

BUDGET BRIEF:
MILWAUKEE COUNTY
2010 EXECUTIVE BUDGET

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INTRODUCTION

For the past several years, as consistently as the leaves have turned color, observers from within and outside of Milwaukee County government have warned policymakers that a budgetary day of reckoning was imminent. Those warnings can be traced at least as far back as April 2003, when the county's budget director succinctly laid out its budget reality to members of the Finance and Audit Committee:

“The county has a structural deficit that is largely related to employee/retiree costs for wages and benefits. Major revenue sources available to the county are limited to such a degree that a structural deficit exists and will continue to exist until the gap between cost increases and revenue availability is closed.”¹

Six years later, in its comprehensive assessment of Milwaukee County's fiscal status, the Public Policy Forum detailed the extent to which that warning had not been heeded:

“(The county) has attempted status quo management for far too long in an atmosphere of exceptional costs and restricted revenues...it is clear that annual reductions have not achieved financial equilibrium, and that its long-term fiscal outlook is grim. Indeed, perhaps most disconcerting is that the precarious steps taken to balance budgets during the past five years have left the county with few options to address the challenges of the next five years.”

Today, the day of reckoning has arrived. Stagnant revenue streams and burgeoning fringe benefit costs – combined with the absence of political agreement on a strategic response – have created a structural deficit so immense that the county's ability to produce a balanced budget is called into question as never before.

The 2010 recommended budget contains familiar proposals to privatize county services, maximize state and federal revenue sources, and eliminate small programs deemed outside of the county's “core mission”. Those strategies are utilized less than in previous years, however, in recognition that a piecemeal approach no longer is tenable.

By taking on the county's wage and benefit structure, the recommended budget instead attempts a more long-term approach. This paper will point out the potential shortcomings associated with the county executive's strategy, but there can be little argument with the general need to do *something* about wages and benefits in light of the magnitude of the county's structural deficit. It is critical, in fact, that the debate at the county board not be about whether significant alterations in employee and retiree compensation are *necessary*, but about whether the specific package of wage and benefit concessions proposed by the county executive is fair, realistic and achievable, and what happens if it is not.

In the pages that follow, we will update our assessment of the county's structural deficit, discuss the wage and benefit cuts proposed to address it, examine potential alternatives to bridge the structural gap, and analyze the county executive's budget priorities. Our intent is to contribute to a more objective and informed debate on Milwaukee County's 2010 budget.

¹ Minutes of the Finance and Audit Committee, April 10, 2003.

MILWAUKEE COUNTY'S STRUCTURAL DEFICIT

In our analysis of the county executive's 2009 recommended budget, we explained the roots of the county's longstanding structural deficit, linking it largely to the imbalance between the county's growing compensation costs and flat state and local revenue streams. The most glaring of those costs was employee/retiree health care, which had doubled to more than \$130 million between 2000 and 2008; and a pension contribution that had grown from zero to \$39 million. We noted that the annual structural deficit conservatively would remain in the \$40 million range for the foreseeable future without strategic action in the 2009 budget to address it.

The 2009 budget did little to address the structural deficit, and the historic downturn in the economy, coupled with the severe budget deficit faced by the state, ended up doubling the size of the 2010 hole. **Table 1** catalogues the major structural, state budget-related and economy-imposed challenges facing the county executive and his budget staff as they set out to develop their 2010 budget. It should be noted that this list does not include typical cost-to-continue increases in commodities and utilities or a general wage increase for county employees.

Table 1: Significant 2010 structural budget challenges

Budget Challenge	Needed Expenditure Increase/Revenue Decrease
Pension Fund Contribution	\$25.5 million expenditure increase
Employee/Retiree Health Care	\$10.1 million expenditure increase
Debt Service	\$8.8 million expenditure increase
Land Sales	\$6.0 million revenue decrease
DHHS Income Maintenance Takeover ²	\$5.8 million revenue decrease
DHHS Loss of One-Time Revenues ³	\$5.5 million revenue decrease
Disabilities Services Gap ⁴	\$4.7 million expenditure increase
Prior Year Surplus Reduction ⁵	\$3.8 million revenue decrease
Earnings on Investments	\$3.3 million revenue decrease
Employee Step Increases	\$2.3 million expenditure increase
Sales Tax Revenue	\$2.1 million revenue decrease
Real Estate Transfer/General Recording Fees	\$1.2 million revenue decrease
State Shared Revenue	\$1.0 million revenue decrease
TOTAL	\$80.1 million budget hole

² The state takeover of Income Maintenance functions in Milwaukee County deprives the county of state and federal revenues that no longer can be used to offset certain space and central service costs that still remain with the county.

³ The 2009 DHHS and Behavioral Health Division budgets contained several one-time revenues attributable to the end of the GAMP program and other factors that no longer are available in 2010.

