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City of Milwaukee's Comments on the 2003-05 Budget

I. The budget deficit is severe and will necessitate real and painful solutions. This deficit resulted from a lack of financial discipline by the previous administration. Cities have been "sharing the pain" for those decisions for several years.

- Since 1995, State operating spending **outside of shared revenues and school aids** has increased by 4.3%, almost twice the rate of inflation (2.4%). {Chart 1}
- Over the same period, shared revenue has actually decreased in real terms. {Chart 2}

II. At the same time, the City of Milwaukee has demonstrated fiscal responsibility - making tough cuts to improve efficiency, make city government smaller, and control taxes.

We've cut positions:

- Since 1988 the city has cut 743 positions, a 7.4% **reduction**. {Chart 3}
- Over the same period, the State's workforce has **increased** by 18.3%. {Chart 4}
- Relative to other large municipalities, Milwaukee has fewer employees per capita. {Chart 5}

We've cut our budget & held down taxes:

- The city's operating budget is lower in real terms than in 1988. {Chart 6}
- Milwaukee's tax rate has decreased by 23% since 1988 {Chart 7}
- Our tax levy has also decreased. {Chart 8}

III. A \$10 million cut in Milwaukee's shared revenue will cut into core city services.

- Milwaukee is implementing a **current year hiring freeze** and \$2.9 million budget adjustment. This will result in **significant and immediate service reductions**.
- Further cuts will be inevitable in 2004. Each \$1 million cut in shared revenue could result in the elimination of any of the following:
 - 20 Police Officers or 47 Police Squad Cars or
 - 3 Fire Engines or 1 Fire Engine Company or
 - 2 Health Centers or 2 Libraries

IV. Approving the \$500 million Transportation Fund transfer to prevent further cuts to shared revenue makes sense. Even with the proposed transfer, the DOT budget will still be above what it would be, had it increased at the rate of inflation over the past decade. {Chart 9}

V. We are concerned that the distribution of the cuts threatens to undermine the fundamental premise of shared revenue – tax base equalization.

The primary goal of shared revenue is to equalize per capita wealth among municipalities:

- According to the Legislative Fiscal Bureau, tax base equalization “is the primary objective of the shared revenue program.” (Informational Paper #18, January,2003)
- The underlying per capita property wealth varies greatly among municipalities. Without tax base equalization, residents of some municipalities would have to pay two or three times more to fund a comparable level of services.
- In the 1970’s our state leaders took an historic step to level the playing field by providing more funding to municipalities with below average value per capita. Recently, both the Kettl & Sheehy Commissions reinforced the importance of tax base equalization.

In contrast, the proposed per-capita cuts are disequalizing.

- The statewide equalized value per capita is roughly \$61,000. A \$17.27 per capita cut represents 2.8% of per capita wealth per \$100. Therefore, to maintain a level playing field, each municipality’s cut should also reflect 2.8% of its per capita wealth. Instead, *the proposed cuts dig deeper into the underlying wealth of some municipalities* (column 1).
- A straight percentage cut, as has been proposed as a more “fair” distribution, would actually exacerbate this disparity. (column 2).

<u>Municipality</u>	<u>Proposed Cut as % of Wealth/capita</u>	<u>Straight % Cut as % of Wealth/capita</u>
Bear Bluff:	0.95%	0.25%
Berry:	1.80%	0.47%
Aushwabenon:	1.90%	0.39%
Rockland (town):	2.40%	0.46%
Statewide average:	2.80%	2.80%
Green Bay	3.60%	5.00%
Menasha:	3.60%	6.00%
Ellsworth:	4.00%	5.60%
Algoma:	4.10%	8.90%
Eden:	4.20%	5.20%
Marinette:	4.50%	13.20%
Peshigo:	4.60%	11.60%
Racine:	4.90%	11.80%
Milwaukee:	5.10%	14.50%
Juneau:	5.30%	12.00%
Beloit:	5.30%	18.50%
Rockland (village):	6.90%	9.00%
Towns:	2.30%	0.70%
Villages:	2.60%	1.90%
Cities:	3.30%	4.80%

To maintain the integrity of tax base equalization, each municipality’s cut should NOT be the same percentage or per capita, but should represent the same percentage of underlying wealth.

VI. In addition to shared revenue cuts, we are concerned about the cuts to school equalization aid, a program which is also based on the concept of tax base equalization.

- Quality education is critical to our city's health and our taxpayers should not be unfairly burdened to provide the same opportunities for our families that other communities offer.
- Under the proposed cuts to school aids and shared revenue, Milwaukee will lose a total of over \$25 million in 2004 and over \$34 million in 2005, relative to 2003 shared revenue payments and current law school aid estimates.

