



2021

MILWAUKEE POLICE PENSION IMPACTS IN FY2023 AND BEYOND



Acknowledgements

The African American Roundtable (AART) collaborates to show power, amplify each other's voices, nurture leadership, promote racial equity and accessibility, and pass policies to radically improve the lives of Black people in Milwaukee.

AART envisions a Milwaukee where Black people are walking in their power, organized, leading, and transforming policies to change the trajectory of their community to thrive and live at their greatest potential.

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Finally, we would like to acknowledge all of our comrades around the country and the world who are leading fights to shorten the reach of this criminal legal system and that are seeking real investments into our communities.



Introduction

The 2011 Wisconsin Act 10 restricted public employees' right to collective bargaining and increased employees' pension contributions. Importantly, the act exempted state and local law enforcement and firefighters (classified as public safety workers) from these provisions. Law enforcement and firefighters have continued to collectively bargain over wages and pension contributions independently of other public employee unions and outside of the restrictions imposed by Act 10. Over the past decade, the employer (city) contribution to pensions for those in "protective occupations" has grown at a much higher rate than employees' contributions to their own pensions or than employer contributions for other "non-protective occupation" members.¹

This document provides an estimate of the decreases in revenue for city functions in Milwaukee that will result from a planned increase in the city's pension obligation in 2023 and beyond as a result of the decision by the Annuity and Pension Board to lower the assumed rate of return to 7.5%. The unfunded pension liability for the City of Milwaukee has grown by \$720.8 million. Milwaukee will next change its pension contribution in 2023 when the "stable contribution policy" will reset the employer contribution rate.²

Currently the city's regularly scheduled pension contribution is \$71M annually, paid for by general tax levy revenues. 80.8% of this contribution is for police and firefighters, who account for just 44.3% of the city's active workforce.³ It is estimated that in FY2023 the pension contribution for Milwaukee will increase by \$78M, according to the Wisconsin Policy Forum.

If the city makes no changes to the existing retirement system, does not raise additional revenues, and does not change its employee compensation plans significantly, then these additional revenues will come from the property tax levy and reduce funds available to fund ongoing city operations.



¹ <https://etf.wi.gov/benefits/wrs-contribution-rates#ProtectiveSS>

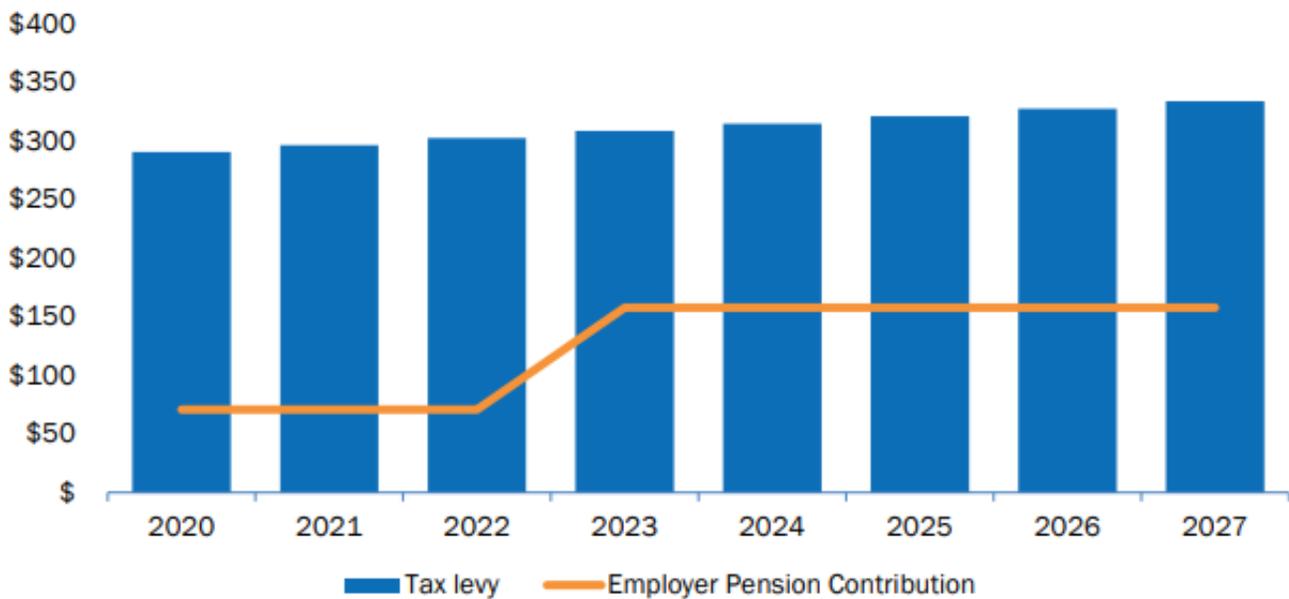
² <https://wispolicyforum.org/research/bridging-the-pension-gap-strong-state-plan-may-show-milwaukee-the-way/>

