



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

BUNKE

M

November 11, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Department of Revenue Certification of Consumer Price Index

On November 1, 1996, the Department of Revenue (DOR) certified the percentage change in the Consumer Price Index (CPI) for use in the expenditure restraint program to the Co-chairs of the Joint Committee on Finance, as required by s. 79.05(2m) of the state statutes. Relative to this certification, no action by the Committee is required. Under the procedures established in state law, DOR certified that the average CPI between October, 1995, and September, 1996, increased by 2.8% compared to the average CPI for the prior twelve months.

The percentage change is used, in part, to determine whether municipalities will qualify for an expenditure restraint payment in 1998. Municipalities with a 1996(97) local purpose tax rate in excess of five mills will be eligible for a 1998 aid payment if they restrict the growth in their general fund budgets between 1996 and 1997 to a rate based in part on the change in the CPI. The rate equals the change in the CPI plus an adjustment based on growth in municipal property values. The property value adjustment is unique for each municipality and equals 60% of the percentage change in the municipality's equalized value due to new construction, net of any property demolished or removed. The adjustment cannot be less than 0%, nor more than 2%. Therefore, municipalities will have to limit the rate of increase in their 1997 budgets to 4.8%, or less, to receive a 1998 expenditure restraint payment. DOR calculates the allowable rate of increase for each municipality with a tax rate over five mills during the current year. At the same time that DOR certifies the change in the CPI, DOR notifies each of these municipalities of the allowable rate of increase for its budget so that the allowable rate is known at the time when municipal officials set their budgets.

If you have additional questions about this procedure, please contact our office.

RO/dls
Attachment



State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX 608-266-5718

Tommy G. Thompson
Governor

Mark D. Bugher
Secretary of Revenue

November 1, 1996

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
100 North Hamilton, Room 302
Madison, WI 53707

The Honorable Ben Brancel, Co-Chair
Joint Committee on Finance
119 Martin Luther King Jr. BLVD, Suite 112
Madison, WI 537072

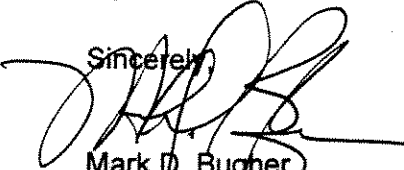
Dear Senator Burke and Representative Brancel:

State law requires the Department of Revenue annually, on November 1, to certify to the Joint Committee on Finance the appropriate percentage change in the Consumer Price Index (CPI) for determining a municipality's eligibility for a payment under the expenditure restraint program. The Department certifies that the percentage change for 1998 payments is 2.8%, the same as last year.

Sec. 79.05 (1) (am), Wis. Stats., provides that the inflation factor for the expenditure restraint program be the average annual percentage change in the CPI for all urban consumers (CPI-U), U.S. city average, for the 12 months ending on September 30. The Department's certification of this percentage change is required in sec. 79.05 (zm).

The calculation of the inflation factor is shown in the attached table. If you have any questions about our calculation, please contact me.

Sincerely,



Mark D. Bugher
Secretary of Revenue

MDB:BB:skr
f:\secltr\cpi96.doc

Attachment

Consumer Price Index for All Urban Consumers (CPI-U):
U.S. City Average, All Items,
(Not Seasonally Adjusted)
(1982-84=100)

Source: U.S. Department of Labor, Bureau of Labor Statistics

	1994-95	1995-96
October	149.5	153.7
November	149.7	153.6
December	149.7	153.5
January	150.3	154.4
February	150.9	154.9
March	151.4	155.7
April	151.9	156.3
May	152.2	156.6
June	152.5	156.7
July	152.5	157.0
August	152.9	157.3
September	153.2	157.8
Sum	1816.7	1867.5
% Change		2.8%



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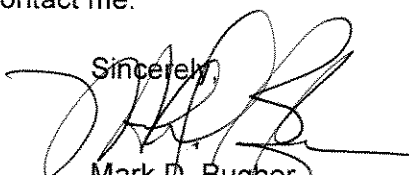
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