City of Milwaukee's Comments on 2003-05 Budget

Accompanying Charts

While the City of Milwaukee kept Operating Spending at the Inflation Rate, State Operating Spending Soared at Nearly Double the Rate of Inflation.

Growth in State Operating Budget

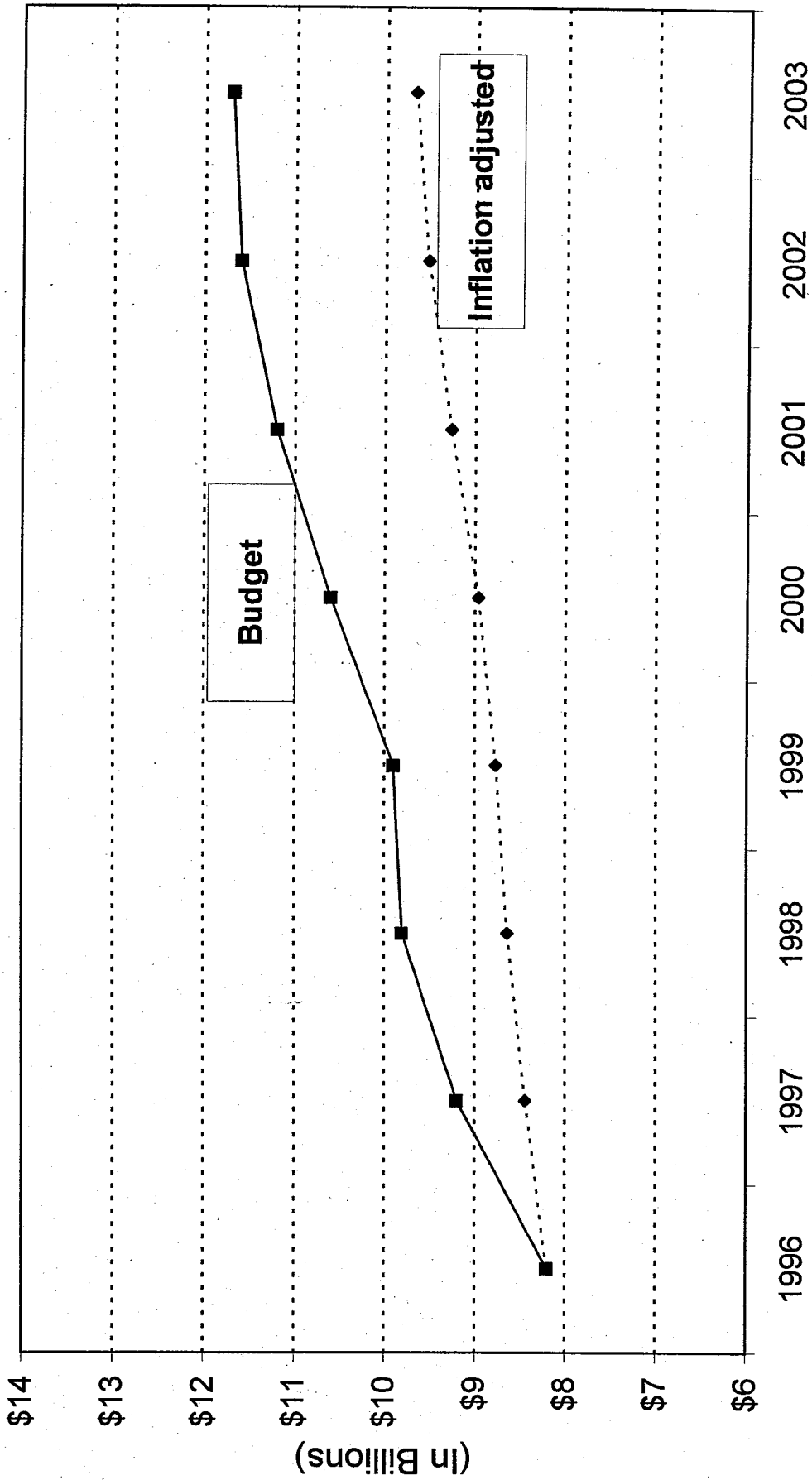
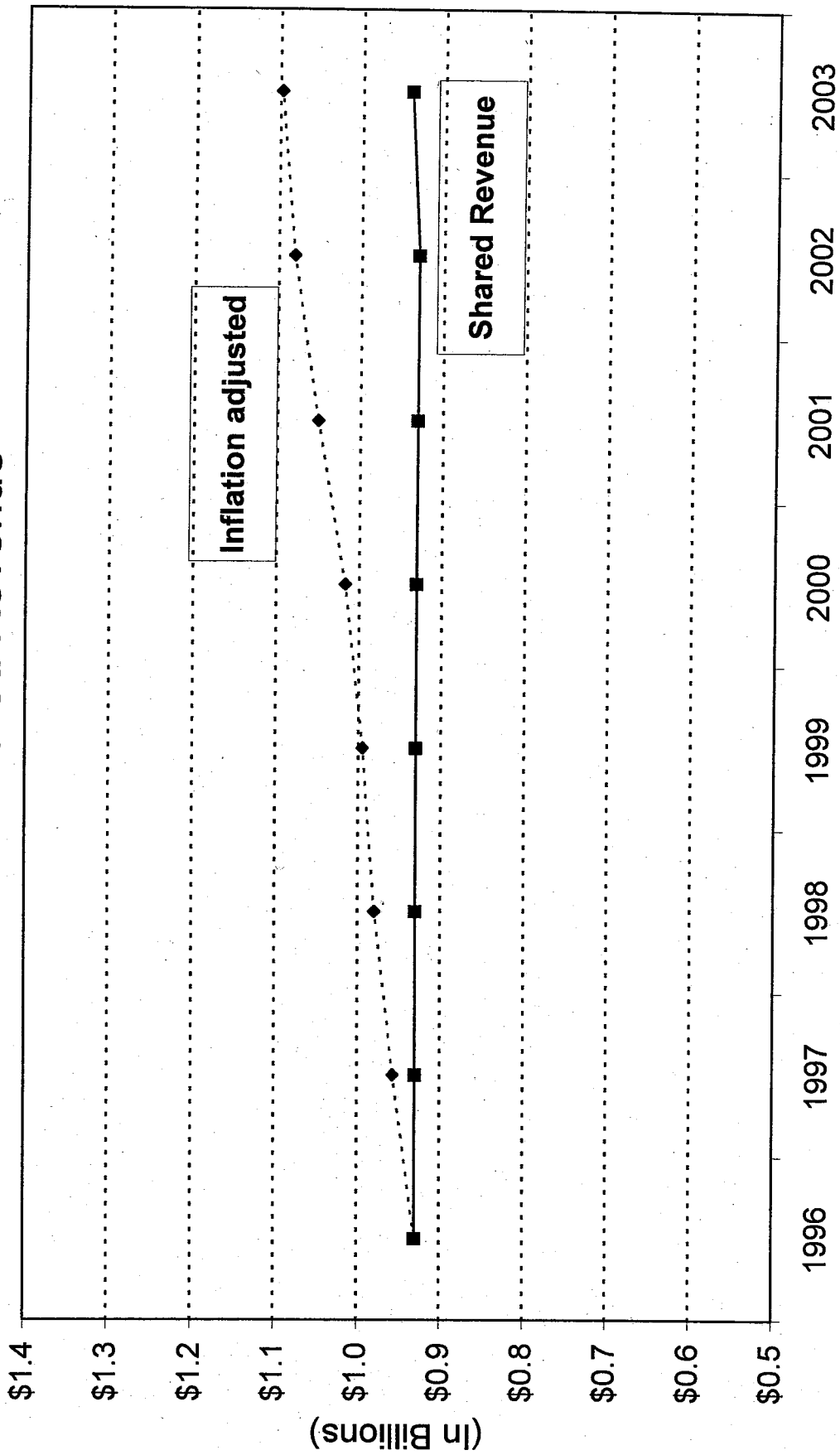


