



DANE COUNTY

Kathleen M. Falk
County Executive

DATE: March 7, 2011

TO: Scott McDonell, Chair
Dane County Board of Supervisors

Members, Dane County Board of Supervisors

Elected Officials and Department Heads

FROM: Kathleen M. Falk *KM*
Dane County Executive

RE: State Budget

This memorandum summarizes, to the best of our knowledge, the fiscal effects of Governor Walker's proposed budget on Dane County and briefly describes some of the most important non-fiscal effects. Please consider this the first part of an ongoing effort that I will make to keep you informed as we deal with this budget. We are still researching many details and some figures are estimates or approximations based on current information. Some of the budget decisions about which we are most concerned -- Medicaid is the most important example -- are apparently going to be made by administrative rule or a state agency. At the conclusion of this memorandum, I will outline the steps I propose in response to the proposed budget.

First, though, a few comments on some of the destructive effects of the Budget Adjustment Bill on our community. In seeking to eliminate public employees' collective bargaining rights and unions, the Governor has generated anger and stress across the state and in Dane County. Many people cannot comprehend why he would act so unfairly and unnecessarily given here in Dane County we negotiated both cuts in pay and increased employee contributions to health care costs. Just about all elected officials have to address controversial and difficult situations but we have a duty to do so fairly and in good faith. The Governor has failed in that fundamental responsibility of his office.

His budget bill bears some of these same traits of unfairness and long-term harm. The cuts to public education at every level -- K-12, community colleges, the UW -- is most disturbing. What is more important to our prosperity and democracy than the education of all of our children? It also seems unfairly punitive to slash the Earned Income Tax Credit or to cut the

monthly stipend to W-2 recipients. W-2 recipients do not need this cut to be reminded that they should find a job.

For Dane County, probably the most unfair element of the budget occurs in the Income Maintenance program. In Dane County, this basic survival program is funded by the state and county and is implemented by county workers to ensure that our residents who ask for assistance such as Food Share (food stamps), Medicaid, or Badger Care are eligible for that assistance and then receive it. Obviously, these programs are critical for the families impoverished by the Great Recession and prevent other human services and volunteer programs from being overwhelmed. The total EAWD Division employs about 119 County staff and includes about \$3.5 million of County General Purpose Revenue (GPR) (\$1.5 million funds homeless and shelter services). The budget proposes that the state will take over most of the income maintenance program, including \$1.8 million of the County's \$3.5 million contribution (in the form of reduced Community Aids) and contract out its implementation. In addition to the loss of our GPR, we will lose \$4.5 million in state revenues and have to lay off about 70 county employees. The cut in Community Aids will begin in the second year of the biennium. The change really hurts poor people. As Dane County runs the program now, applicants can meet with a person and, if there is an emergency, get help right away. In the last two weeks, for example, a young woman needed assistance through MA for drugs for a respiratory illness. We got her the prescription. In the new system, such immediate, emergency help is not available -- the young lady would probably be in an emergency room. The firm receiving this contract does not appear to deliver decent services; it is already doing this work for the state and has a bad record. Currently, 9000 applications have been unresolved for 400 days or more.

A second blow to Human Services is an increase to the rate the County is charged for youth incarcerated in state facilities and a cut in Youth Aids. As part of your and my careful budgeting, our current budget anticipated the rate increase. However, the cut in Youth Aids is significant and is one of the reductions scheduled to take effect July 1st of this year. This means that while the annual cut is approximately \$710,000, we face a cut of about \$355,000 this year. Another cut, somewhere between 10% and 15%, will affect Specialized Transportation services for seniors and disabled persons in the range of \$70,000-\$100,000 per year.

There appears to be, on a statewide basis, a small increase in child and family welfare services (good for children) but a larger decrease in child support services. In Child Support, the approximate loss is \$840,000 a year in state funds and the loss of federal matching funds. These funds support 12 of our Child Support employees.

The expansion of Family Care into new counties is halted and, in those counties with Family Care, total enrollment is frozen between June, 2011 and July, 2013. Waiting lists will now become part of Family Care. These proposals validate, I think, the caution we have shown with regard to Family Care over the last few years.

To return to a common theme, we are looking hard for more information about important human services programs. For example, Secretary Dennis Smith has informed counties that the budget contains funding for some counties for Aging, Disabled Resource Centers (ADRC), including one for Dane County in February, 2012; we cannot confirm that yet. The budget has language that seems to indicate that the state will take over the Birth to Three Program. State staff, however, inform our staff that the language is intended to mean that information technology for the program will be switched. The possible changes to MA are most ominous. If the state, as the budget repair bill indicates, reduces eligibility and benefits for many MA recipients, that may very well result in the county having to pick up more of the costs for MA recipients for whom the county must care and a direct loss of revenue. Adding to this uncertainty is the Obama budget that sets in motion ten years of cuts to MA. Those are the sort of state and federal changes that will make it difficult for the county to maintain discretionary programs such as Joining Forces for Families and services for homeless people because of the need they may create to divert funding to mandatory, MA-covered activities.

In the Courts system, the cumulative impacts of several of the across-the-board 10% cuts the Governor proposed for many state appropriations have a significant negative effect. The 10% cuts apply to Victim/Witness funding, the Circuit Court Block Grant, and Guardian Ad Litem fees and they total about \$590,000 over the biennium with the first round of cuts occurring July 1st. Currently, Dane County spends about \$4,370,000 in GRP to support the Court system. The state cuts and our annual court costs remind me of a position Governor Walker took as Milwaukee County Executive -- that the state should fund the entire court system which was designed as a state system with judges, district attorneys, and public defenders all state employees. I ask that the Governor and Legislature fund the entire program in this budget. In return, I think it would be fair for counties to give up Shared Revenue.

