



**BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR**

M E M O R A N D U M

TO: Honorable Chairman Dennis C. Moss and
Members, Board of County Commissioners

FROM: Charles Anderson
Commission Auditor

A handwritten signature in black ink, appearing to read "Charles Anderson", is written over the printed name and title.

DATE: August 13, 2010

SUBJECT: Budget Survey

For fiscal year 2010-11, many local governments across the nation continue to face the lingering effects of the economic recession. To deal with declining revenues, local governments have turned to a number of innovative measures to balance their budgets. This survey details the various strategies that 20 of the largest jurisdictions in the United States have used to close their budget gaps for the upcoming fiscal year.

This survey is intended to provide a sampling of the various approaches that some jurisdictions have taken to balance their fiscal year 2010-11 budgets. This memo will briefly discuss the most commonly used budget tactics of various jurisdictions. The attached documents provide a more detailed look at the 20 jurisdictions surveyed.

The 20 jurisdictions included in this survey are: Alameda County, CA; City of Baltimore, MD; Baltimore County, MD; Boston, MA; Chicago, IL; Denver, CO; City of Detroit, MI; City of Jacksonville, FL; City of Los Angeles, CA; Los Angeles County, CA; Harris County, TX; City of Houston, TX; Memphis, TN; Maricopa County, AZ; Montgomery County, MD; Nashville-Davidson County, TN; Nassau County, NY; New York City, NY; Westchester County, NY; and Miami-Dade County, FL.

Generally, the survey found that to close budget gaps local governments either reduce expenditures, increase revenues, and/or tap into reserves or other special funds. These findings are similar to those found in an April 2010 survey conducted by the Office of Legislative Oversight in Montgomery County, Maryland. A copy of the Montgomery County report is attached for your review.

Reduce Expenditures

The survey found that for fiscal year 2010-11, many local governments will be reducing staff expenses to help close budget gaps. Such reductions are achieved through the elimination of staff positions (targeting vacant positions first), imposing wage freezes and hiring freezes, furloughs, and/or reducing the salaries of employees. Jurisdictions which have adopted some or all of these strategies include Chicago, IL, Detroit, MI, the City of

Jacksonville, the City of Los Angeles, Los Angeles County, New York City, Harris County, TX, and Montgomery County, MD.

Jurisdictions have also imposed across the board budget cuts for all departments. These cuts range from 2 percent to 8 percent of a department's baseline budget. Often these cuts are imposed on the political branch of government as well as the administrative branch. The cities of Denver, Houston and Memphis have used this approach.

A number of jurisdictions, such as Chicago and Montgomery County, MD, have gone to employee unions and sought to decrease costs through contract re-negotiations and employee concessions. Concessions vary from jurisdiction to jurisdiction, but generally include salary adjustments, and a reduction in overtime pay, cost of living adjustments and other salary perks.

Cutting municipal services or eliminating/consolidating departments are among the cost-cutting measures used by the City of Jacksonville, Los Angeles, the County of Los Angeles and New York City.

Increase Revenue

For fiscal year 2010-11, only a handful of jurisdictions surveyed have turned to taxpayers to close budget gaps. Cities such as Boston, Los Angeles, Houston and Detroit have either increased fees for city services or licenses, or increased the property tax rate to balance their budgets. Also, Maricopa County, AZ, is looking to increase various sales tax rates in the upcoming fiscal year.

Reserve Funds

The cities of Boston, Chicago and Memphis are among those jurisdictions which turned to their reserve funds or special rainy-day accounts to fill budget gaps.

Conclusion

This survey is not exhaustive and does not represent every possible budgetary strategy that a jurisdiction can take to close its budget gap. However, this report does provide an overall picture of the various budgetary tactics being used by the nation's largest jurisdictions to address budget shortfalls.

Attachments:

1. Survey Matrix
2. Survey of 20 Jurisdictions
3. Montgomery County Report – Examples of State/Local Government Actions to Close Budget Gaps: FY 09-FY11

c: Honorable Carlos Alvarez, Mayor
George M. Burgess, County Manager
R.A. Cuevas, Jr. County Attorney
Jennifer Glazer-Moon, Special Assistant/OSBM Director
Diane Collins, Acting Division Chief, Clerk of the Board Division

SURVEY MATRIX

	Alameda County, CA	City of Baltimore, MD	Baltimore County, MD	Boston, MA	Chicago, IL	Denver, CO	Detroit, MI	Jacksonville, FL	Los Angeles, CA	Los Angeles County, CA	Harris County, TX	City of Houston, TX	Memphis, TN	Maricopa County, AZ	Montgomery County, MD	Nashville-Davidson County, TN	Nassau County, NY	New York City, NY	Westchester County, NY	Miami-Dade County
Reduce Expenditures																				
Elimination of staff positions	✓	✓			✓	✓	✓	✓	✓	✓	✓				✓			✓	✓	✓
Wage freezes	✓					✓									✓				✓	
Hiring freezes										✓	✓				✓					
Furloughs		✓			✓	✓									✓				✓	
Salary Reduction							✓	✓											✓	
Departmental budget cuts (2% -8%)						✓						✓	✓	✓	✓	✓	✓	✓		✓
Contract re-negotiations/employee concessions	✓	✓	✓		✓	✓		✓	✓					✓	✓				✓	✓
Cutting municipal services or eliminating/consolidating departments	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓					✓			✓
Privatizing Services					✓			✓												
Debt Restructuring													✓			✓				✓
Postponement of Capital Improvement Projects			✓													✓				
Increase Revenues																				
Increased fees for municipal services or licenses		✓		✓	✓			✓	✓			✓	✓							✓
Increased property tax rate							✓													
Sales tax increase												✓								
Tap Into Reserves Or Other Special Funds																				
Reserve Funds/Special Accounts				✓	✓							✓	✓		✓					
Surplus funds rollover (resulting after 3 yrs of budget reductions)																		✓		

Survey of Twenty (20) Major Jurisdictions In the United States

(detailing various strategies used to close budget gaps for the upcoming fiscal year)

Table of Contents

<u>Municipality</u>	<u>Page(s)</u>
Alameda County, CA	3
City of Baltimore, MD	4 - 5
Baltimore County, MD	6
Boston, MA	7
Chicago, IL	8
Denver, CO	9 – 10
City of Detroit, MI	11 – 12
City of Jacksonville, FL	13 – 14
City of Los Angeles, CA	15 – 16
Los Angeles County, CA	17 – 18
Harris County, TX	19
City of Houston, TX	20
Memphis, TN	21
Maricopa County, AZ	22 -23
Montgomery County, MD	24
Nashville–Davidson County, TN	25
Nassau County, NY	26
New York City, NY	27
Westchester County, NY	28
Miami-Dade County, FL	29

Alameda County, California

Time Period	July 1, 2010 to June 30, 2011
FY 2010-11 Budget Gap	\$154.4 million
Approved FY 2010-11 Budget	\$2.44 billion
Highlights of approved strategies to balance the FY 2010-11 Budget	<ul style="list-style-type: none"> • Permanent program reductions; • Elimination of more than 100 staff positions – most of which are vacant; • Revenue increase such as department savings; and • One-time strategies, such as givebacks by employee unions that agreed to wage freezes for the next 3 years.¹

Alameda County has a population of approximately 1.49 million residents.² On June 25, 2010, the Alameda County Board of Supervisors adopted a \$2.44 billion budget for FY 2010-11, closing a \$152.4 million budget funding gap; nevertheless, the County may be forced to revisit this adopted budget as more cuts are anticipated to take place.³

The State of California’s inability to pass its budget only compounds the difficult task of balancing a local budget. Alameda County manages several programs that are dependent on state funding. With the State of California unable to finalize its budget, County officials remain concerned that the State may fill its budget gaps by shifting resources away from local government, significantly undermining state-funded services administered by the County and creating a significant new strain on local resources.⁴ For example, in FY 2009-10, the County estimated that it was facing an additional \$227 million in cuts due to proposed revisions to the State budget.⁵

In addition, this is the first time in 50 years Alameda County experienced a 4.4% decrease in revenues due to the declines in property taxes, sales taxes and interest earnings⁶. The adopted budget for FY 2010-11 includes a \$4.9 million general reserve increase to help the County prepare to meet future demands and to maintain its strong credit ratings.⁷

¹ KTVU.com, June 25, 2010. <http://www.ktvu.com/print/24047154/detail.html>

² U.S. Census Bureau: State and County Quick Facts. Last Revised: Thursday, 22-Apr-2010 08:34:24 EDT. <http://quickfacts.census.gov/qfd/states/06/06001.html>

³ The Mercury News, June 29, 2010. http://www.mercurynews.com/breaking-news/ci_15402247

⁴ County of Alameda, California Press Release, June 10, 2010.

⁵ The Daily Californian Online, June 29, 2009.

http://www.dailycal.org/article/105979/approved_alameda_county_budget_includes_deep_cuts

⁶ KTVU.com, June 25, 2010. <http://www.ktvu.com/print/24047154/detail.html>

⁷ County of Alameda, California Press Release, June 10, 2010.

City of Baltimore, Maryland

Time Period	July 1, 2010 to June 30, 2011
FY 2010-11 Budget Gap	\$121 million
Approved FY 2010-11 Budget	\$2.2 billion
Highlights of approved strategies to balance the FY 2010-11 Budget	<ul style="list-style-type: none"> • Freezing of employee salaries; • Continuation of FY 2010 furlough plan for another year; • Suspending automatic longevity pay increases; • Requiring employees and retirees to share in prescription drug premiums; • Consolidation of agencies and services; • Elimination of some agencies and services; • Demand for greater efficiency across the board; and • Revenues from bottle tax (\$0.2 cent tariff that expires in 3 years).

The City of Baltimore has a population of approximately 631,366.⁸ On March 24, 2010, Baltimore’s finance department presented the 2011 preliminary budget along with the new “Outcome Budgeting process” - a process in which City agencies compete for every dollar based on measurable results and efficiency. Compared to the FY 2010 adopted budget, Baltimore is facing a \$121 million budget shortfall, resulting from a \$54 million decline in revenue and \$67 million in cost increases.⁹

The final FY 2011 budget was adopted on June 24, 2010, with more than \$77 million in spending cuts and \$43 million in new revenue.¹⁰ The adopted budget maintains the current \$2.268 property tax rate, allows for a two cent beverage container surcharge that expires in three years an exemption from property bed fee, an energy tax, Piggyback income tax, parking tax, telecommunication tax, hotel tax, and an early payment property tax discount.¹¹ Furthermore, the adopted budget increases the hourly parking rate on parking meters from \$1 to \$2 per hour in five areas where street parking is in high demand, and increases parking fines by 20%. Early projections estimate that the Comprehensive Plan could fully fund the city’s obligation to public schools, maintain every single police officer and firefighter,

⁸ U.S. Census Bureau: State and County Quick Facts. Last Revised: Thursday, 22-Apr-2010 08:34:58 EDT.

<http://quickfacts.census.gov/qfd/states/24/2404000.html>

⁹ City of Baltimore Press Release, March 24, 2010.

¹⁰ City of Baltimore Press Release, June 21, 2010.

¹¹ The Baltimore Sun, June 24, 2010. http://articles.baltimoresun.com/2010-06-24/news/bs-md-bottle-tax-approval-20100624_1_bottle-tax-4-cent-tax-tax-package.

Beverage Container Surcharge—exempts milk, juice, dairy substitutes and “economy size” containers 2 liters or larger. It promotes the City’s environmental and sustainability goals by encouraging the use of refillable containers. With nonresident workers, tourists and other daily visitors who utilize City services also paying the surcharge, the proposal will generate an estimated \$11.4 million (source: City of Baltimore Press Release, June 21, 2010).

Exempt Property Bed Fee—designed to charge only the largest nonprofit entities in the City that utilize core city services—police, fire, roads, lighting, other infrastructure—but do not pay property taxes. The 16 private colleges and hospitals impacted by the fee receive more than \$10 billion in revenues annually and each year the City loses more than \$120 million from nonprofit and tax exempt property. At 97 cents per day per bed, the fee will generate \$3.9 million to help fund core city services (source: City of Baltimore Press Release, June 21, 2010).

