

## EXPENDITURE RESTRAINT PAYMENT

The expenditure restraint payment (ERP) provides unrestricted aid to qualifying municipalities that limit growth in spending. The payment is in addition to aid paid under the county and municipal aid program. Counties do not qualify for payments under this program.

Originally called the tax rate disparity program, the ERP program was enacted in 1990 in response to criticism that the state shared revenue program for municipalities encouraged municipalities to increase spending (at the time, aid payments were partially dependent on spending). The ERP payment was meant to break this connection by targeting aid to high-tax rate communities that restrain spending growth.

A municipality originally qualified for the payment if its municipal-purpose tax rate was greater than the state average municipal tax rate, its equalized value per capita was less than 120% of the state average, and its operating budget had grown by no more than inflation plus 3%.

In 1994, the equalized value per capita limitation was removed, the qualifying tax rate was set at five mills, and the operating budget restraint was replaced with a general fund restraint. Municipalities now qualify for a payment if their municipal-purpose tax rate is in excess of five mills and if they limit their general fund budget increase to no more than inflation plus a growth factor.

Since 2003, funding for the program has been set at \$58,145,700.

### Eligibility

A municipality qualifies for an ERP payment if it meets the following two conditions:

1. *Municipal-purpose property tax rate:* The property tax rate must be at least five mills. The tax rate is calculated by dividing the total levy for municipal purposes excluding tax incremental finance (TIF) levies by the total equalized value excluding TIF incremental value.
2. *Municipal budget:* Its municipal budget for the year before payment has not increased over the prior year's budget by more than an "inflation factor" plus a "valuation factor".

"Municipal budget" equals general fund expenditures excluding principal and interest on long-term debt, recycling fees paid for solid waste disposal, revenues shared with other local governments under local revenue sharing agreements, expenditures funded by monies from the American Recovery and Reinvestment Act of 2009 (P. L. 111-5), and unreimbursed expenditures related to an emergency declared by the Governor. For purposes of determining eligibility for payments in 2011 for those municipalities that received a payment from the state payment for municipal services program in 2009, a one-time adjustment to the 2010 budget will be allowed for the difference between the actual 2009 payment and the payment that would have been made in 2009 if the program had been fully funded, as long

as any additional expenditures are not financed from property taxes. An adjustment to the municipal budget is also made for the cost of any service transferred to or from another governmental entity.

The "inflation factor" equals the average annual percentage change in the U.S. consumer price index for all urban consumers as determined by the U. S. Department of Labor for the 12-month period from October 1 to September 30 prior to the year for which the municipal budget is determined. Beginning with the 2010 budget (for determining eligibility for payments in 2011), the "inflation factor" may not be less than 3.00%.

The "valuation factor" equals 60% of the percentage change in the municipality's equalized value due to net new construction (new improvements minus improvements removed), but no more than 2% and no less than 0%.

## **Payments**

Payments are made on the 4th Monday in July. A qualifying municipality's payment is calculated as follows:

- a. Subtract 5 mills from the municipal-purpose property tax rate.
- b. Multiply the amount from (a) by the municipality's equalized value including TIF incremental value.
- c. Divide the amount in (b) by the state total for all the amounts calculated in (b).
- d. Multiply the amount in (c) by the funds appropriated for the ERP payment.

A sample calculation of the payment is shown in the Appendix.

### *Payments in 2009*

A municipality qualified for a payment in 2009 if its municipal budget for 2008 increased over its municipal budget for 2007 by less than 2.3% (the inflation factor for the 12-month period ending September 30, 2007) plus its valuation factor (based on net new construction during 2006 for purposes of establishing 2007 equalized values) and its municipal-purpose property tax rate for 2007 (payable 2008) exceeded 5 mills.

Of the 379 municipalities whose 2007/08 municipal-purpose tax rate exceeded 5 mills, the revised estimate (issued by DOR in September 2009) showed that payments in 2009 were distributed to 274 municipalities as follows: 13 towns (\$146,056), 120 villages (\$4,352,872) and 141 cities (\$53,646,709). Final adjustments will be made in November 2010. Of the 274 municipalities eligible for 2008 payments, 240 were eligible and 34 were not eligible for payments in the prior year. In addition, 77 municipalities eligible for payments in 2008 did not qualify for payments in 2009.

### *Payments in 2010*

A municipality qualified for a payment in 2010 if its municipal budget for 2009 increased over its municipal budget for 2008 by less than 4.4% (the inflation factor for the 12-month period ending September 30, 2008) plus its valuation factor (based on net new construction during 2007 for purposes of establishing 2008 equalized values) and its municipal-purpose property tax rate for 2008 (payable 2009) exceeded 5 mills.

Of the 379 municipalities whose 2008/09 municipal-purpose tax rate exceeded 5 mills, the original estimate (issued by DOR in September 2009) shows that payments in 2010 will be distributed to 316 municipalities as follows: 14 towns (\$140,166), 147 villages (\$4,878,352) and 155 cities (\$53,127,180). Initial adjustments will be made in November 2010, and final adjustments will be made in November 2011. Of the 316 municipalities eligible for 2010 payments, 241 were eligible and 75 were not eligible for payments in the prior year. In addition, 33 municipalities eligible for payments in 2009 did not qualify for payments in 2010.

