

**Milwaukee County Budget & 2023
Wisconsin Act 12 Fiscal Impacts
County Board Follow Up Items: 7-17-23**



Summary

- File 23-712 includes reporting on Act 12 impacts to Milwaukee County
- Committee of the Whole Meeting on 7/11/23
- Requested follow up items included:
 - History of Savings and Reforms at Milwaukee County
 - Details regarding future budget reductions if sales tax is not approved
 - Impact of sales tax on individuals and families, including impact on low-income families
 - Wisconsin Retirement System Details
- A report with responses to these questions was shared with the County Board and is available in Legistar file 23-712



Act 12 Estimated Structural Deficit Impact

Estimated Structural (Deficit)/Surplus*			
	Pre Act 12	Post Act 12	
Year	Five Year Forecast: March 2023	If 0.4% Sales Tax Is Not Approved	If 0.4% Sales Tax Is Approved
2024	(18,296)	(10,697)	31,642
2025	(52,775)	(43,537)	2,688
2026	(75,815)	(65,890)	(13,022)
2027	(93,311)	(80,647)	(23,317)
2028	(109,656)	(95,201)	(36,193)

\$ in thousands

Note that the remaining gap in 2026-2028 is highly attributable to funding for the Transit system. The five-year forecast projected a gap within the Transit system alone of \$25.1 million in 2025 growing to \$35.6 million by 2028.



History of Savings at Milwaukee County

Milwaukee County has closed budget gaps of over \$300 million over the past 10 years and beyond to address its structural deficit. Following are examples:

Initiative	Annual Savings
Reduction of 3400 positions or 50% of workforce since 2000	\$200 million
Reduced Footprint by 3 million square feet	\$9 million
Restructure Post-Retirement Health Benefits	\$40 million
Freeze and Elimination of Salary Steps	\$55 million
Employee Health Care and Pension Contributions	\$19 million
Mental Health Emergency Center	\$9 million
Child Support Incentive Revenues	\$5 million
Parks Earned Revenue	\$22 million
Vehicle Registration Fee	\$17 million
Housing First	\$3.4 million
Prescription Drug Rebate Negotiations	\$8 million
Annual Department Tax Levy Reduction Target	\$9 million



What happens if the 0.4% County Sales Tax Increase is not approved?

- After decades of budget reductions at Milwaukee County, there are limited options to close the \$95 million structural deficit outside of cuts to programs and services
- \$95M Budget Rection Impact:
 - Elimination of tax levy for programs not mandated by State law: \$38 million
 - Parks, Cultural, Transit, Senior Centers
 - 20% Reduction to Mandated Service Programs: \$57 million
 - Human Services, Courts, Sheriff, Emergency Management, Medical Examiner
- Alternative: 30% reduction across all departments
- It is anticipated that non-mandated services will need to absorb a larger share of reductions due to statutory requirements, fixed costs, legal obligations and risks



