

Monday, January 13, 2009

RE: Federal “stimulus” package

Here are some important things to consider before submitting requests for projects to be funded via the so-called stimulus package at the federal level:

**First, there is no official federal “stimulus” program at this point.** There is an idea, but no legislation, and there is certainly no law yet that creates a federal program to administer any funding from a “stimulus” program. Plus, there is no official application process until a bill has been passed by the Congress and signed by the President.

Congressional leaders like Rep. Dave Obey suggest that any “stimulus” package is likely to be passed no sooner than February. Also, the Appleton Post-Crescent reported over the weekend that specific projects will not be included in the package:

*Obey also warned that lawmakers should not expect the developing stimulus package to contain line items for money for specific projects in their districts or states. President-elect Barack Obama has said he wants no earmarks — money specifically set aside for projects in lawmakers' districts or states — in the package.*

Capitol observers suggest that funding is likely to go into existing programs for rapid deployment of resources to the state and local governments. Milwaukee County already has requests in for assistance through many of these programs (or has initiated the application process). We do not need to be on a “wish list” or be earmarked in the federal legislation to make a legitimate request.

**Second, I am concerned that new federal funding will come with strings attached that will cost local taxpayers.** Currently, most federal transportation grants require a 20% (or greater) match from the local government. “Free money” sounds nice until you read the fine print and realize Milwaukee County taxpayers will be required to provide a local match, which they can not afford.

For example, if our county receives \$50 million for infrastructure projects under this formula, our taxpayers will have to come up with an extra \$10 million. And if we borrow to cover the \$10 million, the cost goes up by \$920,000 per year. This hardly sounds like “free money” to me.

Assistance for legitimate infrastructure projects might be worth considering only if they met the following criteria:

- No local match is required from the federal government
- No long-term commitments mandated by the federal government
- No operating or maintenance expenses

**Third, I believe that the federal government should not be bailing out failed state and local governments.** What taxpayer wants to use one-time funds for operations to bail out governments that can not balance their budgets? Yet that is exactly what Jim Doyle and four other Governors recently called for from the federal government.

Wisconsin faces a \$5.4 billion budget deficit (4<sup>th</sup> largest in the country). This is largely because Governor Doyle and other state leaders failed to address long-term budget problems in previous years – making the budget situation worse today.

Even before the national fiscal crisis, Wisconsin had one of the largest GAAP (Generally Accepted Accounting Principles) deficits in the country. Allowing the state government to use a portion of the “stimulus” package to balance their budget deficit will only push their problems into the future.

**Fourth, the best way to stimulate the economy is not to put more money into the hands of the government, but in the hands of the people.** For months, I have called for tax cuts to get this economy going again.

Unlike infrastructure projects that take months – if not years – to have an impact, tax cuts can go into effect immediately. This will truly stimulate the economy.

Forty-six years ago this month, President John F. Kennedy told members of Congress that:

*“It is no contradiction – the most important single thing we can do to stimulate investment in today’s economy is to raise consumption by major reduction of individual income tax rates.”*

He was right.

And it worked for President Ronald Reagan. In 1983, the last year that the Reagan tax cuts went into effect, the national economy started the largest peacetime economic boom in American history. During this time, 5 million new businesses and 20 million new jobs were created. Tax reductions led to economic prosperity.

Even President-elect Barack Obama is now calling for tax cuts.

Sadly, Governor Doyle and other state government leaders are calling for all sorts of tax *increases* to balance the current state budget deficit. This will only drive jobs and residents out of the state at a time when we need them the most.

Milwaukee County has already documented legitimate projects that are included in our 5-year plan as a part of the 2009 capital budget. I will not, however, be submitting a list for an undefined program and I will not ask for funds from the federal “stimulus” package to cover operating costs.

**The best way to get the economy going again is to put more money into the hands of consumers and employers through aggressive tax cuts.**