



WISCONSIN POLICY FORUM

For more information:

Rob Henken
President, Wisconsin Policy Forum
414-276-8240 or 414-708-4392 (c)
rhenken@wispolicyforum.org

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Calm 2019 Milwaukee County budget masks fierce long-term challenges

The Wisconsin Policy Forum's annual analysis of the Milwaukee County Executive's recommended budget finds that reduced health care and pension costs ease deficit reduction efforts and create one of the most tranquil budget climates in years. However, growing capital budget challenges, dwindling reserves, and a continued structural hole in the transit budget set the stage for more difficult times ahead.

"It would be a mistake to view the relative sense of calm as evidence that the county has turned the corner in its quest for fiscal stability," says the report. "Indeed, even in a year in which health care and pension costs don't grow, nearly \$14 million of smaller departmental cuts and modest contributions from reserves still are required to hold the line on taxes and fees."

The budget brief cites the county's ability to budget for a \$953,000 reduction in health care spending as a key to understanding how the budget erases a \$23.5 million projected deficit heading into next year. Those costs originally had been expected to grow by \$5 million, but lower-than-expected 2018 spending allowed budget officials to re-adjust next year's estimate.

Those savings – as well as a slightly reduced pension payment and a decision to withdraw \$3.9 million from the county's Debt Service Reserve – help eliminate the need for significant service reductions and avert an increase in the county's \$30 vehicle registration fee, while also limiting the recommended property tax levy increase to \$1.3 million (0.4%).

Nevertheless, the Forum's 2019 county budget brief raises longer-term concerns in the following areas:

- The Milwaukee County Transit System sees only minor fare increases and service reductions, but a potentially unsustainable trend of increased local tax/fee support continues and the transit system's budget is aided by \$2 million in federal monies and insurance savings that will not be available in 2020.
- In making room for a handful of large projects and staying within the county's self-imposed borrowing limitations, the capital budget is precluded from providing funding for 63 smaller projects totaling more than \$35 million that were requested by departments.
- The county's debt service reserve, which functions as its only general reserve and which had been built to a peak of \$47 million in 2016, has now diminished to \$27 million and is unlikely to have the capacity for large annual withdrawals to help alleviate budget challenges in future years.

Looking to the future, the report warns that pension and health care costs likely will resume inflationary cost increases in future years and that the county will have to find a way to confront its deep infrastructure backlog in future budgets. Those factors "will place fierce expenditure pressure on the county for years to come," says the report.

The report concludes by noting that "there is no question that the magnitude of the county's structural deficit has been reduced." It warns, however, that after several successive years of asking departments to make do with less, "the prospects for avoiding larger service cuts or tax and fee increases in the future appear to be quite limited."

The 2019 Milwaukee County recommended budget brief can be downloaded [here](#). The Forum's 2019 City of Milwaukee budget brief will be released in the near future.