BUDGET BRIEF:
MILWAUKEE COUNTY
2011 EXECUTIVE BUDGET

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INTRODUCTION

In light of the serious and longstanding fiscal problems facing Milwaukee County government, one might have expected the county executive's 2011 recommended budget to look like his previous budgets, with tough programmatic decisions and proposals for new ways to operate county services. Instead, this year's budget replaces such initiatives with the singular strategy of reducing wages and benefits for county employees and retirees as the means to erase its annual structural gap.

Programs that have been on the chopping block in previous years – such as the Interim Disability Assistance Program, UW-Extension and Parks community centers – are fully funded. In fact, the only controversial program modifications to resurface from previous years are elimination of the Community Justice Resource Center, reductions in full-time Parks maintenance workers, and a reduction in transit service hours. Meanwhile, this is the first budget in years not to include new privatization initiatives. Finally, this year's recommended budget not only keeps the property tax level, but reduces it by $1 million, while keeping most fees (including transit fares and zoo admissions) at 2010 amounts.

As a long-term strategic direction, stringent controls on wages and deep cuts in benefits are necessary and appropriate. To make these cuts the main focus of savings in the annual budget, however, carries great risk. As Milwaukee County learned in 2010, its represented employees – who comprise roughly 85% of its workforce – do not have to accept wage and benefit concessions demanded by policymakers and inserted in budgets. Failure to do so has consequences for union workers – such as the 26 furlough days imposed this year for about 1,450 of them – but it also has fiscal consequences for the county, which is facing a $7 million 2010 budget shortfall largely because the wage and benefit savings never fully materialized.

The 2011 recommended budget – unlike the 2010 version – lays out the consequences associated with union intransigence, indicating that up to 26 furlough days again may be employed for approximately 1,700 employees, and that 165 union workers could be laid off. The risks associated with such a considerable loss of personnel hours are not identified, however, with no mention of where the layoffs would occur and what the service-level impacts associated with furloughs and layoffs could be.

Indeed, uncertainty regarding key elements of the budget is a major theme of this year's budget brief. In the pages that follow, we provide greater detail and analysis of those elements and other strategies used to bridge the county's annual structural gap. It is our hope that this analysis will be widely read by county supervisors, county employees, advocacy groups and citizens, and that its insights will contribute to a more objective and informed 2011 budget debate.

BRIDGING THE 2011 STRUCTURAL GAP

In our July 2010 report previewing the 2011 budget,[1] we explained the roots of the county's longstanding structural deficit, linking it largely to the imbalance between the county's growing retirement benefit costs and flat state and local revenue streams. We also cited the annual budget gaps faced by the county in each of the previous five years – which ranged from $25 million to $90 million – and the specific projected revenue and expenditure items that had led the county's Department of Administrative Services (DAS) to project a $45 million gap heading into 2011.

Between July and late September, new information on several expenditure and revenue items changed the dynamics of the structural gap, but did not appreciably modify its size. **Table 1** catalogues the major structural, programmatic and economy-imposed challenges facing the county executive and his budget staff as they developed their 2011 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 2011 structural and other budget challenges

Budget Challenge	Resulting expenditure increase/ revenue decrease
Employee/Retiree Health Care	$12.0 million expenditure increase
Employee Step Increases/Furlough Days[2]	$10.1 million expenditure increase
Debt Service	$5.7 million expenditure increase
Behavioral Health Division (BHD) Staffing/Physical Needs[3]	$5.5 million expenditure increase
Land Sales[4]	$3.6 million revenue decrease
BHD Medicaid Reduction[5]	$3.6 million revenue decrease
Transit Loss of One-Time Stimulus Revenues	$2.5 million revenue decrease
Sales Tax Revenue	$2.4 million revenue decrease
Airport Revenue Changes[6]	$1.2 million revenue decrease
Total	**$46.6 million budget hole**

Table 2 catalogues and quantifies the most comprehensive 2011 budget strategies proposed to offset these challenges.

