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Wisconsin Policy Forum report underscores broken budget system

Statement of Common Council President Cavalier Johnson October 9, 2020

Year after year, the City of Milwaukee has been faced with sobering budgetary forecasts, and the 2021 analysis by the *Wisconsin Policy Forum* (WPF - attached) sounds like a broken record – unfortunately. The bottom line that WPF and City leaders have echoed for years now is that without tools to adequately address our structural financial problems, we will continue to face stressful budgets and cuts to core services that our residents both expect and deserve.

To be clear, these problems can only be solved by State action.

The State of Wisconsin has made policy decisions which have created three major structural barriers to maintaining fiscal health in Wisconsin's largest metropolis and single largest source of tax revenue.

Shared revenue – This is probably the clearest financial imbalance. There was a time when the State of Wisconsin sent enough money back to cover the entire budget of the Milwaukee Police Department and at least a significant portion of the next largest department's budget. Today, the shared revenue program leaves us tens of millions of dollars short of that, forcing the City to cut services. What's worse is that while the City has been receiving fewer dollars over the years, State coffers have grown – driven by increased tax dollars sent from Milwaukee to Madison. Unless the shared revenue formula is changed, the City of Milwaukee will be forced to cut deeper into essential services each year.

Local tax – Every other major city in the United States has the ability to raise a local tax. This is important because cities endure fiscal stressors that other, smaller communities don't contend with in any similar magnitude. In a revenue structure that is unfortunately unique to Wisconsin, the burden of paying for these stressors falls solely on people who own property.

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For instance, when we all see the freeways filled each morning with commuters coming into the city for work, or coming into the city for nightlife and entertainment on the weekends, those cars exit on ramps and drive on streets that the City has to maintain due to wear and tear. If someone needs law enforcement assistance from Milwaukee police or medical attention from the Milwaukee Fire Department, there's no "tip" left for City services. Instead, Milwaukee's property-owning taxpayers are required to foot the bill. Rest assured, that when those same commuters visit the largest cities in other states across our country, those cities capture valuable revenue from those who benefit from their resources. Even a 1% sales tax increase for Milwaukee County would generate \$160 million in additional revenue, 25% of which, or \$40 million dollars, would be allocated to ease our property tax burden.

Bargaining – It isn't a secret that we are slowly approaching an unavoidable cliff in 2023 as it relates to pension and benefit obligations. Ten years ago, the State eliminated bargaining rights for public employees, but exempted the two biggest drivers of the City's pension obligation in a move that favored one class of public employee over another. Ballooning police and fire pension obligations account for 80% of our rising pension cost, and our ability to reduce expenditures is extremely limited due to bargaining powers enshrined in Act 10. The 2021 proposed executive budget eliminates 120 sworn police officer positions through attrition, but yields a budget savings of virtually nothing. So what does that buy us? A smaller police force with roughly the same budgetary footprint due to rising pension and fringe benefit costs. Future budgets will need to cut an additional 100 sworn officers each year just to break even.

We faced all of these issues even before the arrival of coronavirus (COVID-19), which has only exacerbated them. My hope is by the time the *Wisconsin Policy Forum* releases its budget analysis for 2022, the leadership in the State Capitol will come to realize that Milwaukee and other local governments around Wisconsin are depending on their partnership to overcome these structural obstacles in order to drive economic development, invest in our communities, and serve our residents and visitors alike.

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