



DANE COUNTY

Joe Parisi
County Executive

June 8, 2022

To: Dane County Department Heads

Fr: County Executive Parisi

Re: 2023 Budget Guidelines

County government is heavily reliant on revenues directly related to the health of the economy. When the economy is doing well – as we have seen in recent years – we are better able to enhance services, create new programs, provide substantial wage increases to our workers, and ensure the non-profits the county partners with every day are better able to support their employees. As I ask departments to begin work on the 2023 Dane County budget, families across the country are paying record high prices for fuel and groceries, the costs of most goods and commodities are impacting bottom lines for business (and of course for us at home), some local employers have already announced layoffs, and for the first time in a number of years economists are projecting the U.S. economy could be on the verge of a recession.

Before I elaborate on how these changing conditions could affect our budget for 2023, I'm mindful that a number of our department heads and most of our County Board wasn't part of county government the last time the nation slogged through challenging financial times. When I was first elected as County Executive in April, 2011, the nation was in the midst of the Great Recession. County government had fully depleted its reserves or "rainy day" fund. The budget process was a series of decisions about which services and staff to cut funding for, a direct contrast to recent years where the only question at budget time has been "where else can we add dollars?" Departments brought forward scenarios to reduce spending. County staff had wage reductions, furloughs, and freezes. We faced many difficult choices on the best means of maintaining county services while minimizing the impacts of reductions.

Many of these steps were required because the county had no reasonable means of sustaining itself financially in the midst of a severe recession. We had too small of a safety net. Today, we have greater means to insulate against a downturn due to deliberate budget decisions made in recent years on right-sizing expenditure and revenue lines to ensure our projections are in line with real experience. We've forged partnerships, built revenue generating enterprise through innovation, and bolstered public services in a way that's allowed our county's "rainy day" or otherwise known as "reserve" fund to re-grow. Today it sits at its highest level ever – around \$60 million. While that sounds substantial and is most certainly leaps and bounds better than our standing a decade ago, with a total operating budget of over \$550-million, a substantial economic emergency would place the county back on the precipice of severe financial difficulty.

That's why it's imperative that as we get to work on the 2023 budget we are mindful the climate we are in has changed. If we make no changes – add no new programs or no new staff – the cost to run the exact same county government we have today will cost several million dollars more next year. The highest costs in that figure are what we have invested in our people. The county's premium free health insurance policy costs \$60 million per year to provide to our workforce. Yes, you noted correctly – we have enough in our reserve to buy one years' worth of health insurance. The wage increases offered this year to help offset inflation (6% to 9% increases) combined with other personnel related expenses place our total increase in personnel cost at an estimated \$5.6 million in 2023.

We have added 450 new full time county positions over the past decade. All of those positions helped improve service delivery, but are new costs the county has today that it didn't in 2011. It's important we be sure investments like these made during good economic times can be sustained through the rockier budget waters that are ahead. Cuts similar to what we made in the midst of the recession of a decade ago would no doubt stunt important gains we have made in the areas of mental health, caring for our most vulnerable, addressing climate change, enhancing conservation and cleaning our lakes.

As departments prepare their budgets for next year, I ask you do so utilizing your existing allocation of general purpose revenue. At this time, I'm not asking for scenarios for reductions. That of course could change as we monitor the forecasted downturn of the U.S. economy. Your budget files will incorporate the cost to continue existing positions. Departments may request increases for existing contracts, but I'm asking that departments not request new GPR funded positions for next year, unless the position can be permanently funded through revenue and/or expense reallocations. I further ask that department budgets exclude any other initiatives that require GPR funding. Unfortunately, similar prudence and careful priority will be needed in development capital budget plans as well. Dane County is on the verge of embarking upon the single largest capital building project funded by general purpose borrowing in its history. We still don't know what the final cost of the jail project will be, but as the estimates for that work inch closer to \$200 million, our flexibility for other projects lessens. Additionally, we know this project will drastically impact the county's overall tax levy. Previously approved borrowing – including for the jail – will likely lead to a tax levy increase this fall of nearly 5% - before we even consider operating budget increases. Before we even get to budgeting we can reasonably assume property taxes will go up 5% next year.

In addition, the cost of borrowing has risen dramatically in recent months and inflationary pressures have contributed to cost increases for many capital projects and purchases. There is a great deal of uncertainty with respect to supply chain issues and labor availability. These uncertainties have led to fewer bids for projects and unacceptable terms submitted by bidders. For these reasons, it is prudent, where possible, to defer capital outlays until some of the uncertainties are resolved.

Capital expenses will be considered on a case by case basis with a number of factors considered. Will the investment help generate revenue? Can it improve our goals with climate change, clean water, clean air, and conservation? Are there partners willing to join us in making capital

contributions? Departments should set a goal of submitting capital requests no greater than the amount of their request in 2022.

Our goals for this budget are clear. Protect the incredibly comprehensive system of service delivery we have built. Sustain core public services. Prevent layoffs. And make sure our rainy day fund is ready for the “rain” economists say is nearing.

Similar to previous years, the administration stands ready to assist in your budget development work through the summer months. The Department of Administration will coordinate budget meetings with you through the coming months.

I’m confident that together we can craft a budget for 2023 that protects the vital work and services county government provides our community, while ensuring the safety net we’ve worked so hard over the years to rebuild can weather whatever the looming economic downturn may bring.

cc: County Board Supervisors