Chart1-state budget

As State Operating Spending Soared, Shared Revenue Grew at Less than the Inflation Rate.

Growth in Shared Revenue



Between 1988 and 2003, the City achieved greater efficiency from its general city employees while increasing its commitment to public safety. Overall, 743 positions have been reduced since 1988.

Authorized Positions 1988-2003

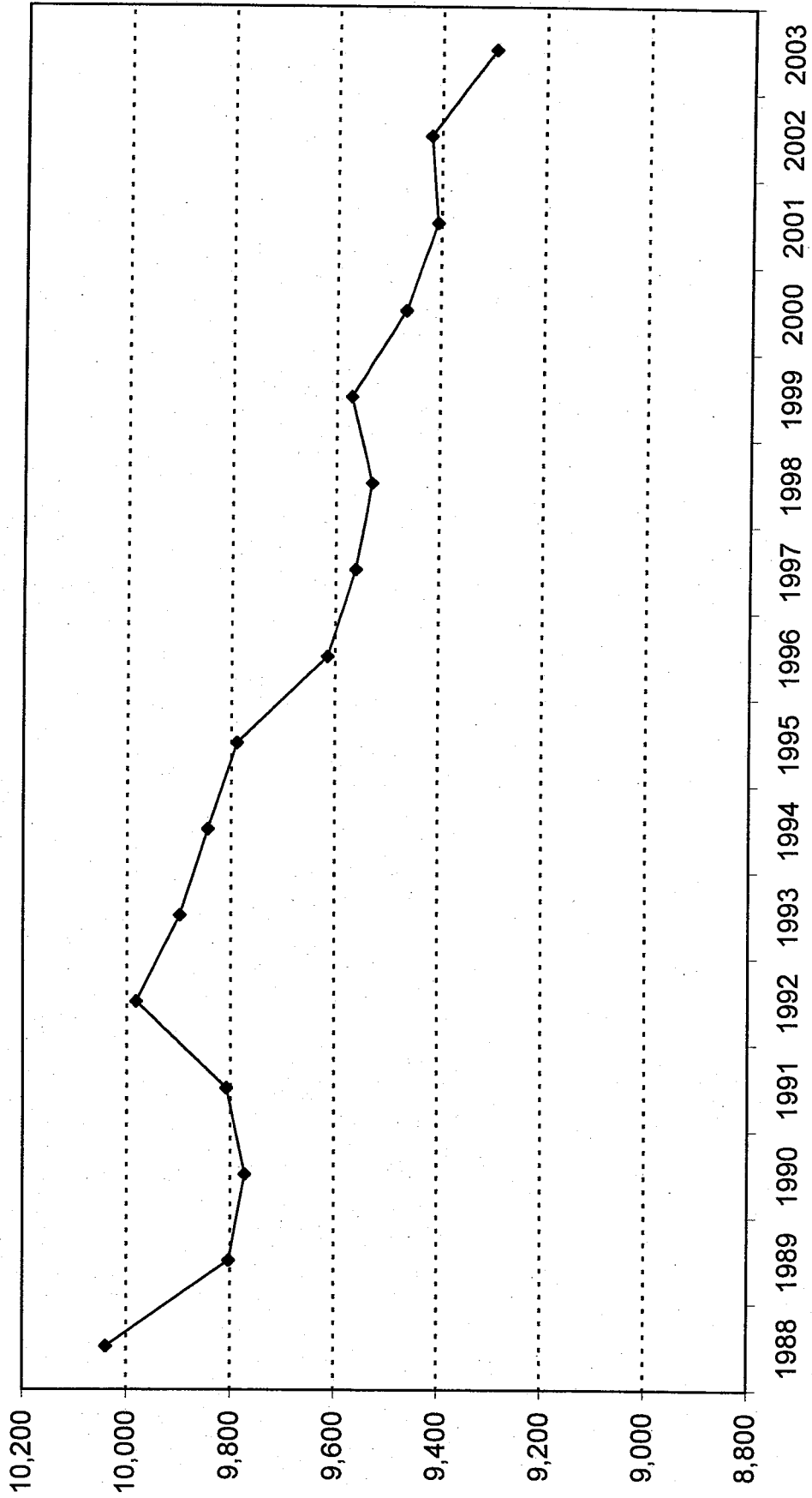
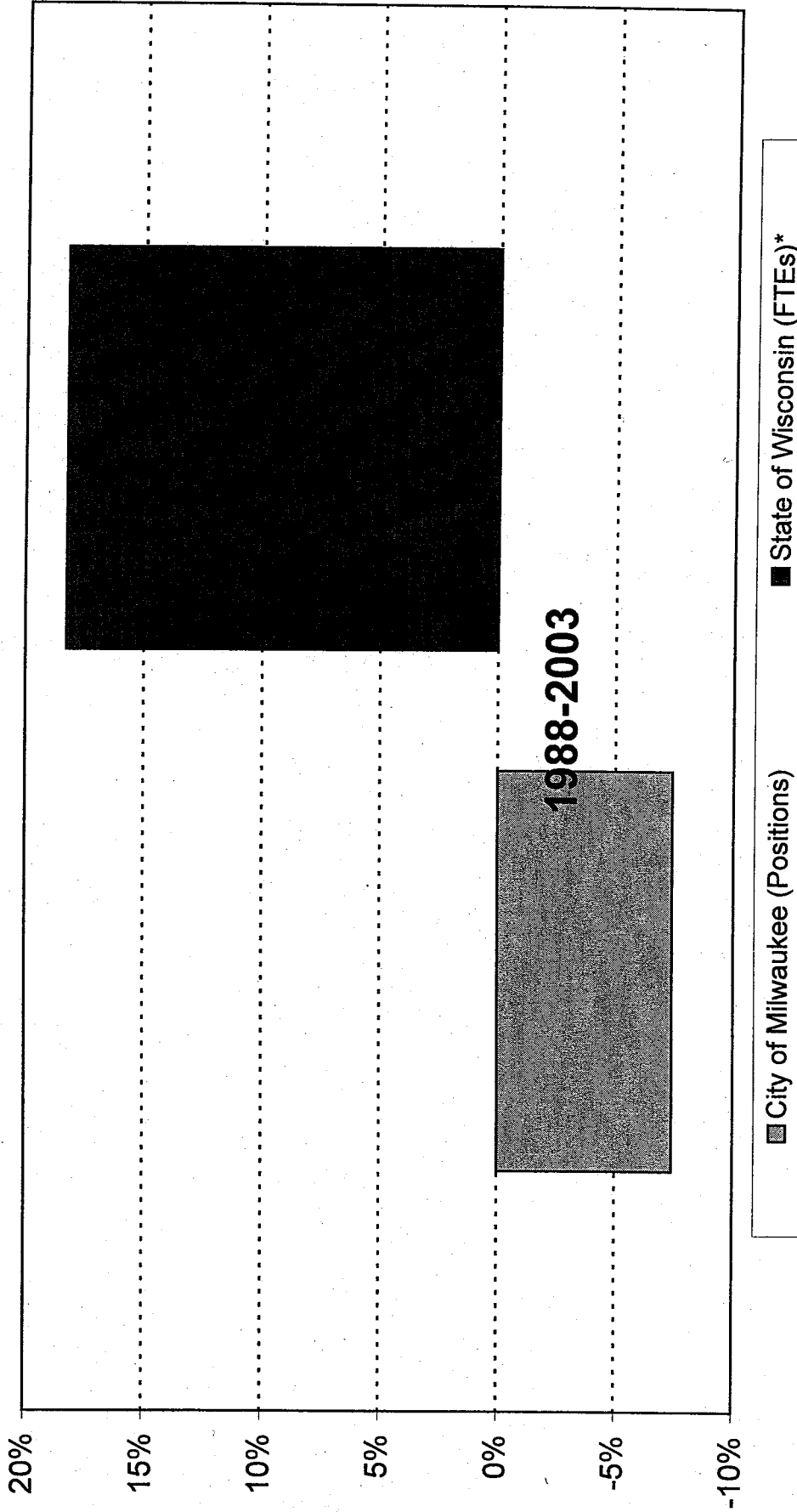