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[1] The report is available at http://www.publicpolicyforum.org/pdfs/MilwCo2011BudgetPreview.pdf.
[2] DAS started budget planning with the assumption that no furlough days would be utilized in 2011; it also assumed that all eligible county employees would receive advancement in their existing pay range, though no general pay increases were assumed.
[3] The 2011 Recommended Budget for BHD identified roughly $5.5 million of expenditure needs for additional staff, training, physical infrastructure and other strategies deemed necessary to respond to citations from federal and state regulatory bodies and other circumstances.
[4] Last year, the county executive issued a policy goal to eliminate land sale revenues in the operating budget; implementing that policy would require a reduction of $3.6 million in land sales revenue, as that amount was dedicated to operations in 2010.
[5] State-imposed changes in Medicaid reimbursement for BHD inpatient services created a revenue shortfall that needed to be addressed in the 2011 budget.
[6] A new lease agreement with airlines at General Mitchell International Airport produces revenue changes.

Table 2: Significant 2011 budget savings

Budget Reduction	Tax Levy Expenditure Decrease/Revenue Increase
Proposed Wage & Pension Benefit Concessions	$14.5 million expenditure decrease
Proposed Health Plan Redesign for Non-Reps and Retirees	$10.0 million expenditure decrease
Elimination of State Payment for Indigent Health Care	$6.8 million expenditure decrease
Increased Paratransit Charges to Family Care[7]	$3.8 million revenue increase
Debt Service Reserve Contribution	$3.8 million revenue increase
Transit Fixed Route Modifications	$2.5 million expenditure decrease
Doyne Hospital Sale Revenues	$2.4 million revenue increase
Transit Video Advertising Revenue	$2.0 million revenue increase
Health Care Pharmaceutical Savings	$1.5 million expenditure decrease
Total	**$47.3 million budget savings**

This broad perspective shows the extent to which the budget relies upon uncertain or less-than-optimal sources of enhanced revenue and reduced expenditures to achieve a balanced budget (while also reducing the county property tax levy by $1 million). In fact, each of the major budgeted savings cited above – with the exception of the fixed route transit modifications – involve elements of uncertainty or risk, as described below.

- **Wage and pension benefit concessions** – The recommended budget contains three significant modifications to employee wages and pension benefits: a requirement that all employees eligible for pension benefits contribute 5% of their salary to the pension system; elimination of "step increases," or automatic advancements within an existing pay range that are guaranteed to most county workers until they reach the top of their pay range; and application of certain pension changes to members of the nurses and trade unions, mirroring changes imposed upon non-represented employees in the 2010 budget. The budget also includes savings from wage and benefit concessions included in the 2010 budget that have not been accepted by AFSCME District Council 48 (the county's largest labor union), the Deputy Sheriffs Association or the Firefighter union. A breakdown of the $14.5 million[8] in property tax levy savings attributed to these provisions is shown in **Table 3**.

Table 3: Breakdown of budgeted 2011 wage and pension benefit changes

Wage/Benefit Change	Property Tax Levy Savings
Yet-to-be-realized wage & pension changes from 2010	$4.3 million
5% employee pension contribution	$9.1 million
Elimination of step increases	$0.8 million
Reduced pension multiplier for Nurses and Trades	$0.3 million
TOTAL	**$14.5 million**

[7] The budget increases charges to the Family care program for paratransit rides for persons enrolled in that program, producing $3.8 million in additional revenue for the transit system. It is assumed the higher fees will be reimbursed with state Medicaid funds.

[8] The recommended budget cites $14.2 million in savings associated with these provisions, while the budget overview by county board staff cites a $14.5 million figure. The difference is attributed to an accounting adjustment. After consulting with county board and DAS staff, we have elected to use the $14.5 million figure.

