a 56% reduction to all Departments*

* (Except Police, Fire & Debt Service)

Why does the local municipal tax difference encourage urban sprawl?

- A $100,000 house in La Crosse pays $1,236.00 in local municipal tax
  - $103.00 in monthly escrow (about 0.1% of home value)
- How much house could you purchase in the surrounding municipalities of La Crosse County to have a comparable monthly escrow payment?
- A $1,600,000 house in Medary pays about $1,236.00 in local municipal tax
  - $103.00 in monthly escrow (about 0.006% of home value)
- In Medary you can have 16 times more house for the same local municipal property tax cost!
How does TIF affect City residents?

- TIF's are supposed to facilitate development (if not but for the TIF…)
- But for arguments sake – How much of a difference would that $195.2 million increment make assuming all the TIF assisted development had occurred without a TIF?
  - $36.3M would decrease by $2.2M or 6.24%
  - $12.36 becomes $11.55
  - A $100,000.00 value house would save $86/year, or $7.17/month
In conclusion

- Cost reduction would require major reductions to see minimal drops in Mill rate
- City of La Crosse can't reduce taxes through expense reduction adequately enough to eliminate urban sprawl
- City’s TIF policy is comparable to similar Wisconsin Cities, however:
  - When comparing municipal budgets with similar Wisconsin communities, City leads many categories cost/Department