

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : 12/27/19

TO : Supervisor Theodore Lipscomb Sr., Chair, County Board of Supervisors

FROM : Joe Lamers, Director, Office of Performance, Strategy, and Budget

SUBJECT : 2019 Wisconsin Act 42: Biennial Budgeting

OVERVIEW

2019 Wisconsin Act 42, which provides Wisconsin cities and counties the option of adopting biennial budgets, was approved by the State legislature and signed by Governor Evers on November 21, 2019. Under Act 42, if a county chooses to adopt a biennial budget, it must do so in an odd-numbered year for the next two fiscal years. This means that the first opportunity to adopt a biennial budget would be in 2021 for fiscal years 2022-2023.

This report is provided to inform the Finance Committee and County Board that the option to budget on a biennial basis has been approved by the State. The report provides some brief background information regarding biennial budgeting. In addition, policy and procedure changes that need to be considered are listed.

The Office of Performance, Strategy, and Budget (PSB) intends to conduct further research and provide additional reports on the topic of biennial budgeting during calendar year 2020. If there is interest from policymakers to transition to a biennial budget for fiscal years 2022-2023, a resolution would need to be adopted in 2021. Given that the budget process starts a year in advance, preparation for a change would need to begin prior to 2021.

BACKGROUND

Biennial budgeting is the practice of adopting a budget for a two-year period. The State of Wisconsin utilizes a biennial budget process as do approximately fifteen other State governments. There are many examples of municipal and county governments throughout the country which utilize biennial budgets. There are variations in the ways which biennial budgets are applied. In some instances, governments utilize a full two-year budget allocation. More commonly, governments enact annual budgets over a two-year period.

Following is a brief description of some of the commonly documented benefits and drawbacks of biennial budgeting.

Benefits

Annual budgets place a larger amount of pressure on all budget and fiscal staff and policy makers than for biennial budgets. This is due to the limited amount of time between adoption/implementation and the development and creation of the next year's budget. This

consolidation of the process may result in reduced staff time spent on budget development which can be put towards other productive uses. In addition, biennial budgeting can provide more time for evaluation and program review which can result in improved strategic planning. Biennial budgets also move towards long-term financial planning and focus on long-term context of fiscal decisions.

Drawbacks

It is more difficult to forecast revenues and expenditures over a two-year period than on an annual basis. In the event of a downturn in revenues or other financial emergencies, a biennial budget will need to include policies and procedures for making amendments and changes. Another potential drawback which has been stated is that biennial budgets may lead to reduced oversight and control over the budget. This is because annual budgets include detailed reviews every year whereas the biennial budget provides an appropriation for two years. This concern could be mitigated by developing processes for ongoing budget monitoring, review, and processes for making changes as needed.

POLICY & PROCEDURES

Numerous policies and procedures would need to be changed or created if a biennial budget were to be enacted. Following is a list of items which would need to be considered. This list is not all inclusive.

- Budget amendment and review policy
- Mid-biennium budget review and amendment process
- Changes to budget calendar and timelines
- Aligning salary adjustments and labor contracts with the two-year cycle
- Expenditure management and forecasting
- Revenue analysis and forecasting methodology
- Responding to an economic downturn or fiscal emergency
- Budgeting for property tax levy in the second year
- Budgeting for external revenues with annual appropriations
- Fund transfer impact (addressing second year)
- Budgeting for fringe benefits (pension & health care) over a two-year period
- Budget instructions and training
- Changes to physical budget document
- Supplemental budget document for changes in second year

In the upcoming months the Office of Performance, Strategy and Budget (PSB) will be researching these and other items with the intent of providing policy options for consideration.

RECOMMENDATION

This report is for informational purposes only. No action is needed. DAS-PSB intends to provide further reporting on this topic over the course of 2020.



Joseph Lamers, Director
Office of Performance, Strategy and Budget
Department of Administrative Services

Cc: Chris Abele, Milwaukee County Executive
James "Luigi" Schmitt, Chair, Finance and Audit Committee
Willie Johnson, Jr., Co-chair, Finance and Audit Committee
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Scott Manske, County Comptroller
Steven Cady, Research and Policy Director, Office of the Comptroller
Teig Whaley-Smith, DAS Director
Raisa Koltun, Chief of Staff, Office of the County Executive
Kelly Bablitch, Chief of Staff, County Board
Dan Laurila, DAS-PSB Operating Budget Manager