Realization of most of these wage and pension benefit savings would depend on collective bargaining agreements with some or all of the county's bargaining units. Yet, despite the precariousness of approximately $12.2 million of the $14.5 million in savings, all of the savings are included in the 2011 budget and distributed to departments.

This year's recommended budget does cite contingency plans in the likely event that neither the 2010 concessions nor the new 2011 concessions are accepted by January 1. Those contingencies – and the overall approach of using the annual budget process to attempt to extract significant wage and benefit concessions – are discussed in detail later in this report.

- **Health care redesign** – The budget includes a redesigned health care plan that will be imposed for non-represented employees and retirees. The new plan design merges the current health maintenance organization (HMO) and preferred provider option (PPO) offerings into one plan. It sets the monthly contribution for active employees at the higher PPO level ($90 single/$180 family) and establishes substantially higher deductibles, out-of-pocket co-pays, and out-of-pocket maximums. The plan design changes are estimated to yield a property tax levy savings of $10 million.

  From a fiscal management perspective, it could be argued that this approach is fair, imaginative and effective, as it imposes greater cost sharing on the county's highest paid workers and makes their health insurance plan more comparable to those offered in the private sector. More important is its impact on retirees, who the county previously exempted from cost sharing for monthly premiums, but who now would be required to substantially increase their contributions via the enhanced out-of-pocket costs and deductibles.

  As the Forum has pointed out in several previous reports, rising retiree health care costs are perhaps the county's most serious fiscal challenge, creating an unfunded liability estimated at more than $1.5 billion. This approach develops an innovative mechanism for helping to address that challenge, reducing the liability by an estimated $149 million, or nearly 10%.

  There is uncertainty surrounding this strategy, however, primarily revolving around the timing of when the county can impose the new plan on all of its retirees, as opposed only to those who retired as non-represented employees or members of unions that recently reached new labor agreements. County staff have suggested that approximately $4.8 million of the $10 million in property tax levy savings included in the budget from the redesigned health care plan may not be realizable in 2011 because of this and other logistical issues.

  Finally, an important health care provision that does not significantly impact the 2011 budget is termination of the county's practice of paying Medicare Part B premiums for certain retirees. In addition to providing a free health care supplement to Medicare for many of its retirees, the county also has been reimbursing those individuals for their share of the Medicare Part B premium. Ending this practice ultimately could save the county more than $3 million annually and appears justifiable in light of the already generous health care benefit. The 2011 budget contains only $100,000 in savings from this initiative, as it will apply prospectively for employees who retire after December 31, 2010.

- **Elimination of contribution for indigent health care** – Under the General Assistance Medical Program (GAMP) – which the county administered from the late 1990s until last year – the county paid $6.8 million annually to the State of Wisconsin, which was used to draw down about $16 million in federal funds that came back to the county to support the program. An expansion of the state's Badger Care program in the 2009-11 state budget provided health care coverage to individuals formerly served by GAMP, allowing the county to terminate the program. The 2009-11 budget bill did require, however, that the county continue to chip in the $6.8 million annually to help support the Badger Care expansion.

  The recommended budget eliminates this appropriation, citing the expiration of the 2009-11 budget law and asserting that the county's intergovernmental relations team should work to ensure that the provision does not make it into the next state budget. The likelihood seems questionable, as state administrators may argue that the county's $6.8 million contribution was widely understood to be an ongoing responsibility tied to the expansion of Badger Care and the county's ability to terminate GAMP. While the county's argument to end the payment certainly is compelling, given that it is the only one of the state's 72 counties required to contribute to the cost of Badger Care, the state does hold most of the cards in determining whether the payment will continue.

