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Summary of Governor Walker's 2011-13 Executive Budget Impact on the City of Milwaukee

- Preliminary Analysis of the Governor's Recommendations -

LOCAL AID AND PROPERTY TAX RELIEF

- **Shared Revenue** – Reduces the municipal appropriations by \$59.5 million or -8.8%. The distribution of the cut favors low population and low value communities. Milwaukee's cut is estimated to be \$10.3 million, or -4.5%.
- **Levy Limit** – For the next 2 years, levy limits will be set at 0% or net new construction, whichever is greater. Our net new construction for 2010 was 0.74%. If debt service payable on debt issued after 2005 declines from one year to the next, that savings must be passed along as a tax levy reduction.
- **Expenditure Restraint Program** - Current law sets our expenditure restraint at CPI or 3%, whichever is greater. The bill changes the restraint to CPI or 0%, whichever is greater.
- **First Dollar Credit** – Increases the average amount that a parcel in the City of Milwaukee will be credited in 2012 compared to 2011 from \$74.18 to \$76.11, a 2.6% increase. In 2013, the average amount a parcel in the City of Milwaukee will be credited is \$75.56, a 1.8% increase compared to 2011.
- **Homestead Tax Credit** – Eliminates the income, maximum income threshold, and property tax indexing provisions and freezes them at 2010 levels. This limits it to those who fall under current guidelines. This will save the state \$8.3 million over the biennium. Since 25% of filers reside in Milwaukee County, it is estimated that county residents could miss out on over \$2 million in tax credits.
- **Computer Exemption Aid** - The budget bill increases funding for computer aid payments from \$77.4 million to \$81.1 million for 2011 and to \$84.6 million for 2012. The state uses this money to reimburse municipalities for tax exempt personal property within in the community, such as computers. Milwaukee received \$3.4 million from this account in 2010. It is unclear whether the city will benefit from this increase.
- **User Charges/Special Assessments** – No changes were made to municipal ability to assess user charges or special assessments.

- **Payments for Municipal Services** – This program reimburses municipalities for services provided to tax-exempt state property. The budget reduces the appropriation by 10%, which would reduce Milwaukee’s \$1.9 million payment by about \$190,000.

EDUCATION AND LIBRARIES

- **Milwaukee Public Schools Aid** – Reduces Equalization Aid by \$750 million over the biennium (8.4% in 11-12/7.7% in 12-13). Districts are guaranteed 90% of their prior-year payment. Combined with categorical aid cuts, MPS anticipates it will lose \$74 million next school year.
- **Milwaukee Parental Choice Program**– Eliminates the enrollment cap, phases out income limits, and expands the program to schools in Milwaukee County. Retains the city residency requirement. Allows schools to charge the tuition differential to a pupil whose family income exceeds 325% of the federal poverty line.
- **School Choice Funding Flaw** – Provides no further relief from the funding flaw. This year, the taxpayer impact is estimated to be \$36.5 million or \$166 for the average homeowner. The expansion of the program will increase the funding flaw impact on Milwaukee taxpayers.
- **High Poverty Aid** – Fully funds the High Poverty Aid appropriation. The payment made to MPS to help offset the School Choice Funding Flaw was about \$9.4 million this year.
- **Library System Aid** - Reduces library system aid by 10%, which will likely reduce state funding for the Milwaukee County Federated Library System (MCFLS) by \$297,400 in FY 2012. The Milwaukee Public Library serves as the MCFLS resource library and has a cataloging contract with MCFLS. Agreements with MCFLS dedicate 24.5% of state aid received by MCFLS to these contracts with MPL. A reduction in state aid to MCFLS will result in a loss of funding to MPL.
- **Milwaukee Public Library Service Contracts** - Reduces state funding for public library service contracts by 10%, which could reduce support for the Milwaukee Public Library’s Interlibrary Loan Service and the Talking Book and Braille Library contracts. The State DPI will determine later how to distribute the impact of this cut.
- **Charter Schools** – Expands the charter program to the entire state. Allows any 4-year University of Wisconsin institution to become a chartering authority.
- **Library MOE** - Repeals the maintenance of effort requirement for municipal, county or joint public libraries as a condition of participating in a public library system. The City of Milwaukee will not have to maintain annual local expenditures for the Milwaukee Public Library at the average of the prior three years as a condition for being a member of the Milwaukee County Federated Library System.

- **UW-Milwaukee** – Directs the UW Board of Regents to appropriate \$250,000 for the study and planning of creating an independent public authority model to separate UW-Milwaukee from the UW System administration.