‘Piggyback’ Income Tax—the tax slightly increases the local income tax rate from 3.05% to 3.2%. The impact of the proposal for single median income earners (\$36,894) in Baltimore is \$48 a year or \$1.84 a paycheck. Local income taxes are deductible on federal tax returns. The proposal will generate \$5.9 million for the general fund in Fiscal 2011, 56% of which will be spent on Public Safety and Public Schools (source: City of Baltimore Press Release, June 21, 2010).

reduce fire company closures over the current fiscal year, keep all community libraries open and fund effective after-school programs.

Under the adopted budget, the police department and the helicopter unit remain intact, with no layoffs, the Fire department will continue rotating firehouse closures, and approximately 250 city workers will be laid off, preventing an additional 700 positions from being abolished.¹² The remaining City employees will continue taking furloughs with no pay increases, and the city will implement a new prescription drug employee cost-sharing plan. The furloughs, pay freezes, and new prescription drug plan is estimated to be \$36 million in general savings to the city.¹³ City agencies and functions have also been consolidated.

¹² Baltimore Business Journal, June 22, 2010.

<http://baltimore.bizjournals.com/baltimore/stories/2010/06/21/daily27.html?t=printable>

¹³ City of Baltimore Press Release, March 24, 2010.

Baltimore County, Maryland

Time Period	July 1, 2010 to June 30, 2011
FY 2010-11 Budget Gap	\$164 million
Approved FY 2010-11 Budget	\$1.6 billion
Highlights of approved strategies to balance the FY 2010-11 Budget	<ul style="list-style-type: none"> • Two-year labor union agreements that include no employee cost of living increases, guaranteed longevity and step increases, and no furloughs or layoffs; • Postponement of capital improvement projects; and • Scaling back departmental budgets.

Baltimore County has a population of approximately 789,814 residents.¹⁴ On May 27, 2010, the Baltimore County Council approved a \$1.6 billion spending plan for FY 2011.¹⁵

The adopted budget addresses a \$164 million revenue shortfall by postponing capital projects, implementing newly negotiated labor union agreements, and scaling back departmental budgets.¹⁶ Baltimore County will take \$118 million in cash from capital projects that could be delayed, \$40 million from health insurance savings, \$4 million from unspent monies, and the rest from surpluses.¹⁷ The approved budget contains no property tax or income tax increases.

The FY 2011 budget reflects steps taken to secure a two year contract with labor unions that reduce retirement and health care costs in exchange for a pledge to fund step and longevity increases, as well as no furloughs or layoffs during FY 2011 and FY 2012. The agreements also increase employee pension contributions, and amend entitlements to retirement COLAs.¹⁸

While the budget contains no new programs it does contain very modest improvements to some existing school programs and capital improvements. They include approximately \$10.2 million for air conditioning and school supplies; and converting 17 positions in the school system’s infants and toddlers program from 10-month positions to 12-month positions.¹⁹

¹⁴ U.S. Census Bureau: State and County Quick Facts. Last Revised: Thursday, 22-Apr-2010 08:34:58 EDT. <http://quickfacts.census.gov/qfd/states/24/24005.html>

¹⁵ Explore Baltimore County, May 27, 2010. <http://www.explorebaltimorecounty.com/news/106634/budget/>

¹⁶ The Baltimore Sun, April 15, 2010. http://articles.baltimoresun.com/2010-04-15/news/bs-md-co-baltimore-county-announces-budge20100415_1_sound-budget-maintenance-budget-million-revenue-shortfall

¹⁷ *Counties Begin Finalizing FY2011 Budgets*, Maryland Association of Counties. <http://conduitstreet.mdcounties.org/2010/06/01/counties-begin-finalizing-fy-2011-budgets/>

¹⁸ Baltimore County Budget Message, April 15, 2010.

¹⁹ Explore Baltimore County, May 27, 2010. <http://www.explorebaltimorecounty.com/news/106634/budget/>

Boston, Massachusetts

Time Period	July 1, 2010 to June 30, 2011
FY 2010-11 Budget Gap	\$50 million
Approved FY 2010-11 Budget	\$2.462 billion
Highlights of approved strategies to balance the FY 2010-11 Budget	<ul style="list-style-type: none"> • Use of reserve fund; • Closing and/or consolidating of programs; • New meals tax; • Increase in local hotel tax; • Increase permit and parking revenues, and • Closing of 8 community centers and transfer control of 32 to nonprofit agencies and Boston Public Schools.

The city of Boston has a population of approximately 590,763 residents.²⁰ On June 30, 2010, the Boston City Council approved the Mayor’s revised budget plan for FY 2011.²¹

According to the recommended FY 2011 Budget Plan, Boston has a \$50 million budget shortfall. In order to meet this deficit, the adopted budget implements the following:²²

- \$45 million of Budgetary Fund Balance (reserves);
- Increases permit and parking revenue to avert the layoff of school custodians and to give 200 more teens summer jobs;
- Administrative efficiencies by closing and/or consolidating programs; and
- A new .75-percent meals tax and a 2-percent increase in local hotel tax which are estimated to bring the City approximately \$28 million in new revenues.²³

In addition, the Boston Centers for Youths and Families, a city agency, will close eight community centers and transfer the remaining 38 to nonprofit agencies and Boston Public Schools.²⁴ This budget decision is due to the State of Massachusetts reducing state grants that fund local community center programs.

Finally, an additional long term strategy that was approved by the City Council as a separate initiative is the passing of a home rule petition, requiring approval from the Mayor, the Governor, and the State Legislature. If the petition is ultimately approved, it would allow library trustees the power to fundraise for the cash-strapped library system.²⁵

²⁰ U.S. Census Bureau: State and County Quick Facts. Last Revised: Thursday, 22-Apr-2010 08:34:59 EDT. <http://quickfacts.census.gov/qfd/states/25/2507000.html>

²¹ Dorchester Report, June 30, 2010. <http://www.dotnews.com/2010/city-council-passes-menino-budget-11-2-vote>

²² Mayor’s Press Release, City of Boston, June 22, 2010.

²³ Metro International, June 30, 2010. <http://www.metro.us/us/article/2010/07/01/05/4712-82/index.xml>

²⁴ *Ibid*

²⁵ Dorchester Report, June 30, 2010. <http://www.dotnews.com/2010/city-council-passes-menino-budget-11-2-vote>

Chicago, Illinois

Time Period	January 1, 2011 to December 31, 2011
FY 2010-11 Budget Gap	\$654.7 million
Approved FY 2010-11 Budget	\$6.3 billion
Highlights of approved strategies to balance the FY 2010-11 Budget	<ul style="list-style-type: none"> • Reserve fund; • Tax increases with the exception of raising property taxes; • Privatizing the city’s recycling program; • City employee layoffs, • Use of TIF districts surplus funds; • Revenues from parking meters; • Furlough days, and • Employee concessions, like using comp time instead of cash overtime.

The city of Chicago has a population of approximately 2.83 million residents.²⁶ On July 30, 2011, the city released its preliminary FY 2011 budget with an estimated \$654.7 million shortfall, reflecting the continued negative impacts of the national recession on city revenues – particularly economically sensitive ones related to income, sales and real estate taxes.²⁷

The city of Chicago is considering several approaches to address the shortfall in the preliminary budget, none of which include raising property taxes.²⁸ However, other tax increases, city employee layoffs, and/or the use of economic development funds by declaring a surplus in the 159 tax-increment-financing (TIF) districts and using the uncommitted funds (estimated to be \$700 million of which schools would get 53.5% and the city 20%), are all options under deliberation. The city is also considering privatizing the city’s recycling program, using revenues from the lease of parking meters, and borrowing from reserves – for example, the Skyway reserves which contain the funds received from the privatization of the Chicago Skyway.²⁹ In addition, the city has reopened discussions with union leaders regarding 24 annual unpaid furlough days, comp time instead of cash overtime and other employee concessions.

²⁶ U.S. Census Bureau: State and County Quick Facts. Data derived from Population Estimates, 2000 Census of Population and Housing, 1990 Census of Population and Housing, Small Area Income and Poverty Estimates, County Business Patterns, 2002 Economic Census, Minority- and Women-Owned Business, Building Permits, Consolidated Federal Funds Report, Census of Governments Last Revised: Thursday, 22-Apr-2010 08:34:41 EDT. <http://quickfacts.census.gov/qfd/states/17/1714000.html>

²⁷ City of Chicago News Release, July 30, 2010.

²⁸ The Chicago Sun-Times, July 30, 2010. <http://www.suntimes.com/news/cityhall/2550716,chicago-facing-growing-budget-shortfall-073010.article>

²⁹ Cbs 2 Chicago, July 30, 2010. <http://cbs2chicago.com/local/2011.city.budget.2.1834397.html>

Denver, Colorado

Time Period	January 1, 2011 to December 31, 2011
FY 2010-11 Budget Gap	\$100 million
Approved FY 2010-11 Budget	\$836 million
Highlights of approved strategies to balance the FY 2010-11 Budget	<ul style="list-style-type: none"> • City Council members reduced its spending by 4% and returned funding for newsletters and special infrastructure upgrades in their districts; • Every City Agency to cut 8% of its budget; • Eliminate or remain open 400 vacant positions; and • Possibly implementing FY2010 strategies of utilizing revenues, furlough days, no wage increases, and increased contributions for pension and health care.

The City of Denver has a population of approximately 566,974.³⁰ As of July 2010, the city is estimated to have a \$100 million budget shortfall for FY 2011.³¹ This amount may increase when the preliminary FY 2011 budget is presented in mid-September 2010.

Denver is considering several approaches to address the budget shortfall. Mayor Hickenlooper has requested that every city agency, including the Denver City Council, cut 8 percent of its budget.³² Additional considerations include eliminating or leaving vacant 400 positions.

On July 7, 2010, Denver City Council members agreed in committee to reduce the council’s spending by 4% (\$178,720).³³ The reduced spending includes a decision for the council to delay a projected 7% increase in members’ annual \$78,000 salaries that would have gone into effect next year. Instead, the salary increase will go into effect in 2013 and 2014. The council also agreed to return funding usually reserved for newsletters or special infrastructure upgrades in their district (\$60,000) to the city’s general fund at the end of this year.

Adding to the FY 2011 budget difficulty is the fact that in order to make up for the FY 2010 budget deficit of \$160 million, the city exhausted its reserves.³⁴ In FY 2010, the mayor utilized \$40 million in undesignated fund balance reserves to close that year’s budget shortfalls. Currently the city has approximately \$132 million in three reserve categories, but using that money this time around could

³⁰ Source U.S. Census Bureau: State and County Quick Facts. Last Revised: Thursday, 22-Apr-2010 08:34:30 EDT. <http://quickfacts.census.gov/qfd/states/08/0820000.html>

³¹ The Denver Post, *Gap in Budget Has Grown Another \$20 Million*; July 7, 2010 (News Bank).

³² The Denver Post, *What the Council Can Cut*; June 13, 2010 (News Bank).

³³ The Denver Post, *Budget Crisis – Denver Council Cuts Its Expenses – the 4 Percent Reduction is Half of What the Mayor Asked for to Help Reduce the City’s Spending*; July 13, 2010 (News Bank).

³⁴ In Denver Times, April 22, 2010. http://www.indenvertimes.com/facing-80-million-budget-deficit-hickenlooper-again-asks-for-help/?utm_source=Arkayne.com&utm_medium=Plugin&utm_campaign=INDenverTimes

impact the city's bond rating, increasing the cost to borrow money.³⁵ In addition, in 2010, employees took furlough days, had no wage increases, and increased contributions for pension and health care.

³⁵ The Denver Post, *Gap in Budget Has Grown Another \$20 Million*. July 7, 2010.

