



Tom Barrett
Mayor, City of Milwaukee

February 14, 2011

Senator Alberta Darling
Representative Robin Vos
Co-Chairs, Joint Committee on Finance
Room 305 East, State Capitol
Madison, WI 53702

Re: Special Session Senate Bill 11

Dear Senator Darling and Representative Vos:

I am writing to comment on provisions of the Budget Adjustment Bill which affect the City of Milwaukee.

This is the situation we face. We have been warned that the upcoming state budget will include large shared revenue reductions. We have also been told that we will be given the tools to offset these cuts. Now we find out that Milwaukee won't get the same tools as other communities across the state. We also find out that these tools won't apply to Milwaukee police and fire, which comprise 65% of our operating budget salaries.

If we are going to ask our employees to shoulder the impact of the state's budget deficit, it is only fair to apply it to all of them. You should not give the Milwaukee police and fire unions a special exception to the changes in the bill, forcing all other employees to bear the burden of the cuts.

If we are to manage the upcoming cuts, Milwaukee needs to be given the same cost controls as everyone else. All other municipalities are members of WRS and therefore their pension costs are non-bargainable. Nearly all other communities are members of the state's local government health pool, meaning their healthcare costs will be capped at 88% of the premium under this bill. It is simply wrong to punish the taxpayers of Milwaukee by excluding the Milwaukee police and fire unions from coverage under this bill.

To that end, I urge you to consider three changes that will help Milwaukee carry out the intent of the legislation to reduce our labor costs:

1) Modify the language in Section 149 to reflect differences between the way the City of Milwaukee's Employee Retirement System (ERS) and WRS are designed.

Milwaukee's pension system does not operate the same way as WRS or Milwaukee County's pension system. In order for the city to achieve the savings outlined in the bill's analysis, the language in this section will have to be modified in two ways:

First, the language must correctly reflect the way employee contributions are calculated for purposes of our ERS. The city currently pays the employee's contribution of 5.5% of each employee's salary for general city employees, with the exception of those hired on or after January 1, 2010. The city pays 7% on behalf of police and fire employees and elected officials. This is not an actuarially required contribution as defined in the bill; it is an employer-paid member contribution.

If this language is not changed, the bill as currently written would save us nothing in immediate years, but could potentially cost employees hundreds of millions in future years. I don't believe this was the intent. The alternative language we are submitting would provide employees with a consistent contribution expectation, similar to what is being required of WRS members.

Second, it is my understanding that the intent of the legislation is to require all municipal employees to pay the employee share of their pension contribution. In order to be consistent with the treatment of police and fire employees in all other municipalities who participate in WRS and where pension is not a bargainable issue, it needs to be clear that Milwaukee's protective services are not excluded from this provision. This year, the employee contribution for police and fire is \$14.4 million, whereas the contribution for general city employees is only \$8.3 million. Excluding police and fire would cause the City to miss out on the majority of the proposed savings.

To correct these two problems, the language in Section 149 should be amended to read:

62.623 Payment of contributions in an employee retirement system of a 1st class city. Beginning on the effective date of this section . . . , in any employee retirement system of a 1st class city, the employers may not pay on behalf of an employee, any of the employee's share of his or her required contributions.

Note that this revised language strikes the language regarding collective bargaining agreements. The original language appeared to exempt bargaining units from the pension changes who were exempted from the collective bargaining changes elsewhere in the bill. We believe the intent of that language can be better accomplished by referring to the treatment of s. 66.623 in the initial applicability provisions found in Section 9332 of the bill.

2) Allow the City of Milwaukee to enroll in the Wisconsin Public Employers' Group Health Insurance Program. Or, alternatively, require that all employees of a 1st class city contribute 12% of their premium.

For Milwaukee to fully benefit from the health insurance savings proposed in SS SB 11, the City of Milwaukee should be permitted to enroll its employees in the Wisconsin Public Employers' Group Health Insurance Program. This bill prohibits employers participating in that program from paying more than 88% of the employee premium. Currently, Milwaukee is barred from participating in the program because we do not participate in WRS, and hence excluded from these savings.

Our healthcare costs are \$128 million this year, up 121% from 2000. A savings of 12% from increased general city employee contributions would be \$6 million. The savings for police and fire would be another \$4.7 million. We need to be able to capture the full savings of \$10.7 million, including police and fire.

If the intent of SS SB 11 is to provide local governments with the tools necessary to control costs, then it is imperative that Milwaukee be allowed to consider enrolling its employees in the state pool. In any given year, we will determine whether to participate by comparing its cost with options we can achieve on our own. Alternatively, you could require that all employees of a 1st class city pay 12% of their premium. It is clear that the intent is to require this for all employees in other communities. Let's not leave Milwaukee taxpayers out of this savings.

3) Combine collective bargaining provisions for Milwaukee police with the police and fire bargaining units for the rest of the state.

The governor has stated that there was no special treatment for Milwaukee Police or Fire unions in this bill, but that is not correct. As this bill is written, the Milwaukee Police Association will continue to be the only union in the state that has issue-by-issue arbitration as well as being exempt from the new healthcare and pension contributions. There is no public safety or public policy reason to support this special treatment.

That Milwaukee's police union is specially entitled to unique binding arbitration provisions, unavailable even to other police or fire bargaining units in the state, is unfair to Milwaukee taxpayers. To avoid any favoritism among law enforcement personnel, the Milwaukee Police Association must be treated in a manner that is consistent with its peers, as outlined in Wis. Stat. 111.77. In order to accomplish this change, you will need to strike Wis. Stat. §111.70(4)(jm).

Thank you for your consideration of these changes, I look forward to discussing them with you.

Sincerely,



Tom Barrett
Mayor