Table 1 shows the 20 municipalities with the largest expenditure restraint payments in 2009 and 2010. Table 2 shows expenditure restraint payments by town, village, and city since 1994.

**TABLE 1**  
**MUNICIPALITIES WITH LARGEST EXPENDITURE RESTRAINT**  
**PAYMENTS: 2009 (Revised Estimate) and 2010 (Original Estimate)**

Municipality	2009 Payment	Municipality	2010 Payment
Milwaukee	\$ 7,621,483	Milwaukee	\$ 7,963,224
Madison	5,831,544	Madison	5,948,210
Racine	3,027,338	Racine	2,954,828
Kenosha	2,398,662	Kenosha	2,517,987
La Crosse	2,259,543	La Crosse	2,312,252
Waukesha	2,177,051	Green Bay	2,144,458
Green Bay	2,147,638	Waukesha	2,060,852
West Allis	1,756,133	West Allis	1,636,156
Appleton	1,596,740	Appleton	1,500,191
Oshkosh	1,211,765	Oshkosh	1,217,321
Wausau	1,067,034	Eau Claire	1,123,014
Eau Claire	1,058,006	Wauwatosa	1,020,967
Sheboygan	1,030,489	Sheboygan	927,417
West Bend	865,672	Wausau	912,199
Wauwatosa	861,862	West Bend	828,204
Sun Prairie	809,373	Sun Prairie	768,725
Janesville	806,939	Janesville	742,457
Fond du Lac	746,092	Neenah	672,497
Neenah	699,055	Wisconsin Rapids	646,369
Wisconsin Rapids	671,684	Fond du Lac	636,994
Total of Above	38,644,104	Total of Above	38,543,321
Total – all	58,145,700	Total – all	58,145,700
% to Top 20	64.46%	% to Top 20	66.27%

**TABLE 2  
EXPENDITURE RESTRAINT PAYMENT, 1994 – 2009**

Year	Towns		Villages		Cities		State Total	
	Recipients	Payment	Recipients	Payment	Recipients	Payment	Recipients	Payment
1994	65	\$310,721	82	\$1,976,087	93	\$39,713,191	240	42,000,000
1995	37	213,452	95	3,529,755	117	44,256,792	249	48,000,000
1996	40	307,119	95	3,362,561	119	44,330,319	254	48,000,000
1997	58	531,480	138	3,939,556	116	43,528,963	312	48,000,000
1998	49	537,612	112	3,788,113	128	43,674,274	289	48,000,000
1999	47	570,785	110	3,916,732	135	43,512,482	292	48,000,000
2000	42	609,629	104	4,682,275	135	51,708,094	281	57,000,000
2001	30	844,429	105	5,019,086	135	51,136,483	270	57,000,000
2002	39	768,297	128	5,147,973	136	51,653,728	303	57,570,000
2003	30	724,827	122	4,985,806	144	52,435,065	296	58,145,700
2004	27	420,325	134	5,482,828	145	52,242,546	306	58,145,700
2005	33	461,094	152	5,198,193	152	52,486,411	337	58,145,700
2006	36	239,473	133	5,338,424	146	52,567,801	315	58,145,700
2007	24	144,689	147	4,869,596	153	53,104,414	324	58,145,700
2008	27	178,396	136	4,817,503	154	53,149,799	324	58,145,700
2009	13	146,056	120	4,352,872	141	53,646,770	274	58,145,700
2010	14	140,166	147	4,878,352	155	53,127,180	316	58,145,700

**APPENDIX**

The following example is based on data used to calculate the estimated expenditure restraint payments for 2010 that were mailed to municipalities on September 15, 2009.

**CALCULATION OF EXPEDITURE RESTRAINT PAYMENT FOR 2010  
FOR THE CITY OF WAUSAU**

Step 1: Subtract 5 mills from the municipal purpose tax rate		
Municipal purpose tax levy for 2008/09: This is the total municipal levy excluding any tax incremental finance (TIF) district incremental levies	(A)	\$ 20,500,585.00
Equalized value (excluding TIF incremental value)	(B)	\$ 2,582,612,700
Municipal-purpose property tax rate (A/B)	(C)	0.007937925
Municipal-purpose property tax rate minus 5 mills	(D)	0.002937925
Step 2: Multiply the levy in excess of 5 mills by the "TIF in" equalized value		
Equalized value (including TIF incremental value)	(E)	\$ 2,768,967,000
Total municipal levy in excess of 5 mills (including portion of TIF incremental tax levy attributable to the municipal-purpose tax levy) (D * E)	(F)	8,135,016
Step 3: Divide the above amount by the state total		
Statewide total of municipal levies in excess of 5 mills for all municipalities qualifying for an expenditure restraint payment	(G)	518,544,700
Wausau's share of the state total (F/G)	(H)	0.015688167
Step 4: Multiply the above amount by the total funds appropriated		
Amount appropriated for expenditure restraint payments in 2010	(I)	\$ 58,145,700
Amount payable to the City of Wausau (H * I)	(J)	\$ 912,199