



Legislation Details (With Text)

File #: 83518 **Version:** 1 **Name:** Requesting information, studies, and plans regarding the authorization of a local sales tax.

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On agenda: 7/2/2024 **Final action:**

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Title: Requesting information, studies, and plans regarding the authorization of a local sales tax.

Sponsors: Amani Latimer Burris

Indexes:

Code sections:

Attachments: 1. Transportation Committee Memo for Resolution 83518.pdf, 2. Part4Powerpoint.pdf, 3. 2025 Operating Budget Update to FC -- 6-10-2024_SB slide added.pdf

Date	Ver.	Action By	Action	Result
6/24/2024	1	FINANCE COMMITTEE	RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER	Fail
6/12/2024	1	COMMITTEE ON EMPLOYEE RELATIONS		
6/12/2024	1	TRANSPORTATION COMMISSION		
6/4/2024	1	COMMON COUNCIL EXECUTIVE COMMITTEE	Return to Lead with the Recommendation to Place on File without Prejudice	Pass
5/21/2024	1	FINANCE COMMITTEE	Referred	
5/21/2024	1	FINANCE COMMITTEE	Referred	
5/21/2024	1	FINANCE COMMITTEE	Referred	
5/21/2024	1	FINANCE COMMITTEE	Referred	
5/21/2024	1	COMMON COUNCIL	Refer	Pass
5/17/2024	1	Council Office	Referred for Introduction	

Fiscal Note

This resolution requires a number of actions by the Finance Department and various City committees:

The Finance Committee, with assistance from the Finance Department, is directed to confirm a series of statements regarding the possible impacts and implications of a possible sales tax for the City of Madison and an undefined Metro Transit District. The resolution also calls for a study on the incorporation of revenues from a possible sales tax into projections for future City budgets, including sufficient reserves to address future economic downturns, and possible impacts on the need for future property tax revenues. Regarding development of the 2025 budget, the resolution calls for the use of one-time funds to address the deficit for one year, with the assumption that a future State Legislature will pass a law authorizing the City of Madison to implement a 0.5% sales tax in time to use those revenues in the 2026 budget.

The Transportation Committee is directed to work with staff to review the financing of regional transit entities around the country, particularly those funded from a sales tax, work with communities adjacent to Madison to gauge support for a regional sales tax to help fund transit costs, engage with Transit labor organizations

regarding their perspectives on shifting employees from the City to a regional transit entity.

The Common Council Executive Committee is directed to gather information from the City of Milwaukee regarding the use of proceeds from its recently authorized 2% sales tax, as well as its advice for working with the State Legislature to secure approval for a sales tax for the City of Madison and a Metro Transit District. This committee is also directed to develop a comprehensive City plan to lobby the State Legislature to approve a sales tax for the City of Madison.

The provisions of this resolution are similar to those adopted by the Council in Legistar 82079 (RES-24-00260, adopted April 16, 2024), regarding lobbying the State Legislature to approve a local sales tax for the City of Madison, and Legistar 82456 (RES-24-00266, adopted April 16, 2024), regarding guiding principles for developing the 2025 City budget. In particular, Legistar 82456 -- Guiding Principles, directs that the following occur:

1. Evaluate service levels, staffing, and fiscal impact when developing their budget requests and to seek ways to increase efficiencies in their operations.
2. Explore a reduction in expenditures from cost-to-continue levels that does not compromise services to residents.
3. Develop language for a referendum to increase the allowable levy limit for a portion of, or the full amount of, the projected budget deficit, as well as options to replace existing non-property tax revenues, for consideration by the voters at the November 5, 2024, general election.
4. Prepare contingency plans for the 2025 budget in the event that the voters do not approve the referendum, including options for special charges, which will be presented to the Council with the executive budget.
5. Develop a multi-year plan to address the on-going structural deficit due to limits on revenues under state law, including options for developing new, or increasing existing, fees and charges, to be included with the executive budget.
6. Consider the overall level of general obligation borrowing in developing the City's 2025 capital budget and capital improvement plan in order to reduce the rate of growth in property taxes.
7. Develop a community engagement plan to educate the public on the City's financial condition and options for addressing the structural deficit and may engage a consultant to support this work, if needed.

The proposed resolution would require the allocation of additional staff time to accomplish the required tasks at the same time that the 2025 budget is being developed using the guiding principles already adopted by the Council in Legistar 82456.

Title

Requesting information, studies, and plans regarding the authorization of a local sales tax.

