

TO: Milwaukee County Board Chairman Theodore Lipscomb Sr.

FROM: Liz Stephens, Legislative Liaison

DATE: February 11, 2017

RE: 2017-19 Biennial Budget Provisions Affecting Milwaukee County

On Wednesday, February 8, 2017, the Governor presented his proposed 2017-19 biennial budget to a joint session of the Legislature. Shortly thereafter, the Legislature's Joint Finance Committee ("JFC") introduced companion bills - Senate Bill 30 / Assembly Bill 64 - in both chambers of the Legislature. Despite reports that proposals adverse to stated county positions on both governance and debt collection could be included in the Governor's proposed budget, such proposals not were ultimately incorporated into the final document.

However, the fiscal impact of one proposal, apparently negotiated directly by the County Executive's Administration and which would result in a \$19.5 million shared revenue reduction to Milwaukee County over 10 years, remains unclear. The proposed shared revenue reduction has been characterized as debt service for a \$19.5 million zero-interest loan from the state to the County in this biennium to purchase fuel-efficient buses. This \$1.95 million annual reduction in shared revenue over 10 years, if adopted, would be in addition to the \$4 million annual shared revenue reduction adopted as part of the 2015-17 state biennial budget in support of the Bucks' arena.

The County Executive's Administration has suggested that the County will experience savings as a result of the proposal. However, it is unclear whether effectively paying cash, rather than issuing bonds, for these vehicles will result in foregone opportunities to invest in other critical county services. For example, because certain debt is not subject to levy limits, some debt-financed purchases can have the tacit effect of increasing authorized expenditures beyond those allowed by net new construction. The County's Comptroller is currently examining the effect of the provision on Milwaukee County finances.

The reaction to the Governor's proposal by majority Republicans has been mixed, with the plan receiving praise for its cuts to taxes and fees of \$300 million over the biennium and its restrictions on public benefits programs, and is causing apprehension over its proposed \$500 million in transportation bonding and \$649 million increase to K-12 funding. Senate Majority Leader Scott Fitzgerald said his caucus would likely differ with the Governor on certain issues, including education, transportation funding and self-insurance for state employees. For his part, Assembly Speaker Robin Vos called the Governor's proposal a "work in progress" and expressed disappointment at the lack of inclusion of a long-term transportation funding solution. Democrats joined the Speaker in calling for modifications to the Governor's transportation plan and called the Governor's plan further evidence of the his favoritism for the wealthy over working families.

The non-partisan Legislative Fiscal Bureau ("LFB") will begin reviewing the Governor's budget with the expectation that the JFC will hold public hearings around the state in March and

begin voting on the document in April. Prior to initiating those actions, however, the JFC's Co-Chairs will decide which non-fiscal policy items will remain in the Governor's proposed budget, and which will be introduced as separate legislation outside the budget process. The Co-Chairs are authorized to unilaterally choose which proposals remain in the budget and which, based on a list of proposals prepared by LFB, may be excluded. The LFB will also prepare a summary of the major provisions included in the Governor's budget which is expected to be released in early March.

Following is a list of notable provisions included in the Governor's proposed budget, especially as they affect Milwaukee County. Updated information will be provided on each of these items as it becomes available.

I. Health and Human Services

a. FoodShare Employment and Training

The Governor's budget mandates that all able-bodied adults with school-age children who receive FoodShare benefits must participate in the FoodShare Employment and Training program or face possible sanctions for non-participation. As of December 2016, 244,359 Milwaukee County residents were eligible to receive FoodShare benefits. It is unclear how many of those residents would be affected by this proposal or what measures would be used to determine whether a FoodShare recipient is "able-bodied".

b. Childless Adult Employment and Training

The Governor's budget requires all childless Medicaid recipients who are either unemployed or underemployed to participate in job training and employment assistance services or face possible sanctions. As of January 2017, 145,317 Medicaid recipients fell into this category statewide. Approximately 50,317 of childless adults resided in Milwaukee County as of January 2016.

c. FoodShare Asset Verification Requirement

The Governor's budget newly introduces asset limits for FoodShare recipients and caps the amount of liquid assets a recipient may hold, and still qualify for benefits, at \$25,000. This requirement would be in addition to the current *income* test used to determine eligibility for benefits.

d. FoodShare Child Support Requirement

The Governor's budget introduces a provision to require custodial and noncustodial parents receiving FoodShare benefits to cooperate with efforts to establish paternity and comply with child support orders. Although \$1.4 million is allocated towards this effort, it is not yet known what measures will be taken to enforce this requirement.

e. Medicaid Purchase Plan (MAPP) Cost-Sharing Provisions

The Governor's budget proposes new eligibility requirements for MAPP participants. MAPP allows significantly disabled adults who are working to purchase Medicaid benefits. The budget seeks to require all participants to pay a \$25 monthly copay plus 3 percent of adjusted earned or unearned income in excess 100 percent of the federal poverty level (FPL). Currently, only those individuals with incomes at or above 150 FPL are assessed a copay. In addition, the Governor proposes requiring verification of work in order to continue receiving benefits. According to figures released in January 2016, approximately 5,053 Milwaukee County residents would be affected by this provision.