City of Detroit, Michigan

Time Period	Adopted FY 2010-11; Fiscal year begins July 1, 2010
FY 2010-11 Budget Gap	\$85 -\$100 million (approximate)
Approved FY 2010-11 Budget	\$2.9 billion
Highlights of approved strategies to balance the FY 2010-11 Budget³⁶	<ul style="list-style-type: none"> • Reduce positions and salaries. • Increase property tax rate. • Consolidate departments. • Aggressive collection of delinquent receivables.

The City of Detroit has a population of 921,000. According to an article in the Detroit Conservative Examiner in May 2010, the City’s revenues are decreasing in the following ways: (1) Property tax down \$13 million; (2) income tax down \$30 million; (3) wagering taxes down \$18 million; and (4) state revenue sharing down \$4.1 million.³⁷

Highlights of approved strategies to balance the FY 2010-11 Budget

- Includes a reduction of \$62 million and a net decrease of 1,403 positions from FY 2009-10 Budget. This budget reflects 26 required furlough days for civilian employees.
- Property tax rate increase.
- Consolidation of worker’s compensation responsibility from the Police and Fire departments into Finance Risk Management, resulting in \$870,000 savings.
- Consolidation of the Department of Environmental Affairs and Buildings and Safety Engineering.
- Aggressive collection of delinquent receivables, which includes employees and contractors.

Crisis Turnaround Team

A group of 15 volunteers assisted the Mayor and his Group Executives in an effort to address the City’s financial crisis and improve the City operations prior to the approval of the FY 2010-11 budget. The crisis team provided over 150 specific recommendations and over 5,000 hours of volunteer effort alongside department directors. The teams operated as consultants to these executives, working with data and staff made available to them.

Turnaround Highlights

Short -Term	Medium-Term	Long-Term
Airport: Outsource management.	Budget: Eliminate discretionary spending.	Finance: Implement Deficit Elimination Plan.
Finance: Outsource payroll and collection of receivables.	Citywide: Assess consolidation of services.	Finance: Restructure debt.
Finance: Reduce number of City bank accounts (currently 300) by 50%.	Finance: Centralize accounting, revenue, and cash collection operations.	Finance: Continue process improvements.
		Finance: Fully utilize ORACLE database management system for

³⁶ http://www.detroitmi.gov/Portals/0/docs/budgetdept/2010-11_Redbook/Budget%20Overview%20and%20Summary%20Financial%20Info/10-11%20Budget%20Highlights.pdf

³⁷ <http://www.examiner.com/x-2601-Detroit-Conservative-Examiner~y2009m5d26-How-bad-is-it-in-Detroit-City-budget-proves-things-are-extremely-bad>

Short -Term	Medium-Term	Long-Term
<p>Finance: Realize procurement cost reductions and process improvements. Hire a Chief Procurement Officer.</p> <p>Grants Management: Inventory and maximize stimulus dollars.</p> <p>Mayor’s Office: Expand City Confidential to vendors, retirees, and former employees.</p> <p>Philanthropic Affairs: Re-establish relationships and present strategic plan to philanthropic community.</p> <p>Public Lighting Department: Close Mistersky Power Plant.</p>	<p>Finance: Renegotiate procurement contracts and eliminate emergency purchases.</p> <p>Finance: Continue process improvements and centralization.</p> <p>Fire Department: Increase EMS outstanding debt collection.</p> <p>Information Technology Services: Consolidate and re-organize department (reduce 15 sites to 5, migrate from BRASS to ORACLE) and outsource services.</p> <p>Planning & Development: Coordinate Scattered Sites Project (Rehab/Acquisition and Demolition). Planning and Development, Nest Detroit Neighborhood Initiative, Building and Safety Engineering, and Detroit Housing Commission partnership.</p>	<p>procurement activities.</p> <p>Human Resources: Implement personnel skill development and enhancement program.</p> <p>Information Technology Services: Standardize assets.</p> <p>Labor Relations: Reduction and consolidation of union representation.</p> <p>Mayor’s Office: Consolidate Neighborhood City Hall, 311 Call Center, and Community Affairs.</p> <p>Mayor’s Office: Develop succession-planning process.</p> <p>Mayor’s Office: Implement Operations Restructuring Plan.</p> <p>Planning & Development: Consolidate citywide leased and owned real estate inventory.</p>

City of Jacksonville, Florida

Time Period	Proposed FY 2010-11; Fiscal year begins October 1, 2010
FY 2010-11 Budget Gap	\$40 -\$60 million (approximate)
Proposed FY 2010-11 Budget	\$2.1 billion. This figure does not include the total budget for the following seven (7) independent agencies: JAX Aviation Authority; JAX Port Authority; Business Improvement District; JAX Transportation Authority; Police and Fire Pension Fund; JEA (community-owned electric utility); and Water Sewer Expansion Authority. Total budget for the following seven (7) independent agencies in FY 2009-10: \$2.5 billion.
Strategies to balance the FY 2010-11 Budget³⁸	<ul style="list-style-type: none"> • Reduce employee cost. • Increase property tax rate. • Reduce operating costs. • Sustainable enterprise funds.

The City of Jacksonville has a population of 905,000. Property values in the City of Jacksonville (JAX) declined 7.0 percent from FY 2009-10 to FY 2010-11. The millage rate for the FY 2010-11 proposed budget is 10.1193 mills, an increase from the current millage rate of 9.2727. However, the increase in the millage rate will collect, on the whole, the same revenues from properties on the tax roll a year ago.³⁹

- After distributions to the tax increment districts, property taxes are expected to produce net revenues of \$489.7 million for FY 2010-11, or about 49.2% of the total general fund revenues.

Budget Strategies for FY 2010-11

Several cost saving or avoidance measures in the FY 2010-11 proposed budget total approximately \$40 million. They are:

- Three (3) percent salary decreases and a ten (10) percent contribution for employee health insurance premiums.
- Reduced hours at five (5) branch libraries.
- Pension Reform Package which is expected to save the City \$1.3 billion over the next 35 years.⁴⁰
 - Current Police/Fire Plans propose to set years of age retirement; self directed account versus the current guaranteed 8.4 percent return on DROP investments; CPI adjustments capped at three (3) percent after five (5) years after the commencement of DROP or five (5) years after retirement of the employee does not DROP; Increases the pre-tax employee contribution to eight (8) percent versus the current seven (7) percent employee contribution; five (5) highest years of last ten (10) years – State Ch. 175/185 minimum versus the current final average pay is based on last 24 months of service; and Benefit to beneficiary with actuarial adjustment to employee benefit versus the current 75% spouse benefit without cost.
- Changes in the Fire Department that will have a minimal impact upon service delivery.
- Various reductions and deferrals in the Sheriff’s Office.
- Elimination of positions in several civilian departments.
- Savings from privatization efforts.

³⁸ Mayor John Peyton’s Budget Workshop Presentation

³⁹ Jacksonville Proposed budget FY 2010-11 by Mayor John Peyton

⁴⁰ Memorandum dated March 3, 2010 from Mayor Peyton to the City Council.

- Outsource desktop support, and test market for possible hosting of legacy systems by a private provider.
- Review fees charged by enterprise departments for various services. (Solid Waste, Planning and Zoning and Recreation and Community Services)

A total of 96 positions have been eliminated in the non-public safety departments in the FY 2010-11 budget compared to one (1) year ago. In addition, 20 positions in the Fire Department will be eliminated during FY 2010-11 through attrition.⁴¹

Jacksonville Five-Year Outlook

- Revenue will grow by ten (10) percent, while expenses grow by 35 percent.
- 76 percent of increase due to employee-related costs.
- Projected \$200 million plus deficit in 2015.⁴²

⁴¹ Jacksonville Proposed budget FY 2010-11 by Mayor John Peyton

⁴² Mayor John Peyton's Budget Workshop Presentation

City of Los Angeles, California

Time Period	Adopted FY 2010-11; Fiscal year begins July 1, 2010
FY 2010-11 Budget Gap	\$485 -\$600 million (approximate)
Adopted FY 2010-11 Budget	\$6.7 billion
Highlights of approved strategies to balance the FY 2010-11 Budget	<ul style="list-style-type: none"> • Reduce hours of services (i.e. closing libraries one (1) day a week, reducing services at parks)⁴³ • Elimination of licensed childcare workers at parks.⁴⁴ • Increase fees (i.e. late fees for parking citations to \$15 and increase parking citations an extra \$5, proposes a tax on billboards, increase dog licensing fees to \$20)⁴⁵ • Reduce work force by 761 and possible an additional 1,000 by October 1, 2010. • Increase fees paid to the Fire Department for ambulance services and brush clearance inspections. • Continuation of Employee Retirement Incentive Program

The City of Los Angeles has a population of 3.8 million.⁴⁶ In June 2010, Mayor Antonio Villaraigosa, signed the \$6.7 billion revised budget by the City Council that includes layoffs and furloughs. The budget for fiscal year 2010-11 requires laying off up to 761 employees and furloughing thousands more by July 1, unless unions make concessions such as taking pay cuts and increasing their pension contributions and medical payments. The Mayor’s original budget called for laying off approximately 750 employees.⁴⁷

According to a statement by City Council President Eric Garcetti’s regarding unions representing city workers “unions would have to come up with probably about \$100 million in concessions to prevent drastic reductions in city services.”⁴⁸

Additional layoffs -up to 1,000 - could come October 1 if the city fails to get anticipated revenue from the lease of its parking garages, fines for banks that do not maintain foreclosed homes and increased documentary transfer taxes.⁴⁹

Under the contract between the City of Los Angeles and the Coalition of Los Angeles City Unions, laying off any coalition member will trigger a 5.75 percent pay raise for remaining members, at a cost of about \$27 million. The city will recoup that money by forcing employees to take unpaid days off, which would effectively slash their salaries by about 10 percent.⁵⁰

⁴³ *Los Angeles May Face 5% Workforce Cut Under City Council Budget*, Bloomberg Business Week, May 18, 2010

⁴⁴ *LA sends revised version of \$6.7 billion budget to Villarigosa*. May 26, 2010, dailybreeze.com

⁴⁵ *City budget calls for 761 more layoffs*, LA Wave

⁴⁶ US Census Bureau

⁴⁷ *LA Mayor Signs 6.7 billion City budget*, June 3, 2010, Fox 11 News

⁴⁸ *City budget calls for 761 layoffs*, LA Wave

⁴⁹ *LA sends revised version of \$6.7 billion budget to Villarigosa*. May 26, 2010. Dailybreeze.com

⁵⁰ *Los Angeles City Layoffs, Furloughs Begin*. July 1, 2010. Fox 11 News

The revised FY 2010-11 budget requires furlough days by city workers - 16 by those who did not receive cost-of-living raises and 26 days for other city employees. This includes assistant general managers and department general managers.⁵¹

This year's budget also reduces the overall budget of elected officials by eight percent.⁵²

City of Los Angeles Budget and Finance Committee Amendments

On May 11, 2010, the Chief Legislative Analyst (CLA) presented to the Budget and Finance Committee a report outlining recommended changes to the Mayor's Proposed Budget for Fiscal Year 2010-11.⁵³ The changes were in response to specific directions from the Committee and instructions to the CLA's Office to evaluate areas of concern and provide recommendations to address those issues.

- The recommendations call for instructing department General Managers to work with the Personnel Department and the City Administrative Officer to identify the position classifications for an additional 1,000 positions to be eliminated and, as proposed by the Mayor, hiring to attrition in Los Angeles Police Department (LAPD), a continued Los Angeles Fire Department (LAFD) sworn hiring freeze and reduced work days for most General fund civilian employees.
- The LAFD re-deployment and hiring freeze will be extended, which means that by the end of 2010-11 there will have been no LAFD hiring for roughly 18 months.
- For non-sworn expenditures, significant additional reductions in civilian positions will be required. Whether through transfers, layoffs, wage and benefit concessions or reduced work schedules, the number of number of civilian position equivalents which must be eliminated to reach structural balance has remained largely consistent over the past year or more.

There are 1,761 position equivalents proposed for elimination in the 2010-11 budget. Additionally, the \$63 million in reduced working days represents roughly another 1,000 positions, bringing the total to 2,761. The City has already eliminated nearly 500 positions through a combination of transfers to special fund and proprietary departments and more than 100 actual layoffs and other transfers are expected as a result of the Employee Retirement Incentive Program (ERIP) of special fund positions. When taken together, the actions to date and proposed for next year represent roughly 3,500 positions.