- **Higher paratransit fees charged to Family Care** – The recommended budget increases the charge for paratransit rides for individuals served by Family Care by $5.00 per ride, generating an additional $3.8 million in the transit system budget. This continues a trend initiated in 2008 to reduce property tax support for paratransit by recovering a greater share of the cost of eligible rides from Family Care's Medicaid funding stream. While the actual cost of paratransit services justifies this increase in the charge to Family Care, it does add significant pressure to the Family Care budget. In fact, the budget cites increased transportation costs as a factor in the anticipated transfer of $924,000 from Family Care reserves in 2011. In addition, in light of significant challenges faced by the state's Medicaid budget, the ability of the Family Care program to sustain high transportation costs in the future without needing to cut back on other services may come into question.

- **Debt Service Reserve contribution** – The recommended budget depletes the Debt Service Reserve by transferring $3.8 million that was deposited in the reserve earlier this year after a higher-than-anticipated 2009 year-end surplus. While tapping into the reserve can be justified on many counts – including the county's strong fiscal management that allowed for the $3.8 million reserve deposit in the first place – using the entire amount in 2011 means the funds will not be available to offset a projected $7.1 million deficit in 2010, or to utilize in future years. Also, use of these funds means that, once again, Milwaukee County essentially has no source of general reserves, outside of its annual contingency fund.

- **Doyne Hospital sale revenues** – Under the agreement that led to the closure of the county-owned Doyne hospital, the county receives an annual payment from Froedtert Memorial Lutheran Hospital based on Frodetert's net operating cash flow. The recommended budget contains a $6.3 million payment, which is equal to the 2010 actual amount, but $2.4 million more than the amount budgeted in 2010. While it is defensible to budget the payment at the 2010 actual level, it should be noted that this payment has fluctuated widely during the past several years, and that only $122,000 was received in 2009. Consequently, the county previously has used a multi-year average to arrive at its budgeted Froedtert revenue amount.

- **Transit video advertising revenue** – The inclusion of $2 million in revenue that ostensibly will be derived from video advertising on buses is perhaps the least justifiable major revenue figure in the budget. Earlier this year, a vendor testifying on legislation to provide new video monitors on buses suggested such a figure might be attainable, but no independent fiscal analysis exists to support the claim. Despite that fact, the budget includes the revenue in the transit system's budget, thereby averting additional service cuts or fare increases.

- **Health care pharmaceutical savings** – The recommended budget contains a $1.5 million health care expenditure savings from a new Pharmaceuticals Management Initiative. The initiative was designed by the county's health care actuary and there is no reason to doubt the estimated savings, but it should be noted that they are only an estimate. Furthermore, the health care expenditure budget already uses relatively optimistic inflationary factors of 9% for medical claims and 10% for pharmacy claims, as opposed to the 12% estimated by the health care actuary.

A political and/or fiscal justification clearly exists for each of the strategies described above. When viewed collectively, however, these strategies demonstrate that the magnitude of Milwaukee County's structural problems makes it impossible to develop a budget that averts significant service cuts or tax increases without employing strategies that are subject to risk.

Indeed, this is the second consecutive county budget that has relied heavily upon huge savings that cannot be implemented unilaterally by policymakers and/or that are surrounded with legal and practical questions. While the fiscal cards that have been dealt to the county executive and county board may leave little choice but to employ such mechanisms, it is questionable how many more years this type of budgeting strategy can be sustained, particularly if current and future legal challenges and arbitration proceedings do not go the county's way.

We have observed in previous reports that creation of an independent fiscal entity to certify revenue estimates in the recommended budget – as well as fiscal notes for county board budget amendments and resolutions – could provide an enhanced level of fiscal accountability and diminish budgetary risk. An elected comptroller plays such a role at the City of Milwaukee, but the county's non-elected controller has not been provided the charge or the resources to function similarly. Strengthening the controller's office to play a greater role in budget preparation and overall fiscal oversight may be appropriate.

PROMISING FISCAL PRACTICES

Despite the concerns cited above, it is important to note that the recommended budget also contains several improved fiscal practices that will better position the county for the future. Those include the following:

- **Land sales** – For the second consecutive year, the recommended budget declares that revenues from the sale of county property will not be budgeted in the county's operating budget (last year, that policy was reversed by the county board in the adopted budget). Instead, one-time land sale revenues are more appropriately allocated to one-time capital expenditures and debt service.