³ This is in part due to the fact that most city firefighters and police officers are not eligible for Social Security so the pension is in lieu of Social Security contributions, but this does not account for the full amount of the difference - other reasons include much earlier retirement ages, guaranteed annual benefit increases bargained for and the costs of the city's unfunded liability.

Key Points:

- The estimated unfunded liability and pension contribution can be entirely made up with a 26% reduction in police department spending alone.
- Evenly distributing the reductions across city departments would require a proportional cut of 11.5% to every department's budget.
- Reducing the police and fire budgets proportionally to their share of the pension obligation would require reducing their budgets by 15% while remaining city departments would only need to contribute a 5.8% reduction.
- Protecting the police and fire from budget reductions at the expense of other departments would be very costly. One example asking FD and PD to cut only \$18M in 2023 would leave all other departments on the hook for a 23% decrease in operations.
- These are annual cuts that would have to be sustained at a minimum of five years consecutively until the pension contribution is reevaluated.

Chart 6: Pension contributions as a proportion of projected property tax levy, 2020-2027 (In millions) ⁴



(Figure above is from City of Milwaukee Budget Brief)

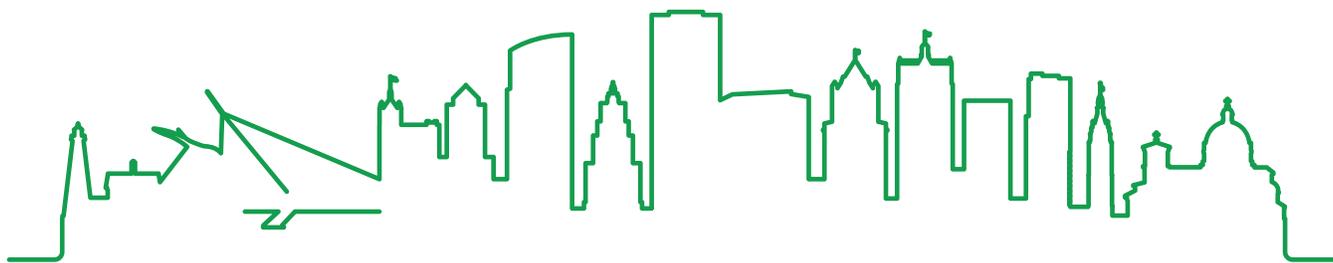
⁴ https://wispolicyforum.org/wp-content/uploads/2020/10/2021CityBudgetBrief.Final_.pdf

IN OCTOBER 2020, THE WISCONSIN POLICY FORUM ESTIMATED THAT THE CITY'S CONTRIBUTION IN 2023 WILL BE \$149M, OR \$78M GREATER THAN THE MOST RECENT BUDGET'S STANDARD CONTRIBUTION.

American Rescue Plan Act Considerations:

On March 11, 2021, President Joe Biden signed the American Rescue Plan Act (ARPA) into law, which allotted \$350 billion for state and local governments. The City of Milwaukee has been allocated approximately \$394.2 million in ARPA funds.

The City of Milwaukee has recently indicated that it is considering allocating some of its ARPA funding toward this \$70M pension shortfall.⁵ **Municipalities are specifically forbidden from making pension contributions using ARPA funding.** There is an accounting trick that cities can use to skirt this restriction -- declaring the funds used for revenue loss. The city can then use ARPA funds for ongoing city operations and reallocate other funds to offset the pension contribution. **Using this accounting trick will deprive Milwaukee residents of funding that could have gone to generational investments to transform the city and that would then instead simply compensate retired law enforcement and fire employees.** The scenarios described in this report are provided to help the city think more thoughtfully about which departments should bear the burden of the increased public safety pension obligations and help ensure that ARPA funding -- which was clearly not intended for this purpose -- is not diverted through an accounting sleight-of-hand to avoid the city making required structural changes.