Body

WHEREAS, the Madison Common Council recently passed Resolution 82079: Directing the Finance Department to issue a report analyzing the City operating budgets from 2019-2024 and calling on the State Legislature to authorize a local sales tax options; and,

WHEREAS, the city of Madison, is facing a budget challenge in 2025 potentially amounting to \$27 million dollars or more; and,

WHEREAS, the budget crisis, unfettered, will only get worse in subsequent years; and,

WHEREAS, it's important that the City examine all alternative revenue sources to solve this long-term problem (especially as the City continues to grow); and,

WHEREAS, we realize this issue would benefit from a reasonable remedy beyond what currently exists; and,

WHEREAS, it's in the best interest of the City and its citizens, even if difficult, to take action now; and,

WHEREAS, in action, we can explore and pursue short-term, long-term, and potential solutions alike; and,

WHEREAS, in this way, a significant portion of a sales tax would be paid by visitors; and,

WHEREAS, nationally, many metropolitan areas use a sales tax to pay for public transit operations and operating expenses; and,

WHEREAS, given the current state exemptions for sales tax on things such as:

- Housing
- Health care
- Most non-processed foods

It is suggested that a sales tax would balance out the burden and, when applied, reasonably suggest that those with more means or higher income (through consumer spending) would balance and pace out the burden, making a sales tax less regressive for those with modest means.

NOW, THEREFORE, BE IT RESOLVED that the Common Council request the following:

That the Finance Committee working in conjunction and in collaboration with the Finance Department:

1. Confirm that a half-cent sales tax would provide the City of Madison about \$35 million annually,
2. Confirm that a half cent sales tax could provide a Metro Transit District about \$50 million annually,
3. Confirm that the use of a sales tax (all things considered) is less regressive and cumbersome to all populations, suggesting that:
 - a. Many items affecting those with less income would be tax exempt in Wisconsin,
 - b. A significant portion of the sales tax will be paid by non-residents,
 - c. A sales tax of such would alleviate the City having to request multiple and multiyear referendums; a pattern we would like to avoid,
 - d. A sales tax of such would help to balance the budget and reduce the threat of the reduction of services, employee layoffs or the holding off on filling needed positions,
 - e. That the city is already collecting fees on automobiles and sanitation expenses which for some may be more regressive than a sales tax,

Then We'd ask that we:

4. Explore how much, if any, property tax relief could be provided to Madison property owners (and other owners who would logically pass the expenses onto renters) if:
 - a. The sales tax was to be adopted,
 - b. Funds have been set aside to:
 - i. Cover the structural deficit,
 - ii. Cover the cost of the ongoing operation of a Madison Area Transit District and,
 - iii. Maintain our reserve fund at appropriate levels
 - c. Forecast and raise any other issues that would foil or have impact on this solution.
5. Determine what kind of reserve the city should maintain for bad economic times when sales tax revenues would drop,

Recognizing that it's unlikely that there will be a special session of the Legislature to take up a Madison sales tax this summer but there is certainly the ability to take this matter up in 2025, we ask that this Committee

work with the Finance Department to:

6. Devise a temporary solution for 2025 that as necessary:
 - a. Provides money for the 2024 budget,
 - b. Uses one-time sources, revenues and/or rainy-day funds, given the significant returns on city investments in 2023 and anticipated for 2024,
 - c. Considers closing TIFs and,
 - d. Avoids going to a property tax referendum or massive layoffs (that could happen if such a measure fails).

Then, in consideration of finding an equitable, long-term solution that may offset expenses, that it's acknowledged, are generally a revenue loss and requires supplementation, it's asked that the Transportation Commission and Department Staff:

7. Contact national organizations that work with metropolitan transit districts to see how they are financed, through the lens of using a regional sales tax, and how collectively, communities could be appointed to serve on and control the board,
8. Engage other cities that are part of Madison Metro to gauge their support of, if possible, using a sales tax solution over a property tax,
9. Work with the labor organizations, who rightfully represent the interest of the employees and long-term, want a square solution, to determine the best model or an alternative model of employment in a new Madison Area Transit District, including exploring the possibility, impact, and viability of:
 - a. Certain employees being employees of the district,
 - b. Others being city employees with an ongoing city contract to provide staff for the new transit district.

BE IT FURTHER RESOLVED that the Madison Common Council ask the Common Council Executive Committee to gather, study, explore, and interview representatives of the City of Milwaukee to report back on:

1. How sales tax was used in Milwaukee
 - a. For the City itself,
 - b. For their transit district;
2. Any advice they may have in regard to getting a sales tax approved by the legislature,
3. A plan for the City of Madison and the Council, as a collective, and the Mayor or their representatives to lobby the legislature for sales tax authority.

BE IT FINALLY RESOLVED that the Madison Common Council asks that the Administration work in conjunction with us to accomplish these goals.