PUBLIC SAFETY AND JUSTICE

- **Fire and Police MOE** - Maintains the Maintenance of Effort provision for Police and Fire Departments that was created in the 2009-11 State Budget. Also maintains the Police and Fire Protection Fee that was linked to the MOE.
- **Community Policing Grants** – Reduces this grant for targeted community policing by 10% from \$247,500 to \$222,700. The Milwaukee Police Department was originally funded with an earmark of \$750,000.
- **Milwaukee County Courts** – Increases reimbursements to Milwaukee County for clerks staffing the Felony Drug Crime Courts, Violent Crime Courts and Operation Ceasefire prosecutions.
- **DNA Testing** – Increases funding and position authority to address increasing caseloads for DNA analysis in the state crime laboratories to prevent backlogs.
- **Internet Crimes Against Children** - Provides additional resources focused on investigating Internet crimes against children and protecting children from on-line predators.
- **Early Release Provisions** – Repeals the early release provisions that were included in the 2009-11 State Budget. These provisions allowed offenders to earn time off for good behavior, allowed judges to reduce sentences, and allowed the Department of Corrections to discharge non-violent offenders from extended supervision after two years or discharge an offender from probation after serving half their sentence.
- **Vehicle Registration Stickers** – Eliminates vehicle registration decals, as requested by the Milwaukee Police Department in the city's legislative package. License plate and registration decal theft have accounted for about 25% of all reported thefts in recent years.

TRANSPORTATION

- **General Transportation Aid** - Reduces the GTA appropriation by 10% with a distribution that favors less populous communities. The maximum reduction is capped at 15%. Milwaukee's 2011 payment is \$25.5 million, and the cut is projected to be \$3.8 million or the full 15%.
- **Bicycle and Pedestrian Facility Funding** – Eliminates \$2.5 million per year in state funding for bicycle/pedestrian facility projects. These projects will continue to be funded

at a reduced level with available federal dollars for Transportation Enhancements and Congestion Mitigation.

- **Transit Aids** - Reduces transit aids by 10% from \$68,583,200 in calendar year 2011 (authorized in 2009-11 budget) to \$61,724,900 in calendar year 2012 and 2013. A loss of \$6,858,300 beginning in 2012. Moves transit aids from the transportation fund to the general fund beginning in FY13.
- **Other Local Aids** – No changes were noted in ongoing general or miscellaneous state transportation aids.
- **RTA** - Eliminates \$100 million in general obligation bonding authority for which SERTA was the only eligible applicant. Requires SERTA to hold a referendum in Kenosha, Racine and Milwaukee before it can impose the rental car transaction fee.
- **Major Highway Projects** – Accelerates the Zoo Interchange reconstruction with \$225 million in funding over the biennium. Increases total Highway Program funding by 14.7% from the last biennium.
- **Rail Investments** – Fully funds Wisconsin’s share of the increased operating costs for the Amtrak Hiawatha line at \$4.3 million.
- **Harbor Assistance Program** – Includes \$12.7 million of increased general bonding authority for harbor projects. The State did not offer assistance in 2010 or in 2011. The Port of Milwaukee has several major projects, totaling \$7 million, in need of Harbor Assistance funds.

ECONOMIC AND WORKFORCE DEVELOPMENT

- **Summer Youth Jobs Program** –Appropriates \$422,250 annually to Milwaukee’s Summer Youth Job program from Department of Workforce Development. This funding is a reduction of \$46,800 (10%). This funding originally was created at \$500,000.
- **Wisconsin Economic Development Corporation** - Eliminates all grant and loan programs in the Department of Commerce and gives the WEDC Board the authority to create new programs. Transfers Commerce’s previous responsibilities for tax credit program certification to the WEDC. The Department of City Development will now have to work with the new department to facilitate state economic investment in the Milwaukee area.
- **Department of Safety and Professional Services (DSPS)** - Renames the Department of Regulation and Licensing as DSPS. Transfers funding and position authority from the Department of Commerce Division of Safety and Buildings, Division of Environmental and Regulatory Services, and funding and position authority related to the certification of woman, minority, and disabled veteran owned businesses to the new department. This transfer includes several funds for the removal and remediation of petroleum storage tanks. DCD and DNS will now have one central department in which to coordinate regulatory issues with the state.