⁵ <https://urbanmilwaukee.com/2021/09/02/city-hall-city-could-lose-40-of-arpa-funds-to-revenue-recovery/>

Four Scenarios

Let's imagine four different ways the City of Milwaukee can choose to resolve this problem without raising revenue.

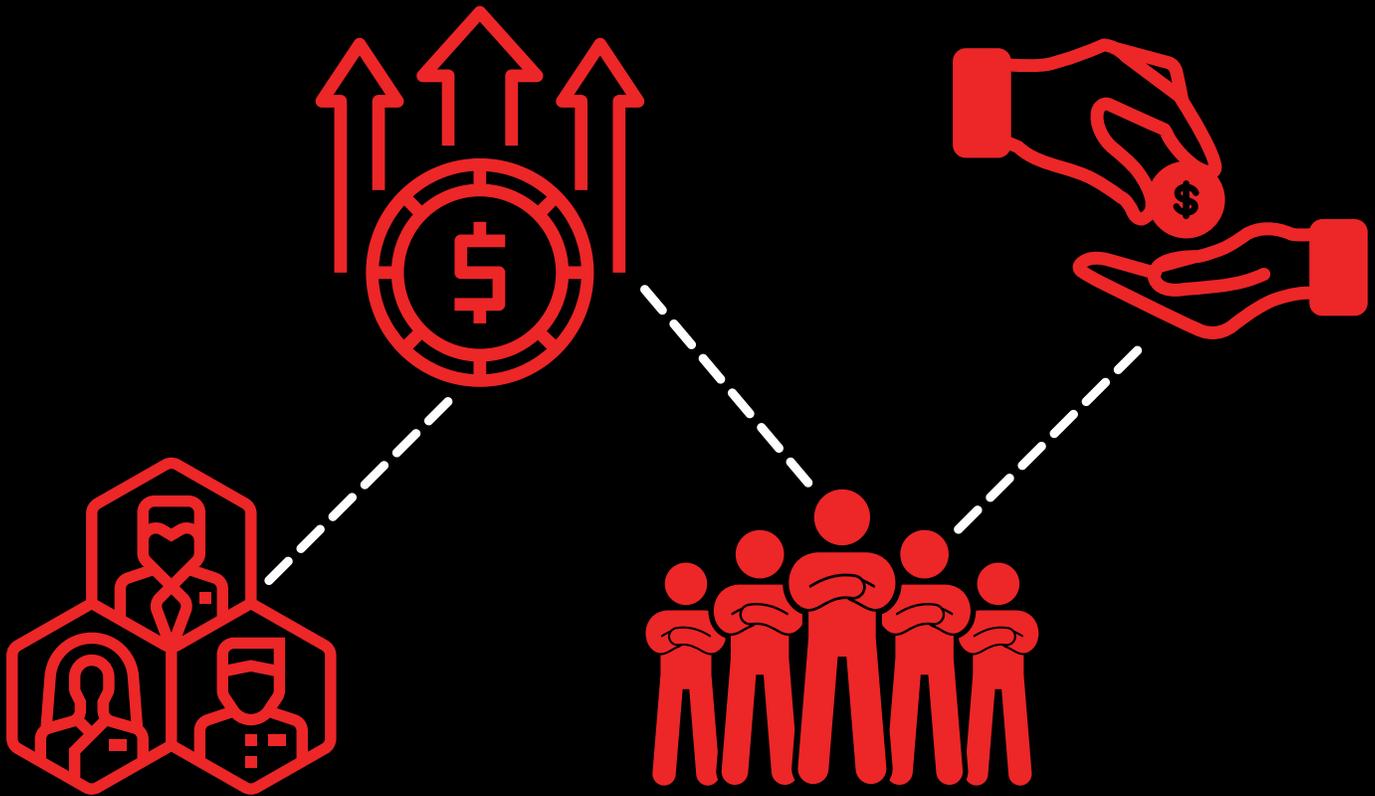
Scenario 1: Proportional by Department Expenditures

Scenario 2: Proportional by Pension Contribution

Scenario 3: Protect Police Budgets

Scenario 4: Defund the Police

Each scenario is described in the following pages, but the calculations for each scenario can be explored in [this spreadsheet](#).