2028 Potential Tax Levy Reduction Targets to Address \$95.2 million Structural Deficit					
Agency	2023 Tax Levy*	2028 Reduction Target	2028 Levy Reduction %	Service Provision	Reduction Risks & Notes
TRANSIT	\$ 8,681,886	\$ 8,681,886	100%	Discretionary	reduced or eliminated services
DHHS- SENIOR CENTERS	\$ 1,500,000	\$ 1,500,000	100%	Discretionary	reduced or eliminated services
CULTURAL INSTITUTIONS	\$ 6,929,688	\$ 6,929,688	100%	Discretionary	reduced or eliminated services
PARKS DEPARTMENT	\$ 20,806,587	\$ 20,806,587	100%	Discretionary	reduced or eliminated services
UNIVERSITY EXTENSION SERVICE	\$ 329,697	\$ 329,697	100%	Discretionary	reduced or eliminated services
Subtotal Non Mandated Services	\$ 38,247,858	\$ 38,247,858			
COMBINED COURT RELATED OPER	\$ 17,439,285	\$ 3,452,978	20%	Mandated	Courts backlog, compliance
DISTRICT ATTORNEY	\$ 7,360,432	\$ 1,457,366	20%	Mandated	Courts backlog, compliance
CHILD SUPPORT SERVICES	\$ 2,029,516	\$ 401,844	20%	Mandated	Loss of federal 66% reimbursement revenue, compliance
DEPT OF PRE-TRIAL SERVICES	\$ 4,884,719	\$ 967,174	20%	Discretionary*	Discretionary program but reduces jail days and expenditures
SHERIFF	\$ 38,404,336	\$ 7,604,059	20%	Mandated	Jail staffing, courts backlog, compliance
COMMUNITY REINTEGRATION CENTER	\$ 48,563,198	\$ 9,615,513	20%	Discretionary*	Discretionary program but residents must be sentenced, compliance
EMERGENCY MANAGEMENT	\$ 8,907,616	\$ 1,763,708	20%	Mandated	Loss of tax levy related to EMS exemption
MEDICAL EXAMINER	\$ 1,473,078	\$ 291,669	20%	Mandated	compliance
ELECTION COMMISSION	\$ 555,203	\$ 109,930	20%	Mandated	election compliance
COUNTY CLERK	\$ 532,183	\$ 105,372	20%	Mandated	compliance
DOT - TRANSPORTATION SERVICES	\$ 284,150	\$ 56,262	20%	Mandated	compliance
BEHAVIORAL HEALTH SERVICES	\$ 53,000,000	\$ 10,494,000	20%	Mandated	Statutory limit \$53M requires County Board & Mental Health Board to reduce below, compliance issues
Civil Service Commission	\$ 16,045	\$ 3,177	20%	Mandated	compliance
DEPT HEALTH AND HUMAN SVCS	\$ 33,947,935	\$ 6,721,691	20%	Mandated	Loss of corresponding State/Federal revenue, compliance issues
MANDATED	\$ 217,397,696	\$ 43,044,744			
CORPORATION COUNSEL	\$ 1,318,659	\$ 261,094	20%	Admin	compliance, legal risks
HUMAN RESOURCES	\$ 5,949,244	\$ 1,177,950	20%	Admin	compliance, countywide recruitment & retention
ADMINISTRATIVE SERVICES	\$ 26,681,351	\$ 5,282,907	20%	Admin	compliance, capital project delivery
DAS - IMSD	\$ 14,420,018	\$ 2,855,164	20%	Admin	IT security, compliance
DAS - RISK MANAGEMENT	\$ 11,213,918	\$ 2,220,356	20%	Admin	compliance, risk costs may be outside of control
GOVERNMENT AFFAIRS	\$ 400,490	\$ 79,297	20%	Discretionary/Admin	Loss of State/Federal revenue
OFFICE OF EQUITY	\$ 905,454	\$ 179,280	20%	Discretionary/Admin	Strategic plan impacts
Personnel Review Board, Ethics Board	\$ 250,740	\$ 49,647	20%	Discretionary/Admin	compliance, ethics
STRATEGY, BUDGET, PERFORMANCE	\$ 2,133,667	\$ 422,466	20%	Admin	compliance, risk for budget errors, loss of State/Federal revenue
OFFICE OF COMPTROLLER	\$ 5,106,843	\$ 1,011,155	20%	Mandated	vendor payments, audit risks, bonding risk, credit rating
COUNTY BOARD	\$ 1,251,689	\$ 247,834	20%	Mandated	constituent services, legislative impact
COUNTY EXECUTIVE	\$ 957,708	\$ 189,626	20%	Mandated	constituent services, legislative impact
ADMIN	\$ 70,589,781	\$ 13,976,777			
TOTAL REDUCTIONS	\$ 326,235,335	\$ 95,269,378			

*Reflects tax levy funding for County departments in the 2023 budget. Does not include levy for bonding or non-departmental expenses. Revenue generating departments which do not have tax levy are excluded. Local funding within departmental budgets is described as tax levy although the funding source may include a combination of property tax, sales tax, or other non departmental revenues (such as Potawatomi, shared revenue, reserves, other sources).



Department Impacts:

Elimination of Tax Levy in Non-Mandated Depts

- **Parks (\$20.8M)**: Elimination of tax levy from Parks would equal almost ½ of the department budget and would require operational focus to be primarily on revenue generating activities (i.e. Golf, Food & Beverage, Rentals). Operation and maintenance of approximately 150 parks and 15,000 acres or parkland would be insurmountable.
- **Transit (\$8.6M)**: Transit is already facing a \$26M budget gap in 2025 which is expected to impact half of all routes. However, this Transit gap estimate included an assumption that Transit tax levy would remain flat. If levy is eliminated from Transit this would require elimination and/or service reductions for even more than half of all routes.
- **Cultural Institutions (\$7M)**: There are plans and agreements in place to reduce cultural support from approximately \$7M to \$3M in future years. Eliminating tax levy support completely would impact the financial viability of some of the County's cultural support partners and this would also be challenging due to County ownership stake in these entities.
- **Senior Centers (\$1.5M)**: Unlike most Aging Services which are federally funded, Senior Centers rely on tax levy for operations. Elimination of tax levy would require closure of Senior Centers.