- **General obligation bonding** – In part because of the land sale revenue policy, the budget is able to refrain from issuing general obligation bonds in 2011 and 2012 per a policy adopted in conjunction with a decision to bond for several years of capital projects in 2009 and 2010. This policy is intended to maintain the county's traditionally strong performance in managing its long-term debt. It should be noted, however, that $3 million in revenue anticipated from the sale of the Crystal Ridge property is far from certain, meaning the county may need to revisit how to address certain Parks Department capital needs in 2011.

- **Contingency fund** – The recommended budget boosts the county's contingency fund by $1.5 million, to a total of $7.3 million, in light of uncertainty regarding the projected growth in health care expenditures, a new state budget, and the economic recovery.

- **Longstanding revenue holes** – The recommended budget sensibly directs scarce resources to bring revenue projections in the Parks and BHD budgets more in line with recent actual revenue collections.

An additional budget reform is more difficult to deem "promising," though it is worthy of consideration. The budget proposes a change in county ordinances to establish a new mechanism for funding the Pension Stabilization Fund, which was created to offset the risk associated with the county's issuance of $400 million in pension obligation bonds in 2009. The county's stated policy goal was to build the fund by contributing $2 million annually. The county executive proposed a $2 million contribution in his 2010 budget, but the county board removed the funds.

This year, the county executive proposes an ordinance change that is designed to remove the decision from the annual budget process. While the rationale is commendable, the proposal itself still may not provide sufficient revenues to build the stabilization fund to its intended level. The proposal would require that when the county contributes a lower-than-budgeted amount to its pension fund in a given year because of strong investment returns, the difference between the budgeted and actual amounts will be deposited into the stabilization fund (unless the county ends the year with an overall deficit). While such a move could result in sizable stabilization fund deposits, those deposits would be dependent upon high pension fund returns, which certainly are not a given.

ISSUES SURROUNDING PROPOSED WAGE AND BENEFIT CHANGES

As noted throughout this report, the centerpiece of the 2011 recommended budget clearly is the reliance on property tax levy savings from wage and benefit changes in order to avert substantial cuts in programs and services. In fact, as **Table 4** indicates, when the $14.5 million in wage and pension benefit reductions are removed from the budgets of county government's key functional areas, each of those functions actually sees an increase in spending in the recommended budget. In other words, key county departments appear able to maintain and perhaps even enhance expenditure and service levels because of the deep cuts in personnel and retirement costs.

Table 4: 2011 Functional property tax levy changes, with and without wage and pension benefit adjustments

	2011 levy	Total levy change	% change	Levy change without wage & benefit reductions*	% change
Courts & Judiciary**	$42,125,456	($611,169)	-1.4%	$553,478	1.3%
Public Safety**	$134,452,931	($1,895,606)	-1.4%	$3,863,044	2.8%
Public Works	$14,365,998	$2,344,874	19.5%	$2,917,933	24.3%
Health and Human Services	$85,154,604	($582,178)	-0.7%	$4,026,611	4.7%
Parks, Recreation and Culture	$29,437,614	$1,828,761	6.6%	$2,994,082	10.8%

* This column adjusts only for savings contained in Org. Unit 1972, which do not include the savings from the new health care plan created for non-represented employees and retirees.
**The recommended budget shifts $9.8 million for bailiff services from the Courts to the Sheriff. To properly compare departmental budget changes from 2010 to 2011, this table leaves the Sheriff's bailiff charge in the Courts budget.