Scenario 1: Proportional by Department Expenditures

In Scenario 1 the city would reduce department budgets across the city for all departments funded as “General City Purposes” in proportion to their 2021 Adopted Budget as a share of “Total Budgets for General City Purposes.” The \$78M would be spread evenly according to the size of the department in dollars – bigger departments like the fire and police departments would receive a larger dollar cut, but proportionally equal to smaller departments like the Library.

All department budgets would decrease by 11.5% from their FY21 Adopted budget levels.

Scenario 1:

General Department	2021 Adopted	2023 Scenario 1	% Change from 2021	\$ Change from 2021	\$ Lost for Smaller Depts
Police	\$295,300,000	\$261,200,000	■	-\$34,100,000	
Fire	\$121,600,000	\$107,600,000	■	-\$14,000,000	
Public Works	\$131,200,000	\$116,100,000	■	-\$15,200,000	
Library	\$24,500,000	\$21,700,000	■	-\$2,800,000	■
Neighborhood Services	\$19,100,000	\$16,900,000	■	-\$2,200,000	■
Administration	\$14,300,000	\$12,600,000	■	-\$1,600,000	■
Health	\$12,900,000	\$11,400,000	■	-\$1,500,000	■
Comm. Council/City Clerk	\$9,800,000	\$8,700,000	■	-\$1,100,000	■
City Attorney	\$7,300,000	\$6,500,000	■	-\$800,000	■
Port Milwaukee	\$5,700,000	\$5,000,000	■	-\$700,000	■
City Development	\$5,100,000	\$4,500,000	■	-\$600,000	■
F&P Commission	\$5,100,000	\$4,500,000	■	-\$600,000	■
Comptroller	\$4,600,000	\$4,100,000	■	-\$500,000	■
Employee Relations	\$4,500,000	\$4,000,000	■	-\$500,000	■
Assessor's Office	\$4,500,000	\$3,900,000	■	-\$500,000	■
City Treasurer	\$3,800,000	\$3,300,000	■	-\$400,000	■
Municipal Court	\$3,000,000	\$2,600,000	■	-\$300,000	■
Election Commission	\$1,600,000	\$1,400,000	■	-\$200,000	■
Mayor's Office	\$1,400,000	\$1,200,000	■	-\$200,000	■

In this scenario the police department takes the largest cut as the largest department in the city with a cut of \$34.1M. Fire is next at \$14M. Neighborhood Services, Library, Administration, Health, and the Common Council all receive cuts of \$1M-\$2M, combined less than either Fire or Police. Public works is just above Fire with a cut of \$15.1M.

Multiply the figures above by five to get the full cost of the five-year reduction necessary to meet the pension obligations.

EACH OFFICER COSTS THE CITY OF MILWAUKEE, ON AVERAGE, \$112,323 IN THE 2020 BUDGET. ⁶ IF THE CUTS COME ENTIRELY FROM SWORN OFFICER PERSONNEL, THEN THE CITY WOULD NEED TO CUT APPROXIMATELY 303 OFFICERS (\$34.1M / \$112,323 PER OFFICER) TO BALANCE THE BUDGET.

⁶ In the 2020 budget District 3 for example had 176 officers for \$13.9M in wages. This is \$79,101 in salary/wages. On average, the MPD pays 42% of the cost of salary in benefits (based on p.115 and 116). Together, this means that an officer in District 3 (a typical patrol officer) costs, on average, \$112,323 (\$79,000 * 1.42).

Scenario 2: Proportional by Pension Contribution

In Scenario 2 the city reduces department budgets by the share they contribute to the pension liability. 80.8% of the pension liability is for police and firefighters, who account for just 44.3% of the city's active workforce. In this scenario we will assume all non-public safety workers contribute equally to the rest, proportional by their departmental budgets.