According to an article dated May 11, 2010, *City Budget Plan Calls for 1,700 Layoffs*, Fox News 11, over the last several months, the city has issued pink slips to 100 city employees, transferred nearly 500 others to proprietary departments, and granted early retirement to 2,400 city workers.⁵⁴

⁵¹ Ibid.

⁵² Ibid.

⁵³ <http://parc3.lacity.org/api/cfm/netdocs/?catid=1069&CSS=1667&H=18487&L=18488&DS=2&DD=2>

⁵⁴ *City Budget Plan Calls for 1,700 Layoffs*, Fox News 11, May 11, 2010

Los Angeles County, California

Time Period	Adopted FY 2010-11; Fiscal year begins July 1, 2010
FY 2010-11 Budget Gap	\$500 + million (approximate) ⁵⁵
Adopted FY 2010-11 Budget	\$23.3 billion
Strategies to balance the FY 2010-11 Budget	<ul style="list-style-type: none"> • Hiring freeze. • Reduce work force by 100 positions and eliminate 1,400 vacant positions⁵⁶ • Reduce essential services.

Los Angeles County has a population of 10.4 million (total county population); 9.3 million living within cities (88); and 1.1 million living in unincorporated areas. The County operates on a fiscal year which begins July 1, and ends June 30. The 2010-11 budget is \$23.175 billion. The Chief Executive Office presents a proposed budget to the Board of Supervisors in April and the Board adopts the budget in June after holding public hearings. After the books are closed June 30, the Auditor-Controller's Office calculates total expenditures and income for that year and the Board makes changes to the new budget based on those numbers. This is called the final budget and is generally adopted in September or October.

FY 2010-11 Budget Highlights

The Los Angeles County Board of Supervisors (Board) gave final approval to a \$23.2 billion budget for 2010-11. The Board postponed decisions about possible layoffs and further cuts in public services. In preparation of the proposed loss of additional funds, the Chief Executive Officer (CEO) told the supervisors the county's "hard-hiring freeze" has reduced the number of permanent county workers by 1,547 and temporary employees by 1,249. The county has also frozen nonessential services and supplies.⁵⁷

The CEO told the Board that instituting one (1) furlough day each month could save the county about \$60 million annually; eliminating a sick leave buyback program for employees could save about \$21 million; and freezing promotions could save as much as \$10 million, though he said that number was less reliable. The county is currently negotiating with its labor unions.⁵⁸

The supervisors said they were forced to postpone hard choices on layoffs and severe program cuts probably until September because the state budget is unfinished, as are negotiations over federal funding for health services.⁵⁹

According to Supervisor Gloria Molina, "many of the departments have been asked to cut back on what they cut back last year and to cut an additional 9 percent very essential services in everything from children's services to dealing with health care and public safety and so on."⁶⁰

The proposed budget was presented to the board on May 2010. Among proposed curtailments:

⁵⁵ L.A. County budget shortfall at more than \$500 million. Layoffs possible. April 19, 2010. Los Angeles Times

⁵⁶ L.A. County chief calls for job cuts. April 19, 2010. Los Angeles Times

⁵⁷ Board approves \$23.2 billion budget. June 6, 2010. Daily News

⁵⁸ Ibid.

⁵⁹ L.A. County Supervisor's OK \$23-billion budget. June 7, 2010. Los Angeles Times

⁶⁰ L.A. County department facing additional cuts. March 2, 2010. Southern California Public Radio.

- Sheriff: \$128 million in cuts, elimination of 214 budgeted positions by downsizing the Pitchess Detention Center, deletion of 300 vacant deputy positions, reduction in overtime budget,
- Assessor: \$7.9-million reduction and elimination of 22 positions, affecting appraisals, information-technology projects and other services,
- Public health: \$7.9-million reduction and elimination of 81 positions,
- Public social services: \$7.4 million and elimination of 383 positions,
- Public library: \$4.8-million reduction and elimination of nine positions, reducing service hours at selected libraries, and elimination of the adult literacy program,
- Public defender: \$4.5-million reduction and elimination of 18 positions,
- Children and family services: \$4.4-million reduction in programmatic areas,
- District attorney: \$3.6-million reduction and elimination of 25 positions.⁶¹

The information above does not reflect whether the Board of Supervisors adopted these recommendations. The data obtained above is from both primary and secondary sources and may have been revised.

⁶¹ *L.A. County chief calls for job cuts.* April 19, 2010. Los Angeles Times

Harris County, Texas

Time Period	Adopted FY 2010-11 on March 9, 2010
FY 2010-11 Budget Gap	\$100 + million (approximate) ⁶²
Adopted FY 2010-11 Budget	\$1.4 billion ⁶³
Strategies to balance the FY 2010-11 Budget	<ul style="list-style-type: none"> • Reduction of workforce • Hiring freeze • Cuts through attrition

Harris County Texas has a population of 4.1 million. The county utilized the following budget reduction strategies:

- The Information Technology Department cut more than \$1 million to meet its new annual budget of \$31.9 million.
- The Public Health Department's budget for the year that began March 1 decreased by about \$800,000, to \$28 million.
- The District Attorney's Office budget of \$56 million is down \$4 million from last year.
- Tax Assessor-Collector expects to achieve a required \$1.28 million in cuts through attrition.
- The county has had a hiring freeze for six months.
- The tax office expects to save money by not replacing those who retire or resign, but the decrease in staff may likely necessitate closing a branch office.
- The Harris County Sheriff's Office will receive \$376 million. Last year it spent \$424 million.⁶⁴

⁶² *Harris County Faces \$104 million Shortfall*. February 23, 2010. Click 2 Houston news.com; and *Recession hits areas tax base Taxes...* April 2, 2010. Houston Chronicle

⁶³ *Budget Cuts May Cause Layoffs in County*. March 9, 2010. My Fox Houston news

⁶⁴ *Harris County Budget translates into layoffs*. March 25, 2010. Houston Chronicle

City of Houston, Texas

Time Period	FY 2011 Adopted budget, Fiscal year begins July 1, 2010
FY 2010-11 Budget Gap	\$140 million
Adopted FY 2010-11 Budget	\$4.1 billion
Strategies to balance the FY 2010-11 Budget	<ul style="list-style-type: none"> • No property tax increase. • Projected sales tax increase collection of \$13.8 million. • Reduces departmental budgets by 3 percent. • Police departmental budget reduced by 1.8 percent. • Fire’s departmental budget reduced by 1.5 percent. • Review of user fees in the coming fiscal year. • Rainy Day Fund will become undesignated. A balance of \$20 million was designated for fiscal contingencies. • Consolidation of departments (Human Resources, Fuel, Fleet Management, Payroll and Information Technology). • Water and Sewer rates increased.⁶⁵

The City of Houston has a population of 2.3 million. Houston council members voted not to reduce the councils’ budgets. According to an article dated June 24, 2010, *\$4.1 billion city budget wins approval: Council funds, bilingual stipend not slashed, but shortfall eliminated*, City Councilwoman Al Hoang and others backed an effort to apply the same two (2) percent budget cuts required of many city departments for fiscal year 2011. Each council member receives \$392,222 to pay for staff and other expenses. The cut would have saved an estimated \$110,000.⁶⁶

⁶⁵ *\$4.1 billion city budget wins approval: Council funds, bilingual stipend not slashed, but shortfall eliminated*. June 24, 2010. Allbusiness.com

⁶⁶ Ibid.

Memphis, Tennessee

Time Period	FY2011
FY 2011 Budget Gap	\$50 million
FY 2011 Operating Budget	\$673.1 Million
Strategies Used to Balance Budget	<ul style="list-style-type: none">• Debt restructuring,• Cutting division operating budgets,• Selected fee increases,• Use of reserves.

According to the U.S Census Bureau, City of Memphis has a population of 676,640.⁶⁷ On April 27, 2010, Memphis City Mayor A.C. Wharton presented the Memphis City FY2011 Budget to the City Council members.⁶⁸ In the budget presentation, Mayor Wharton explained the strategies he will implement to balance the budget include: restructuring the cities bond debt (\$41 million savings); cutting division's operating budget and using some of the City's reserves.⁶⁹

⁶⁷ U.S. Census Bureau Website, U.S. Census Bureau, 2009 Population Estimates

⁶⁸ Mayor A.C. Wharton FY2011 Budget Presentation to City Council Members, April 27, 2011, Mayor Website.

⁶⁹ ibid

Maricopa County, Arizona

Time Period	FY 2010-11
FY 2011 Budget Gap	\$46.1 million
FY 2011 Operating Budget	\$ 1.6 billion
Strategies Used to Balance Budget	<ul style="list-style-type: none"> • No cost of living adjustments or merit pay increases, • Decrease in expenditures for non-departmental mostly occurring in contingencies or reserves, • Other department reductions occurred with lower service demands and efficiency gains, many departments absorbed the benefit cost increases (totaling \$20.8 million).

According to the U.S. Census Bureau, the population in Maricopa County was estimated at 4 million.⁷⁰ The Board of Supervisors, for a third year in a row, approved a budget that requires no cost living adjustments or merit pay increases for county employees.⁷¹ The operating budget decreased by \$90,793,721 or 5% as compared to the FY2009-10 revised budget.⁷² The reductions recommended in non-departmental categories occur in contingencies and other reserves.⁷³ Other recommended reductions occurred in departments with lower service demands and with efficiency gains.⁷⁴ The county utilizes a “pay as you go” capital plan for large capital improvements, and the city does not issue any general obligation bonds.⁷⁵ Maricopa County has not issued any general obligation debt since 1986.⁷⁶ However, Maricopa County will use \$107 million in one-time Federal Stimulus funding (obtained through the Federal Medical Assistance Percentages) that was set aside to use for critical technology and capital building infrastructure projects.⁷⁷ The Federal Medical Assistance Percentages (FMAP) was a federal stimulus program that was available to the states in FY 2008-09.⁷⁸ Maricopa County did not yet use these funds and the State of Arizona requires sharing a portion of these funds with the counties since cost-sharing of the State’s Medicaid long term care (ALTCS) and acute care (AHCCCS) programs occurs within Arizona Counties.⁷⁹

Lastly, Maricopa County has been affected by mandated contributions to the State of Arizona. The State contribution and cost shifts increased this year by \$19.2 million, bringing the total up to \$46.1 million.⁸⁰ Maricopa County is hoping the passage of Proposition 100, a temporary sales tax, will mitigate further cost shifts by the State of Arizona.⁸¹ Arizona Sales Tax Increase (Proposition 100) was approved by the

⁷⁰ U.S Census Bureau Website, U.S. Census Bureau, 2009 Population Estimates

⁷¹ Maricopa County New Release, June 21, 2010, www.maricopa.gov.

⁷² Maricopa County Annual Business Strategies FY2010-11 Budget, www.maricopa.gov.

⁷³ Ibid

⁷⁴ Ibid

⁷⁵ Ibid

⁷⁶ Ibid

⁷⁷ Ibid

⁷⁸ Ibid

⁷⁹ Ibid

⁸⁰ Maricopa County Annual Business Strategies FY2010-11 Budget, www.maricopa.gov.

⁸¹ Ibid

voters on May 18, 2010.⁸² Proposition 100 is a constitutional amendment allowing for a sales tax hike projected to generate approximately \$1 billion a year. Proposition 100 is a temporary (3 years) tax hike which increases the states sales tax from 5.6 to 6.6 cents on every dollar of taxable items purchased.⁸³

⁸² Sales Tax Hike Passes, Arizona Daily Star, May 19, 2010.

⁸³ Sales Tax Hike Passes, Arizona Daily Star, May 19, 2010.