A key concern, as discussed above, is that approximately $12.2 million of the $14.5 million in savings may not survive collective bargaining. In addition, as also discussed earlier, approximately $4.8 million of the $10 million attributed to the health care redesign may not be achievable in 2011, meaning that a total of $17 million in property tax levy savings are in question.[9]

Unlike the 2010 version, the 2011 recommended budget does indicate the county executive's proposed response should a portion of those savings not be realized. Specifically, the budget states that if the leftover 2010 wage and benefit concessions are not adopted by relevant county unions by December 31, then up to 26 furlough days again will be imposed upon members of those unions (excluding public health and safety-related positions); and, if the county's collective bargaining units do not accept the 5% pension contribution by January 1, then up to 165 union workers will be laid off. Collectively, those actions would produce about $11.5 million of alternative budget savings.

While the inclusion of a fallback plan to address about two thirds of this potential shortfall is commendable, both the elements of the plan and the overall budgetary approach raise several concerns, including the following:

[9] Savings of about $7.5 million would come from changes to wages and benefits applied to non-represented employees, members of unions that recently ratified new labor agreements, or retirees with no union affiliation. It is assumed those changes would be implemented by the county even if affected unions do not agree to them.

- The service-level consequences associated with the 26 furlough days in 2010 remain largely unknown. Have program outcomes suffered in areas heavily dependent upon union employees? Has greater use of overtime been required to maintain certain functions at legally required levels? Have non-represented workers taken on additional workload, impacting the performance of their typical duties? Without answers to those and related questions, it is difficult to assess the consequences associated with this proposed action and whether other alternatives might be preferable in 2011.

- It is impossible to assess the programmatic impacts associated with laying off 165 union employees without knowing how and where the layoffs would be implemented. A likely approach – in light of the county's chronicled inability to reach consensus on core functions and priorities – would be to implement them in an across-the-board fashion based on each department's share of the tax levy or workforce. If that is the case, then considerations regarding mandated versus non-mandated functions – including the legal imperative to adequately perform health and public safety functions – would be ignored. Conversely, if priorities *were* established based on those considerations, then certain discretionary functions could be decimated (see discussion of budget reduction models below).

- County policymakers and administrators have not analyzed the impacts associated with recent actions that have created dramatically different wage and benefit policies for non-represented versus represented employees, let alone the substantial additional differences that would be implemented for 2011. Among the considerations that merit careful deliberation are potential impacts on the county's ability to recruit and retain qualified managers; its ability to train and encourage high-performing union workers to advance to management positions; and the implications of several consecutive years of significant wage and benefit reductions on management morale and performance.

- The fallback plan sets an extremely ambitious deadline for union agreements and fails to take into account the logistical difficulties of implementing the various pension and health care changes by January 1 even if collective bargaining and legal challenges are overcome.

As we have noted in several previous reports on county finances, any analysis or critique of specific budget strategies must recognize that there are no *good* answers, as the county no longer has any painless budget-cutting strategies at its disposal. Furthermore, it is clear that given their impact on the county's structural deficit, significant adjustments to wages and benefits *must* be part of the county's long-term fiscal strategy. Still, as we argued in last year's budget brief, "the ultimate question is whether this particular package of concessions is achievable…and whether, therefore, the (budget) should be built around them."

This year's budget does take a step toward fiscal responsibility by citing a fallback approach, but that approach suffers from the absence of agreement on strategic priorities between the executive and legislative branches, and the absence of performance metrics that would allow for evaluation of the programmatic consequences associated with budget-cutting options. If nothing else, the approach taken by the county executive in his 2011 recommended budget – and the opposition voiced by several members of the county board – should light a fire under the county's nascent efforts to engage in long-term strategic planning.

POTENTIAL ALTERNATIVES TO WAGE AND BENEFIT CONCESSIONS

In order to gain further insight into the possible impacts associated with bridging a significant 2011 mid-year budget gap created by the inability to effectuate the proposed major wage and benefit changes, we turn to the methodology used in our 2011 Budget Preview report.