Scenario 2:

General Department	2021 Adopted	2023 Scenario 2	% Change from 2021	\$ Change from 2021	\$ Lost for Smaller Depts
Police	\$295,300,000	\$250,700,000		-\$44,600,000	
Fire	\$121,600,000	\$103,200,000		-\$18,400,000	
Public Works	\$131,200,000	\$123,600,000		-\$7,600,000	
Library	\$24,500,000	\$23,100,000		-\$1,400,000	
Neighborhood Services	\$19,100,000	\$18,000,000		-\$1,100,000	
Administration	\$14,300,000	\$13,400,000		-\$800,000	
Health	\$12,900,000	\$12,200,000		-\$800,000	
Comm. Council/City Clerk	\$9,800,000	\$9,300,000		-\$600,000	
City Attorney	\$7,300,000	\$6,900,000		-\$400,000	
Port Milwaukee	\$5,700,000	\$5,400,000		-\$300,000	
City Development	\$5,100,000	\$4,800,000		-\$300,000	
F&P Commission	\$5,100,000	\$4,800,000		-\$300,000	
Comptroller	\$4,600,000	\$4,400,000		-\$300,000	
Employee Relations	\$4,500,000	\$4,200,000		-\$300,000	
Assessor's Office	\$4,500,000	\$4,200,000		-\$300,000	
City Treasurer	\$3,800,000	\$3,600,000		-\$200,000	
Municipal Court	\$3,000,000	\$2,800,000		-\$200,000	
Election Commission	\$1,600,000	\$1,500,000		-\$100,000	
Mayor's Office	\$1,400,000	\$1,300,000		-\$100,000	

In this scenario the cuts to departments outside of the PD and FD are just 5.8% of their departmental budgets. Public works is cut only \$7.6M for example, and only one other department is reduced by more than \$1M annually.

PD is reduced by \$44.6M and FD is reduced by \$18.3M to account for their larger share of the budget and larger contribution to the city pension fund liabilities. This would require cutting 397 officer positions.

Multiply the figures above by five to get the full cost of the five-year reduction necessary to meet the pension obligations.

Scenario 3: Protect Police Budgets

In Scenario 3 the city tries to continue business as usual and protects the police and fire departments from fiscal reality by only cutting these two departments by \$10M and \$8M respectively. This leaves \$60M to be distributed among other city departments. In this scenario every other city department receives a 23% cut while police and fire receive ~5% cuts.

Scenario 3:

General Department	2021 Adopted	2023 Scenario 3	% Change from 2021	\$ Change from 2021	\$ Lost for Smaller Depts
Police	\$295,300,000	\$285,300,000	↓	-\$10,000,000	
Fire	\$121,600,000	\$113,600,000	↓	-\$8,000,000	
Public Works	\$131,200,000	\$100,700,000	↓	-\$30,500,000	
Library	\$24,500,000	\$18,800,000	↓	-\$5,700,000	
Neighborhood Services	\$19,100,000	\$14,700,000	↓	-\$4,400,000	
Administration	\$14,300,000	\$11,000,000	↓	-\$3,300,000	
Health	\$12,900,000	\$9,900,000	↓	-\$3,000,000	
Comm. Council/City Clerk	\$9,800,000	\$7,500,000	↓	-\$2,300,000	
City Attorney	\$7,300,000	\$5,600,000	↓	-\$1,700,000	
Port Milwaukee	\$5,700,000	\$4,400,000	↓	-\$1,300,000	
City Development	\$5,100,000	\$3,900,000	↓	-\$1,200,000	
F&P Commission	\$5,100,000	\$3,900,000	↓	-\$1,200,000	
Comptroller	\$4,600,000	\$3,600,000	↓	-\$1,100,000	
Employee Relations	\$4,500,000	\$3,400,000	↓	-\$1,000,000	
Assessor's Office	\$4,500,000	\$3,400,000	↓	-\$1,000,000	
City Treasurer	\$3,800,000	\$2,900,000	↓	-\$900,000	
Municipal Court	\$3,000,000	\$2,300,000	↓	-\$700,000	
Election Commission	\$1,600,000	\$1,200,000	↓	-\$400,000	
Mayor's Office	\$1,400,000	\$1,100,000	↓	-\$300,000	

In this scenario several departments take much bigger cuts than in other scenarios, notably public works, neighborhood services, libraries, the health department and the administration department.

This would still cut 89 officer positions in Milwaukee.

Multiply the figures above by five to get the full cost of the five-year reduction necessary to meet the pension obligations.

Scenario 4: Defund the Police

The entire additional pension obligation can be funded by a 26% cut in the police budget.

