

City-County Building, Room 403
210 Martin Luther King, Jr. Boulevard
Madison, Wisconsin 53703-3345
608 266-4611
608 266-4443 TTY
608 267-8671 Fax
mayor@cityofmadison.com

Office of the Mayor
David J. Cieslewicz, Mayor

Memo

To: Members, Board of Estimates
From: Andrew J. Statz, Mayor's Office
Date: July 13, 2009
Re: Summary of State Budget Bill (AB 75) – Adopted

The State's 2009-2011 biennial budget was recently signed into law. This memo summarizes the changes made by the Conference Committee and the Governor's vetoes. Previous summaries of the Governor's recommendations and Joint Committee on Finance amendments were presented to the Board of Estimates on March 23 and June 8, 2009.

The net impact of the changes described below is a combination of decreased and increased payments and increased fees paid by the City to the state of about \$1.4 million for CY10. Given that formulas will determine the exact amount of payments, this total could be as high as \$2.0 million once all of the aid packages have been calculated by the State.

Timing. In this memo, state fiscal years that run from July 1 through June 30 are abbreviated as SFY. For example, the state fiscal year that runs from July 1, 2009, through June 30, 2010 is SFY10. Calendar-based City fiscal years are CY. Given overlapping fiscal years it is possible that changes made during SFY10 could impact the City's current CY09 budget, which is the case for several recycling fee increases described below.

Levy Limit. Neither the Conference Committee nor the Governor's veto made changes to the levy limit as adopted by JCF. The bill allows for an increase of 3% or growth due to net new construction, whichever is greater, and retains current language relating to certain exemptions for debt service.

Given what is possible for 2009 borrowing, Madison's levy limit remains in the range of 3%, which is the statutory minimum, to 8%. The actual amount will likely gravitate to around 6%. The adopted budget permits the levy limit to be based on two years' maximum allowable levy (rather than the adopted levy amounts). This will likely increase the maximum allowable levy, but at this time it is not known by how much.

Payments for Municipal Services (PMS). Local governments receive payment for providing police, fire and garbage services to state-owned properties that are exempt from local property taxes. Neither the Conference Committee nor the Governor's veto made changes to the PMS program.

A memo to the Board of Estimates dated June 8 did not capture an additional cut in the PMS program adopted by JCF. As part of across-the-board cuts to the Department of Administration and other state agencies, funding for the PMS program is reduced by a total of 6.135% or about \$1.3 million annually. In

CY09, Madison's receipt amounted to about \$9.0 million. Applying a 6.135% cut to this amount, Madison's receipt will be cut by about \$554,800 in CY10.

2009 adopted budget amount: \$9,043,803
Decrease for 2010: about \$554,800

Expenditure Restraint Program (ERP). There are two separate statutory formulas that govern the ERP program.

Eligibility formula. The City's expenditure growth from CY09 to CY10 will determine whether it is eligible for ERP funds in CY11. The eligibility formula is driven by 60% of a municipality's net new construction and changes in the Consumer Price Index (CPI). The Conference Committee specified that the CPI used in the formula could not be less than 3%.

The Conference Committee clarified language related to relief in the ERP eligibility formula related to underpayments in the Payment for Municipal Services program. To avoid the need to estimate the amount of future underpayments, the shortfall is defined as the difference between the entitlement amount as calculated by DOA and the actual payment received during 2009. This one-time exemption increases the base expenditures for subsequent City budgets. The increase may occur in non-levy supported spending only.

New construction remains slow. With a 3% minimum CPI in place, the expenditure increase limit is currently estimated to be about 4.0%.

Payment amount. Because the payment formula is driven by other municipalities' budget performance, it is hard to reliably predict the City's receipt for CY10. As is past practice, the 2009 payment amount should be our planning number for 2010.

2009 adopted budget amount: \$5,833,569
Increase for 2010: assumed flat

Shared Revenue (aka: County and Municipal Aid Payments). The Governor proposed a 1% cut in SFY11 that would have impacted CY10 payments. JCF action increased this cut to 3.5%. Neither the Conference Committee nor the Governor's veto made changes to the shared revenue program. After running the 3.5% cut through a formula, the cut to Madison for CY10 is about \$1.1 million.

Concerns regarding the use of \$76 million in one-time federal stimulus funding to support the shared revenue program remain.

2009 adopted budget amount: \$8,762,331
Decrease for 2010: \$1,120,769

Regional Transit Authority (RTA). The adopted budget allows for the creation of an independent Dane County RTA. A referendum is required to establish the RTA. The Governor's veto eliminates the Conference Committee's requirement for a binding referendum. Instead, the referendum to authorize the RTA's 0.5% sales tax is advisory.

The Conference Committee allowed up to 25% of the RTA's sales tax revenue to be spent on highway projects. The Governor's veto eliminates the use of RTA funds for highway projects.

The Conference Committee specified that RTA employees would be local government employees with agreements subject to collective bargaining. The committee also added language regarding the representation and terms of certain RTA board memberships.

Transit Aid. JCF retained the Governor's recommendations to increase transit aid by about 2% in CY10 and 3% in CY11. Neither the Conference Committee nor the Governor's veto made changes to transit aids.

As enumerated in statutory language, Madison is scheduled to receive \$17,496,400 in CY10 and \$18,021,300 in CY11.

2009 adopted budget amount: \$17,158,400
Increase for 2010: \$338,000

General Transportation Aid (aka: Highway Aid). JCF reversed the Governor's recommendation to cut 1% in CY10 and instead provided increases of 2% for CY10 and 3% for CY11. Neither the Conference Committee nor the Governor's veto made changes to general transportation aids.

Assuming distribution formulas remain constant, the City's receipt in CY10 will increase by about \$163,000.

2009 adopted budget amount: \$8,169,668
Increase for 2010: about \$163,400

Computer reimbursement. The state reimburses local governments for the tax-exempt status of computers, cash registers and fax machines owned by businesses. JCF did not change the Governor's recommendation to increase total program funding by \$8.2 million in SFY10 and an additional \$3.6 million in SFY11 to reflect changing tax rates. Neither the Conference Committee nor the Governor's veto made changes to the computer reimbursement program.

Assuming that the total program funding increase is distributed equally, the 2010 amount could be as much as 10% or \$200,000 higher than 2009.

2009 adopted budget amount: \$2,188,770
Increase for 2010: about \$200,000

Recycling tipping fees. In combination, JCF increased tipping fees from \$5.90 per ton under current law to \$13 per ton. Neither the Conference Committee nor the Governor's veto made changes to tipping fees paid by the City.

Two of the three increases take effect July 1, 2009, and impact the City's CY09 budget. They are the environmental repair tipping fee (which goes from \$0.85 to \$2.50 per ton) and the non-point account tipping fee (which goes from \$0.75 to \$3.20 per ton). The third goes into effect October 1, 2009. This is the recycling tipping fee that goes from \$4 to \$7 per ton.

Based on 57,000 tons per year, these combined fee increases could cost the City as much as \$160,000 in CY09 and \$405,000 in CY10.

2009 adopted budget amount: \$1,596,000
Cost increase for 2009: \$159,600
Cost increase for 2010: \$405,000

Recycling aid. The Conference Committee transferred \$2.0 million from the segregated petroleum inspection fund to the recycling grant program. While the City is likely to see some increase in its receipt of recycling aid payments, the program favors smaller start-up operations and Madison represents a small portion of the total program. Accordingly, it is currently assumed that there are no changes in recycling aid payments.

2009 adopted budget amounts: \$1,200,000
Increase for 2010: assumed flat