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## **Budget Picture Brightens Considerably for Milwaukee County in 2022**

*Long-term challenges remain, such as infrastructure backlog, structural deficit, few revenue options*

Last year's concerns that the COVID-19 pandemic would ravage Milwaukee County finances have been supplanted this year by a dramatically brightened outlook that, at least for the next two or three years, is the strongest the county has seen in decades.

An influx of federal aid, a healthy rebound in sales tax collections, enhanced capacity for reserve withdrawals, and decreased health care and pension cost projections allow the county executive's 2022 budget proposal to largely avoid service cuts, fee hikes, or workforce reductions.

It does this while also recommending new investments tied to racial equity, salary increases for county workers, and greater support to municipal governments for emergency medical services. Perhaps most surprisingly, it preserves nearly all of the county's \$183.7 million allocation from the federal American Rescue Plan Act (ARPA) for future uses.

Still, according to the Wisconsin Policy Forum's Milwaukee County Budget Brief, this momentary boost to the county's budget picture does not alter its far more challenging long-term outlook.

"While this outlook is undeniably far rosier than any the county has seen in decades, the caveat is that it, too, is likely to be short-lived," the report finds.

Key challenges include an immense infrastructure backlog [chronicled extensively in previous Forum research](#) and a stubbornly recurring structural deficit combined with the fact that the county has few new revenue options available.

Four keys to the 2022 budget identified in the report are:

1. **ARPA funds preserved:** The budget forsakes the use of all but an additional \$4 million of the county's ARPA allocation to address operating needs in 2022, electing instead to wait for recommendations from a special task force before decisions are made on ARPA fund distribution. These funds therefore are preserved for potential one-time capital expenditures, direct pandemic-related needs, or filling revenue holes in 2023 or 2024. This is a notable contrast to the proposed 2022 budget for the city of Milwaukee, which allocates a larger share of its ARPA funding to fill revenue gaps in 2022 and indicates the same will occur in 2023 and 2024. This approach allows the county to be strategic in its use of ARPA funds and, combined with other favorable indicators, create a brighter short-term fiscal outlook for the county than it has seen in decades.

2. **New dollars to advance equity goals:** County Executive David Crowley has made clear that “advancing racial equity” is a foremost objective. While his first budget for 2021 laid groundwork for this, his 2022 budget proposal takes more tangible strides, creating new positions to recruit and hire workers of color, and targeting investments in areas like housing and corrections. The budget also cites several broader initiatives developed with racial equity in mind, including its “No Wrong Door” transition in the Department of Health and Human Services, moving the Behavioral Health Division’s emergency mental health center from Wauwatosa to Milwaukee’s near north side, and a new effort to expand and improve transit services in the 27th Street corridor. The budget also sets aside \$2.5 million for pay increases for some county employees pending the completion of a new compensation study designed to identify and correct pay disparities by race and gender.
3. **Another temporary reprieve for MCTS:** Beyond a huge backlog of capital improvements, the transit budget has emerged as the biggest budgetary trouble spot for the county. This reached crisis proportions during the pandemic, which created both huge initial drops in ridership and lingering depressed transit usage. However, the federal government stepped in to provide large infusions of funding for large transit systems (separate from the allotment provided to Milwaukee County) in each of its three relief packages, totaling \$191.4 million for Milwaukee County Transit System (MCTS). The system anticipates using \$54.3 million to plug revenue holes in 2020 and 2021, and the 2022 recommended budget would spend down an additional \$91.9 million. MCTS has dodged a budgetary bullet for 2020-22, and remaining federal relief funds likely will allow it to do the same in 2023 and possibly 2024. Still, huge financial hurdles are likely to emerge when the federal funds are exhausted.
4. **Dawn of a new day at BHD:** The 2022 budget marks an historic milestone for the county’s Behavioral Health Division (BHD) in progress toward a longstanding goal – stemming in part from [research co-authored by the Forum](#) – of downsizing and outsourcing inpatient operations while changing BHD’s focus to coordinating, expanding, and improving a community-based system of care. Key steps are set to occur in 2022, when the psychiatric inpatient hospital and crisis service at the county Mental Health Complex will be replaced with a privately-run inpatient hospital in West Allis and a new Mental Health Emergency Center in Milwaukee. These moves hold promise to improve services for county residents and BHD officials believe, at minimum, that the annual cost to the county will be no more than those previously incurred to operate those services itself. In the meantime, the county will shed much of the risk involved with state and federal Medicaid reimbursement and the need to pump capital dollars into the aging and obsolete Mental Health Complex.

Looking ahead, the county’s biggest long-term fiscal challenge is its massive infrastructure backlog entailing hundreds of identified repair and replacement needs for highways, parks, and buildings. The budget brief concludes that these challenges intensify the pressure on county leaders to strategically use the ARPA funds to address at least some of their long-term capital challenges.

"The recommended budget’s successful effort to preserve the bulk of the ARPA funds for future decision-making tees up this opportunity," it says, "and it will be critical for future budgets that it not be squandered."

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