

Wisconsin Policy Forum: City of Madison finds stability amid pandemic's tumult in 2021 budget

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Despite the turmoil of a global pandemic, the city of Madison's proposed budget maintains core services in 2021 with the smallest property tax increase in nearly two decades – a feat accomplished in part through onetime measures that could narrow options for future budgets, according to a new analysis from the Wisconsin Policy Forum.

This largely status quo budget may relieve some city residents who welcome increased public health spending to fight COVID-19 and see continued strength in many aspects of city finances. Others may feel concern that some challenges have been pushed into future budgets, or that this budget does not bring sharp change to controversial areas such as police spending.

“To the degree that revenues such as room taxes, parking fees, investment income, and state aid remain depressed in 2022, then the city will have significant work to do – but somewhat fewer tools to draw on – as it seeks to keep its budget in balance,” the brief reads.

The property tax, the source of about three-fourths of revenues in the city's main fund, is limited by state law and would rise by 2.2% under this 2021 proposal, the smallest increase since 2003. These new dollars cannot make up for other budget pressures including dwindling interest and fee revenues, lagging state aid, and labor contracts providing healthy pay increases for police and firefighters. The

result was a potential \$16.5 million budget gap in the city's general fund heading into 2021 budget deliberations.

Bridging the gap

A proposed \$8 million drawdown of the city's general fund balance, plus savings from temporary furloughs, combine to bridge more than half of this budget shortfall under the proposed budget.

Considerable use of reserves can be justified during a time of crisis such as the present. But the onetime nature of these solutions – plus the likelihood that many of the causes of the budget gap will linger – suggest future years could require further difficult decisions.

Other key observations include:

- Despite calls by some to “defund the police,” proposed general fund spending on police in 2021 would rise by 2.1% and make up 23.9% of the city's general fund budget, similar to levels over the past decade. The department's total roster of full-time equivalent employees would decline slightly, by 0.9%. The budget also adds funding in some areas to enhance public safety and police department accountability such as a new independent monitor.
- The ongoing impact of a massive decline in city bus ridership brought on by the pandemic would be partially offset in the 2021 budget by \$3 million in federal CARES Act funding. But it remains unclear when ridership might rebound to pre-pandemic levels. Meanwhile, the budget proposes to delay work on Bus Rapid Transit, a major priority for Mayor Rhodes-Conway, with the vast majority of spending for the project now being pushed into 2022.
- Reduced tourism and commuting during the pandemic have decreased revenues including parking fees and room tax revenues, creating issues for the respective funds into which those dollars flow. In the case of the room tax fund, the funding gap would be resolved by making spending cuts, drawing down reserves, or plugging in general fund dollars at entities that depend on those revenues, such as

Monona Terrace, Vilas Zoo, or Overture Center. And because of drops in revenue from parking garages, meters, and permits as well as interest income, the city plans to draw down parking fund reserves by \$4.8 million.

- Madison's public libraries would see a slight funding decrease of 1.6% from the city's general fund in 2021. Total budgeted spending would increase slightly, however, thanks to a recovery in intergovernmental revenues and drawdown of the library fund balance. Meanwhile, three full-time equivalent positions would be eliminated and hours and services at some library locations would be curtailed.

The report concludes by noting that at least for next year, Madison will avoid the kinds of harsh budget-balancing measures being contemplated in some other cities such as Milwaukee. But the report also finds the longstanding imbalance between growth in city revenues and the rising cost of maintaining services has hindered its efforts to respond to the current crisis and is likely to extend far beyond it.

"For now, the city has focused rightly on making its way through a perilous time for many of its citizens," the report concludes. "Going forward, Madison's leaders will be under increasing pressure to reconcile their outlays with their means."

[Go here to read our complete 2021 city of Madison budget brief.](#)