

## **Impact of Various Provisions of Governor Doyle's 2003-05 Executive Budget on City of Milwaukee (Preliminary Analysis)**

### **AIDS TO LOCAL GOVERNMENTS**

#### **Shared Revenue – \$70 Million additional 2004 Funding Decrease**

The Emergency Budget Repair Bill (Act 109) that was enacted in July of 2002 reduced overall shared revenue payments (including ERP & SMSR) by a total of \$40 million, to be distributed equally between counties and municipalities on a per capita basis. This represented an estimated \$2.2 million decrease in Milwaukee's 2004 payment.

The Governor's budget maintains that cut and cuts an additional \$70 million, to be distributed across all municipalities on a per-capita basis. No additional cuts to counties are included. This cut will result in an additional decrease of \$7.6 million for the City in 2004. The budget does not propose any further adjustments to shared revenue in 2005.

In total, the City of Milwaukee's 2004 and 2005 shared revenue payment will decrease by roughly \$9.8 million relative to 2003. Such a cut would require a tax rate increase of roughly 48 cents to maintain current funding levels or a commensurate cut in city operations or services to avoid a tax increase. On average, municipalities around the state are facing a 27-cent rate reduction as a result of this cut in shared revenue.

#### **Shared Revenue - \$10 Million Shift to Medical Assistance**

Starting in 2003, \$10 million in shared revenue payments will be shifted to the Medical Assistance program in order to increase federal reimbursement for Emergency Transportation Services. The cut is in addition to those above and will be distributed equally between counties and municipalities on a per capita basis. According to DOR officials, an amount totaling at least \$10 million will be sent back to those local governments who incur emergency transportation costs, though the exact mechanism for distributing these funds is not clear. While the total returned to local governments will equal or exceed the initial \$10 million cut, some municipalities and counties may get back more than they lose, while others will not fully recoup their loss.

Milwaukee's initial cut resulting from this shift will be roughly \$550,000. A cut of this size is comparable to an additional 3-cent rate reduction for Milwaukee. It is unknown at this time how much of this we will recoup through emergency transportation payments.

#### **Consolidation Incentive Program - Eliminated**

Act 109 also created a Consolidation Incentive Program that would have been funded by up to \$45 million in shared revenue payments. The governor's budget eliminates that program and the associated redistribution of shared revenue dollars.

If this program is not eliminated, it could result in a cut in the City's shared revenue payment by as much as \$11.3 million. In order to recoup that cut, we would have to

identify a savings of over \$15 million through consolidation efforts with other municipalities.

### **Manufacturing Assessments**

The governor proposes shifting the responsibility for identifying and assessing all manufacturing property from the state to each taxation district. This could decrease appeals of manufacturing assessments, but will also require additional staff time in local Assessor's offices. Our assessor's office has met with DOR officials to discuss the transition of this function. It may be possible for Milwaukee to contract out this service to smaller municipalities. The Governor also recommends consolidating the seven regional offices of the Bureau of Equalization down to six offices.

### **Payment for Municipal Services**

The governor proposes no change to the Payment for Municipal Services program, which provides funding to local municipalities for lost property value due to state owned tax-exempt property. While the value of exempt property continues to increase, funding for this program has been frozen and currently represents just over 85% of the actual estimated lost tax revenue. This percentage will decrease further without a significant increase in this aid program. Milwaukee will receive an estimated \$2.7 million under this program in 2003 and an estimated \$2.6 million in 2004.

### **Computer Aid Payments**

The governor fully funds the computer aid payment, which provides funds to offset the loss in tax revenue resulting from tax-exempt computer property. However, the proposal does decrease the appropriation for computer aids to reflect a re-estimate of the total computer value statewide. Over the biennium, statewide payments under this program are expected to be \$16 million less than originally estimated, due to depreciation of equipment. Milwaukee's 2003 computer aid payment is estimated to be \$3.8 million.

### **Recycling Fund**

The governor recommends transferring the balance of the recycling fund for 2004 to the general fund. He also reduces the municipal recycling grant funding by \$5 million to maintain an annual award of \$24.5 million. Milwaukee will receive an estimated \$2.8 million in recycling grants this year.

### **Brownfields Grants**

The governor recommends transferring the responsibility for all brownfields grants from the Department of Commerce to the Department of Natural Resources. The governor's emergency repair bill significantly decreased the available funding under this program.

### **BadgerCare**

The governor recommends increasing funding for Badgercare to account for a reestimate of caseloads and federal financial participation rates.

### **State Tax Credits – Fully Funded**

The governor's budget adds funding to fully cover statutory payments under the homestead, earned income tax credit farmland preservation tax credit. Available funding for the lottery and gaming tax credits is also increased from initial estimates.

### **Employee Relations - MERA**

The governor would prohibit arbitrators from giving greater weight to specific factors when making decisions on labor contracts. Currently a greater weight must be given to the existence of laws that restrict the jurisdiction's expenditure or revenue growth and the greatest weight must be given to the economic condition of the jurisdiction. Under the governor's proposal, these factors must be given the same level of consideration as all other factors. These weights were originally included at the recommendation of a labor/management committee and are critical to the city during interest arbitration.

## **LIBRARIES & K12 EDUCATION**

### **Library Aids**

Aid to Public Library Systems is maintained at the 2003 level of \$14.2 million for both 2004 and 2005. The governor proposes funding \$2.1 million of this from SEG funds and the remainder from GPR. Milwaukee currently qualifies for \$1.7 million of the overall funding, which contributes to the total of \$2.5 million that goes directly to the Milwaukee County Federated Library System. This level funding is particularly challenging because the libraries in MCFLS have maintenance of effort requirements as a condition of participation.

