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For immediate release

October 20, 2008

City budget appropriately lays out long-term problems but doesn't yet solve them

Analysis praises strategic approach but warns of tougher decisions in future

In its annual analysis of the City of Milwaukee budget, the Public Policy Forum praises the mayor for laying out the city's structural problems in his proposed budget and developing a strategic framework for addressing them, but also warns that even tougher decisions on service cuts than those proposed for 2009 may be on the horizon.

“The mayor's overall approach in his preferred budget is to trim positions where he deems possible without materially impacting service levels; make liberal use of reserve funds where possible to help get by for another year; and argue to city residents that with those options exhausted, maintaining existing service levels (which he deems essential) will require increases in property taxes and fees. Even with this approach, the proposed budget concedes that the city's structural budget issues are not fully addressed, and that difficult decisions on service cuts may be required as soon as next year.”

The proposed budget discusses the key factors contributing to the city structural imbalance, including a \$61 million decline in state shared revenue (in inflation-adjusted dollars) since 2003, and “unsustainable” compensation costs for city employees. The budget proposes a set of new three-year strategies that, according to the Forum analysis, “present some ideas for altering that course.”

One of those strategies is to continue to seek greater diversification of city revenue streams by increasing user charges and seeking new revenue options. The budget analysis cites the logic of this approach but notes there are limitations to a long-range strategy that relies on greater fee revenue.

“While debate on fee increases is likely to remain contentious in this and future budgets, the city’s capacity to utilize this approach is limited. The state restricts the types of fees the city can create, and also stipulates that the revenue the city can receive from a service charge cannot exceed the cost of providing the service. Consequently, the city’s recent practice of increasing its user fees to offset diminishing state aids may be unsustainable.”

The Public Policy Forum budget brief also includes analysis of the legal issue that prevented the mayor from submitting his “preferred” budget to the Common Council; proposed withdrawals from the city’s Tax Stabilization Fund and pension reserve fund; the city’s efforts to limit annual property tax-supported debt; and strategic planning initiatives implemented by the mayor.

The city budget brief can be downloaded from the Forum's Web site at

www.publicpolicyforum.org. An analysis of the 2009 Milwaukee County budget was released last week and also is available on the web site.

Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of public policy issues.

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