Montgomery County, Maryland

Time Period	FY2011
FY 2011 Budget Gap	\$ 779 Million
FY 2011 Operating Budget	\$ 4.3 Billion
Strategies Used to Balance Budget	<ul style="list-style-type: none"> • Eliminating 450 positions, • No pay increases of any kind for County government workers, • Furloughing non-public safety County employees for 10 days, realizing cost savings from all County departments, • Reducing current revenue funded expenditures in the capital budget, • Continue hiring freeze, • Negotiating and renegotiating bargaining agreements with employee unions, • Freeze County contracts procurements and liquidation of many outstanding obligations, • Withdrawal funds from the Revenue Stabilization Fund.

According to the U.S Census Bureau, Montgomery County has a population estimated at 971,600.⁸⁴ In FY 2008, in order to close a \$200 million budget shortfall the County reduced the tax-supported rate of increase in spending by 6.9 percent.⁸⁵ In FY 2009, in order to close a \$401 million budget shortfall the County imposed a hiring freeze, produced mid-year savings of more than \$30 million, abolished 250 positions, implemented a retirement incentive program and slowed the rate of growth to 1.6 percent.⁸⁶ In FY2010, in order to close a gap of \$590 million the County abolished nearly 400 positions, eliminated general wage adjustments for most employees, reducing the tax-supported reserves from six to five percent, increase energy tax, 3.9 percent decrease funding for Montgomery County Public Schools, 3.8 decrease in funding for Montgomery college and 13.5 percent decrease for the Maryland-National Capital Park and Planning Commission.⁸⁷

Strategies for reducing the FY2011 budget gap includes: Eliminating 450 positions; no pay increases of any kind for County government workers; furloughing non-public safety County employees for 10 days; realizing cost savings from all County departments; reducing current revenue funded expenditures in the capital budget; continue hiring freeze, negotiating and renegotiating bargaining agreements with employee unions; establish freeze on County contract procurements and liquidation of many outstanding obligations; withdrawal of funds from the Revenue Stabilization Fund.⁸⁸

⁸⁴ U.S Census Bureau Website, U.S. Census Bureau, 2009 Population Estimates

⁸⁵ Montgomery County New Release, March 15, 2010, www.montgomerycountymd.gov.

⁸⁶ Ibid

⁸⁷ Ibid

⁸⁸ Office of the County Executive, FY 2011 Operating Budget and FY 2011-16 Public Services Program, www.montgomerycountymd.gov.

Nashville-Davidson County, Tennessee

Time Period	FY2011
FY 2011 Budget Gap	n/a
FY 2011 Operating Budget	\$ 1.52 Billion
Strategies Used to Balance Budget	<ul style="list-style-type: none"> • Debt restructuring to lower payments on capital expenditures for the next two years, • 2% reduction in department budgets (public safety 1%, elected officials 2%, and all other departments 2%), and • Submittal of a smaller capital spending plan.

According to the U.S Census Bureau, Nashville-Davidson County has a population estimated at 605,473.⁸⁹ Restructuring debt to lower payments on capital expenditures for the next two years, average of two percent reduction of department budgets and submittal of a smaller capital spending plan has allowed Nashville-Davidson County to balance its budget.^{90, 91}

⁸⁹ U.S Census Bureau Website, U.S. Census Bureau, 2009 Population Estimates

⁹⁰ Nashville-Davidson County Mayor Dean News Release, April 27, 2010.

⁹¹ Nashville-Davidson County Mayor Dean, State of Metro Address 2010, April 29, 2010.

Nassau County, New York

Time Period	FY2011
FY 2011 Budget Gap	\$286.5 million
FY 2011 Operating Budget	Budget and Multi-Year Plan submittals are due September 15, 2010. FY2011 Operating data not available.
Strategies Used to Balance Budget	<ul style="list-style-type: none"> • Tax Assessment Reform changes, • Labor Concessions & Early Retirements, • Expense Reductions, and • Revenue Initiatives and Financing Options/Asset Sales.

According to the U.S Census Bureau, Nassau County has a population estimated at 1.35 million.⁹² The Nassau County Executive is not expected to submit FY2011 budget proposal until September 15, 2010. The County Executive is anticipating a budget gap of \$286.5 million for FY 2011 and is focused on gap closing solutions that include: tax assessment reform changes; labor concessions and early retirements; expense reductions; revenue initiatives; and financing options and asset sales.⁹³

On June 29, 2010, The County Executive held a press conference to inform the public of his plans to reform the current property tax assessment system which will reduce over \$250 million in tax payer money.⁹⁴

⁹² U.S. Census Bureau Website, U.S. Census Bureau, 2009 Population Estimates

⁹³ Nassau County, County Executive Office, News Release, May 5, 2010., www.nassaucountyny.gov

⁹⁴ Nassau County, County Executive Office, News Release, June 29, 2010., www.nassaucountyny.gov

New York City, New York

Time Period	FY2011
FY 2011 Budget Gap	\$1.3 billion
FY 2011 Operating Budget	\$63.1 billion
Strategies Used to Balance Budget	<ul style="list-style-type: none"> • \$3.3 billion surplus funds rollover, • Reduction of 10,997 employees, and • Agency gap closing measures totalling over \$87 million.

According to the U.S. Census Bureau, New York City population is estimated at 8,391,881.⁹⁵ New York City Budget was balanced with the following actions: \$3.3 billion surplus rollover; reduction of employees by 10,997 (6,026 through layoffs and 4,971 through attrition) and agency gap closings.⁹⁶ The gap closings include: reduce library subsidies(\$31.2 million); closing summer pools (\$1.4 million); increase parking rates from \$2 to \$2.50 (\$12.2 million); eliminate 32 units in Protective Services increasing caseload average from 9.5 to 10.6; reducing 248 Direct City Case Management Staff at HIV/AIDS Services Administration; eliminate fifth firefighter on 60 Engine Companies (\$7.9 million); closing a 24 hour drop-in homeless shelter in Manhattan (\$2.4 million); eliminate nurse coverage in smaller elementary schools (\$3.1 million); reducing juvenile detention center capacity (\$5 million); close 50 senior centers (\$4.2 million); and eliminating adult literacy programs offered by Department of Youth & Community Development (\$4.6 million).⁹⁷

⁹⁵ U.S. Census Bureau Website, U.S. Census Bureau, 2009 Population Estimates

⁹⁶ New York City Mayor Bloomberg Press Release, May 6, 2010, www.nyc.com

⁹⁷ Ibid.

Westchester County, New York

Time Period	January 1, 2011 – December 31, 2011
FY 2011 Budget Gap	\$166 million
FY 2011 Operating Budget	\$1.9 million
Strategies Used to Balance Budget	<ul style="list-style-type: none"> • A financial-incentive package to encourage longtime employees to voluntarily leave their jobs; • Replacing the Westchester BxM4C express bus route to Manhattan by extending the New York City routes; • Switching from the self-insured health plan to the New York State Health Insurance Plan; • Employee contribution to health care insurance; • Pay freezes and salary cuts for employees; • Furloughs; and • Lay-offs

Westchester County has a population of approximately 955,962 residents.⁹⁸ On April 22, 2010, County Executive Robert P. Astorino during the State of the County Address noted that the FY 2011 budget is estimated to be \$1.9 million with a \$166 million budget funding gap.⁹⁹

During the State of the County Address, the County Executive provided some proposals to close the FY 2011 budget shortfalls. One savings initiative is to provide a financial-incentive package to encourage longtime employees to voluntarily leave their jobs. It is estimated that the incentive package would save between \$6.8 million and \$19.1 million, depending on the number of employees who participate.

In addition, several strategies to balance the FY 2011 budget are already in the works. For example, a proposal to have New York City extend one of its Manhattan express routes to include stops in Yonkers as a way of largely replicating Westchester’s BxM4C express route to Manhattan, which because of budget cuts is facing eliminations. Another proposal is to have the county switch from its current self-insured health plan administered by POMCO to the New York State Health Insurance Plan, commonly known as NYSHIP.

Furthermore, Westchester County is considering employee concessions. This includes having employees contribute to health care insurance, pay freeze for employees, salary cuts and furlough. These concessions would minimize layoffs, which under the worst-case scenario could number as many as 1,600.

⁹⁸ U.S. Census Bureau: Last Revised: Thursday, 22-Apr-2010. <http://quickfacts.census.gov/qfd/states/36/36119.html>

⁹⁹ State of the County Address, Westchester gov.com, April 22, 2010.

Miami-Dade County, Florida

Time Period	FY2011
FY 2011 Budget Gap	\$440 million
FY 2011 Operating Budget	\$4.75 billion
Strategies Used to Balance Budget	<ul style="list-style-type: none"> • Realignment of projected bonding capacity, • Fee adjustments for retail wastewater by 5%, • Miscellaneous rate adjustments, • Reorganization of departments, • Reduce employment positions, • Reduction of library hours of operation, • Reduced personnel cost through negotiated collective bargaining agreements, • Five percent reduction in budgets for various departments outside Mayoral purview, and • Requirement for proprietary departments to contribute to the Countywide Emergency Contingency Reserve increased.

According to the U.S Census Bureau, Miami-Dade County’s population is estimated at 2.5 million.¹⁰⁰ The FY2010-11 Proposed Resource Allocation and Multi-Year Plan for Miami-Dade County provides the following recommended strategies to reduce the budget gap: Realignment of projected bonding capacity; fee adjustments for retail wastewater by 5%; miscellaneous rate adjustments; reorganization of departments; reduce employment positions; reduction of library hours of operation; reduced personnel cost through negotiated collective bargaining agreements; five percent reduction in budgets for various departments outside Mayoral purview and requirement for proprietary departments to contribute to the Countywide Emergency Contingency Reserve increased.¹⁰¹

¹⁰⁰ U.S. Census Bureau Website, U.S. Census Bureau, 2009 Population Estimates.

¹⁰¹ FY 2010-11 Proposed Resource Allocation and Multi-Year Plan for Miami-Dade County, www.miamidade.gov.

MEMORANDUM

April 9, 2010

TO: County Council

FROM: Sarah Downie, Research Associate
Patrick Miller, Intern
Office of Legislative Oversight

SUBJECT: Examples of State/Local Government Actions to Close Budget Gaps: FY09-FY11

Across the country, state and local government finances began to deteriorate in FY09, with conditions worsening in FY10 and FY11. Recent forecasts indicate that revenues are unlikely to return to pre-recession levels for some time, even though some jurisdictions will see modest increases in tax revenues in 2010 and 2011.¹

This memorandum packages examples of the ways state and local governments are balancing their current budgets. The examples are not intended to be an exhaustive survey of all strategies used by jurisdictions, but rather to provide a sampling and perspective on the various budget solutions being adopted in other places.

The first section of the memo provides a summary overview of actions taken by state and local governments to reduce expenditures, increase revenues, and/or use reserve or other special funds to close budget gaps. The second section summarizes the specific budget actions taken by nine local governments:

Section I, A Sampling of Expenditure Reductions, Revenue Increases, and Use of Reserve Funds adopted by state and local governments to balance current budgets.

Section II, Case Studies of Local Jurisdictions, summarizes actions taken by nine local governments to address their respective budget gaps:

- Atlanta, Georgia
- Clark County, Nevada
- Fairfax County, Virginia
- Mecklenburg County, North Carolina
- Mesa, Arizona
- Milwaukee County, Wisconsin
- Philadelphia, Pennsylvania
- Phoenix, Arizona
- Prince George's County, Maryland

¹ Nelson A. Rockefeller Institute of Government, "State Revenue Flash Report," February 23, 2010.

I. A SAMPLING OF EXPENDITURE REDUCTIONS, REVENUE INCREASES, AND USE OF RESERVE FUNDS

A. Actions to Reduce Expenditures

States' general fund expenditures decreased by 3.4 percent from FY08 to FY09 and by 5.4 percent from FY09 to FY10.² Most budget savings strategies fall under the areas of program cuts or compensation reduction.

1. Reducing Employee Compensation Costs

Employee salaries and benefits represent the largest component of state and local government budgets. As a result, state and local government officials are finding themselves unable to close large budget gaps without reducing compensation costs. The case studies summarized later in this memorandum (see page 8) provide examples of how jurisdictions across the country are reducing the amount spent on employee pay and benefits.