⁴ The implementation of Family Care for persons with disabilities under the age of 60 results in increased costs for the Disabilities Services Division to continue to provide its existing array of services for those ineligible for Family Care as well as to implement all components of the Family Care program.

⁵ Per state statutes, the year-end surplus achieved in 2008 is counted as revenue in the 2010 budget. Because the 2008 surplus was \$3.8 million lower than the 2007 surplus, a revenue decrease results.

The 2010 budget utilizes dozens of strategies in individual budgets to attempt to offset those challenges. **Table 2** catalogues and quantifies the most comprehensive of those offsets.

Table 2: Significant 2010 budget savings

Budget Reduction	Expenditure Decrease/Revenue Increase
Proposed Wage & Benefit Concessions	\$32.0 million expenditure decrease
Employee/Retiree Health Savings ⁶	\$11.7 million expenditure decrease
Mercer Lawsuit Settlement ⁷	\$7.3 million expenditure decrease
Privatization Initiatives	\$5.3 million expenditure decrease
Parks Staff Restructuring, Pool/Community Center Closures	\$4.9 million expenditure decrease
Transit Fare Increases	\$3.7 million revenue increase
BHD Staffing Consolidation/Physical Redesign	\$2.4 million expenditure decrease
Contingency Fund Reduction	\$1.7 million expenditure decrease
Parks/Zoo Parking & Admissions Increases	\$1.4 million revenue increase
Program Eliminations ⁸	\$1.3 million expenditure decrease
TOTAL	\$71.7 million budget savings

This broad perspective indicates that the county executive and his budget team fell more than \$30 million short of achieving the savings needed to balance the budget via traditional strategies such as outsourcing, staff restructuring, increased fees, individual departmental initiatives and fortuitous health care and pension savings. This reflects both the immense size of the 2010 hole and the fact that departmental budgets already had been vigorously scrubbed in each of the past several years.

To fill the remaining gap, the county executive rejected extensive program eliminations and revenue increases, and instead opted for a \$41 million package of wage and benefit cuts (the net savings for the county is \$32 million because of decreases in state and federal matching revenues). The merits and de-merits of that approach versus other options obviously is the key 2010 budget issue and will be discussed later in this analysis.

From a purely fiscal perspective, however, what is perhaps most significant is the apparent assessment made by the county executive that 2010 is the budget year in which sweeping solutions no longer can be avoided. In fact, not only is that the case for 2010, but the county now knows with relative certainty that without concerted action, the structural deficit will grow significantly for at least the next five years, as demonstrated by a new modeling effort led by the county's budget director.

⁶ Reflects the administration's ability to project 2010 costs based on lower-than-expected 2009 actual expenditures, use of an 8% inflation factor (which is lower than the 9-11% forecast for the region), and a projected reduction of 270.5 FTEs countywide.

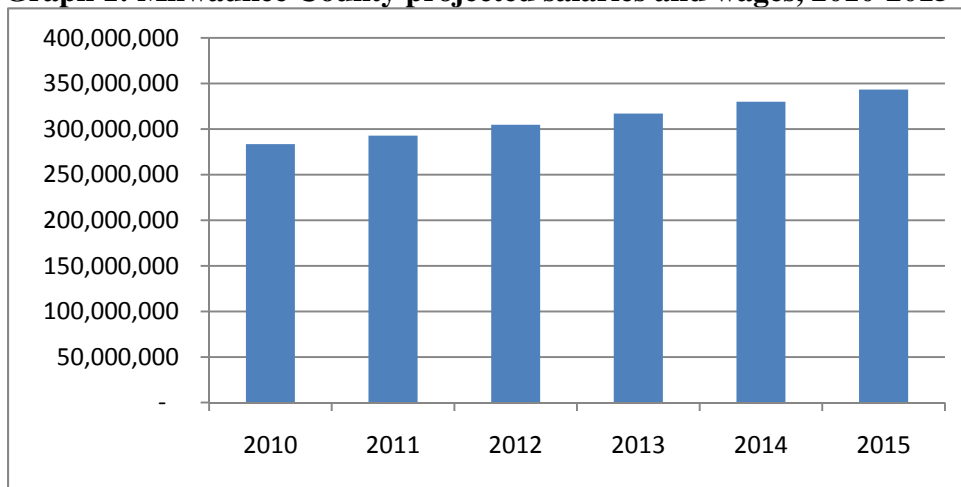
⁷ Reflects a decision to amortize the \$30 million received from the Mercer lawsuit settlement over a five-year period, which allows for a \$7.3 million decrease in the actuarially recommended pension fund contribution in 2010.

⁸ Reflects elimination of Criminal Justice Resource Center, Youth Sports Authority and Interim Disability Assistance Program.

