What is ERIP?

The Expenditure Restraint Incentive Program (ERIP) is a state rule that limits the amount by which cities can increase spending each year.

- If we stay below the limit, we will keep about $7 million to $9 million in state aid
- If we go over the limit, we lose $7 million to$9 million in state aid

How is ERIP calculated?

- Cities only qualify for the ERP if the mill rate is above 5 mills
- ERIP Budget Limit Notices(external)

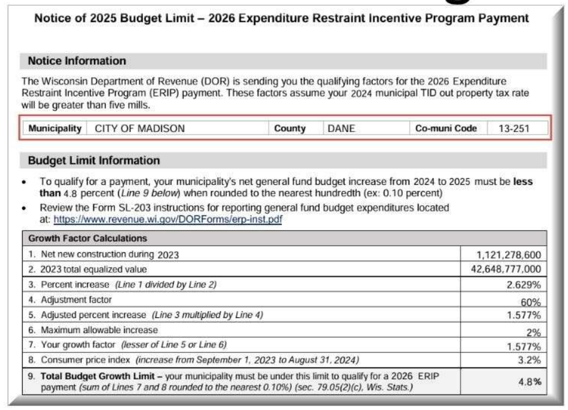
ERIP - Madison's 2025 Budget Limits

The 2026 budget includes $9 million in ERIP funding.

ERIP Expenditure Restraint Incentive Program

Net New Construction

New Buildings + Land improvements − Demolitions, Destruction removals = Net New Construction



Notice of 2025 Budget Limit – 2026 Expenditure Restraint Incentive Program Payment

Notice Information

The Wisconsin Department of Revenue (DOR) is sending you the qualifying factors for the 2026 Expenditure Restraint Incentive Program (ERIP) payment. These factors assume your 2024 municipal TID out property tax rate will be greater than five mills.

Municipality	CITY OF MADISON	County	DANE	Co-muni Code	13-251

Budget Limit Information

- To qualify for a payment, your municipality's net general fund budget increase from 2024 to 2025 must be **less than** 4.8 percent (*Line 9 below*) when rounded to the nearest hundredth (ex: 0.10 percent)
- Review the Form SL-203 instructions for reporting general fund budget expenditures located at: https://www.revenue.wi.gov/DORForms/erp-inst.pdf

Growth Factor Calculations	
1. Net new construction during 2023	1,121,278,600
2. 2023 total equalized value	42,648,777,000
3. Percent increase *(Line 1 divided by Line 2)*	2.629%
4. Adjustment factor	60%
5. Adjusted percent increase *(Line 3 multiplied by Line 4)*	1.577%
6. Maximum allowable increase	2%
7. Your growth factor *(lesser of Line 5 or Line 6)*	1.577%
8. Consumer price index *(increase from September 1, 2023 to August 31, 2024)*	3.2%
9. **Total Budget Growth Limit –** your municipality must be under this limit to qualify for a 2026 ERIP payment *(sum of Lines 7 and 8 rounded to the nearest 0.10%) (sec. 79.05(2)(c), Wis. Stats.)*	4.8%

Madison's 2025 Budget Limits

Net New Construction
1,121,278,600

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Equalized Value
Full Market Value of all City Properties
28,727,407,800

=

Percentage Increase %
2.63%

Adjustment Factor

The Adjustment Factor is a fixed 60% multiplier established by Wisconsin law (Wis. Stat. §79.05). This adjustment factor applies to all municipalities. Only 60% of growth from net new construction counts toward your spending limit.

Percentage Increase		Adjustment Factor		Adjusted % increase
2.63%	X	60%	=	1.58%

Maximum allowable increase

The Growth Factor is capped at 2.0% by the state. Growth Factor = **the lesser** of 60% × Net New Construction or 2.0% (the statutory maximum). Even if a city experiences very high new construction, ERIP only allows up to a 2% contribution from growth in the tax base.

Growth Factor

Growth Factor is the **lesser amount** of either **1.58%** & 2%

Growth Factor		Consumer Price index		Total Budget Growth Limit
1.58%	+	3.20%	=	4.8%

CPI is intended to account for these rising costs. However, actual city costs often rise faster than CPI, particularly for labor, health insurance, construction, and public safety equipment. That means even if a city stays within the ERIP limit, it may still struggle to fully fund the same level of services.