- **Housing Programs/WHEDA** - Various housing assistance programs and \$40.7 million in funding will be transferred from the Department of Commerce to WHEDA. This will consolidate all of the state's housing programs in one agency, including all U.S. HUD programs such as NSP, CDBG and HOME grants. The Department of City Development and our Community Development Grants Administration will now have to coordinate with WHEDA regarding state housing programs that involve the City or its residents.
- **Brownfield Grants** –Transfers the Brownfield program from DNR to the WEDC, to be combined with Brownfield funding from the Department of Commerce. Funding for the program remains intact with an appropriation of over \$2 million per year.
- **Economic Development Programs** – Creates an economic development fund from the former recycling and renewal energy fund to be partially funded with \$4 per ton of the recycling tipping fee. Directs WEDC to grant up to \$100,000 to regional economic development agencies to fund marketing activities.
- **Tax Incremental Finance** – Makes no changes to tax incremental finance provisions.

ENVIRONMENT AND NATURAL RESOURCES

- **Tipping Fees** – Tipping fees are unchanged in this budget. State imposed fees are currently set at \$13 per ton and were increased by \$7.10 per ton in the 2009-11 State Budget. Total state imposed tipping fees cost the city approximately \$3.3 million in 2010.
- **Recycling Mandate/Grants** – Eliminates recycling mandates and recycling grants to municipalities. If the City of Milwaukee continues to operate its recycling program as it currently does, an additional \$3.3 million will be shifted to the solid waste fee. This amounts to a \$17 per residential unit solid waste fee increase.
- **Water Quality** – Provides \$5 million in bonding authority for contaminated sediment removal in the Great Lakes or its tributaries.
- **NR 151**– Directs the Department of Natural Resources to repeal and recreate NR 151, a rule that would require municipalities to reduce total suspended solids in storm water by 40% by 2013. The rule adversely affected Milwaukee in that it did not take into account Milwaukee's combined sewer system in its standards. In addition, the rule may have been prohibitively expensive to implement for many municipalities. Dictates that if the new rule establishes a deadline for implementing a storm water management program, the deadline does not apply to a municipality that determines that compliance with the deadline would have an adverse economic impact.
- **Clean Water Fund** – Increases the revenue bonding authority for the Clean Water Fund Program by \$353,000,000. Also increases the subsidized loan interest rate from 60% to 80% of the market interest rate. This will increase the city's cost to use the program. The city used about \$32 million in Clean Water Fund financing in the each of the past 2 years. MMSD also relies heavily on this program.

HEALTH AND HUMAN SERVICES

- **Medicaid Reimbursements** – Eliminates family planning related Medicaid payments for men between the ages of 15 and 44. This will decrease the amount of reimbursements the City receives from clients seeking these services at city health centers. The Medicaid changes could increase the number of people seeking treatment at city health centers due to lack of insurance and reduce related Medicaid reimbursements for those services.
- **Medicaid Eligibility** – Proposes to change the frequency of reviewing eligibility criteria. If the federal government does not allow the state to review eligibility criteria more often (a change sought through the budget adjustment bill), higher income adults who are not pregnant or disabled would likely lose Medicaid coverage.
- **Medicaid Administration** – The Medical Assistance and BadgerCare programs will face sweeping changes if DHS is allowed to make changes through an emergency rule process without legislative approval (as proposed in the Budget Adjustment Bill). Changes to the scope of services and reimbursement policies can be anticipated.
- **Wisconsin Works** – Reforms the W-2 program to restore the requirement that recipients work at least 28-30 hours per week and reduces monthly benefit checks by \$20.
- **Child Care Subsidies**– Authorizes a tiered reimbursement system for child care providers based on quality ratings. Implements various other cost-saving measures that will increase copayments for those receiving subsidies, reducing income eligibility levels, and reducing provider reimbursement levels.

MISCELLANEOUS

- **Teacher Residency** – Prohibits Milwaukee Public Schools from imposing a residency requirement on its 5,474 teachers.
- **Disaster Aid** – Provides \$1 million in the first year of the biennium to provide financial assistance to municipalities for damages and costs incurred as a result of a major disaster if federal financial assistance is not available. The funding for this will come from the petroleum inspection fund. The raid of the petroleum inspection fund is not expected to have any impact on the City as we do not receive any assistance from this fund.
- **Earned Income Tax Credit** - Adjusts the state's percentage of the federal earned income tax credit, eliminating about \$3 million or 16.6% of the tax credits City of Milwaukee residents receive. Households with 1 child will see a 25% increase in their EITC, about \$20 on average, while households with 2 children will see a decrease in their EITC of about 43%, or about \$200 on average. Households with 3 or more children will see a 7% decrease or about \$100 on average.