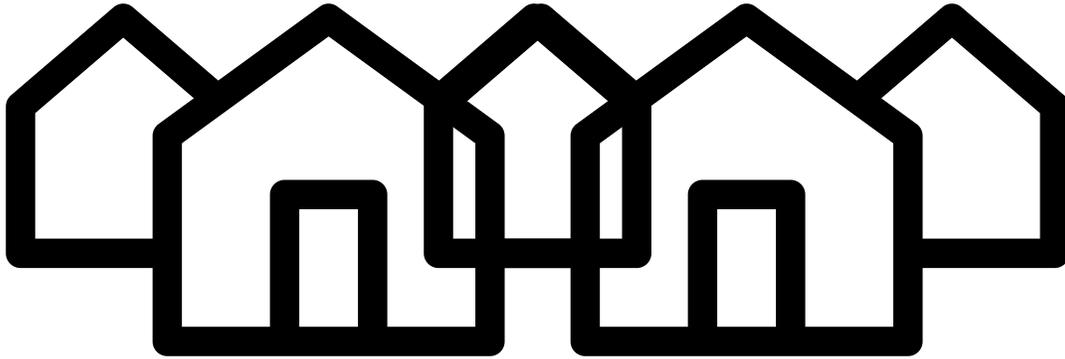
Scenario 4:

General Department	2021 Adopted	2023 Scenario 4	% Change from 2021	\$ Change from 2021
Police	\$295,300,000	\$217,300,000		-\$78,000,000
Fire	\$121,600,000	\$121,600,000		\$0
Public Works	\$131,200,000	\$131,200,000		\$0
Library	\$24,500,000	\$24,500,000		\$0
Neighborhood Services	\$19,100,000	\$19,100,000		\$0
Administration	\$14,300,000	\$14,300,000		\$0
Health	\$12,900,000	\$12,900,000		\$0
Comm. Council/City Clerk	\$9,800,000	\$9,800,000		\$0
City Attorney	\$7,300,000	\$7,300,000		\$0
Port Milwaukee	\$5,700,000	\$5,700,000		\$0
City Development	\$5,100,000	\$5,100,000		\$0
F&P Commission	\$5,100,000	\$5,100,000		\$0
Comptroller	\$4,600,000	\$4,600,000		\$0
Employee Relations	\$4,500,000	\$4,500,000		\$0
Assessor's Office	\$4,500,000	\$4,500,000		\$0
City Treasurer	\$3,800,000	\$3,800,000		\$0
Municipal Court	\$3,000,000	\$3,000,000		\$0
Election Commission	\$1,600,000	\$1,600,000		\$0
Mayor's Office	\$1,400,000	\$1,400,000		\$0

In this scenario the police take a 26.4% cut and all other departments have their budgets frozen.

This would cut about 694 officer positions.

Conclusion



For too long police have had a blank check and unlimited resources to arrest, harm, and kill people in our communities. Politicians continued to vote to hire more police, adding to the problem. Over the same period, we have seen divestments in public services that produce safety like housing and income support.

Now, Milwaukee has a structural budget problem that is going to mean a loss of quality of life services for its residents. The American Recovery Plan Act and defunding the police provides Milwaukee an opportunity to avoid austerity budgets starting in 2023. In the summer of 2019, LiberateMKE released its policy proposal based on community input. Most of those proposals still apply. We still need to see investments into people, not police.

That is why we are demanding a \$75 million defunding of the Milwaukee Police Department and spending ARPA funds on participatory budgeting and housing.

Participatory budgeting gives power to residents to decide what they would like to see in their communities. Through this participatory process, residents would propose a project that they would like to see, and residents would vote. This would ensure communities would have real decision-making power on what their neighborhoods need. There are over 650 examples of participatory budgeting in the United States, including in Seattle, New York City, Chicago, and Durham.

Milwaukee still has an acute housing problem. Sixty percent of Milwaukee renters are rent burdened. Prior to the pandemic, Milwaukee averaged 16 evictions per day. With the rent moratorium set to expire in October, many families are going to struggle to stay in their homes. Investing in community-based housing is crucial.

We urge Milwaukee city leaders to invest in the programs that are certain to improve the quality of city living for everyone. This is the pathway that will allow Milwaukee to become the best version of itself. Milwaukee has everything it needs to be a vibrant, thriving city. We will get there by putting our shared resources toward programs that nourish residents' mental, physical, and economic well-being. Let's LiberateMKE!



www.aartmke.org 

info@africanamericanroundtable.org 