Chart 3 -positions

Since 1988, the City has reduced its workforce while the State's workforce has risen



*2003 FTE count is the proposed number.

Compared to other municipalities, the City of Milwaukee, on average, has fewer employees per 1,000 City residents.

City Full-Time Equivalents Per 1,000 - 2000

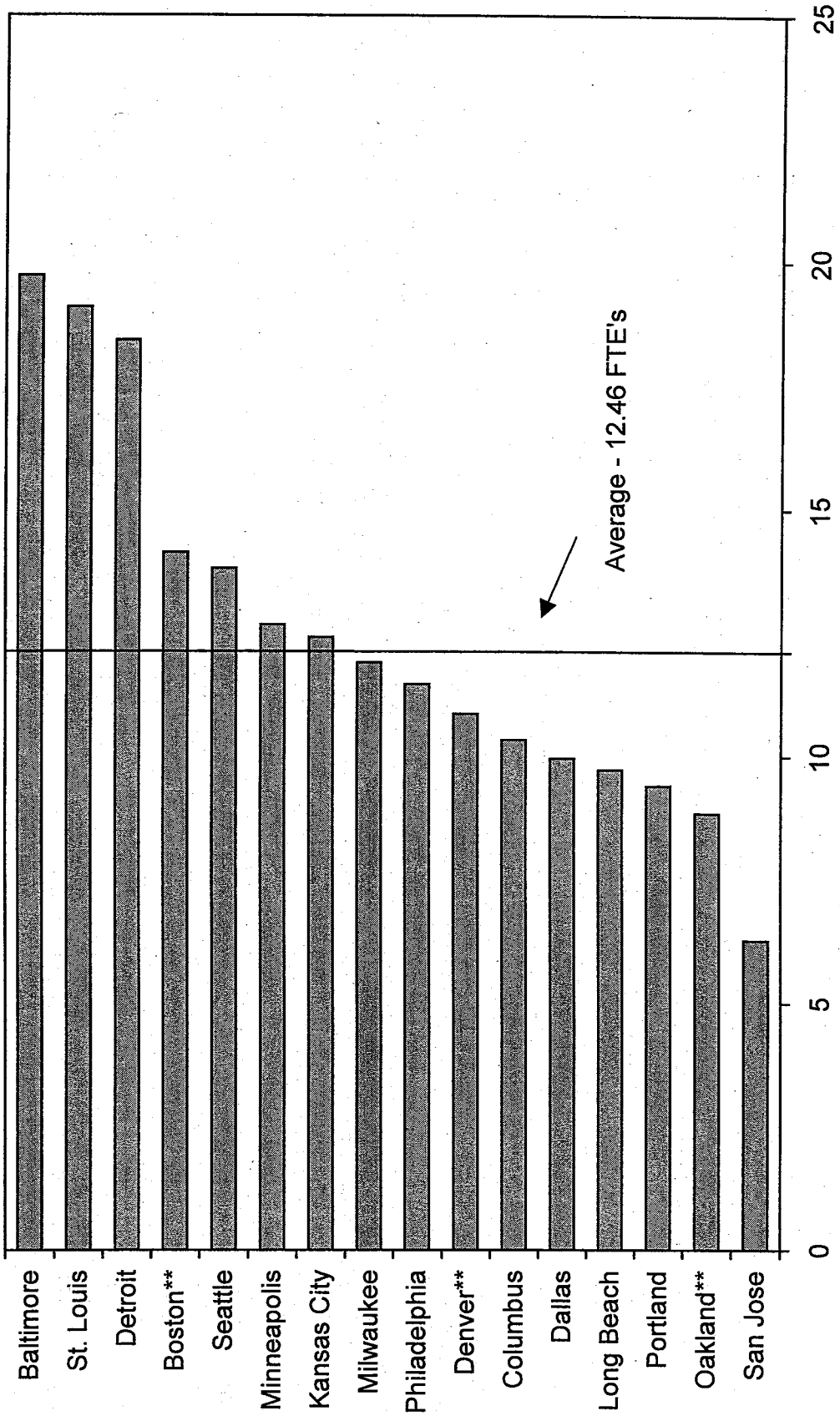
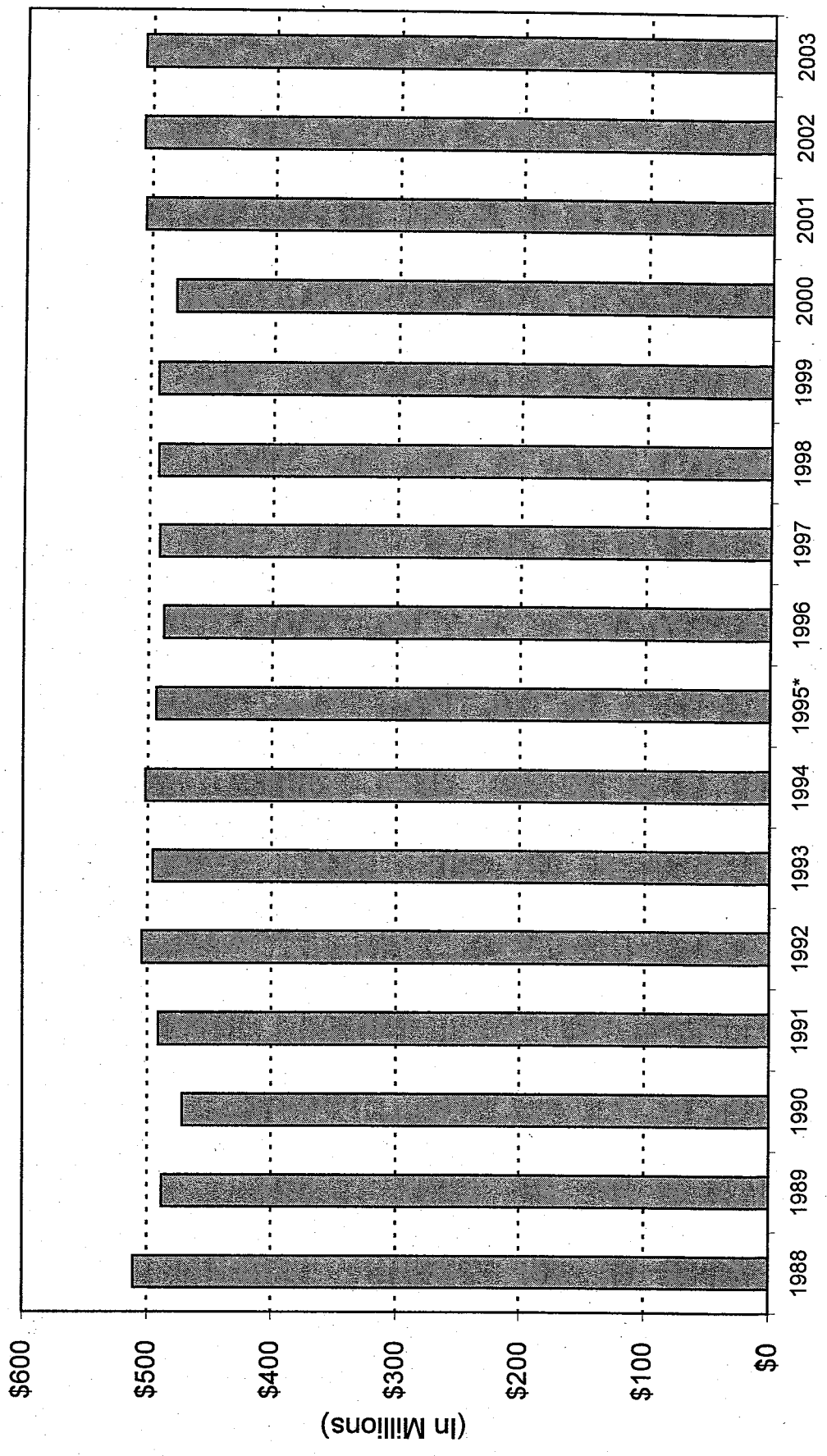


