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Wisconsin's funding formula is clearly broken

Statement of Common Council President Cavalier Johnson September 22, 2020

This morning Mayor Tom Barrett presented his proposed 2021 budget to the Milwaukee Common Council and as predicted, this budget painted an ominous picture about the broken financial structure that the State of Wisconsin forces upon its municipal governments. In Milwaukee, we have been dealing with tighter and tighter budgets over the course of the last several years and moving forward those issues will become more paramount.

But they don't have to be.

The State of Wisconsin currently possesses - and always has possessed - the power to allow Milwaukee to overcome these challenges. The state government could do three things that would put Milwaukee on better footing.

As taxpayers in Milwaukee send more and more money to Madison in the form of income and sales taxes, and the coffers of state government continue to grow as a result, that money isn't being shared with Milwaukee as the state shared revenue program would suggest. All 19 units of government in Milwaukee County with leadership that spans the political spectrum understand the difficult financial position that municipalities are in. Data presented from *Move Forward MKE*, a consortium of local governments and business leaders calling for the state to allow a one percent sales tax increase, indicates that taxpayers in Milwaukee sent \$569 million **MORE** to Madison in 2018 than it did in 2009 yet the state sent back \$144 million **LESS** in 2017 than it did in 2009. It should also be noted that the sales tax in Milwaukee is among the lowest in the Midwest.

This funding formula is obviously broken.

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According to a 2019 report by the *Wisconsin Policy Forum*, municipalities in Wisconsin receive just north of 40% of their revenues from property taxes which is well above the national average of about 23%. In 2017, the *Milwaukee Journal Sentinel* reported that Milwaukee, the largest city in Wisconsin, the 5th largest city in the Midwest, and the 31st largest city in the United States, is the **only** city of its size still limited to property taxes as its sole local tax. **A 1% sales tax increase would generate approximately 160 million annually for Milwaukee County, a minimum of 25% of which would be set aside for property tax relief.**

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When the state rewrote the rules around pension contributions and bargaining they left out the two biggest drivers of our pension obligation in a move that favored one class of employee over another and continues to be problematic. In 2023, we have a \$160 million pension contribution that will be unsustainable in the years to come. We can't meet this challenge and provide critical services that our citizens expect and deserve because the funding formula for local governments in Wisconsin is broken.

I'm sounding the alarm again. Milwaukee is the canary in the coal mine. All local governments in Wisconsin are subject to these same, inflexible rules for revenue generation. What's currently happening in Milwaukee will, in the years to come, also affect Madison, Green Bay, Racine, Kenosha, Waukesha, and so many other communities around Wisconsin and it won't change unless the leadership in the state legislature act to provide financial relief and revenue diversification for local governments.

I hope that legislative leadership heeds this call before more communities are faced with the daunting challenges of being responsive to community members calling for change, having to eliminate police and fire positions, and reducing other critical services. **Contact your state representatives and state leadership if you would like to advocate for local control over diversified revenue streams and the generation of additional funds to provide property tax relief and support critical services and infrastructure in the City of Milwaukee.**

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