In addition to employing fewer people (through hiring freezes, layoffs, and retirement incentives), the most common strategies for reducing compensation costs for active employees include:

- Eliminating cost-of-living increases;
- Eliminating other types of employee salary increases (e.g., steps/increments, longevity pay, performance pay); and
- Furloughs.

A furlough is the placement of an employee in a temporary non-duty, not-pay status to achieve budget savings. In FY09, 15 states implemented furloughs to reduce or eliminate a budget gap and in FY10, 16 states did the same.³ **For more information on different structures of furloughs and specific examples, see OLO's 2009 memorandum report and addendum on furloughs.**⁴

In addition to furloughs, several states are reducing salaries. For example, in FY11, the salaries of state employees in *Arizona* will be reduced by five percent. Part of this reduction will come from eliminating performance pay increases that employees received several years ago, and the rest from six fixed furlough days.

In *Hawaii*, State Hospital, Prison and Hawaii Youth Correctional Facility guards will experience a 5.45 percent pay cut, effective January 1, 2010 through June 30, 2011. Governor Lingle also submitted a 6-year financial plan that included 5.5 percent salary cuts for all state employees. However, because the Governor is in the final year of her term, the next administration will have to negotiate these pay cuts with state employees unions.⁵

2. Program Reductions – eliminating staff and/or lowering operating expenses

State and local governments have cut expenditures either through across-the-board cuts of a certain percentage of each department or by targeting specific programs or departments for reductions. These cuts could involve reductions of operating expenses and/or the elimination of positions (filled or unfilled).

² National Governors Association and National Association of State Budget Officers, "The Fiscal Survey of the States," December 2009.

³ NGA and NASBO, "The Fiscal Survey of the States," December 2009.

⁴ Office of Legislative Oversight Memorandum Report Number 2009-9, *A Research Brief on Furloughs and Buyouts* (April 2009) and Addendum to OLO Report 2009-9, *Office of Legislative Oversight Memorandum on Public Sector Furloughs: Additional Information* (September 2009).

⁵ Honolulu Advertiser, "Hawaii Workers Face More Pay Cuts Under 6-year plan," March 10, 2010.

Public Safety. Most state and local governments have tried to minimize cuts to public safety. However, states and local jurisdictions have found some strategies to reduce the cost of public safety services. *Santa Barbara, California* and *Reno, Nevada* are each considering the closure of a fire station to reduce costs in FY11. In Santa Barbara, the Fire Chief estimates that closing the fire station would save the City \$1.4 million per year.⁶

California is trying to reduce the number of inmates in overcrowded state prisons. With an average cost of \$47,000 per year to house a prisoner, approximately 11 percent of the state budget goes to the penal system.⁷ As part of a new law, California will allow some low-level offenders to undergo less parole supervision upon release so that parole officers can focus on closely monitoring more serious offenders. The new law also allows prisoners to reduce their sentences by completing certain rehabilitation programs.⁸

Oregon, Illinois, Colorado, and Michigan already implemented similar early release programs, which raised concerns from prosecutors and/or the public about whether the prisoners being released would re-offend. Oregon and Illinois have temporarily suspended their programs, while Colorado has scaled back its program. In Michigan, local prosecutors are challenging at least 20 of the parole decisions.⁹

Education. Many school districts throughout the country have had to respond to reduced funding from state and local governments by cutting costs. For example, in *Illinois*, the Governor has recommended \$1.3 billion in education cuts for FY11 to help close a \$13 billion deficit.¹⁰

Many school districts have reduced the number of teacher positions, leading to increased class sizes. Many school districts are finding recent efforts to reduce class sizes unsustainable given current funding reductions. *California* increased class size targets in 2009 and class sizes increased in 74% of the state's public elementary schools this school year.¹¹ This year, officials in *Florida, Georgia, Oklahoma, and Nevada* have proposed relaxing or eliminating class size limits.¹²

Some school districts are also eliminating non-classroom positions, such as assistant principals and custodial staff. School districts in states such as *New Jersey* and *Tennessee* are considering outsourcing all custodial work to private companies.¹³

Some schools districts are moving to a four-day school week to reduce costs. Currently, 100 school districts in 17 states have a four-day school week. Typically, some of the hours of instruction lost from the fifth day are made up in longer school hours for the remaining four days. This strategy is most commonly used by rural school districts with high transportation costs. For example, *Peach County, Georgia* reported \$200,000 in savings during one semester from reduced transportation expenses and utilities and reduced hours for custodial and cafeteria workers and bus drivers.¹⁴

⁶ Noozhawk.com, "City's Budget Woes May Lead to Closure of Fire Station No. 3," February 2, 2010.

⁷ *The New York Times*, "California in Fiscal Crisis, Opens Prison Doors," March 23, 2010.

⁸ California Department of Corrections and Rehabilitation, Press Release, January 21, 2010.

⁹ *The New York Times*, "Safety Is Issue as Budget Cuts Free Prisoners," March 4, 2010.

¹⁰ Associated Press (on BusinessWeek.com), "In Ill., Choice is Higher Taxes or Education Cuts," March 11, 2010.

¹¹ UCLA's Institute for Democracy, Education, and Access; "California Educational Opportunity Report"; January 2010.

¹² *The Wall Street Journal*, "Fiscal Woes Push Up Class Size," February 13, 2010.

¹³ NPR.org, "Cash-Strapped Schools Cutting Custodial Workers," April 5, 2010.

¹⁴ *The Wall Street Journal*, "Schools' New Math: the Four-day Week," March 8, 2010; and NPR.org, "States Weigh Four-Day School Week to Cut Costs," March 9, 2010. Data for both articles came from the Education Commission of the States.

Some school districts have chosen to eliminate or reduce non-academic programs. School District U-46 in *Elgin, Illinois* has proposed eliminating middle school football and kindergarten art, music, and physical education. *Fulton County, Georgia* plans to cut a \$4 million band and orchestra program from elementary schools that serves over 8,000 students.¹⁵

Health and Human Services. *New Hampshire* reduced nursing home reimbursement rates and funding for mental health providers. *Arizona's* approved FY11 budget eliminates the State's Children's Health Insurance Program (which provides healthcare to 47,000 low-income children) and eliminates Medicaid coverage for 310,000 adults, saving the State \$385 million.¹⁶

The Governor of *Minnesota* has proposed \$347 million in reductions from the State's health and human services budget, which would affect 20,000 people in state health care programs and 20,000 people in human services programs. A large part of the savings would be achieved by reducing MinnesotaCare eligibility for adults without children. Another large cut was a 2.5 percent reduction in long-term care payments. The State is facing a \$1.2 billion deficit in FY11.¹⁷

Parks and Recreation. To reduce park and recreation expenditures, some local governments have reduced the number of recreation classes they offer or reduced mowing and other maintenance on public land. For example, the Department of Parks and Recreation in *Virginia Beach* plans to reduce the average mowing frequency for divided roadways from 18 days in FY10 to 23 days in FY11, and reduce the replacement of plant materials and flowering annuals in their resort area by 72%.¹⁸ *Kansas City* may reduce park and boulevard mowing cycles for a savings of \$245,000.¹⁹

Following steep cuts in park funding over the last few years, *Arizona* has closed 5 out of 30 state parks, with 6 more scheduled to close by June 2010. Arizona currently is the only state that has closed parks, but other states have plans to do the same.²⁰

B. Actions to Increase Revenues

Many state and local governments have increased taxes or fees to help close budget gaps. In some cases, revenue from increased taxes or fees is used for specific program expenditures; in other cases, the funds go into a localities' General Fund. This section provides examples of state and local jurisdictions that have recently raised taxes or fees to close budget gaps.

1. Tax Increases

Over the last couple of years, state and local governments have implemented a variety of tax increases, with more proposed for FY11. In 2008 and 2009, 13 states raised new revenue from personal income taxes, 17 increased sales taxes, 22 increased excise taxes on tobacco, alcohol, or motor fuel, and 17 increased business taxes. Tax changes mostly involved increasing tax rates; expanding the coverage of an existing tax to include more items; or eliminating certain tax credits, deductions, and exemptions.²¹

¹⁵ 11Alive.com, "Fulton County School Board Starts Massive Budget Cutting Thursday Night," March 18, 2010.

¹⁶ American Medical News, "Health Reform Law, Arizona Medicaid Cuts at Odds," April 5, 2010.

¹⁷ Minnesota Public Radio, "Pawlenty Proposes Cuts to Local Governments, Health and Welfare," February 15, 2010.

¹⁸ Virginia Beach, Virginia, Fiscal Year 2010-11 Proposed Operating Budget.

¹⁹ *The Kansas City Star*, "KC Passes Budget, Trims Millions," March 25, 2010.

²⁰ *Los Angeles Times*, "Arizona Towns Pitch in to Save State Parks," March 29, 2010.

²¹ Center on Budget and Policy Priorities, "State Tax Changes In Response to the Recession," March 8, 2010

Sales Tax Increases. Some states are increasing their sales tax rates. For example, voters in *Arizona* will vote in a May special election on whether to temporarily increase the sales tax by 1 percentage point. The sales tax increase would expire on May 31, 2013. Revenue from the sales tax would be used to fund K-12 education, health and human services, and public safety.²²

Other states are expanding the sales tax base to cover goods and services that currently are not taxed in those places.²³ For example, the *State of Washington* is considering extending the sales tax to cover bottled water, candy, and gum.²⁴ In 2009, *Maine*'s legislature passed a law that would extend the sales tax to services such as car repairs and dry cleaning. The law will be subject to a voter referendum in June.²⁵

Excise Tax Increases. Sixteen states increased their cigarette tax last year, including *Connecticut*, *Kentucky*, and *North Carolina*. In *New York*, the Governor's 2010-11 Executive Budget proposed an increase in the cigarette tax and a new tax on sugared beverages.

Property Tax Increases. Most jurisdictions are seeing declines in property tax revenue due to recent declines in property values. As a result, some jurisdictions are raising property tax rates to recoup some of this revenue. In *Arlington County, Virginia*, the County Manager's proposed FY11 budget includes a 6.7 cent increase in the property tax rate; raising the rate from \$0.875 per \$100 of assessed value to \$0.942 per \$100 of assessed value.

Income Tax Increases. *Illinois*' Governor has proposed increasing the income tax rate by 1 percent. A few states are increasing enforcement of laws that allow them to collect taxes on income earned by visitors while in the state on business. In the past, the effort to enforce these laws has generally not been worth the potential revenue, but advances in technology may make these laws easier to enforce.²⁶

Reconsidering Tax Exemptions. Some states and localities are considering whether to tax nonprofit entities, such as universities and nonprofit hospitals through sales, income, and/or property taxes. For example, in March 2010, the Governor of *Georgia* proposed taking away nonprofit hospitals' state sales tax exemption.²⁷ Lawmakers in *Connecticut* are also reconsidering a wide range of tax exemptions and credits, such as exemptions from the state sales tax and admissions tax.²⁸

2. Fee Increases

Many jurisdictions have increased fees or fines as a way to generate revenue. In October 2009, *California* passed a law that increased or eliminated the maximum for various fees charged by counties, cities, or courts, such as a vital records fee and recording fees.²⁹ As a result, *Alameda County, California* increased its title recording fee and *Solana County, California* is considering increasing recording fees.

²² Arizona Education Network, February 25, 2010; Senate of Arizona, Concurrent Resolution 1001.

²³ According to the Federation of Tax Administrators, the sales tax in most states covers tangible goods and some services, but rarely covers a wide range of services such as personal and professional services. (Survey of Services Taxation – 2007 Update, July 2008).

²⁴ Associated Press (on Google.com), "Wash. Lawmakers Eye Higher Beer Tax to Help Budget," April 5, 2010.

²⁵ *The Wall Street Journal*, "States Try to Tax More Services as Coasters Deflate," February 7, 2010.

²⁶ *The New York Times*, "States Look Beyond Borders to Collect Owed Taxes," March 21, 2010.

²⁷ Governing.com, "Taxing Away an Exemption," March 17, 2010.