According to that model, which uses financial trend analysis and other mechanisms to plot future revenues and expenditures, the county's structural deficit is projected to grow to \$150 million by 2014.⁹ **The bottom line conclusion is that barring drastic action, fixed costs led by employee wages, employee/retiree health care and the required pension fund contribution (including debt service on pension obligation bonds) will continue to grow at a much faster rate than state aids and local revenue streams.**

Graphs 1, 2 and 3 show the remarkable projected growth in those expenditure categories per past historical trends and actuarial forecasts. Projected salaries/wages and health care benefits each would grow by about \$60 million, while the pension fund contribution would grow by more than \$30 million. These projections show conclusively that time has run out on the county's traditional reliance on short-term and stopgap solutions to produce a balanced budget; instead, major fiscal and policy changes will be required in 2010 and for the foreseeable future.

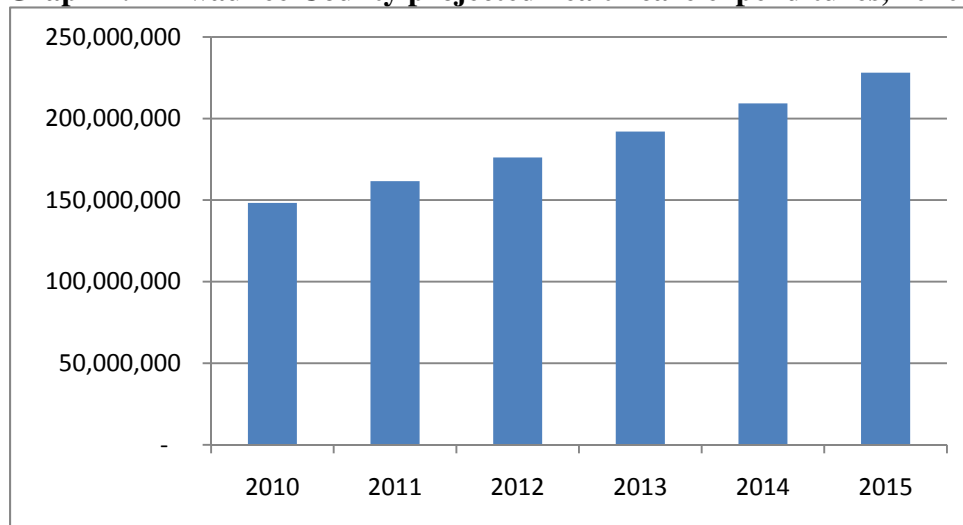
Graph 1: Milwaukee County projected salaries and wages, 2010-2015



Source: Milwaukee County Department of Administrative Services

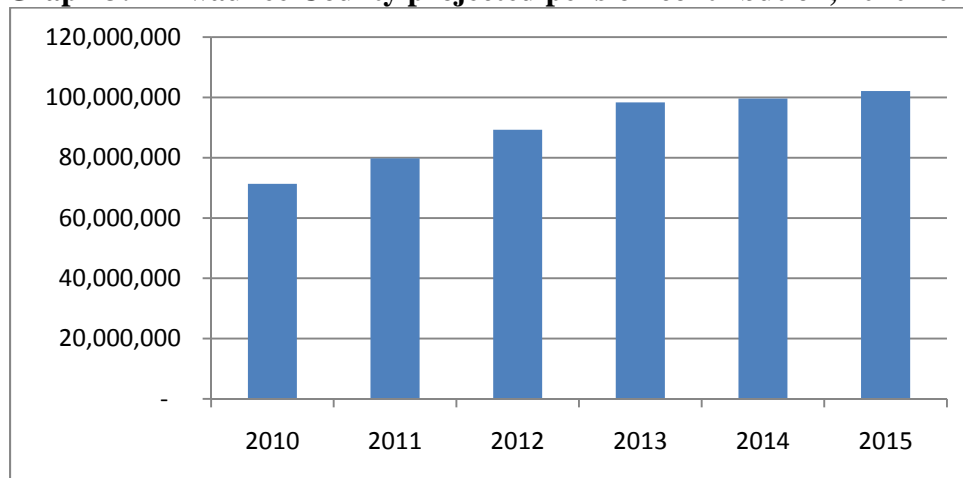
⁹ These projections were prepared this summer and do not include wage/benefit concessions and position reductions included in the recommended budget or concessions negotiated with the county's largest union as part of a tentative labor agreement.

Graph 2: Milwaukee County projected health care expenditures, 2010-2015



Source: Milwaukee County Department of Administrative Services

Graph 3: Milwaukee County projected pension contribution, 2010-2015



Source: Milwaukee County Department of Administrative Services

PROPOSED WAGE AND BENEFIT CONCESSIONS

In his 2010 budget address, the county executive called his proposed wage and benefit cuts “probably the most critical part of this budget” and defended them as both equitable and necessary:

“Today, over 48% of the county budget goes to fund wages and benefits for county employees, and the cost of benefits is growing at an alarming rate... With so many private sector workers seeing their wages and benefits frozen or cut to preserve jobs, it is hard not to expect the same from those in government... we must negotiate additional concessions to help balance the escalating cost of public sector employee benefits for taxpayers, now and in the future. Without further action, Milwaukee County will become insolvent.”