f. Eliminate Children's Long-Term Supports Waiting List

The Governor recommends eliminating the waiting list for long-term supports for approximately 2,200 children statewide with developmental disabilities, physical disabilities or severe emotional disturbances by investing \$14,067,300 in FY18 and \$25,205,500 in FY19. The Governor also recommends that the state Department of Health Services develop an equitable funding methodology to ensure county funding remains within the program. The details of this funding mechanism have not yet been revealed.

g. Reimbursement for Lead Investigations

The Governor's budget lowers the lead poisoning or lead exposure definition from 10 micrograms per deciliter (mcg/dL) to 5 mcg/dL in order to comply with the current Centers for Disease Control definition. The Governor's budget also proposes increasing the Medicaid reimbursement for lead investigations from \$105 to \$800 per investigation.

h. Peer-Run Respite Center for Veterans in Milwaukee

The Governor's budget allocates \$450,000 to establish a peer-run respite center to assist veterans in Milwaukee who are in crisis or those having difficulty coping with mental illness by providing services like peer supports, a 24-hours-a-day, 7-days-a-week peer-run hotline, wellness activities, respite and hospital diversion services.

i. Safety and Out-of-Home Placement Services for Children

The Governor's budget increases funding by \$889,800 in FY18 and \$1,921,600 in FY19 for services for families where DHS determines that, if appropriate services are provided, the child may remain in the home and for families with children in out-of-home care. Counties would be required to provide a 9.89 percent match in order to receive funding through the program as under current law. In addition, the Governor's budget provides an increase of \$1.389 million annually to reduce the incidence of child abuse and neglect, and to provide services for families in Milwaukee County who are at risk of having a child removed from the home due to abuse or neglect.

j. Wisconsin Shares Child Care Benefits

The Governor's budget recommends implementing a \$25,000 liquid asset test in Wisconsin Shares in order to qualify for benefits. In addition, the Governor's budget proposes to modify the structure of Wisconsin Shares to mitigate the sudden drop-off in benefits that occurs once a family's income reaches 200 percent of the federal poverty level. Under the Governor's proposal, once a family's income reaches 200 percent of the federal poverty level, copayments would increase by \$1 for every \$3 in additional income beyond 200 percent of federal poverty level. However, this change would not take effect until FY19. Finally, the Governor's budget also proposes to make recipients who cease participating in an approved activity ineligible to receive benefits after three months or until the individual's eligibility is redetermined, whichever is sooner.

k. W-2 Drug Screening

The Governor's budget recommends the expansion of substance abuse screening and testing requirements to new W-2 participants, excluding those in unsubsidized employment and women who are caring for a newborn or who have an at-risk pregnancy. Under the proposal, if an individual fails to successfully complete treatment, his or her dependent child could receive partial benefit payments through a designated payee for the period of time the parent is ineligible for W-2. Although Milwaukee County had 10,725 of the 19,511 total W-2 enrollees in 2016, this provision would only affect new enrollees. Given that W-2 beneficiaries are only eligible for benefits for a 60-month lifetime total, it can be inferred that approximately 2,000 new W-2 beneficiaries are enrolled each year in Milwaukee County. However, it is unclear whether W-2 beneficiaries who ceased receiving benefits but then return to the program would be considered new enrollees for the purposes of this requirement.

II. Juvenile Justice

a. Daily rates

The Governor has proposed that beginning on July 1, 2017, and ending on June 30, 2018, the daily assessment to counties for each juvenile assigned for care at secure juvenile correctional facilities, including Lincoln Hills and Copper Lake, will be \$344 per day. The current rate is \$292 per day.

The Governor's proposed daily rate for SFY17 represents an 18% increase, or \$18,980 annually, to Milwaukee County for each juvenile currently housed at the troubled institutions. For each new juvenile assigned to the institutions, Milwaukee County will be assessed \$125,560 annually.

Beginning on July 1, 2018, for SFY18, the daily rate will increase to \$352, which represents an annual increase over SFY17 to Milwaukee County of \$2,920 for each juvenile currently housed at one of the secure facilities.

As a result, it will cost Milwaukee County an additional \$21,900 per year (\$128,480 per year for newly adjudicated youth) to house one adjudicated youth sentenced to Lincoln Hills or

Copper Lake by the end of the biennium due to the increase in rates included in the Governor's biennial state budget proposal.

Typically, on any given day, more than 100 juveniles from Milwaukee County are housed at secure juvenile facilities, with 119 housed in secure juvenile facilities as of November 2, 2016. The Governor's proposed increases to the daily rate would result in additional costs to Milwaukee County over SFY16 of approximately \$2,258,620 (based on a daily population of 119 juveniles) for SFY17 and \$2,606,100 (based on a daily population of 119 juveniles) for SFY18.

b. 17 year olds sentenced to adult correctional institutions

The Prison Rape Elimination Act (PREA) discourages placement of 17-year-old offenders in adult prisons. In response, the Governor has proposed that offenders 17 years old and younger, rather than juveniles 16 years old and younger as under current law, be sentenced to juvenile correctional institutions rather than to adult facilities, unless determined otherwise by the state Department of Corrections (DOC). The DOC may determine that placement of a juvenile in an adult facility rather than a juvenile facility is appropriate based on: (1) the juvenile's prior record of adjustment in a correctional setting, if any; (2) the juvenile's present and potential vocational and educational needs, interests and abilities; (3) the adequacy and suitability of available facilities; (4) the services and procedures available for treatment of the person within the various institutions; (5) the protection of the public; and (6) any other considerations promulgated by the department by rule.