²⁸ *The Connecticut Mirror*, "Connecticut Pays a High Price for Tax Breaks," April 5, 2010.

²⁹ California State Senate Bill 676, chaptered on October 11, 2009.

Toledo, Ohio is going to impose a new \$15 monthly trash-collection fee³⁰ and in *Washington, D.C.*, the mayor's proposed FY11 budget includes a variety of fee increases or new revenue sources:

- A \$0.25 increase in parking fees (from \$0.75 to \$1) with projected revenue of \$3.6 million;
- Increases in fines on 71 types of traffic violations;
- Increases in 13 Department of Health practitioner renewal fees for chiropractors, acupuncturists, and other practitioners; and
- Selling advertising on the back of parking meters and parking meter receipts.

Louisiana plans to increase the fee for entrance to historic sites from \$2 to \$4 and increase the cost of using a group campsite at state parks by \$100 per night. The new fees are expected to generate an additional \$2.6 million for the budget for operating and maintaining state parks.³¹

Lawmakers in *Arizona, California, Idaho, and Washington* have recently considered or implemented extra vehicle fees to fund state parks. The model for this type of fee was *Montana*, which added a \$4 vehicle registration fee in 2004 that gives residents free access to parks. Residents can opt out of the fee but then cannot visit state parks for free. Between 80 to 85 percent of the state's drivers pay the fee.³²

3. Selling Assets

Some jurisdictions are selling property, which allows them to earn money and avoid future maintenance costs or, in the case of older buildings, avoid major renovations. In September 2009, *Arizona* passed a law allowing the sale of state buildings. *California* has put several properties on the market, such as the Orange County Fairgrounds. While states will make money from such sales, in some cases, states will continue to use the properties and have to pay to lease the property. In other cases, the property would be converted for private use. *Pennsylvania* sold office buildings in Philadelphia and Pittsburgh that are slated for conversion to condominiums.³³

Due to budgetary constraints, the *Colorado Springs* Police Department could no longer afford to fly its two helicopters. In October 2009, the Department took the helicopters out of service and sold them for a total of \$350,000.³⁴

C. Spending Money from Reserves or Other Types of Funds

In order to fill budget gaps, state and local jurisdictions have drawn on money from reserve funds and other types of special funds. In FY09, 26 states used money from "rainy day" reserve funds to reduce budget gaps and in FY10, 17 states used this strategy.³⁵ Several states are considering whether to raise or eliminate existing caps on how much money can accumulate in their rainy day funds to prepare for future fiscal challenges.³⁶

³⁰ The Wall Street Journal, "Toledo's Fiscal Reckoning," March 31, 2010.

³¹ *The Times-Picayune*, "Fees for state's parks will take a hike," March 5, 2010.

³² Stateline.org, "Register your car, save a state park," March 24, 2010.

³³ The Christian Science Monitor, "To Cut Deficit, Arizona May Sell its Capitol," September 8, 2009.

³⁴ Colorado Springs Police Department; www.KKTV.com, "Colorado Springs Sells 2nd Police Chopper," March 23, 2010.

³⁵ NGA and NASBO, "The Fiscal Survey of the States," December 2009.

³⁶ Stateline.org, "Is it 'raining' hard enough?" February 22, 2010.

In order to balance its FY10 budget, *Chicago* tapped the entirety of a \$51.9 million special reserve fund established through the lease of parking meters to private companies.³⁷ To help balance the General Fund budget, *Seattle* used \$20.1 million of the City's \$30.6 million Revenue Stabilization Account in 2009 and 2010.³⁸

Other states are using money from other types of special funds to balance their budgets. In addition to dipping into the State's rainy day fund, the *Washington* State House of Representatives has proposed taking money from the capital budgets of state universities, which are funded by student fees. The proposal would transfer \$35 million from four year colleges' capital budgets and \$3 million from community and technical colleges' capital budgets to the State's general fund. The University of Washington has threatened a lawsuit if the State proceeds with the plan.³⁹

New Hampshire took \$110 million from a medical malpractice insurance pool, with plans to use \$65 million to balance its two-year FY08-09 budget and \$45 million to balance the current FY10-11 budget. However, in July 2009, the State Supreme Court ordered the State to return the money.⁴⁰

A related strategy for closing budget gaps is to defer scheduled payments to employee pension funds and retiree health benefit funds. As part of the two-year budget that the Virginia General Assembly passed in March 2010, *Virginia* will defer payment of \$620 million to the Virginia Retirement System, which funds Virginia state employee and teacher pensions. Beginning in 2013, Virginia will have to repay the money over 10 years with 7.5 percent interest.⁴¹

To help close a \$500 million deficit for the rest of FY10, the Governor of *Connecticut* proposed deferring a \$100 million payment to the employee pension fund after reaching an agreement with state employee unions. The Governor also proposed using \$219.2 million from the State's emergency reserve fund to balance the FY10 budget, even though this money was scheduled for use next year to help balance the FY11 budget.⁴²

³⁷ Chicago Sun Times, "Daley rules out property tax increase to close budget gap," October 14, 2009.

³⁸ City of Seattle, Washington, 2010 Adopted Budget.

³⁹ Olympia Newswire, "House Proposes Raiding College Student Fees to Fill Budget Deficit, Singles out University of Washington for Extra Cuts," March 10, 2010.

⁴⁰ *The New York Times*, "State Debt Woes Grow Too Big to Camouflage," March 29, 2010; *Insurance Journal*, "New Hampshire Judge Rejects State's Claim on Malpractice Fund," July 31, 2009.

⁴¹ *Richmond Times-Dispatch*. "State Will Dip into Pension Fund, Repay with 7.5% Interest," March 15, 2010.

⁴² Governor Jodi M. Rell, "Deficit Mitigation Plan for Fiscal Year 2010," March 1, 2010.

II. CASE STUDIES OF LOCAL JURISDICTIONS

This section describes the actions taken by nine local governments throughout the U.S. to close their budget gaps by reducing expenditures and/or increasing taxes or fees. All population estimates in this section are from the U.S. Census Bureau's Population Estimates Program; the estimates for cities are as of July 1, 2008, while the estimates for counties are as of July 1, 2009.

Atlanta, Georgia

Time Period	FY09 and FY10
FY10 Budget Gap	\$56 million
Approved FY10 Operating Budget	\$1.5 billion
Strategies Used to Balance Budget	Furloughs, Property tax increase of \$0.3 per \$100 of assessed value (average increase of 7.2% for property owners)

Atlanta has a population of approximately 538,000. In mid-FY09, Atlanta instituted furloughs, requiring nearly all of its general fund employees—including police officers, firefighters and prison guards—to work four fewer hours every week (i.e., a 36-hour week). The resulting 10 percent reduction in pay saved the City approximately \$11.5 million. Many city agencies began closing on Fridays, shifting to nine-hour days, four days a week. Some fire stations, engine companies, and ladder companies were closed on a rolling basis during the furloughs, rather than all on the same day.

Furloughs ended when the City Council approved an increase in the property tax rate of \$0.312 per \$100 of assessed value in the FY10 budget, for an average increase of 7.2 percent in property tax bills. The City also eliminated a voluntary one percent contribution to employee pensions.⁴³

On February 1, 2010, the Atlanta City Council approved a resolution that would present a “municipal option sales tax” to voters in a referendum. First, the Georgia General Assembly would have to approve the measure. Revenue from the sales tax would fund public safety and infrastructure in the City.⁴⁴

⁴³ Pew Charitable Trusts, *Layoffs, Furloughs and Union Concessions: The Prolonged and Painful Process of Balancing City Budgets*, September 22, 2009; City of Atlanta, FY10 Adopted Budget

⁴⁴ Atlanta City Council Press Release, February 1, 2010; Atlanta City Council Resolution 10-R-0218

Clark County, Nevada

Time Period	FY11 (begins July 1)
FY11 Budget Gap	\$200 million (approximate)
Approved FY10 Budget	\$4.9 billion
Proposed Strategies to Balance Budget	Salary and benefit reductions

Clark County, Nevada has a population of approximately 1.9 million and an approved FY10 budget of \$4.9 billion. In previous budgets, the County has made cuts such as voluntary furloughs, layoffs, hiring freezes, cuts to shuttle bus service, and leaving 950 positions unfilled in the University Medical center and other county departments.⁴⁵

In FY11, which begins July 1, 2010, the County faces a budget gap of approximately \$200 million. One strategy that the County Commissioners have taken to develop the FY11 budget is to convene a Committee on Community Priorities to provide recommendations on budget priorities. The County Commission selected the 15 members of the Committee, which include representatives from the public, private, and nonprofit sectors.

The Committee's final report presented approximately 200 proposals to the County Commission.⁴⁶ According to the report, "the Committee was not tasked with reaching consensus in its decision making. Instead the final results are a collective representation of individual responses."⁴⁷ Among the committee's most significant proposals are cuts to the County's fire department budget, including cuts to overtime compensation and eliminating its paramedic service.

Clark County commissioners have proposed the elimination of the County's longevity pay, an annual bonus for employees with at least eight years of service with the County. Longevity pay bonuses in FY09 totaled \$34.6 million — \$9.1 million to University Medical Center employees and \$25.5 million to other county employees. The longevity pay also results in increased payments to those employees' retirement funds, totaling \$7.5 million in FY09.⁴⁸

⁴⁵ *Las Vegas Sun*, "Horrible County Budget Outlook Worsens, Tough Decisions Loom," January 20, 2010.

⁴⁶ *Las Vegas Sun*, "County Takes No Action On Priority Panel's Suggestions," January 19, 2010

⁴⁷ Committee on Community Priorities, Final Report, January 2010.

⁴⁸ *Las Vegas Sun*, "Longevity Pay Costs Millions in County," December 10, 2009.

Fairfax County, Virginia

Time Period	FY11 (begins July 1, 2010)
FY11 Budget Gap	\$257.2 million
Proposed FY11 Budget	General Fund Budget of \$3.2 billion
Proposed Strategies to Balance Budget	Pay freeze, County Government expenditure reductions, School funding reduction, and Property tax rate increase

Fairfax County has approximately one million residents and an FY10 General Fund budget of \$3.3 billion. For FY11, Fairfax County identified a budget gap of \$257.2 million (8 percent of the FY10 General Fund budget). The County Executive’s proposed FY11 budget states, “the essence of the proposed actions in this budget focus on cuts and reductions, efficiencies and reorganizations rather than closures or wholesale elimination of programs.”⁴⁹

For the second consecutive year, the budget does not include increases in employee compensation; however, the Executive has proposed 1.5 additional holiday days in FY11. The Executive has proposed that the County reduce expenditures by \$119.6 million. The budget would reduce County Government expenditures by \$103.3 million (reducing staff by a net of 284 positions) and reduce the operating transfer to Fairfax County public schools by \$16.3 million, or 1 percent less than the FY10 transfer. Examples of proposed expenditure reductions include:

- Reducing the Park Authority by \$2.4 million and 41 positions, which will affect park programs, maintenance, planning and administration (e.g., decreased mowing and grounds maintenance).
- Reducing the Fairfax County Public Library by \$3.4 million and 81 positions. Impacts include fewer hours of service, fewer youth and adult programs, and a shorter summer reading program.
- Reducing the Police Department budget by \$11.7 million by reducing overtime, positions and associated salary costs, and operating expenses.
- Reducing the Fire and Rescue Department budget by \$10.7 million through reduced overtime and operating expenses and management of position vacancies.
- Reducing the Department of Family Services budget by \$4.2 million.⁵⁰

To increase revenue by \$121.4 million, Fairfax County has proposed the following:

- Increasing the property tax by \$0.05 per \$100 in assessed value, from \$1.04 to \$1.09 (\$93.4 million increase in revenue).
- Increasing the sewer availability charge and the sewer service charge.
- Increasing the stormwater services district levy.
- Vehicle registration License Fee of \$33 (\$1.0 million).

The Executive’s plan also proposes using \$31.9 million from fund balances. Together, these measures would close the budget gap and result in a surplus of \$21.7 million, in anticipation of additional state cuts.