### **Equalization Aid**

The governor proposes several changes to school equalization aids, which offset the property tax levy needed to fund school costs. The most significant change is that the governor would no longer fund 2/3 the cost of school aids. Under current law, school aids would have increased statewide by \$150 million in 2004 and by \$296.5 million in 2005. The governor's budget would cut these levels in both years, providing only an additional \$40 million in 2004 and \$60 million in 2005. As a result of these changes alone, aid to MPS will decrease by roughly \$8 million in 2004 and roughly \$18 million in 2005 relative to current law.

### **Phase-out Primary Aid**

The proposed budget would eliminate the primary aid guarantee, which ensures that all districts receive aid for their first \$1,000 in per pupil expenditures, regardless of their relative property wealth. (affects roughly 30 districts) However, a separate hold harmless provision would remain that ensures that no district's payment can be less than the 85% of the prior year, therefore the savings from this change would phase in over several

years. This change alone will increase aid to MPS by roughly \$150,000 in 2004, a .03% increase and roughly \$500,000 in 2004, a .08% increase over current law.

### **Revenue Limits**

The governor also would increase the revenue limit for low-spending districts. Currently revenue limits do not apply for districts spending \$6900 or less per pupil. The governor would exempt from revenue limits any districts spending less than \$7400 in 2004 and \$7800 in 2005. This is anticipated to apply to just under 100 districts (22%).

Milwaukee Public Schools will not see an increase in their revenue limit as a result of this change. However, as any of these districts choose to increase their spending in 2004, they will generally qualify for more equalization aid in 2005. This will decrease aid to most other districts, starting in 2005 and beyond.

The per pupil revenue limits would not be changed under the governor's proposal for other districts, and would increase as under current law, \$236 per pupil in 2004 and \$243 per pupil in 2005. MPS's allowed budgetary increase would be capped based on those per pupil increases.

### **Aid to Milwaukee Public Schools**

The governor proposes eliminating \$1.4 million in TANF funding that currently is awarded to Milwaukee Public Schools annually to offset the costs of programs established as part of the desegregation settlement. This funding was outside of the revenue limits and, therefore, not funded by property tax.

### **Payments to Milwaukee Parental Choice and Charter Programs**

Under current law, the per-pupil payment for the choice and charter programs increases annually by the same amount that public school revenue limits increase. The governor recommends lowering this annual increase to \$55 per student, from \$236 in FY04 and \$243 in FY05. This will result in a lower overall payment for these programs and therefore a decrease in the amount of equalization aid reduced from other districts. As a result of these changes, aid to Milwaukee Public Schools is estimated to increase by just under \$1 million.

### **TEACH Grant Program Eliminated**

The largest program under the TEACH board would be eliminated and the remaining functions transferred to DPI. MPS currently receives roughly \$5.8 million under the grant program that will be eliminated. This funding was outside of the revenue limit, so was not funded by property tax dollars.

### **Employee Relations – School Districts**

The Governor recommends eliminating the QEO and requiring school districts to include policy issues as subjects of bargaining.

## **TRANSPORTATION**

### **Transportation Fund – Shifts \$500 million to GPR**

The governor proposes shifting \$270 million in 2004 and \$230 million in 2005 from the transportation fund to the general fund to cover the ongoing costs of shared revenue and school aids.

### **Increased Borrowing Authority**

The governor proposes increasing the revenue bond limit for major highway projects and administrative facilities from \$1.75 billion to \$2.92 billion and allows for the proceeds of such bonds to be used for the Marquette Interchange reconstruction project. He would also increase the general-obligation bonding limit for the acquisition and improvement of rail property by DOT from \$28 million to \$32.5 million.

### **Legal Blood Alcohol Concentration lowered to .08**

Currently a person may not operate a vehicle with a BAC of .10, the governor proposes lowering this to .08.

### **Vehicle Registration Fee Increase**

The governor proposes increasing the vehicle registration fee from \$45 to \$55 and the title transfer fee from \$8.50 to \$18.50. He also recommends continuing the environmental impact fees beyond their December 31, 2003 sunset and increasing the fee from \$9 to \$10.50. The total cost for transferring a new title will therefore go from \$27 to \$36.50 (including the supplemental title transfer fee of \$7.50).

### **General Transportation Aids – 2.5% increase**

The governor proposes increasing the total amounts available for both the General Transportation Aids and the Local Roads Improvement Program by 2.5%. The per-mile reimbursement rate will increase by 2.5% accordingly. Since 1988, GTA to towns has increased 152% and villages have received an increase of 171%. Over the same period GTA to cities and counties have only increased by 67% and 63% respectively. This change will not reverse that trend.

### **Highway Funding**

The governor proposes cutting aids for the major highway program and the state highway program from current levels by \$20 million and \$97 million, respectively in 2004.

### **Rail Infrastructure and Service**

The governor proposes additional funding to reflect anticipated costs for the 3-year Milwaukee to Chicago Amtrak contract currently under negotiation, including an additional stop at Mitchell airport. (\$1.1 million in FY04 and \$1.75 in FY05)

### **Funding for Canal Street**

Under current law, DOT must award grants totaling \$10,000,000 to the city of Milwaukee to fund the reconstruction of West Canal Street in the city of Milwaukee

if the city contributes \$10,000,000 toward the project. This bill expands the allowable use of these funds to include the extension of West Canal Street to USH 41 at Miller Park in the city of Milwaukee.

**OTHER**

**Corrections:**

Under the governor's bill, individuals who successfully complete the Drug Abuse Correctional Center (DACC) or the adult boot camp programs would be released to parole or extended supervision, regardless of how much of his or her sentence the person has served. Exceptions are made for certain types of convictions and those sentenced under "Truth in Sentencing." The bill also would eliminate the Juvenile Boot Camp.