Shared Revenue is cut dramatically, from \$2.1 million per year by about \$1.1 million. It appears that the budget caps cuts to individual counties to 50% and that Dane County will fall into that category. The reduction becomes effective in the second year of this biennium, affecting the county in 2012. The Working Lands Initiative is eliminated. Besides eliminating a source of funding to preserve farmlands that several Dane County towns had already used, this action reduces revenue in the Department of Planning & Development by about \$25,000. The 10% cut in state appropriations reduces by \$20,000 the payment the state has pledged to the Alliant Energy Center as its part in financing the Exhibition Hall (to ensure that World Dairy Expo stayed in Wisconsin). With regard to highway maintenance, there is a 10% decrease in General Transportation Aids but a 2% increase in State Highway Maintenance. The loss to Dane County could be around \$370,000 but, again, more analysis is needed.

Additional reviews and restrictions will make Stewardship-assisted land acquisitions more difficult. The budget does not indicate how much Stewardship funding will actually be available over the next biennium. The budget proposes eliminating the stricter phosphorous standards the state recently adopted to improve water quality and comply with federal law. These rules are an important part of our partnership with MMSD to reduce the biggest source polluting our lakes. We will see substantial, well-founded legal objections to this part of the budget. The Governor's rationale for eliminating these water quality measures is that ours are

more restrictive than our neighboring states. But federal regulations demand that each state adopt measures adequate to protect and restore its resources. We have better streams, rivers, and lakes than Illinois so we have more to protect. While it appears that, locally, the City of Madison is most hurt by the elimination of recycling grants (about \$1.1 million), the consequences for Dane County could be dire. If Madison does not recycle as much, our landfill will fill up more quickly and accelerate a difficult and expensive decision regarding a new landfill. And I do not see the fairness in renaming the recycling fee and diverting most of it to economic development.

One of the most complex provisions of the budget, requiring much more analysis, is its levy limit. The first part seems straightforward. The increase in the levy is limited by the increase in property value attributed to new construction. By way of example, that growth factor was 1.2% for Dane County last year. So, the increase in levy would have been no more than about \$1.8 million. However, the levy limit also contains a provision that the county reduces its levy by the amount by which debt service, incurred prior to July 1, 2005, diminishes. It is not clear whether the debt service is only that covered by the levy.

That uncertainty, as troubling as it is, gives way to a more fundamental concern. This bill is far too restrictive of local elected officials and their constituents -- the people who voted them into office -- as they make key taxing and spending decisions. In Dane County Executive and County Board races, the rate and purpose of property taxation are rigorously debated. When I have introduced a budget or when the County Board has debated and voted on the budget, the press covers and citizens of every political persuasion focus on property taxes and what that revenue is used for. Over the fourteen years that I have served you such scrutiny and debate have resulted in modest tax increases (about \$13 a year for the average property taxpayer) to support budgets that have maintained or improved public safety and human services. In almost all of those budgets, some have argued we have either taxed too much or not enough. The point is not that we have or haven't taxed too much or that I have been right or wrong or that liberal or conservative supervisors have been right or wrong. The point is that we have had fair, transparent, public debates on the balance we need to strike between taxes and services. This bill goes too far in limiting what is appropriately the decision of Dane County's locally elected officials.

Obviously, I think the Governor's proposed budget lacks fairness as well as hurts Dane County's residents. But in fairness to him, it has some proposals that we welcome and appreciate. Examples include:

- Capital assistance for a variety of non-point pollution abatement, flood control, and shoreline restoration
- Additional capital assistance for county water resource projects (the bill is not clear what these would be).

The budget proposes that Regional Transit Authorities must have binding referenda before adopting sales taxes. I support this proposal and hope the Legislature will agree to allow the

Dane County RTA to spend some of its funding on road projects (as part of a balanced transportation plan) and to add a town representative to the Board.

I am grateful to Secretary Eloise Anderson and the Governor for continuing funding for the County's Early Childhood Initiative (ECI). This will enable the County to continue the existence of that program in Sun Prairie. With the program's strong emphasis on young parents finding and keeping jobs and its documented record of success, I hope it can continue to win bi-partisan support.

We will work with the Legislature to improve this budget. As I hope my proposal on the Court system and Shared Revenues shows, I recognize the need to work together and to be imaginative as the state seeks to address its budgetary problems. I just hope the majority party is willing to work with local officials. Across the state, local boards of elected officials set the right example by working together to create responsible and balanced budgets. In Dane County, in our last budget, most members of the County Board worked together on a fiscally sound, service-preserving 2011 budget. Our Personnel & Finance Committee worked especially hard, with all its members, both conservative and liberal, contributing to the final product.

In summary, a preliminary estimation of reduced revenue in the proposed budget to Dane County is a loss of \$492,000 for the remainder of this year and cuts of \$2.3 million in 2012 and \$3.2 million in 2013 (GPR only). There is another \$4 million in cuts to county revenues that will require us to lay off about 80 employees and reduce services to poor families and children. I cannot stress too much the preliminary nature of this analysis; I am concerned that the currently unanswered questions we have (think again of MA) are going to resolve into significant problems for the county. Attached to this memorandum is a chart of these and other provisions of the proposed budget. We also have to be realistic and recognize that many of these cuts will not be restored. To address the cuts that will occur this year, I request that I appear before the County Board at your regularly scheduled March 17th meeting. At that meeting, I will describe a freeze of as much discretionary spending as possible – hiring, travel, training, purchases via purchase order or as yet unapproved contracts. On April 19th, the new County Executive can review the status of our finances and the progress of the state budget and take whatever action he or she thinks is appropriate.

Thank you.

Attachment