⁴⁹ Fairfax County FY2011 Advertised Budget Executive Summary, page 8.

⁵⁰ FY2011 Advertised Budget Plan, Overview; Agency Reductions (General Fund Impact)

Mecklenburg County, North Carolina

Time Period	FY10 and FY11
Budget Gap	\$34.6 million in FY10 and \$85 million in FY11
Approved FY10 Budget	\$1.4 billion
Proposed Strategies to Balance Budget	Elimination of positions, Budget reductions for most departments, School funding reduction

Mecklenburg County, North Carolina has a population of about 914,000 and an FY10 budget of \$1.4 billion. Charlotte, the largest city in North Carolina, is the seat of the County.

Mecklenburg County has had declines in nearly every revenue source; sales tax receipts, in particular, were lower than expected.⁵¹ As a result, the County has proposed \$20 million in mid-year reductions for FY10, including:

- \$6.3 million from Charlotte-Mecklenburg Schools;
- \$13.2 million from the County Government; and
- Approximately \$500,000 from the Central Piedmont Community College.

The library system’s Board of Trustees decided to lay off 148 employees and close 12 branches by April 3, 2010. Under the plan, 45 code enforcement positions would be eliminated.⁵²

The County has also projected an \$85 million budget gap in FY11, which begins in July. The County Manager does not prepare a recommended FY11 budget until May, but identified budget targets indicate potential cuts for FY11. The budget targets include total cuts of \$95 million. All county departments would be cut (by 16% on average), but the largest reductions would come from:

- Reduce Library budget by \$17 million (a 50% reduction from FY10);
- Reduce Park and Recreation Department budget by \$19 million (a 50% reduction from FY10);
- Reduce Sheriff’s Office budget by \$9 million (an 11% reduction from FY10).

The County would also cut funding for Charlotte-Mecklenburg Schools by 6.5 percent from FY10, or \$20.7 million (\$19.7 million from the operating budget and \$1 million in the capital replacement budget). The district receives about a third of its operating funding from the County. Because Charlotte-Mecklenburg Schools are also expecting large cuts from the State, the Superintendent has developed a preliminary plan to cut \$63 million and eliminate 842 positions, including approximately 600 teachers.⁵³

⁵¹ County Manager’s Office, Board Bulletin, March 19, 2010.

⁵² County Manager’s Office, Management and Budget, Documents accessed April 1, 2010: <http://www.charmeck.org/Departments/County+Managers+Office/Business+Management/home.htm>

⁵³ *Charlotte Observer*, “CMS Layoff Alternatives Hard to Find,” March 18, 2010.

Mesa, Arizona

Time Period	FY10 and FY11
FY11 Budget Gap	\$19.6 million
Approved FY10 Budget	\$1.1 billion
Strategies Used to Balance Budget	Elimination of positions, Addition of a property tax of \$0.3 per \$100 of assessed value

The City of Mesa, Arizona is located 16 miles east of Phoenix within the County of Maricopa and has a population of about 464,000. Beginning in FY09, the City had to reduce expenditures by \$29 million mid-year and reduce anticipated FY10 expenditures by \$60 million. Between the FY09 and FY10 reductions, the City eliminated over 300 full-time positions.⁵⁴

From FY09 to FY10, the budget for the Recreation Operations program was reduced by 18 percent (\$3.6 million) and the Libraries budget was reduced by 30% (\$3.2 million).⁵⁵ The police department was reduced by approximately 50 sworn officers. As a result, the City hired nine lower-paid civilians to do investigative work for minor nonviolent crimes. The civilian investigators go through less training than police officers and earn about \$37,000 per year compared to officers' salaries of \$49,000.⁵⁶

In FY10 for the first time, the City assessed a property tax of \$0.2977 per \$100 of assessed value to raise an additional \$14.1 million. This property tax is estimated to cost the average homeowner about \$53 in FY10.⁵⁷

Beginning on March 2, 2009 many city employees began working four 10-hour workdays per week. Fire stations, parks, and libraries remain open five days per week, but the City Hall is closed on Fridays.

The City currently has a projected budget gap of \$19.6 million in FY11, which begins July 1, 2010. The City Manager has not yet submitted a proposed budget to the City Council.⁵⁸

⁵⁴ Executive Budget Plan, Fiscal Year 2009/2010, City of Mesa, Arizona.

⁵⁵ Mesa, Arizona, Adopted Budget 2009/10.

⁵⁶ *The Wall Street Journal*, "As Slump Hits Home, Cities Downsize Their Ambitions," December 26, 2009.

⁵⁷ City of Mesa, Arizona, Resolution 9534 – Secondary Property Tax.

⁵⁸ City of Mesa, Arizona, Budget Research Office, Budget Presentation to Council, March 4, 2010.

Milwaukee County, Wisconsin

Time Period	FY10 (ends December 31, 2010)
FY10 Budget Gap	\$14.9 million
Approved FY10 Budget	\$1.46 billion
Strategies Used to Balance Budget	Furloughs, Pay freezes, Modifications to pension benefits, Increase in employee share of health care premiums

Milwaukee has a population of approximately 960,000. Beginning in FY10, Milwaukee County has made modifications to salaries, benefits, and retirement-related calculations for non-union employees, including:

- A doubling of monthly premiums paid by employees for health care;
- A 200 percent increase in co-pays;
- An across-the-board wage freeze;
- An increase in the retirement age to 60 for new workers; and
- A 20 percent reduction in pension credit.

The Milwaukee County Executive proposed 12 furlough days (4 fixed and 8 floating) for all employees for a projected savings of \$7.2 million. The County Council added an additional 10 furlough days for 1,500 union employees, for an additional savings of \$2 million. The County would eliminate the additional furlough days if the union agreed to the modifications described above for non-union employees.⁵⁹

⁵⁹Milwaukee Journal Sentinel, "Milwaukee County Board Approves Budget Cuts, Furloughs," February 4, 2010.

Philadelphia, Pennsylvania

Time Period	FY10 and FY11
Budget Gap	\$1.4 billion in FY10-14; \$150 million in FY11
Proposed FY11 Budget	\$3.87 billion
Proposed/Implemented Strategies to Balance Budget	Sales tax increase, Deferral of pension contributions, \$0.02 per ounce sugary drink tax, \$300 trash fee

Philadelphia has a population of approximately 1.4 million. In May 2009, the City Council adopted an FY10 budget and, as required by state law, the City prepared a five-year fiscal plan to close a projected budget gap of \$1.4 billion.⁶⁰ The plan included a \$0.01, five-year increase in the sales tax; a deferral of \$235 million in contributions to the City’s pension fund; and a lengthening of the schedule for the City to make up the unfunded liabilities of the system’s pension fund by ten years. These three measures required the approval of the state legislature.

When the state legislature delayed approval, the Mayor prepared an alternative plan that included closing all branch libraries, health centers, and recreation centers; reducing trash collection from once a week to every other week; and laying off 3,000 city employees including police and firefighters. The state legislature approved the City’s original proposals hours before the alternative was to take effect.⁶¹

To address the City’s FY11 budget gap of \$150 million, the Mayor proposed two major revenue generating initiatives: an annual garbage fee and a tax on soda and sugary drinks. The \$300 annual garbage fee is projected to raise approximately \$108 million. The proposed \$0.02 per ounce tax on soda and sugary drinks is the highest tax of this kind currently proposed in the country.⁶²

Members of the City Council recently proposed amending the Business Privilege Tax (BPT), which currently includes a net-income tax of 6.45 percent of reported business profits *and* a 0.14 percent tax on gross receipts, or total sales; regardless of whether a business makes a profit. The proposed changes would eliminate the net-income portion of the tax and significantly increase the gross receipts portion. The change is designed to target corporations based outside of Philadelphia, while minimizing the impact on local small businesses.⁶³

⁶⁰ City of Philadelphia, Five-Year Financial and Strategic Plan for Fiscal Years 2010-2014, presented to City Council March 19, 2009.

⁶¹ Pew Charitable Trusts, *Layoffs, Furloughs and Union Concessions: The Prolonged and Painful Process of Balancing City Budgets*, September 22, 2009.

⁶² Philadelphia Enquirer, “Nutter Presents 2011 Budget with Soda Tax, Trash Fee,” March 4, 2010.

⁶³ Philadelphia Enquirer, “Phila. Tackling Taxing Options,” April 4, 2010.

Phoenix, Arizona

Time Period	End of FY10 and FY11
Budget Gap	\$241.4 million
Approved FY10 Budget	\$3.7 billion
Strategies Used to Balance Budget	Salary and benefit reductions, Elimination of positions, 2% food tax, Program reductions

The City of Phoenix has a population of approximately 1.6 million. In FY10, Phoenix has had large declines in sales and income tax revenue and in February 2010, the Phoenix City Manager reported a general fund deficit of \$241.4 million for the rest of FY10 and for FY11. To reduce the shortfall, the City undertook \$90.9 million in financial transactions (mostly one-time savings), \$10 million in assumed innovation and efficiency savings, and \$1.3 million in reductions to management salaries. These initial strategies left the City with a gap of \$139.2 million, which the City Manager estimated would be equivalent to eliminating 1,310 general fund positions.⁶⁴

To avoid reducing so many positions, the Mayor and City Council enacted a 2 percent food tax, which they expect to raise \$62.5 million in revenue from April 2010 through June 2011. Phoenix is using the additional revenue to avoid cutting positions in the police and fire departments and to avoid cuts in other areas such as community enrichment and services for seniors.

In addition, all labor groups agreed to 3.2 percent wage and benefit decreases over the next two fiscal years, for an estimated FY11 savings of \$46.9 million and an equivalent savings in FY12. Management salaries will decrease by 6.9 percent, for a two-year savings of \$10.6 million.

Phoenix will also reduce general fund expenditures by \$64 million by eliminating 550 positions and reducing operating expenses throughout the government, including \$6.5 million in cuts to parks and recreations, \$9.0 million to the Fire Department, \$19.6 million to the Police Department, \$4.1 million to the Public Transit Department, and \$2.5 million to Street Transportation Department. The City anticipates that 85-95 employees will retire earlier than planned, creating some vacancies for staff whose positions are eliminated.

⁶⁴ City of Phoenix budget documents: <http://phoenix.gov/BUDGET/index.html>

Prince George's County, Maryland

Time Period	FY11 (begins July 1, 2010)
FY11 Budget Gap	\$85 million
Proposed FY11 Budget	\$3.11 billion
Proposed Strategies to Balance Budget	Furloughs, Hiring freeze, Elimination of funding for vacant positions, Program reductions

Prince George's County has a population of about 835,000 and an FY10 budget of \$3.14 billion (\$2.60 billion general fund). In January 2010, the County projected a budget gap of \$85 million for FY11.

The County Executive's proposed FY11 budget is \$3.11 billion, (general fund expenditures of \$2.59 billion), which is 1 percent lower than the FY10 approved budget. The budget includes reductions to most departments from FY10 levels, including:

- A \$3.7 million reduction in Health Department staffing due to state funding cuts.
- An 8% reduction in the County's General Fund contribution to the Community College and a 20% increase in total tuition and fees (for an overall increase in the Community College budget of 2%).
- A total reduction in the schools' budget of \$20 million, including a \$21 million reduction in the County contribution to the Board of Education, \$15 million below the Maintenance of Effort level. State aid will decrease by \$80 million while federal aid will increase by \$86 million.

In addition to program cuts, the Executive's budget proposes continuing a hiring freeze instituted in January 2008, eliminating funding for vacant positions (expected saving of \$7.4 million), and a furlough program for the third consecutive year (expected savings of \$12 million). The proposed FY11 furlough plan includes 8 days, compared to 10 furlough days in each of FY09 and FY10.

The Executive's proposed budget maintains a Charter-mandated "contingency reserve" of 5 percent of the General Fund, maintains a 2 percent operating reserve, and includes \$12.7 million in pay-go capital projects.⁶⁵

⁶⁵ Prince George's County, Maryland, Proposed Operating Budget Fiscal Year 2011.