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CAVALIER JOHNSON
COMMON COUNCIL PRESIDENT
ALDERMAN, 2ND DISTRICT

April 21, 2021

Joint Committee on Finance
State Capitol, Room 305 East
Madison, WI 53702

Members of the Joint Committee on Finance:

Thank you for the opportunity to provide comments on the 2021-22 Wisconsin Biennial Budget (AB 68/SB 111). I urge you to maintain the Governor's proposal to allow a local revenue sales tax option and a successive 2% increase in the shared revenue program. In Milwaukee, there is broad consensus that an alternative to funding local government is necessary. The City of Milwaukee has been working with a coalition including the Metropolitan Milwaukee Association of Commerce, Greater Milwaukee Committee, and Milwaukee County. The Wisconsin Counties Association and the League of Wisconsin Municipalities are also on board.

The way we currently fund local government is no longer working. State law restricts our revenue sources to the property tax and shared revenue. Since 2003, if shared revenue had increased at the rate of inflation, the City of Milwaukee would be receiving \$111 million more today. Instead, we receive \$20 million **less** in shared revenue than in 2003. From 2004 to 2021, the City of Milwaukee's police budget has increased from approximately \$175 million dollars to over \$290 million—a \$115 million increase. The parallel between the \$111 million in inflation adjusted shared revenue Milwaukee should receive and the \$115 million in increased police department costs is unmistakable. Frozen shared revenue payments have required us to rely far too heavily on the property tax. Of course, an increase in shared revenue is preferable, but since this has not occurred, an alternative that diversifies our revenue stream is urgently needed.

The problem we need to solve is really very simple. Our costs, especially related to pension and wage benefits for public safety, continue to rise as ~~their~~ unions continue to have collective bargaining privileges, ~~but and our while our~~ revenue ~~has~~ remained flat. To illustrate the problem even further, in 2011, our police department budget equaled the shared revenue payment. By 2016, the police budget was greater than the entire property tax levy. This is

unsustainable. Without revenue increases, severe cuts to services have had to be made. Costs have been cut over all departments and in the last two years, we had to resort to cutting 180 police officer positions through attrition.

Milwaukee serves as the cultural and commercial center in the most populous region of the state. We must provide essential services for our residents, and our property taxpayers (some of the poorest in the state), must bear the burden to provide city infrastructure and police services to the many visitors that come to the city every day to work and play. Right now, we are too reliant on property taxes to fund these services for everyone. A local sales tax is the only way for visitors to contribute to the services that they use. Milwaukee is the only city of its size in the country that has no local tax revenue option.

Milwaukee has some very serious fiscal issues before it—and we must work together to find a solution. Prior to 2008, the City of Milwaukee had not made an employer contribution (at least in recent years) to our pension system since it was fully funded. After the recession of 2008, a new line item of \$50 million was created as the pension fund lost value and a contribution would be required. In 2023, the employer contribution will rise to approximately \$165 million. This is being driven by an actuarial recommendation to reduce our expected rate of return from 8% to 7.5%. On a \$5 billion fund that reduction amounts to an additional \$100 million. This issue creates further urgency to have an additional revenue source and an increase in shared revenue.

Milwaukee has unique challenges but we are also in a unique position to provide opportunities to create economic growth for our region and the entire state. The Governor's proposed budget also includes critical investments into early childhood education and transportation infrastructure. These investments ensure that our youngest residents have the foundation they need to succeed and that their parents have reliable transportation to family-supporting jobs. These necessary investments ensure that our families and our city ~~is~~ are able to reach ~~their~~ full economic potential. Unfortunately, the current revenue structure constrains this potential. We ask for a renewed partnership to enable Milwaukee to provide the solution to our funding challenges and be able to stand on our own two feet.

I hope you agree and vote to adopt the local sales tax option, the 2% increase in shared revenue proposal, and the investments in early childhood education and transportation infrastructure in the 2021-22 Wisconsin Biennial budget.

Thank you.



Sincerely,



Cavalier Johnson
Common Council President
District 2 Alderman