It is certainly difficult to argue with the necessity of significant wage and benefit restructuring in light of the projections discussed above, or with the potential positive impact the county executive's proposed concessions could have on the county's longstanding structural issues. For example, the proposed 3% wage cut (as well as the proposed reduction of 393 positions) would establish a lower base from which future salary increases would be calculated. Even more important, the proposed 15% employee contribution to health care premiums (as opposed to a set dollar amount) would permanently require employees and the county to share the cost of future health care increases, and the proposed 5% employee contribution to the county's pension plan would ensure that growing pension costs are matched with growing employee contributions.

Whether the county executive's specific approach is fair and realistic is a more difficult question, however. In addition to the wage cut, pension contribution requirement and increased health care premiums, the budget proposes that most employees be required to take unpaid leave consisting of up to 12 furlough days or up to 21 reduced 35-hour work weeks. In addition, health care out-of-network charges, co-pays and deductibles would increase, and overtime would be curtailed for many employees. The county's audit department has estimated that the four largest proposed concessions alone would reduce total compensation for the average county employee by up to \$8,400 next year.

Whether it is equitable to demand such a substantial cut in compensation is a legitimate question, but in the end it is not necessarily subject to the court of public opinion. Instead, that question could end up being decided by arbitrators, which is perhaps the biggest problem associated with this initiative. **For, despite the solid arguments that may exist to justify significant wage and benefit concessions, the ultimate question is whether this particular package of concessions is achievable in light of the ability of county labor unions to contest them in arbitration; and whether, therefore, the 2010 budget should be built around them.**

POTENTIAL ALTERNATIVES TO WAGE AND BENEFIT CONCESSIONS

So what are the alternatives in the 2010 budget to the \$32 million in savings if the county executive's proposed wage and benefit concessions are not achievable? The options essentially fall into four categories, which are detailed below. It is important to recognize that this analysis is not an exhaustive review of every budget-cutting option available to the county if it is unable or unwilling to achieve \$32 million in savings from the concessions. It is intended, however, to provide insight into the extent of the county's budget difficulties and the inescapable fact that no easy solutions exist.

Revenue Increases

- **Property tax.** Because the county is about \$73 million below the state-imposed property tax levy cap for 2010, it would be *legally* permissible for county policymakers to make up the entire gap by increasing property taxes. Whether such a move would be *politically* permissible and responsible, of course, is another story. Replacing the entire \$32 million of wage and benefit savings with a property tax increase would require an increase of 12.5% above the 2009 levy of \$257.6 million. For the sake of perspective, if the county were to adopt the 4.4% property tax increase proposed for the City of Milwaukee by Mayor Barrett,

it would generate \$11.3 million in 2010; or, if it were to adopt the 2.8% increase proposed for Waukesha County by County Executive Vrakas, it would generate \$7.2 million.

- **Wheel tax.** The only other local revenue option available to the county is a vehicle registration fee, otherwise known as a “wheel tax”. The county is allowed per state statutes to enact a vehicle registration fee on cars and trucks registered in the county provided that the proceeds are utilized for transportation purposes. In the 2010 budget, there is only about \$19 million in property tax levy dedicated to transportation functions, so it may not be permissible to utilize a wheel tax to make up the entire \$32 million gap.¹⁰ Based on a previous estimate by the Forum, a \$10 vehicle registration fee would generate \$5.6 million. Consequently, it would take a wheel tax of about \$34 per vehicle to pay for the \$19 million in direct property tax levy proposed to be spent on transit and other transportation services, thereby freeing up an equivalent amount of property tax levy for other purposes.
- **Sales tax.** Milwaukee County currently levies a .5% sales tax, the maximum allowed under state statutes. There have been legislative proposals at the state level, however, to allow the county to tack on an additional .5% with the proceeds to be utilized for mass transit, an additional .5% with the proceeds to be utilized for parks and cultural institutions, or an additional 1% (consistent with an advisory referendum approved by voters last November) with the proceeds to be utilized for property tax relief, transit, parks, cultural institutions and Emergency Medical Services (EMS). Per the 2010 budget, a .5% Milwaukee County sales tax would generate approximately \$65 million.

