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Referendum a Pivot Point for Madison, But Passage Wouldn't End All Fiscal Challenges

Report: Referendum an opportunity "to buy the city some time to work out other solutions"

Madison voters will decide in the Nov. 5 election whether to approve a \$22 million property tax referendum to fund city operations, a decision with far-reaching implications for city finances.

The ballot question comes as the city faces fiscal constraints brought on by years of tight state limits on Madison's property tax levy, a period of rapid inflation, and the expiration of federal pandemic aid. Madison Mayor Satya Rhodes-Conway and Common Council members say the dollars are needed to give pay raises to city employees and reduce turnover, and to ensure services remain at high levels.

If approved, the referendum would resolve the city's budget shortfall for 2025, according to the Wisconsin Policy Forum's annual review of the mayor's budget proposal. But it still would leave Madison with an ongoing mismatch between its revenues and spending that would lead to new budget gaps in 2026 and beyond.

"At best, the November referendum represents an opportunity for taxpayers to buy the city some time to work out other solutions," the report finds. These partial solutions could include limiting city hiring or pay raises, partnering with other local governments to seek cost savings in service delivery, encouraging development to boost the amount by which the city can increase its property tax levy under state limits, or increasing charges such as the city's \$40 vehicle registration fee.

City officials will likely turn to the state Capitol to seek additional state aid or new authority to raise revenues locally such as a sales tax. But it's unclear how seriously lawmakers would entertain such a request, and even if the state does act, it would probably not take effect until 2027 at the soonest.

If voters approve the referendum, taxes on the average home valued at \$457,300 would rise by 10.4%, or \$313, to \$3,330, the brief finds. If the referendum fails, taxes on the average home would rise by 2.8%, or \$83, to \$3,100.

How Madison Spending Compares: Madison's spending and property taxes per resident are greater than most other large cities in Wisconsin, and its neighboring communities. Madison's per capita spending ranks third among the state's 10 largest cities, trailing only Milwaukee and Racine. It ranks third among neighboring municipalities, behind only the villages of Maple Bluff and Shorewood Hills.

Madison's higher spending levels reflect in part higher housing prices and cost of living than in most of the rest of Wisconsin, unreimbursed costs to provide services to state government facilities and UW-Madison, and the city's role as a hub of regional commerce. Because Madison spends at higher rates and receives relatively little state aid per capita, it also taxes at a higher per capita rate.

Referenda on Rise in Dane County: In addition to Madison, 13 other municipalities around the state are also voting in the upcoming election on whether to exceed state levy limits – a sign that the budget pressures facing Madison are also affecting other communities.

This includes four other Dane County municipalities: the city of Fitchburg wants to exceed the state-imposed limit on the tax levy by \$3.6 million, or 11%; a \$3 million city of Monona referendum on whether to exceed the tax levy in that city by 30.1%; an \$849,500 referendum in the village of Maple Bluff on whether to exceed the state limit by 22.1%; and a city of Middleton referendum on whether to allow the city's stormwater utility to implement a \$918,000 charge on property owners.

Contingencies for a Failed Referendum: If voters reject the referendum, the mayor's plan would enact \$5.6 million in spending cuts in 2025. The largest would be to Public Works (\$1.2 million), Planning and Development (\$1.1 million), and Metro Transit (\$1 million). The plan also calls for drawing down \$6.4 million from city reserves.

If the referendum fails, the Mayor also proposes a new charge on all properties in Madison to cover costs for transportation services, generating about \$10 million annually. The charge would vary based on the estimated amount of traffic generated by a given property. City officials say this charge would differ from similar transportation utility fees adopted by other municipalities, which have been struck down by the State Supreme Court. However, it's possible that this charge could also face legal challenges that could delay or even prevent the city from receiving these revenues.

Metro Transit's Slow but Steady Recovery: The budget proposal calls for the city's transit system to continue its slow climb back from the pandemic disruptions, log its first full year with the Bus Rapid Transit (BRT) East-West line, and work toward the rollout of a BRT North-South line. While many passengers have returned to city buses since the pandemic, 2024 average monthly ridership still sits nearly 23% below the average month just prior to COVID-19.

In this budget, an estimated \$18.4 million, or nearly 24%, of the \$77.4 million total budget for Metro Transit would come from the city's general tax revenue – up from \$2.7 million from last year. This trend is likely to continue in the near term at least, and without major changes in ridership, routes or other spending, or increases in state or federal revenue, city leaders will likely face a 2026 budget in which the transit system will consume more general tax revenues.

Room Tax and Parking Funds Recover Slowly: During the pandemic, most forms of travel plummeted, causing revenues from room taxes and parking fees to massively decline. Recent years have seen recovery, and for 2025, both funds are projected to have enough revenue to cover their basic expenses and resume making contributions to the city's general fund.

However, if room tax collections do not grow more rapidly, future budgets may need to either reduce transfers to the general fund, or cut spending on Monona Terrace or Overture Center operations, or other city tourism efforts. Parking revenues are projected to solidly increase in 2025 due to a recently adopted increase in parking rates. But even after that, they would still lag pre-pandemic levels, as remote work and other factors are driving a reduction in parking facility usage.

[Click here](#) to read the full brief on the 2025 City of Madison budget.

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