

For more information:

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

For immediate release

July 13, 2010

Milwaukee County's fiscal challenges still serious

New report cites recent progress but spells out scope of severe structural gap

MILWAUKEE, Wisconsin – The Public Policy Forum's new 2011 Milwaukee County Budget Preview report finds that county policymakers are "running out of cost-cutting options" and predicts a series of exceedingly difficult budget decisions barring significant structural changes or help from state government.

"Several successive years of trimming staff and expenditures in discretionary and administrative functions have left little to cut in those areas," says the report. "Consequently, if a substantial annual structural gap continues to be the norm, the county soon may be required to eliminate entire sets of discretionary services unless it somehow can identify ways to dramatically reduce expenditures in mandated areas while continuing to meet its legally required obligations."

The report is intended not only to provide perspective on the specific fiscal issues facing the county as it begins to assemble next year's budget, but also to shed additional light on the consequences associated with the county's persistent budget gap. It includes an historical perspective of Milwaukee County's structural deficit, analysis of the county's specific 2011 budget challenges, modeling of three distinct 2011 county budget scenarios, and analysis of the county's five-year fiscal outlook.

The report credits county officials for recent fiscal progress, including success in reducing health care and incarceration costs, creativity in developing public-private partnerships to support the parks and other functions, and a new commitment to long-range fiscal forecasting and strategic planning. It warns, however, that a substantial structural deficit problem remains.

“Unfortunately, our assessment is that those positive steps have allowed the county to move the ball from its own 10-yard line to perhaps its own 20 or 25,” says Forum President Rob Henken. “It still has a ways to go before even reaching midfield, let alone the goal line. Meanwhile, it has gale-force winds in its face in the form of the region's and nation's larger economic challenges and the state's overwhelming budget difficulties.”

Additional findings and observations from the report:

- Bridging the county's 2011 budget gap of \$20-\$45 million may require consideration of several stark options, including wholesale elimination of programs and services and/or closure of certain parks facilities or animal exhibits at the zoo.
- The county's five-year outlook forecasts continued growth in annual budget gaps, reaching \$126 million in 2016. The report models hypothetical scenarios in which the county would raise property taxes by 6.6% in each of the next five years or significantly curb the projected growth in wages and benefits, and those scenarios may not even cut the projected hole in half by the end of the five-year timeframe.
- Even if the county employs a series of drastic options modeled in the report to address its structural gap, it will fail to get at other major *non-budgeted* problems, such as maintenance and capital needs in its parks, loss of stimulus dollars for its transit system, and a series of operational and physical concerns at its mental health complex.

The report concludes by noting that “the nature of the county’s structural deficit could be dramatically changed by certain far-reaching developments, such as state authorization for increased sales tax authority; agreement with its labor unions on significant changes to pension and health care benefits; increased state allocations for mandated services; and/or a decision to sell or lease major assets. . . it is highly unlikely that any one of these developments would resolve the county’s structural budget issues, but a balanced approach encompassing all of these options could be the best mechanism for addressing the county’s long-term financial woes.”

The report was commissioned by the Greater Milwaukee Committee. It can be downloaded from the Forum's Web site at www.publicpolicyforum.org.

Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of public policy issues.

#####