It is critical to realize that authority to levy an additional sales tax of either .5% or 1% would not necessarily resolve the county’s fiscal challenges, nor obviate the need for significant wage and benefit concessions and significant structural changes, as several county supervisors have attested. A key determinant would be whether the authorizing legislation linked the proceeds to specific functions and required an equivalent reduction in the county’s property tax levy. If the legislation contained both requirements, then the sales tax proceeds certainly would address unmet needs and increase service levels in the functional areas to which the proceeds were directed. However, because of the property tax relief requirement, there would be potential only to recognize relatively small indirect cost savings in other areas of the budget.

Program/Service Cuts (Assuming No Layoffs)

In the weeks prior to release of the recommended budget, the county’s labor negotiator, per the direction of the Personnel Committee, negotiated an agreement with the county’s largest labor union predicated on a two-year wage freeze coupled with a no-layoff guarantee. **If that approach ultimately was ratified by the county and each of its unions, then it would be extremely difficult to make up a \$32 million gap (plus the additional \$5.3 million generated via privatization initiatives) with expenditure reductions alone.** The county would have only a limited number of expenditure reduction options available to it, which would consist largely of elimination of non-mandated services that do not involve county employees.

¹⁰ It is unclear whether sales tax-funded debt service attributed to transportation projects could be added to the \$19 million to enable an additional portion of the gap to be offset with wheel tax revenue.

Table 3 illustrates some of the most substantive options that technically could be available, though each would engender significant and legitimate opposition from both a fiscal and programmatic standpoint. It is assumed that contractual human services that themselves are not mandated, but that are required to reduce expenditures on mandated human services programs, could not be eliminated. Examples of such contracts included community-based mental health services (which reduce expenditures on inpatient and emergency mental health services) and community-based delinquency services (which reduce expenditures on juvenile corrections).

Table 3: Potential service reductions that would not require county layoffs

Program	Tax Levy Savings from Elimination
Milwaukee County Transit/Paratransit	\$17,920,598
Non-County-Operated Arts & Cultural Institutions ¹¹	\$7,582,782
Pre-Trial Services in Courts	\$3,243,029
Emergency Medical Services Municipal Contribution	\$3,000,000
Disabilities Services Contract Services	\$1,361,031
Homeless Shelters and Supportive Housing	\$1,310,904
TOTAL	\$34,418,344

Program/Service Cuts (Assuming Layoffs are Permissible)

If layoffs are not contractually prohibited, then county officials could seek expenditure savings from additional non-mandated programs and services. The two largest potential areas of reduction would be the Parks Department and the Office of the Sheriff.

In regard to the former, **generating significant expenditure cuts undoubtedly would require the closure of entire parks, an option that, as far as we can determine, never has been seriously contemplated in Milwaukee County.** Parks closures have been on the drawing board in response to budget difficulties in other states and counties, however. For example, according to a recent article in *The Seattle Times*, the county executive in King County, Washington has proposed mothballing 39 urban parks in his 2010 proposed budget to help offset a \$56.4 million general fund deficit (in a total budget of \$4.8 billion). According to the *Times* article, the King County executive “makes the most severe cuts to programs in the general fund that are not required by law. The county’s criminal justice system largely would be shielded.”

In regard to the Sheriff, while responsibilities associated with corrections, bailiff services and expressway patrol are mandated by state law, the county traditionally has funded a variety of policing functions that have been deemed important for public safety but that are not mandated. This issue is discussed in greater detail later in this analysis.

Finally, the county could pursue additional expenditure reductions in administrative services such as accounting, budgeting, information technology, human resources and facilities management. Whether it would be possible to generate substantial additional savings in these areas without crippling the county’s ability to properly administer its programs and services is highly questionable, however, as is also discussed in detail later in this report.

¹¹ We include the county’s \$3.5 million contribution to the Milwaukee Public Museum, which is committed under the terms of a memorandum of agreement but may not be legally binding.

Budget Maneuvers

The county also has options at its disposal either to defer long-term obligations and/or utilize one-time revenues in order to produce a balanced budget in 2010. Two such options would be to appropriate land sale revenue in the operating budget and defer actuarially required pension fund contributions, though these are options that the county executive and his budget staff have made a concerted and commendable effort to avoid in 2010.

As the Forum has emphasized in previous reports, use of such tactics in previous years was inadvisable and simply delayed difficult decisions and increased costs for future taxpayers. Doing so again would yield the same consequences and perhaps be even less defensible now that the county has an accurate picture of the size of its long-term structural deficit.

PRIORITIES IN THE 2010 BUDGET

While the proposed package of wage and benefit concessions is the most significant feature of the 2010 recommended budget, it is far from the only feature worthy of attention. In fact, a subplot of the recommended budget is the very clear prioritization the county executive has established for certain county functions and the consequences that imparts on other functions.