As noted above, we consider $17 million of the $24.5 million in combined wage, pension and health care changes to be precarious in light of collective bargaining realities or potential legal or timing challenges. Should those savings not materialize by early 2011, the county's likely initial step would be to impose the 26 furlough days on most non-public health and safety union workers, which would reduce the gap by $4.6 million. That would leave a need for $12.4 million in additional savings, notwithstanding the other uncertainties described earlier in this report, as well as those associated with the adoption of a new state budget by July 1.

The 2011 Budget Preview report modeled three distinct approaches the county could pursue to bridge a projected $20 million gap. Below, we revise those models based on a $12.4 million gap.

Budget-Cutting Model 1: Reduce the Size of the County Workforce

Reducing the size of the county workforce essentially is the model employed by the recommended budget as the fallback plan should the relevant county unions not accept proposed wage and benefit concessions. The recommended budget assumes savings of approximately $6.9 million from laying off 165 union workers, for a savings of $41,818 per position. Extending that calculation to a $12.4 million gap, and using a $47,000 per position amount instead (this is the approximate average cost of a county position including both union and management positions), would produce the need to lay off 264 employees.

Table 5 summarizes how those position reductions might be distributed among the various functions of county government, using the same logic applied in our budget preview report. That logic was based on the premise that while every county function would need to absorb some of the position reductions, the bulk would need to be applied to discretionary and administrative functions.

Two qualifications need to be applied to this analysis. First, our original estimates of position reductions and savings were based on 2008 and 2009 county budget data, so the estimates below are not precise and do not correspond exactly with the $12.4 million and 264 positions. Second, there is no way of knowing which positions county policymakers might elect to eliminate and how they might distribute the workforce reductions among the various functional areas. Consequently, **Table 5** should be viewed simply as an illustration of the types of position reductions that would be required under this scenario in order to achieve the approximate savings required to bridge the budget gap.

Table 5: Potential position reductions necessary to offset potential 2011 budget gap

STAFF REDUCTION	SAVINGS	POSITION LOSS (FTES)
2% staff reduction in all departments	$4,794,000	102.0
Additional 15% Parks Department staff reduction	$3,595,500	76.5
Additional 15% Zoo staff reduction	$1,804,800	38.4
Additional 10% staff reduction in administrative departments	$611,000	13.0
Additional 50% staff reduction to county executive office	$211,500	4.5
Additional 50% staff reduction to county board	$963,500	20.5
Additional 5% Sheriff staff reduction in certain divisions	$244,400	5.2
TOTAL POTENTIAL REDUCTIONS	**$12,224,700**	**260.1**

Budget-Cutting Model 2: Avoid lay-offs

This model assumes, hypothetically, that the county elects to bridge its budget gap without laying off any additional employees.[10] **Table 6** summarizes a series of property tax levy reductions in various areas of county government that could be made without impacting county positions in order to achieve a property tax levy savings of $12.4 million. As with the first scenario above, we cannot predict precisely how county policymakers might elect to distribute these reductions, and in some cases we use 2009 fiscal data. Consequently, **Table 6** also should be viewed simply as an illustration of the types of expenditure reductions that would be required under this scenario.

Table 6: Potential tax levy expenditure reductions not involving county positions necessary to offset projected 2011 budget gap

EXPENDITURE REDUCTION	SAVINGS
50% cut for non-county cultural institutions	$3,621,257
25% transit levy cut	$4,376,489
33% cut to Emergency Medical Services payments to municipalities	$1,000,000
Eliminate some discretionary housing and disability services	$1,514,055
Eliminate levy for indigent burial program	$356,000
Eliminate levy for Interim Disability Assistance Program (IDAP)	$115,866
Eliminate DHHS shelter funding	$400,000
33% cut to administrative professional services contracts	$1,016,333
TOTAL POTENTIAL REDUCTIONS	**$12,400,000**

Budget-Cutting Model 3: Avoid service impacts by increasing revenues

A third model would be for the county to seek to address the estimated 2011 budget gap exclusively by increasing or introducing legally available revenue sources. This model focuses exclusively on the property tax and vehicle registration fee (also known as a "wheel tax"), which are the only broad-based taxes or fees available to the county that can be increased or established without authorization from state government. Other fee increases – such as golf, pool and zoo

[10] It is important to note that the sharp reduction or elimination of county funds from contracted services likely would cause several non-county workers to lose their jobs, including Milwaukee County Transit System bus drivers and employees at contracted social service agencies.

admissions fees, parking fees and bus fares – are not delineated in this model. The sales tax also is not considered because Milwaukee County's existing .5% sales tax is the maximum allowable under state law.