Consumer price index (CPI)

Many city expenses increase every year because of inflation, including:

- 👮 Police and firefighter equipment
- ⛽ The cost of gas increases
- 🩺 Employee health insurance and supplies
- 💻 Software contracts
- Cost of living adjustment and collective bargaining (police, fire & Metro)

Why is this a challenge?

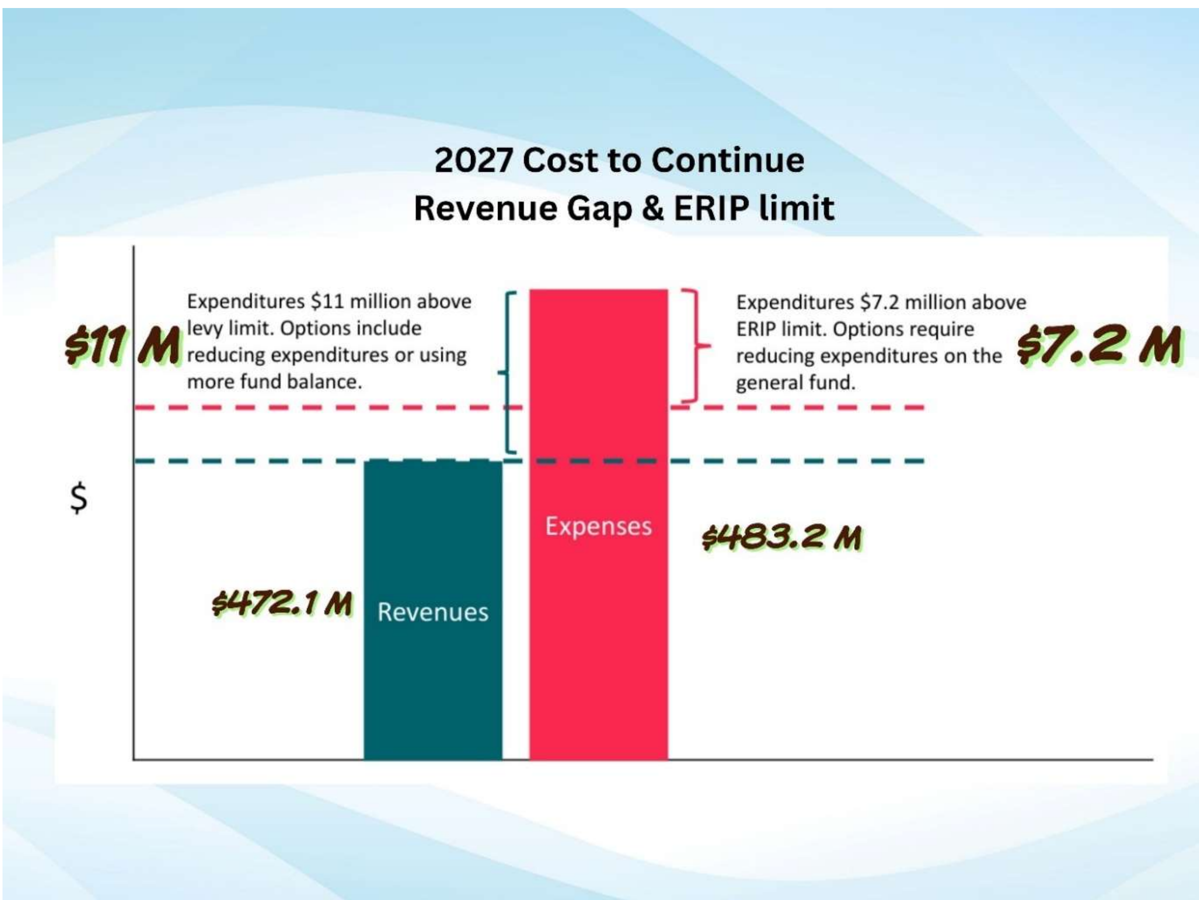
State law limits property tax levy growth mainly to new construction. It doesn't keep up with inflation or the rising cost of services.

For 2027, the City's projected Cost to Continue is **$7.2 million above the ERIP limit**, making expenditure reductions necessary unless state law changes. **Estimated growth limit for 2027 = 4.6%**

Cost to Continue

- The funding needed in the coming calendar year to maintain the same level of city services provided in the current year.
- It reflects the increased cost of continuing existing services, which includes wages, employee benefits, fuel, utilities, and contractual costs
- It is not the cost of expanding services or meeting every unmet need across the city.

The cost of the continued estimate for 2027 is $483.2 million.



