

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.

For payment purposes, municipal budget is defined as 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. 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. For payments in 2013 and thereafter, the inflation factor may not be less than 0%.

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 2016

A municipality qualified for a payment in 2016 if its municipal-purpose property tax rate for 2014 (payable 2015) exceeded 5 mills and its municipal budget for 2015 increased over its municipal budget for 2014 by less than 1.6% (the inflation factor for the 12-month period ending September 30, 2014) plus its valuation factor (based on net new construction during 2013 for purposes of establishing 2014 equalized values).

Of the 480 municipalities whose 2014/15 municipal-purpose tax rate exceeded 5 mills, the revised estimate (issued by DOR in September, 2016) showed that payments in 2016 were distributed to 358 municipalities, as follows: 24 towns (\$170,290), 178 villages (\$5,814,276), and 156 cities (\$52,161,132). Any final adjustments to these payments will be made in November, 2017. Of the 358 municipalities that qualified for payments in 2016, 281 received a payment in 2015 and 77 did not receive a payment in 2015. There were 68 municipalities that received a payment in 2015 that will not receive a payment in 2016.

Payments in 2017

A municipality qualified for a payment in 2017 if its municipal-purpose property tax rate for 2015 (payable 2016) exceeded 5 mills and its municipal budget for 2016 increased over its municipal budget for 2015 by less than 0.3% (the inflation factor for the 12-month period ending September 30, 2015) plus its valuation factor (based on net new construction during 2014 for purposes of establishing 2015 equalized values).

Of the 480 municipalities whose 2015/16 municipal-purpose tax rate exceeded 5 mills, the original estimate (issued by DOR in September, 2016) showed that payments in 2017 will be distributed to 310 municipalities, as follows: 23 towns (\$186,894), 151 villages (\$5,586,889), and 136 cities (\$52,371,915). Initial adjustments to these payments will be made in November, 2017; any final adjustments to these payments will be made in November, 2018. Of the 310 municipalities that qualified for payments in 2017, 249 received a payment in 2016 and 61 did not receive a payment in 2016. There were 109 municipalities that received a payment in 2016 that did not receive a payment in 2017.

Table 1 shows the 20 municipalities with the largest expenditure restraint payments in 2016 and 2017. Table 2 shows expenditure restraint payments by town, village, and city since 1994.

TABLE 1
MUNICIPALITIES WITH LARGEST EXPENDITURE RESTRAINT
Payments: 2016 (Revised Estimate) and 2017 (Original Estimate)

Municipality	2016 Payment	Municipality	2017 Payment
Milwaukee	\$8,721,789	Milwaukee	\$9,001,972
Madison	\$6,398,824	Madison	\$6,783,299
Kenosha	\$2,570,791	Kenosha	\$2,763,079
Racine	\$2,510,047	Racine	\$2,659,862
Waukesha	\$1,968,007	Waukesha	\$2,078,653
Green Bay	\$1,681,911	Green Bay	\$1,698,402
La Crosse	\$1,465,670	La Crosse	\$1,490,706
West Allis	\$1,470,599	West Allis	\$1,498,668
Appleton	\$1,107,454	Eau Claire	\$1,117,307
Eau Claire	\$1,131,700	Appleton	\$1,120,321
Oshkosh	\$1,176,792	Oshkosh	\$1,244,490
Wauwatosa	\$968,745	Wauwatosa	\$909,392
Janesville	\$854,981	Janesville	\$929,949
Wausau	\$734,231	Wausau	\$817,119
Sheboygan	\$711,523	Sheboygan	\$743,141
Beloit	\$651,280	Beloit	\$652,326
West Bend	\$576,986	Fond du Lac	\$584,418
Greenfield	\$618,074	West Bend	\$657,189
Fond du Lac	\$692,700	Greenfield	\$766,476
Sun Prairie	\$570,852	Sun Prairie	\$582,873
Total of Above	36,582,956	Total of Above	38,099,641
Total – all	58,145,700	Total – all	58,145,700
% to Top 20	62.92%	% to Top 20	65.52%

TABLE 2
EXPENDITURE RESTRAINT PAYMENT, 1994 – 2017

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	138,517	149	4,876,499	157	53,130,682	320	58,145,700
2011	15	176,545	153	5,017,072	153	52,952,081	321	58,145,700
2012	18	176,312	159	5,034,772	160	52,934,613	337	58,145,700
2013	23	162,949	185	5,735,111	164	52,934,937	372	58,145,700
2014	29	239,214	171	5,811,944	159	52,094,539	359	58,145,700
2015	28	192,230	168	5,762,632	153	52,190,835	349	58,145,700
2016	24	170,290	178	5,814,276	156	52,161,132	358	58,145,700
2017	23	186,894	151	5,586,889	136	52,371,915	310	58,145,700

APPENDIX

The following example is based on data used to calculate the estimated expenditure restraint payments for 2017 that were mailed to municipalities on September 15, 2016.

**CALCULATION OF EXPEDITURE RESTRAINT PAYMENT FOR 2017
FOR THE CITY OF WAUSAU**

Step 1: Subtract 5 mills from the municipal purpose tax rate		
Municipal purpose tax levy for 2015/16: This is the total municipal levy excluding any tax incremental finance (TIF) district incremental levies	(A)	\$ 22,927,098
Equalized value (excluding TIF incremental value)	(B)	\$ 2,418,210,900
Municipal-purpose property tax rate (A/B)	(C)	0.009481017
Municipal-purpose property tax rate minus 5 mills	(D)	0.004481017
Step 2: Multiply the levy in excess of 5 mills by the "TIF in" equalized value		
Equalized value (including TIF incremental value)	(E)	\$ 2,633,849,300
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)	11,802,322
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)	839,846,055
Wausau's share of the state total (F/G)	(H)	0.014052958
Step 4: Multiply the above amount by the total funds appropriated		
Amount appropriated for expenditure restraint payments in 2017	(I)	\$ 58,145,700
Amount payable to the City of Wausau (H * I)	(J)	\$ 817,119