



Public Hearing Statement

2009 Milwaukee County Budget

By the Public Policy Forum

Rob Henken, President
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Good evening. My name is Rob Henken, and I am President of the Public Policy Forum, a non-partisan, nonprofit organization established in 1913 that is dedicated to enhancing the effectiveness of government through objective research of public policy issues.

Hopefully, each of you has had an opportunity to read the Forum's budget brief on the County Executive's 2009 Recommended Budget. In that brief, we focus on the county's structural deficit, also known as the annual gap between its cost-to-continue expenditure needs and the growth in its revenue streams. That gap was about \$40 million in the 2009 budget, and it has been at least at that level every year since 2003.

We also observe that the county has failed to analyze and quantify the depth of its long-term fiscal problems in recent years. It is of great concern to us that the county continues to debate policy proposals with vast long-term budgetary implications – such as the future of the mental health complex, a potential lease or sale of General Mitchell International Airport, and the new Family Care expansion proposal – without appearing to have a handle on the nature and scope of its structural deficit and long-term fiscal outlook.

To cut to the chase, that is also our concern with the county's 2009 budget deliberations to date. We've seen a great deal of conflict between the county executive and county board, but we see little in the budget before us today that addresses or acknowledges the county's structural imbalance.

In order to give you a better idea of why that's important, we thought it might be helpful to share a few numbers with you regarding the 2010 county budget.

- **\$8.4 million** is the amount of the principal payment for Pension Obligation Bonds that will need to be paid in 2010 if POB's are issued under the existing proposal. That means your pension fund payment will go up by at least that amount, and almost certainly several million dollars more in light of the growth in the outstanding liability from \$400 million to \$700 million.
- **\$8 million** is the approximate amount for pay raises and step increases countywide, assuming a relatively conservative 2% increase in wages from yet-to-be-negotiated labor contracts.
- **\$6.5 million** is the cost of an extremely conservative 5% increase in your employee/retiree health care budget. If it turns out to be 10%, then you can double that amount.
- **\$6 million** is a conservative estimate of the amount of one-time revenue in this year's Department of Health and Human Services budgets that will not be available next year.
- **\$5 million** is our estimate of the tax levy increase needed in the Disabilities Services Division budget once Family Care is implemented and Medicaid Waiver dollars go away.
- **\$7 million** is the potential gap between the \$7.9 million 2007 year-end surplus that is utilized in the 2009 budget, and the surplus that may be available in 2010 from your 2008 year-end close, assuming you are able to erase the projected deficit forecast for this year and realize a small surplus.

Adding those numbers together yields a very conservative **\$41 million budget challenge for next year**. Other typical cost-to-continue increases for items such as fuel, utilities, etc. could add several million dollars more, and potential cuts in state aid or increases in state charges in light of the state's huge budget deficit could add several million dollars more to that.

Finally, there is perhaps the biggest ticking time bomb – a potential \$18-\$20 million hole in the transit budget if 2010 is the year when major bus purchases can no longer be deferred.

Now, I know what some of you may be thinking – these problems will go away if voters express support for the 1% sales tax increase tomorrow. But even if the referendum were approved, and the Legislature granted you the authority to levy the tax, and you then approved it over the county executive’s certain veto, we suspect you would simply be buying yourselves a little time before these problems emerged again. And truthfully, none of us know whether the proposed sales tax would be a long-term cure for the structural imbalance, because we don’t know how the extra revenue would be allocated, nor do we know the annual impact of the county’s growing liabilities several years out.

To quote from our budget brief, the county’s budget problems “cry out for coordinated and deliberate long-term strategic planning and priority-setting,” and we urge you to take that step in 2009. We also urge you to consider establishing an independent entity to provide objective long-term fiscal analysis and to certify annual revenue estimates in your budget. This could be achieved easily and cost effectively either by enhancing the role of the controller and making it an independent position that reports to both the county executive and the board, or by establishing a small independent fiscal bureau, potentially by taking an existing position or two out of DAS, the Audit Department and the county board staff.

As we wrote in our first election brief for the April 2008 spring elections, candidates for county offices have an obligation “to provide answers to critical questions facing local government. Among those questions, none is more important – and more rarely addressed – than this one: How do you plan to ensure the long-term financial stability of the government with which you will be entrusted?”

Thank you for the opportunity to testify.