According to a [report](#) by the Legislative Audit Bureau (LAB), Milwaukee County sentences approximately 75 17-year olds to adult correctional facilities each year. According to the DOC, the state will support the costs associated with housing 17 year olds in secure juvenile institutions. It is not expected that Milwaukee County will incur any additional costs should this change be adopted.

c. Lincoln Hills / Copper Lake Staffing Levels

The Governor proposes increasing staffing levels at Lincoln Hills / Copper Lake by 20.5 FTE over the biennium, including: (1) 3.25 FTE positions to expand mental health services for girls who are housed at Copper Lake; (2) 8.25 FTE positions as required by the federal Prison Rape Elimination Act; and (3) 9.0 FTE positions to distribute medication to juvenile populations.

III. Transportation & Public Works

a. Mass Transit Operating Aids

The Governor's budget recommends flat funding for Mass Transit Operating Aids. Milwaukee County currently receives \$64,193,900 in state aid and contributes \$23,226,812, or 36.2 percent, through local contributions.

b. General Transportation Aids

The Governor proposes to increase General Transportation Aids (GTA) by \$12.7 million (12.9 percent) to \$111.1 million in FY18. The GTA program enables local governments to receive state aid payments to offset the cost of county and municipal road construction, maintenance, and traffic operations. Milwaukee County received \$3,719,775.61 in GTAs in 2016, meaning the county would receive an additional \$479,851 in GTAs under the Governor's budget assuming distribution methods remained the same.

c. Routine Maintenance Agreements

The Governor's budget recommends increasing funding for routine maintenance agreements between the department and Wisconsin's counties by \$33,733,000. This funding would be used for: (a) pavement preservation, (b) shoulder drop-off and other safety repairs, (c) waterborne pavement marking, and (d) highway signage replacement. The requested amounts, when added to the 2016-17 adjusted base funding of \$170,000,000, would provide total funding equal to \$185,366,500 in 2017-18 and \$188,366,500 in 2018-19 for this appropriation. This represents an increase of approximately 9 percent over FY17 funding levels.

d. Elderly and Disabled Transportation Aids

The Governor's budget proposes a 2 percent increase to counties to assist with transportation of seniors and individuals with disabilities. Milwaukee County currently receives \$2,111,469 in state aid and is required to contribute a \$422,293.80 county match.

e. I-94 East-West Freeway Rebuild

The Governor's budget reallocates funding originally allocated for the costs of rebuilding the I-94 East-West Freeway to the I-94 North-South Freeway between Racine and Kenosha. The Governor indicates that he has abandoned the project as a result of "Milwaukee infighting." According to the Governor, all active major highway development projects and the core of the Zoo Interchange project will remain on schedule.

f. State Prevailing Wage Requirements

The Governor's budget fully repeals prevailing wage requirements for all projects that use state dollars, including transportation projects. Federal Davis-Bacon requirements remain applicable to applicable federally funded projects.

g. Prohibition on Project Labor Agreements

The Governor's budget prohibits local governments from requiring or considering the use or lack of use of a project labor agreement by a contractor as a condition of bidding on a public works project.

IV. Judicial and Public Safety

a. Offender Reentry Demonstration Project

The Governor's budget recommends funding for an offender reentry demonstration project that would incorporate trauma-informed care for ex-offenders returning to Milwaukee County.

b. Pay Progression for District Attorneys

The Governor's budget provides approximately \$4.2 million over the biennium to increase pay for deputy and assistant public defenders and deputy and assistant district attorneys to increase retention.

V. Local Finance

a. Levy Limit Adjustment for Pre-2005 Debt

The Governor's budget recommends modifying county and municipal levy limits to require municipalities and counties to reduce their levy limit authority by the same amount that debt service on debt issued before July 1, 2005 would decrease in the current year compared to the prior year. In 2003, Milwaukee County significantly restructured its debt. As a result, the precise impact of the proposal on the County is unknown.

b. Milwaukee County Shared Revenue Reduction

As mentioned in detail above, the Governor's budget recommends reducing Milwaukee County's county and municipal aid payment beginning in FY19 by \$1,950,000 each year for 10 years (from 2018 through 2027) as repayment for a \$19.5 million loan to the County in this biennium made possible as a result of the Volkswagen emissions settlement.

c. Local Government Publishing Requirements

The Governor's budget recommends allowing all governmental units that have printing, publishing and mailing requirements the option to instead make most materials, excluding legal notices and election documents, available electronically.