It is difficult to determine which departments benefit in the recommended budget and which do not because the wage and benefit cuts make virtually all departments appear to lose significant property tax levy. In **Table 4**, we show how each department fares when the impact of the wage and benefit concessions is removed from their budgets. It is important to understand, however, that a department or function that “fares well” in the context of the 2010 budget likely is not one that receives additional funding for new or expanded programs or services, but one that simply receives sufficient funding to avoid substantial cuts and maintain a “cost-to-continue” mode.

Table 4: Property tax levy change by functional area with and without wage and benefit reductions

Function (Department)	2010 Recommended Levy change from 2009 Adopted Budget	Adjusted 2010 levy change (\$)
Legislative & Executive	(305,636)	640,180
Administration	(816,588)	352,757
Corporation Counsel	(185,716)	89,186
DAS Human Resources	(734,656)	(583,918)
DAS Administration & Fiscal Affairs	262,260	733,302
DAS Procurement	(151,766)	(91,009)
DAS Information Management Services	194,950	231,948
Other	(201,660)	(26,752)
Courts & Judiciary	872,508	4,333,142
Combined Court Related Operations	1,194,363	4,234,802
Child Support	(321,855)	98,340
General Government Services	1,338,004	1,793,061
Public Safety	(4,624,380)	5,684,592
Sheriff	(3,752,443)	5,096,218
District Attorney	(539,403)	578,293
Medical Examiner	(332,534)	10,081
Public Works	(6,634,271)	(4,872,341)
DTPW Airport	627,364	627,364
DTPW Transportation Services	(167,650)	(12,246)
DTPW Architectural, Engineering & Environmental Services	(201,662)	(38,752)
DTPW Highway Maintenance	(9,190)	214,978
DTPW Fleet Management	(2,101,900)	(2,080,738)
DTPW Water Utility	0	0
DTPW Transit/Paratransit	(4,844,819)	(4,801,864)
DTPW Facilities Management	234,326	1,345,455
DTPW Director's Office	(170,740)	(126,538)
Health & Human Services	1,306,783	11,869,392
Department of Health & Human Services	7,190,408	10,044,321
DHHS Behavioral Health	(4,289,488)	2,727,152
Department on Aging	(1,596,060)	(904,004)
Aging CMO	1,923	1,923
Recreation & Culture	(10,375,652)	(7,012,636)
Parks	(8,283,043)	(6,208,276)
Zoo	(2,059,148)	(775,925)
UW Extension	(33,461)	(28,435)
All other cultural departments	0	0
County Totals	0	32,027,380

Public Safety

Public safety has been a clear priority for the county executive since he was first elected in 2002, and in his 2010 budget address, he again emphasized the need to “keep public safety funding intact.” While his proposed wage and benefit concessions would apply to public safety employees in the same manner they would apply to others, and while public safety budgets therefore are reduced, he otherwise delivers on that pledge.

The Sheriff, for example, received most of what he requested (the most substantial cut was elimination of the Criminal Justice Resource Center, a program the Sheriff has shown little interest in continuing). In addition, Emergency Medical Services again is fully funded. A key difference in 2010 is the county executive’s decision also to fully fund the courts and district attorney’s office largely along the lines of their original requests (with the exception of the wage and benefits concessions). In previous years, the administration has engaged in significant conflict with the courts – and to a lesser extent the district attorney – over major cuts in staffing levels and pretrial services.

In shielding these areas of the budget – which account for \$182 million of the county’s \$323 million in locally generated tax revenue (property tax and sales tax) – the recommended budget unabashedly puts an immense burden on other county functions to absorb the reductions necessary to achieve a balanced budget. It could be argued that is both necessary and appropriate, as public safety not only is an essential function, but largely a mandated one. However, closer examination reveals that there *are* discretionary areas of the Sheriff’s budget that could be considered for reduction if policymakers wished to do so.

Table 5 shows two discretionary areas of the Sheriff’s budget that receive significant property tax levy allocations and that have grown during the past five years (park patrol and the Tactical Enforcement Unit). A third area – expressway patrol – currently is required under state statutes, but the county conceivably could make a strong case to relinquish it given that Milwaukee County is the only one of the state’s 72 counties that provides expressway patrol duties.

Table 5: Budgeted tax levy allocations to select sheriff units 2006-2010

Unit	2006	2007	2008	2009	2010	5-year change	
						\$	%
Expressway Patrol	\$1,414,255	\$919,161	\$1,464,497	\$2,054,008	\$2,660,037	\$1,245,782	88%
Tactical Enforcement Unit	\$0	\$0	\$3,044,846	\$3,043,536	\$3,311,856	\$3,311,856	n/a
Park Patrol	\$109,623	\$529,814	\$261,675	\$289,060	\$259,306	\$149,683	137%

* 2010 levy amounts are from recommended budget and are adjusted to net out recommended salary and fringe reductions

Also, neither the county’s role as county-wide EMS coordinator nor its \$6.5 million expenditure on that function is mandated by state law. In fact, successful implementation of a new funding paradigm three years ago that allows municipal paramedic providers to collect and retain their own revenues was thought to be a precursor to reduction or elimination of the county’s annual \$3 million payment to its municipal partners, but that has not occurred.