Chart 5- FTEs

City budget growth is flat over 16 years when adjusted for inflation.

Change in City Operating Budget
1988-2003 (Inflation Adjusted Dollars)



Between 1988 and 2003, the City reduced its property tax rate by \$2.94

Property Tax Rates 1988 through 2003

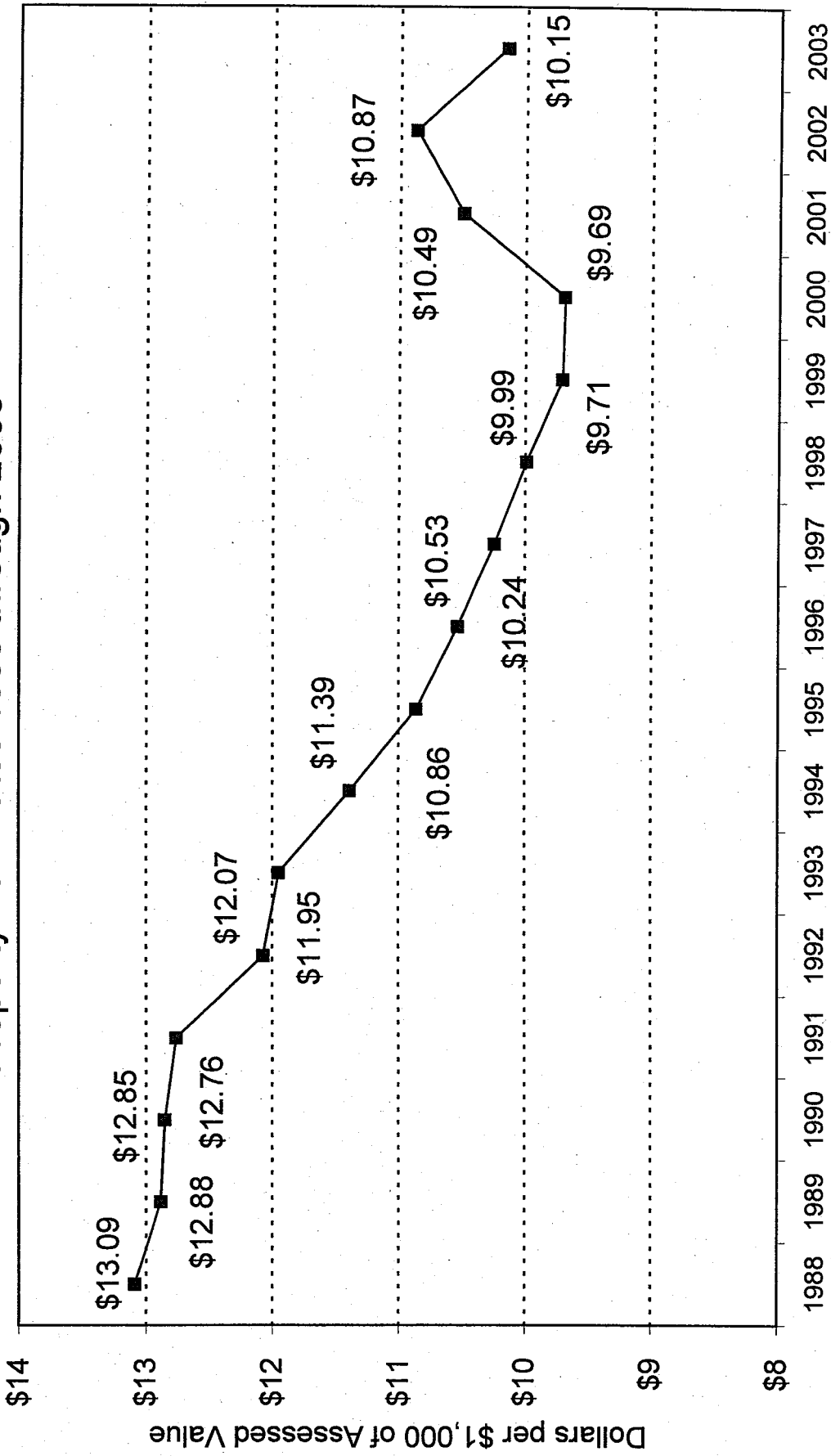
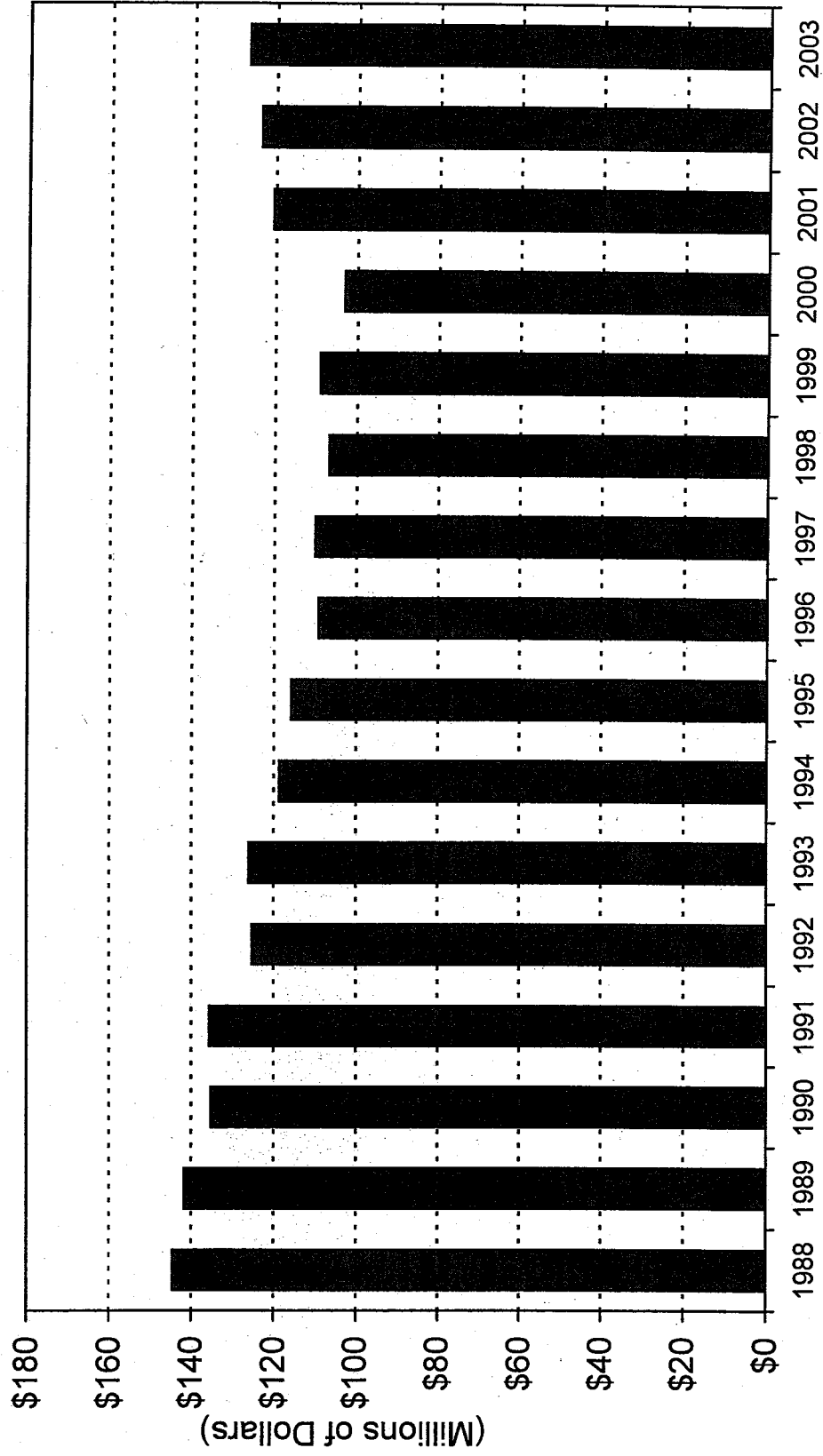


Chart 7-Rate

Between 1988 and 2003, the City reduced its inflation adjusted property tax levy by \$17.9 million.

Inflation Adjusted Property Tax Levies 1988-2003



Comparison of Growth in DOT and Shared Revenue (million \$)

