

**COUNTY OF MILWAUKEE**  
INTEROFFICE COMMUNICATION

DATE: March 14, 2011

TO: Supervisor James “Luigi” Schmitt, Chair, Intergovernmental Relations Committee

FROM: Roy de la Rosa, Director, Intergovernmental Relations  
John Ruggini, Acting Fiscal and Budget Administrator

SUBJECT: Impact of the State Budget on Milwaukee County

Intergovernmental Relations and the Department of Administrative Services – Fiscal have been coordinating efforts to understand the impact of the recommended budget presented by Governor Scott Walker. Below is a summary of the most significant changes; however, it should be emphasized that much of the information presented has not yet been confirmed with state departments or the Legislative Fiscal Bureau. In addition, amendments to the budget may substantially change the impact on the County.

- The state reduces Medical Assistance costs \$500 million. However, no detailed information is provided. This has the potential to significantly impact the County, particularly at the Behavioral Health Division and Disabilities Services Division. It is unclear when a detailed plan will be provided.
- State shared revenue is reduced \$36.5 million for counties state-wide. It is anticipated Milwaukee County’s revenue will be reduced by \$6-9 million in 2012 depending on the reallocation from Counties whose reduction exceeds formula limits.
- Transit Operating Aids are reduced 10%. This will result in a reduction of approximately \$7 million in state aid to the Milwaukee County Transit System in 2012.
- General Transportation Aids are also reduced 10% resulting in an approximately \$400,000 reduction in 2012.
- Child Support revenue is reduced \$3.6 million in 2012.
- Funding for mental health and alcohol and drug abuse programs at the Behavioral Health Division is reduced \$650,000 in 2011 and \$1.3 million in 2012.
- Youth Aids are reduced \$1.8 million in 2011 and \$3.6 million in 2012.
- Funding for the Circuit Courts are reduced approximately \$200,000 in 2011 and \$400,000 in 2012. In addition, expiring ARRA funding for TAD and AIM grants is not replaced resulting in a loss of over \$800,000 in 2012 and 2013.
- Effective July 2011, Family Care will be prohibited from enrolling new members which will likely create a waiting list for the elderly and prevent the County from eliminating the wait list for persons with disabilities.

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- The state will centralize income maintenance eligibility determination. This will likely affect the 270 state-managed county employees who provide this function. The fiscal impact of this change is unclear due to conflicting language in the budget bill. Therefore, the assistance of Corporation Counsel has been sought.
- Significant property tax limitations are imposed. Not only are property tax increases limited to the rate of net new construction, which grew at 0.675% in 2010, but property tax relief must be provided if debt service on pre-2005 obligations decreases. Initial estimates by DAS-Fiscal indicate the property tax increase in 2012 could be limited to be less than \$2.0 million.

The passage of the budget adjustment bill will enable the County to largely realize its 1972 savings (Wage and Benefit Modification Account), which will provide significant budgetary relief in 2011. However, since most of the savings from the benefit changes envisioned by the budget adjustment bill have already been budgeted for, there is concern that Milwaukee County will have a significant gap to overcome in 2012. Further analysis and information from the state is required to determine the extent of this gap.