Health and Human Services

Another priority emphasized in the county executive's budget address is "fully funding - and in some cases expanding funding - for safety net programs for low-income families, children, veterans, and people with disabilities."

Health and human services are not shielded in the 2010 budget to the extent that public safety services are shielded. The Behavioral Health Division's budget, for example, contains numerous staff reductions attributed to restructuring that may have service-level consequences, as well as some reductions in community-based mental health and substance abuse services. In addition, the Interim Disability Assistance Program and Youth Sports Authority are proposed for elimination. Still, examination of the recommended budget reveals that the county executive largely has delivered on his pledge to preserve safety net services.

Perhaps most significant is the decision to allocate \$4.7 million in property tax levy to close a gap in the Disabilities Services Division (DSD) budget. The gap is linked in part to the state's expansion of Family Care in Milwaukee County to persons with disabilities under 60 years of age, and the county's decision to play a prominent role in that expansion by administering both a Disabilities Resource Center and expanded Care Management Organization. The additional funding enables DSD to operate its expanded Resource Center, while also continuing to provide non-mandated services to existing clients who are not eligible for Family Care (though at a reduced level).

Despite a strong programmatic rationale for the county's pre-eminent role in the expanded Family Care program, it should be recognized that its participation is not required by the state, and that expansion will occur in Milwaukee County regardless. In fact, in several other parts of the state, the Department of Health Services is using private sector or regional entities to expand the program.

In our 2009 county budget analysis, we asked whether the county's decision to move forward with plans to implement the expanded Family Care program was "consistent with the county's existing fiscal condition...particularly in light of the key funding issues that have yet to be resolved." Among those issues was a \$3.4 million state revenue shortfall for the Disabilities Resource Center, which was *not* resolved and consequently now will be filled with property tax levy. The extent to which the county's participation in this program continues to demand increased local tax dollars in future years – potentially crowding out funding for other safety net services – should be watched closely by policymakers.

Parks, Recreation and Culture

Table 4 shows that the Parks Department suffers a "net" \$6.2 million reduction in its 2010 property tax levy (though it should be noted that \$3.7 million of that reduction is attributed to the transfer of skilled trade workers and related costs to Facilities Management). The remaining reduction is largely attributed to the loss of 39 parks maintenance workers, elimination of 14 vacant positions and the closure of two community centers and several pools.

The budget argues that the loss of workers still leaves the parks with sufficient capacity to meet its maintenance needs, and that the pool closures are consistent with a larger plan to focus on

regional aquatic centers and splash pads that are in greater demand. The recommended capital improvements budget supports that focus by including funding for three splash pads, a major overhaul of Hoyt Park Pool and a new south side family aquatic center.

The proposed cuts in the Parks budget likely will be met with strong opposition from the county board, which has argued for the past several years that sufficient resources are not being committed to the appropriate upkeep of parks and recreational facilities. The county executive and his parks director have long responded that funding limitations demand a more strategic focus that will involve closing some under-utilized facilities so that others can be better maintained, and restructuring staff in a manner that will make better use of seasonal workers.

Regardless of who is correct, it should be no surprise that parks services and facilities continue to get slashed in this budget given their non-mandated nature. It is worth noting, however, that non-departmental cultural institutions again are spared from budget reductions in 2010, as they have been for the past several years, despite their discretionary nature. This appears to reflect another indication of prioritization on the part of the county executive, who has elected to honor longstanding commitments to institutions such as the Milwaukee Public Museum, War Memorial Center and Marcus Center for the Performing Arts while reducing funding for other non-mandated programs and services.

It is also worth noting that the county executive's budget commendably fills part of a perennial revenue hole in the Parks budget by lowering the overall revenue estimate to a more realistic level. The extent to which reductions in maintenance workers and other staff negatively impact revenue-generating activities – thereby eroding the progress made in this budget to more closely match revenue estimates with reality – also should be considered by policymakers.

Transportation and Public Works

The 2010 recommended budget also proposes several mechanisms for reducing property tax levy expenditures in the Transportation and Public Works function, in part to shield mandated or higher priority areas from cuts. Three areas, in particular, merit attention:

- **Highway Maintenance.** The budget contains a reduction of 10.1 full-time-equivalent positions, which includes a reduction of three weeks of temporary staffing during the winter months. In addition, a revised cost allocation approach directs a greater share of dollars to state highways, thereby potentially reducing the county's capacity to service its own county trunk highways. Both modifications could impact the county's snow removal and maintenance services on county trunk highways in 2010.
- **Transportation/Architectural, Engineering and Environmental Services.** While these divisions receive only small decreases in property tax levy and staff, it is notable that they do not receive *increases* in light of the county's strategy to borrow for and implement four years of capital improvements in 2009 and 2010. The desire to take advantage of low interest rates and special federal borrowing programs justifies that strategy, but considerable staff resources will be required to properly manage the significantly expanded capital program. The A, E&E division in particular has struggled with staffing challenges in the past, and its ability to perform the work needed to implement the new capital program should be monitored.