For the purposes of constructing this model, we assume that Milwaukee County would levy a $10 vehicle registration fee on motor vehicle owners in the county. This is half the amount assumed in our 2011 Budget Preview report given the smaller budget gap used for this modeling exercise. We assume the remaining gap would be filled with an increase in property taxes.

Table 7 shows the estimated amount generated by a new $10 vehicle registration fee and the corresponding property tax levy increase that would be required to fill the projected 2011 budget gap. **Table 8** shows the estimated impact on a Milwaukee County homeowner who owns two vehicles and a home with a value of $150,000.

Obviously, there is no way of knowing precisely how county policymakers would elect to distribute these revenue increases. Consequently, **Tables 7** and **8** should be viewed simply as illustrations of the types of revenue increases and homeowner/vehicle owner impacts that might be required under this model.

Table 7: Potential wheel tax and property tax levy increases necessary to offset projected 2011 budget gap

POTENTIAL TAX INCREASES	REVENUE GENERATED
Property tax increase	$7,059,000
$10 wheel tax	$5,341,000
TOTAL 2011 POTENTIAL TAX INCREASES	**$12,400,000**

Table 8: Impact of potential tax increases on average homeowner

POTENTIAL CHANGES	TOTAL IMPACT
PROPERTY TAX	
Average home value	$ 150,000
2011 assessed value	$60,730,467,000
Mill rate increase	$ 0.000116
Impact of property tax increase on $150,000 home	**$17.44**
WHEEL TAX	
Impact of wheel tax on two-vehicle resident	**$ 20.00**
TOTAL 2011 IMPACT OF POTENTIAL TAX INCREASES	**$37.44**

The three models demonstrate the difficult choices that were available to the county executive when he developed the recommended budget, as well as those now available to the county board as it works to adopt the budget. However, as we pointed out in our budget preview report, "the ability of elected leaders to choose options from *each* of the three models could enable them to limit the most serious impacts to services and taxpayers that would occur if any one model were used exclusively."

CONCLUSION

The recommended budget clearly reflects the county executive's oft-stated position that severe program cuts and increases in taxes can be averted if the wages and benefits of county employees and retirees are significantly reduced. This year, the budget also acknowledges that position may not translate into budgetary reality, so a fallback plan is offered to recoup a sizable portion of the savings should wage and benefit concessions not materialize.

The lack of detail attached to the fallback plan and lack of attention to its potential consequences constitute the most disconcerting elements of this approach to budgeting. Because the areas of county government in which 165 union layoffs may occur are not delineated, and because the impacts of 26 furlough days for more than 1,700 union workers are not acknowledged, it is exceedingly difficult for policymakers and citizens to reasonably judge whether alternative expenditure reductions and/or revenue enhancements may be more or less palatable. Compounding the problem is a lack of strategic priorities and performance metrics that would allow for informed discussion about options and consequences.

While there are no easy solutions to Milwaukee County's budget challenges, there could be a better way to address them. The long-term challenge for county leaders is to put the mechanisms in place that can lead to more data-driven fiscal decision-making. This is a move the county executive and his budget team commendably initiated last year with development of a long-term fiscal forecasting tool, and one the county board advanced in 2010 with its resumption of long-term strategic planning. Unfortunately, neither of those hopeful developments has impacted this year's budget deliberations, but a second consecutive year of less-than-ideal budgetary machinations dictates that they must in the future.