



Information Series on the 2025 Outlook

Part 1 – Budget Foundations

In the Budget Foundations presentation, the goal is to provide general background on the overall City budget, including the General Fund budget and property taxes.

Overall City Budget

The entire City budget for 2024 totals nearly \$800 million. The budget is divided into several funds according to the type of activity that is supported by the fund.

The largest fund is the City’s General Fund, with \$405 million in revenues. It supports the full range of services that residents rely on – public safety and health, public works, transit and transportation, planning and zoning, economic and community services, libraries and parks, elections and licensing, and the administrative support and general government activities necessary to support those direct services. The property tax supports 71% of the General Fund expenditures, with other major sources including local revenues (16%), state aid (11%), and fund balance applied (2%). The General Fund is facing on-going deficits due to state law limits on revenues.

The “business-like” activities of the City can be found in its “Enterprise” Funds (i.e., Water, Sewer, Stormwater, Metro Transit, Monona Terrace, Parking, and Golf Funds). Expenditures in these funds are supported primarily by user fees, dedicated taxes and, to a lesser extent, subsidies from other funds (e.g., the General Fund transfer to the Metro Transit Fund). Any reserves in these funds are set-aside to ensure operations can continue and debt service can be paid in the event of short-term reductions in fees or other revenues.

Other funds include those for internal city services (e.g., Fleet), legally required (e.g., Debt Service, Tax Increment Districts), and other purposes (e.g., Room Tax).

In short, the enterprise and other funds largely “support themselves” through user fees, dedicated revenues, or transfers from other funds.

Property Taxes and the General Fund Budget

Wisconsin has the highest reliance on property taxes to fund municipal budgets in the entire Midwest. Most states allow cities to collect local sales and/or income taxes. However, with the very recent exception of Milwaukee, Wisconsin law does not allow cities these options. Instead, the state collects income and sales taxes and “shares” a portion of those revenues with cities. Those “shared revenues” were cut several times to close state budget deficits between 2003 and 2011. Increases to “shared revenue” in the most recent state budget were significant, but still fell well short of inflation since 2000 (and largely excluded Madison, as we will discuss in Part 2 of this series). Another reason for the high reliance on property taxes for Wisconsin cities is that most state aid to local governments goes to schools to meet the goal of paying for “two-thirds” of school costs.

The vast majority (64%) of the City’s General Fund pays for city staff that deliver services to residents. A much smaller amount (16%) goes toward repayment of debt issued to fund city assets, such as streets,

library buildings, fire stations, refuse and recycling trucks, and snow plows. The remaining 20% funds supplies, purchase of services (e.g., contracts with non-profit agencies to provide community services on behalf of the city), and subsidies and payments to other funds (e.g., Metro Transit, Public Health of Madison and Dane County, Fleet Services).

From a functional perspective, 42% of the budget is allocated for fire, police and public health services; another 19% is allocated to public works and transportation – which includes snow and ice removal, refuse and recycling, city parks, transit and engineering services; community services and planning and economic development is 7% of the budget; libraries are 5%; administrative support and general government is 8%; and miscellaneous programs and reserves are 3%. The remaining 16% of the budget is repayment of debt service issued to finance city assets (described above).

The number of city employees per city resident has declined 10% since 2011 – the year the State Legislature enacted strict limits on property tax revenues for cities. While Madison has grown in population over the past 13 years, and is expected to grow even more over the next 25 years, staffing levels have not grown at the same pace. Wisconsin’s way of paying for local government services makes cities very reliant on property taxes – the highest in the Midwest. Wisconsin cities, other than Milwaukee, are prohibited from levying local sales or income taxes to help keep pace with cost growth and reduce the tax burden on city property owners.