Department Impacts:

20% Reduction to Mandated and Administrative Departments

- **DHHS (\$6.7M)**: Some programs in DHHS have fixed cost requirements that cannot be avoided, such as the cost of state commitments to youth detention. A \$6.7M or 20% reduction would most likely require elimination or large reduction to high priority programs with lesser State mandated obligations: Housing First and homeless service programs; Youth Justice community-based programs, Birth-to-3.
- **Mental Health (\$10.4M)**: This would require reductions to BHS's detox program, a substantial reduction of Crisis Mobile Team staff, elimination of non-court ordered community service placements, closure of County Mental Health Clinic, and elimination of clinic partnerships with area community partners. Reducing the Mental Health budget below \$53 million would require an approval of the County Board and Mental Health Board based on Act 203 statutory requirements.
- **Courts & District Attorney (\$5.9M)**: The Courts system is working to reduce a caseload backlog initiated by COVID-19 and the system continues to be impacted by State and County staffing shortages. A further reduction to Courts & DA funding would exacerbate the existing backlog and lead to further delays in the justice system.



Department Impacts:

20% Reduction to Mandated and Administrative Departments

- **Sheriff (\$7.6M)**: Most of the Sheriff tax levy budget goes to operation of the jail (55%) and Courts Security (22%). The jail is experiencing Correctional Officer staffing shortages and the Courts need Deputy Sheriffs to conduct jury trials. It is likely that a 20% reduction would need to be applied across Sheriff functions, which would add to staffing shortages, add to the Courts backlog, and impact public safety services overall.
- **Community Reintegration Center (\$9.6M)**: Would require the CRC to eliminate funding for programs and services that support its mission, to assist residents with reintegration into the community: Education and Training, Work Experience, Day Reporting Center, Social Work Supports, Housing Navigator. Elimination of funding for these programs would not be enough and further reductions to operations and medical would be needed, which would be a challenge due to C.O. staffing shortages and the medical services consent decree.
- **Administration (\$14M)**: Admin reduction impacts include: Reduction to HR recruitment and retention efforts, increasing vacancy rates; Increase in infrastructure maintenance needs which are already significant; Further delays to capital project delivery; IT Security Risks; Reduction in IT support and innovation; Reductions to risk management which may only add to long-term expenses; Reduction in efforts to secure State and Federal revenues; Delays in vendor payments
- **Emergency Management (\$1.7M)**: A reduction to Emergency Medical Services would not offset the structural deficit due to a State tax levy limit exemption. A \$1.7M reduction to OEM would impact 911 emergency response times.



0.4% Sales Tax Estimated Household Impacts

- The following charts show the estimated impact of the 0.4% County sales tax increase on households at varying income levels. A 0.4% sales tax generates \$82 million in revenue.
- A comparison is provided to show the household impact of an \$82 million property tax increase or \$82 million general fee increase, although it should be noted the property tax and fee increase options are not available under State law.

Estimated Household Cost Impact			
	0.4% Sales Tax	\$82.2M Prop Tax	\$82.2M Fees
Bottom 20% Income	\$46	\$123	\$206
Median Income	\$148	\$162	\$206
Top 20% Income	\$409	\$354	\$206

Estimated Household Income % Impact			
	0.4% Sales Tax	\$82.2M Prop Tax	\$82.2M Fees
Bottom 20% Income	0.3%	0.8%	1.3%
Median Income	0.2%	0.3%	0.3%
Top 20% Income	0.2%	0.2%	0.1%



Wisconsin Retirement System (WRS)

- The County has the option to transition to WRS, including without the increased sales tax
- However, in the short term, a transition to WRS will add to the County's structural deficit.
- Based on an analysis by the State LFB, a transition to WRS is estimated to cost approximately \$700k each year. Over a 5-year period, the cost increase is \$3.5M
 - \$700k reflects net impact between ERS normal cost savings due to no new participants and WRS contributions upon plan enrollment
 - Estimate based on State actuarial analysis and is subject to change based on actual participation and experiences across pension plans
- In the long-term, it is anticipated that a transition to WRS can lead to future cost savings. The WRS does not have an unfunded liability and the Milwaukee County ERS has an unfunded liability of \$760 million. Payment to the unfunded liability represents the largest portion of County pension costs.





**MILWAUKEE
COUNTY**