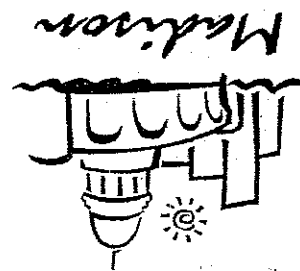


Office of the Mayor

David J. Cieslewicz, Mayor



March 12, 2007

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Honorable Mark Miller
Wisconsin State Senate
P.O. Box 7882
Madison, WI 53707-7882

Honorable Mark Pocan
Wisconsin State Assembly
P.O. Box 8953
Madison, WI 53708

Re: 2007 Senate Bill 40, Executive State Biennial Budget

Dear Senator Miller and Representative Pocan:

My office has had an opportunity to evaluate Senate Bill 40, the Governor's Executive Budget. The balance of this letter discusses the City of Madison's position on the most important parts of the Executive Budget.

Levy Limit

The City of Madison has long been a responsible steward of our taxpayers' resources. We approve balanced budgets, provide services in accordance with our community's priorities, and maintain an excellent fiscal health. In fact, the City of Madison is one of only a handful of communities in the entire country with a Aaa bond rating. Therefore, we believe that State-imposed levy limits are unnecessary.

Notwithstanding the City's long-standing opposition to State-imposed levy limits, our current analysis indicates that the Governor's proposed levy limit has enough flexibility to allow us to maintain services. Accordingly, we can accept the Governor's limit as drafted.

Expenditure Restraint Program

The Executive Budget makes significant changes to the Expenditure Restraint Program, in fact, transforming it into a second and more severe levy limit. The Municipal Levy Restraint Program (MLRP) is a levy limit program that greatly restricts a municipality's ability to provide basic services to a growing community.

To qualify for MLRP payments, a municipality must have a mill rate above five and must limit property taxes to no more than 85 percent of inflation plus 85 percent of the "valuation factor." This "valuation factor" is 60% of net new construction, capped at 2%. Essentially, then, Madison's growth is prorated up to three times: its net new construction is prorated to 60%, capped at 2%, and then prorated again to 85%. Had MLRP been in existence for the City of Madison's 2007 budget, the City would have had to cut an additional \$2.2 million from its levy, which would have had negative consequences for the basic services that our residents expect.

The MLRP also includes a new bonus in the form of a \$10 million additional appropriation in 2009, to be distributed to municipalities that increase their levy less than the allowable maximum under the aforesaid growth formula.

The existing Expenditure Restraint Program focuses on expenditures and can complement a levy-focused limit. Because of this, the Expenditure Restraint Program has effectively held the line on spending at the local level and should be retained in its current form.

We would suggest that the additional \$10 million appropriation be added to the total funding available for payments under the already successful and proven Expenditure Restraint Program. This additional funding would enhance the current program's effectiveness by providing a greater incentive to local governments to limit the growth in their expenditures.

Payments for Municipal Services

Flat-funding for the Payment for Municipal Services (PMS) program under the Executive Budget is likely to result in the lowest reimbursement rate under this program since 1975. With no additional funding and with construction of additional State facilities for which local governments must provide police, fire, and other services, reimbursement rates will be 78% (a reduction from the current 80%).

It is time for the State of Wisconsin to pay its fair share of the costs incurred by local governments to provide basic public safety services to its facilities. I urge you to increase the PMS program's reimbursement rate to 90%. An investment of \$2.75 million in the State budget would accomplish this fairer reimbursement rate and begin to cover the full costs of providing these services.

Office of Justice Assistance Law Enforcement Officer Supplement Grants

Since the 1990s, the Office of Justice Assistance has administered law enforcement officer supplement grants ("Beat Cop" grants), through which qualifying municipalities have been able to fund officers for community oriented policing. The Executive Budget again includes this program. However, it adds \$750,000 for additional grants and limits

eligibility to 1st Class cities, of which there is currently only one. This proposed increase would support additional police officers whose duties may or may not include beat patrolling.

The City of Madison supports the Governor's additional funding of \$750,000, but requests that the funding be added to the existing Beat Cop program, for which a greater number of municipalities are eligible. Expanding this successful program would greatly enhance the ability of local governments throughout the state to expand on proven community oriented policing methods.

Urban Transit Aid

The Executive Budget contains a 2% increase in Urban Transit Aid funding in each year of the next biennium. That increase is a good first step, and the Governor should be commended for his continuing commitment to public transportation. However, mass transit systems' costs are outpacing these modest increases

Operational costs for Madison Metro Transit over the past several years have exceeded inflation, driven almost entirely by fuel cost increases. Because State funding has not kept pace with inflation and with continuing volatile fuel cost increases, the City of Madison has increased local funding by 35% in the past four years to avoid service cuts and fare increases.

In order to get back on track where State funding resumes its strong share of transit support, Metro would need increases of 4.6% and 5.5% during the next biennium. A 2% increase would result in a funding gap of over \$1.8 million, which must be addressed by reducing service, increasing fares, and/or turning to the property tax for additional subsidy.

Accordingly, the City of Madison urges a 4.6% increase in the first year of the biennium, and a 5.5% increase in the second year of the biennium in Urban Transit Aid funding.

Public School Revenue Formula Relief

Currently, the Madison Metropolitan School District is struggling with budget recommendations that would close schools and increase class sizes, among other cuts. Because a city's health is so closely tied to the health of its public school system, these kinds of cuts would be damaging not just to the schools themselves, but to the community as a whole. These cuts are a direct result of the current State funding system that I know you join me in opposing.

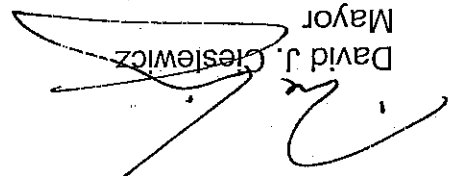
The City of Madison joins the Madison Metropolitan School District in support of the following reforms:

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- Create a school finance system that defines what resources are necessary to provide students with a "sound basic education."
- Provide revenue limit relief to school districts for uncontrollable costs such as utilities and transportation.
- Allow school districts to exceed the revenue limits for security-related expenses by up to \$100 per pupil enrolled in the district.
- Support increasing State aid for public school transportation costs
- Support allowing a declining enrollment school district to use the highest enrollment in a 5-year period for purposes of calculating its revenue limit.

Thank you for your attention to these matters. If you have any questions, please do not hesitate to contact Mario Mendoza in my office.

Sincerely,



David J. Cieslewicz
Mayor

cc: Governor Jim Doyle
Madison legislative delegation