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Public Policy Forum: 2018 budget is a watershed for the City of Milwaukee

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MILWAUKEE – Monday, October 16, 2017 – The Public Policy Forum's annual review of the Mayor's proposed 2018 budget for the City of Milwaukee calls it a "watershed" budget that indicates structural challenges have come to a head. As a result, annual cuts in public safety staffing, as well as property tax increases that exceed the rate of inflation, may become the norm.

"The City's structural imbalance – caused by the conflict between stagnant revenue streams and fierce personnel-related expenditure pressures – is relatively old news," says the 2018 City of Milwaukee budget brief. "This budget, however, marks the first since 2010 in which the Milwaukee Police Department is not shielded from deficit reduction strategies that have been commonplace for most other City departments."

In the absence of this special treatment, 33 positions would be cut from the Milwaukee Police Department. An additional 75 positions would be cut from the Milwaukee Fire Department, and the two departments would see their combined expenditures reduced by nearly $19 million.

"The Mayor's refusal to shield public safety represents a change in thinking – one that he contends only should be reversed if State lawmakers provide the City with

the ability to implement a local sales tax," says the report.

According to the report, the proposed cuts in public safety reflect the severity of the City's financial challenges for 2018. The primary culprit is a spike in the employer pension contribution, which increases from $61 million to $83 million. Also, the City must reduce its withdrawal from the Tax Stabilization Fund by more than $8 million, as its ability to replenish the Fund has not kept pace with recent draws.

On the revenue side, intergovernmental revenues are flat, growing by only $1.8 million (0.7%) from the 2017 amount. To offset that lack of growth and respond to the increased pension payment, the budget proposes a $9.7 million (3.7%) increase in the property tax levy – the largest percentage increase since 2010. If that levy amount is adopted, then the property tax – for the first time – would replace intergovernmental revenue as the City's largest single revenue source.

"The proposed budget's unmistakable message is that with intergovernmental revenues largely flat and nowhere else to turn on the revenue side, all City services must be subject to reduction and the property tax levy must continue to grow," says the report.

The report also analyzes other elements of the proposed budget besides the "three P's" – public safety, pensions, and property taxes. Those include an unexpected $6.7 million reduction in health care spending, which provides cushion to partially offset the growth in pension costs; and a decision to reduce levy-supported borrowing by $12.7 million, which may impact the City's ability to appropriately meet its capital needs.

The budget was introduced by the Mayor on September 26 and is now in the hands of the Milwaukee Common Council, which will adopt a final budget in November. The report notes that while the Mayor has deemed that public safety should not be off limits when it comes to personnel and expenditure reductions, the Common Council may disagree.

"Making up the millions in savings that result from the proposed reduction of 108 public safety positions would not be easy, and likely would necessitate much deeper cuts in public health, libraries, and neighborhood services, or an even bigger property tax increase than that proposed by the Mayor," says the report. "Nevertheless, that is where legitimate policy deliberation can and should occur. Less legitimate would be consideration of one-time options, such as depletion of

reserves."

The report concludes by echoing a theme contained in On the Money?, the Forum's comprehensive analysis of the City's revenue structure that was published last July.

"Overall, the difficulties posed by the 2018 budget are emblematic of a financial structure that needs to be fixed. While the nature of the fix is debatable, the underlying causes are apparent and should no longer be ignored."

The City of Milwaukee budget brief can be downloaded at www.publicpolicyforum.org. The Forum's 2017 Milwaukee County budget brief was released on Friday and also is available on the website.

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.