Cost to Continue: Impact

- **Wages & Benefits**

When we talk about the cost of city services, we're primarily talking about the people who provide those services. Police officers, firefighters, librarians, snowplow operators, engineers, bus drivers, parks staff, planners, and many others are the workforce that keeps the city running every day.

  - + $9.7m: Salary + benefits increase in 2027

- **Healthcare**

Rising health care and insurance costs increase the expense of providing benefits for the employees who deliver city services. City employees pay a significant portion of the health insurance; the city doesn't provide full cost coverage.

- **Fuel**

Higher fuel prices impact all of us as individuals. At the city level, the cost of gas increases the operating costs of snowplows, buses, fire trucks, police vehicles, garbage trucks, and other city equipment.

  - +$1.5m: Fleet charges, primarily for increased fuel costs

- **Non-Personnel Costs**

Half of the increase for software costs ($1.3m). Library contract with Dane County ($289,000), legal services and consulting for property tax challenges ($225,000), building maintenance costs ($170,000), and other expenses

- **Emergency services and prevention**

Providing public safety includes not only police, fire, and EMS, but also preventive services such as libraries, violence prevention programs, the CARES program, access to transit, and community development initiatives that help address problems before they become emergencies.

  - + $9.5m: Metro subsidy increase

Steps Madison took before this year to balance the Budget

Before considering reductions required under ERIP, Madison had already implemented numerous budget-balancing measures over many years, including:

- **Using one-time funding sources**, including fund balance, debt premiums, TIF closures, and federal ARPA funds during and after the pandemic.

- **Reducing spending**, including agency reductions, workshare programs, furloughs, vacancy savings, and operational efficiencies.
- **Shifting costs away from the General Fund**, including moving the Overture Center, Henry Vilas Zoo, Olbrich Gardens, and Alliant Energy Center to room tax funding; moving library collections to the Capital Budget; shifting parking enforcement to the Parking Utility; and reallocating forestry staff costs to the Urban Forestry Special Charge.
- **Creating or increasing dedicated fees**, such as the Urban Forestry Special Charge, Resource Recovery Special Charge, Vehicle Registration Fee, ambulance fee increases, building permit revenues, and room tax increases.
- **Making targeted service adjustments**, including reducing the snow and ice removal budget assumptions and finding efficiencies across agencies.
- **Using federal pandemic relief funds** to temporarily maintain service levels while avoiding deeper cuts during COVID-19
-

2027 Budget Guidance

The 2027 budget instructions asked agencies to maintain essential services while operating within tighter financial limits. Agencies are directed to find efficiencies, identify potential reductions, avoid requesting additional funding or new positions, and use data to demonstrate the impact of their services.

Budget Reduction

Agencies are asked to do the same work with slightly less funding than their projected cost to continue:

General, Library, and Fleet Funds:

- Start with **99.25% of the cost to continue**, reflecting a 0.75% reduction based on historical underspending.
- Plan to operate within that budget for the entire year.

Enterprise and Restricted Funds:

- Plan consistent with current revenue projections for 2027
- Limit growth in user rates

Identify 2% in Potential Service Reductions

Every department (except grant-funded programs) is required to identify **at least 2% in possible service reductions.**

Agencies are encouraged to identify ongoing savings rather than temporary fixes:

- Protect core services
- Identify lower-priority services that could be reduced or eliminated
- Avoid relying on one-time savings like delaying hiring or cutting travel and office supplies

Live Within Existing Resources

Agencies are instructed to solve budget challenges by reprioritizing, not by asking for more money:

- Reallocating existing dollars where needed
- Not increasing their total budget
- Not shifting costs to other agencies

No New Positions or Budget Requests

Agencies are expected to meet service demands with their current staffing levels:

- Reclassify or recreate existing positions

Agencies cannot:

- Request new permanent positions
- Submit supplemental funding requests for 2027

Think Long-Term and Innovate

Agencies are encouraged to make budget decisions that improve efficiency while supporting the City's long-term goals:

- Work together across agencies
- Find more efficient ways to deliver services
- Plan for future operating costs. May submit an optional 5-year planning document to identify future operating cost needs
- Align proposals with City priorities such as racial equity, sustainability, and social justice

Use Data to Measure Results

Budget decisions should be made by measurable outcomes, not just spending levels:

- Agencies participating in Results Madison are asked to identify 2–3 performance measures that demonstrate how their services are performing

2027 Budget Directives

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1 Budget Reduction 0.75%

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