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Milwaukee County's budget challenges still severe

Report analyzes impacts of state budget actions and size of structural gap

MILWAUKEE, Wisconsin – The Public Policy Forum's new 2012 Milwaukee County Budget Preview report finds that the county's "overall fiscal outlook is even more alarming than in previous years" because of an intractable structural deficit that has not been appreciably reduced by recent state budget actions.

"The county's longstanding fiscal problems show no signs of abating, and quite possibly have worsened," says the report. "Indeed, while the size of the 2012 cost-to-continue deficit and five-year structural gaps are similar to those experienced in previous years, some of the most promising options to address them now have been utilized, leaving few remaining strategies outside of deep service cuts and/or sharp revenue increases."

The Public Policy Forum has produced several reports on Milwaukee County finances in recent years, but this is the first since historic state legislative actions that impact the county's finances in various ways. The report includes an historical perspective of Milwaukee County's structural deficit, analysis of the county's specific 2012 budget challenges, modeling of several distinct 2012 county budget scenarios, and analysis of the county's five-year fiscal outlook.

The report documents substantial savings afforded to the county as a result of the state budget repair bill, likely exceeding \$24 million in 2012. It points out, however, that about \$17 million of those savings already were built into the county's base budget in 2010 and 2011.

"While the net unbudgeted savings of \$7.3 million for 2012 made possible by the budget repair bill are substantial, they do not come close to offsetting the \$28.7 million in state aid reductions

contained in the 2011-2013 state budget,” says the report. “Hence, a main premise of the new state budget paradigm – that reductions in wages and benefits realized via the budget repair bill would allow local government leaders to offset the loss of state aids – almost certainly will not pan out for Milwaukee County in 2012.”

Additional findings and observations from the report:

- Our modeling of several approaches for bridging an estimated \$38 million 2012 gap – including health care benefit restructuring, workforce reductions, reductions in discretionary contracts and grants, and enhanced revenues – shows potentially stark impacts for county employees, services, programs, and/or taxpayers. Those include the potential for deep cuts in mass transit and community-based mental health and disabilities services, severe reductions in parks and cultural amenities and exhibits, and additional reductions in health care benefits that could greatly exceed those imposed on other public sector workers in Wisconsin.
- Because the county may have a one-time opportunity to boost its property tax levy by nearly \$10 million in 2012, those who believe that enhanced local revenues need to be part of the county’s deficit-reduction strategy may have only a limited timeframe to effectuate that component. The only other local broad-based tax or fee available to the county is the vehicle registration fee, which could be used to generate additional revenue for transit or other transportation needs, but which has generated considerable political opposition in the past.
- A five-year fiscal outlook prepared by the county before adoption of the 2011-13 state budget represented a noticeable improvement over the five-year forecast from a year ago. Once the impacts of state aid reductions from the state budget were plugged into the model, however, the county’s five-year outlook became even worse than that forecasted a year ago, despite the budget repair bill’s provisions giving the county unilateral control over many labor and benefit costs.

The report concludes by noting that “the county now has greater certainty and flexibility with regard to its employee compensation framework, which has been the largest driver of its structural deficit. Consequently, renewed efforts to analyze the five-year fiscal outlook and use it to develop a countywide strategic plan not only are possible, but imperative.”

The report – which was funded by the Richard and Ethel Herzfeld Foundation – can be downloaded from the Forum’s Web site at www.publicpolicyforum.org.

Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of public policy issues.

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