- **Transit/Paratransit.** The \$15 to \$20 million hole in the fixed route transit budget predicted by the Forum in its May 2008 report is averted for the short-term because of the availability of federal stimulus dollars to purchase new buses. However, \$3.7 million of fare increases, \$1.4 million of route adjustments and the elimination of call center operations still are required to allow for a \$4.8 million decrease in property tax levy needed to help fill the county's overall budget gap. Perhaps the biggest area of concern is the paratransit budget, which does not include funding to replace state revenue that may be lost because of a change in policy regarding reimbursement for rides to medical appointments for Medicaid recipients. The budget indicates that if this sizable loss of state revenue occurs, the county would slash paratransit services to the federally mandated service area of three-quarters of a mile within existing transit routes, which would eliminate those services for significant parts of Milwaukee County.

Administrative Services

A key finding in the Forum's March 2009 report on Milwaukee County's fiscal condition was the significant reduction in funding and staffing in internal service departments between 2004 and 2008, including Corporation Counsel, Fiscal Affairs and Human Resources. We suggested that in light of that finding, "the county should give high priority to evaluating whether it possesses sufficient administrative infrastructure to appropriately manage its internal affairs."

Such an evaluation has not occurred but still appears warranted given continued position reductions and budget-cutting in several internal service areas in the 2010 recommended budget. Of particular concern may be the Information Management Services Division, which loses the ability to fill several vacant senior positions, and which may feel the impact of eventual wage and benefit concessions more than most county functional areas because of the relatively high demand for information technology professionals in the private sector. It is also worth noting that while the county commendably adopted an ordinance change in 2009 to establish greater independence for the controller's office, the budget does not provide additional resources needed to enable the controller to provide independent reports, analyses and revenue projections similar to the city comptroller.

While the county executive's budget does not invest in these areas of the county's internal infrastructure, it does allocate \$378,000 to create a new Office of Business Development. Creation of such an office may be justified on several counts, but policymakers may wish to consider whether the benefits it would produce are more valuable than those that would be produced with dedication of the same resources to enhanced fiscal and human resources capacity, or to information technology initiatives that could produce a higher level of efficiency in all county departments.

CONCLUSION

There has been little will among county officials in recent years to assess and respond to the county's structural deficit. This year, to his credit, the county executive has recommended budget strategies to address the wage and benefit pressures that largely define it.

Unfortunately, as emphasized in this analysis, neither the county executive nor the county board possess the ability to unilaterally reduce wages and benefits for the 85% of county workers who are unionized, which makes the inclusion of \$32 million of savings from such reductions in the 2010 budget an extremely risky proposition.

If the intent was to deliver a wake-up call, then the county executive's proposal already has served a clear and important purpose; but as a budget initiative, it may only serve to back the county board into a corner from which it can only emerge by using equally improbable or perhaps irresponsible tactics. The county executive's approach may have been more realistic had he spelled out alternative budget reductions should his wage and benefit concessions fail to materialize.

With regard to alternatives, the harsh reality is that few policymakers or citizens would consider it acceptable to contemplate a double-digit percentage increase in the property tax, as would few accept the notion of closing county parks, slashing transit service, diminishing public safety programs or abandoning a county-coordinated EMS system. Meanwhile, as the county has learned the hard way, simply putting off the problem by utilizing short-term budget maneuvers or clinging to the hope of a dedicated sales tax for parks and transit is unlikely to solve the problem, either.

Consequently, perhaps the best strategy for the 2010 budget is a balanced approach that includes a combination of significant wage and benefit concessions, cuts in non-mandated services, privatization initiatives, and reasonable increases in new or existing revenue streams, each of which might be selected based on their ability to positively impact the structural deficit in the long-term.

Optimally, this or any approach would be coupled with immediate resumption of long-term strategic planning – a step the county board and county executive authorized earlier this year. Finally, an equally critical piece of the puzzle would be a renewed effort to engage state officials in discussions and decisions about the future of non-mandated services at the county, which appear unsustainable without either new revenue streams and/or new structures (such as regional authorities or public-private partnerships) for providing such services.

As noted at the beginning of this analysis, the budgetary day of reckoning for Milwaukee County has arrived. How its leaders respond will determine whether county government begins its painful yet badly needed journey toward fiscal solvency, or continues its descent toward fiscal disaster.