



WISCONSIN POLICY FORUM

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Milwaukee County Finds Better Budgetary Health in 2023; Preps for Tougher Times to Come *Capital projects backlog, transit remain areas of concern, especially after federal aid is spent*

Bolstered by increased sales tax revenues, replenished reserves, and federal pandemic aid, Milwaukee County's proposed 2023 budget avoids major cuts to services and staff while making investments in key areas.

Some trouble spots remain, as a reliance on one-time funds from the American Rescue Plan Act (ARPA) to support the Milwaukee County Transit System (MCTS) means transit services could face a "frightening scenario" in 2025 and beyond, when federal dollars are exhausted.

Meanwhile, a recommendation by County Executive David Crowley to more than double borrowing for capital projects addresses some important needs, but barely moves the needle on the county's enormous infrastructure repair and replacement backlog. This underscores the daunting magnitude of this problem, likely to be made worse in future years by soaring borrowing costs and inflation.

Still, the Wisconsin Policy Forum's annual brief on the county's proposed 2023 budget notes how this budget compares with others in recent memory. Much of the turmoil that once enveloped the county's annual budget deliberations has disappeared in light of only limited cuts and new opportunities to address longstanding needs.

"The 2023 recommended budget not only provides ample evidence of the county's improved fiscal health, but also continues to make a case that its leaders are doing what they can to prepare for a far more difficult future," the report finds.

Key findings include:

- **Prudent use of onetime dollars:** In perhaps the biggest reflection of Milwaukee County's improved financial condition, its 2023 budget resists the temptation to draw substantially from the county's general ARPA allocation of \$183.7 million to support regular county operations. Instead, **much of the ARPA funds included in this budget would be used for one-time needs** – the largest of which is a \$32.3 million allocation to build a new human services center. Other major uses include a portion of the funds needed for a new forensic science center, IT upgrades, and other backlogged needs. For the most part, the county's diligence in preserving its ARPA funds for one-time uses will avoid making its structural imbalance worse in future years and **improve its long-term financial condition** by addressing some capital needs without funding from property taxes or borrowing.

- **Sales tax is significant:** One reason that Milwaukee County has not faced the same need as the city of Milwaukee to use ARPA funds for operations is its 0.5% sales tax, which state law permits counties to collect but largely forbids municipalities. **During a time of high inflation, having this revenue source has been critical.** The county's budgeted sales tax collections have increased by 48.5% over the past 10 budgets, providing policymakers an extra \$32.3 million over the period to spend on various priorities. Notably, the county's property tax levy collections have grown by only 12.1% during the same period. These additional sales tax dollars have come at the right time to provide cushion as county leaders face growing costs in several areas – first public health and safety-related demands caused by the pandemic, and more recently by high inflation. It could be argued that is the way things are supposed to work, as a local government's revenue structure is healthiest with a diversified mix of revenues.
- **More funds for capital projects, backlog remains:** The overall proposed **capital budget totals \$197 million, a \$67.1 million (52%) increase** over last year. This is in part because the county would exceed its bonding limit, self-imposed nearly two decades ago. The decision stems from the need to finally address two major capital demands: a new forensic science center, and a new home for the Milwaukee Public Museum (MPM). The forensic science center is the largest of these and would receive \$62.9 million in bond proceeds. While expensive, both of these projects will yield long-term savings. The remaining capital budget also continues a recent upswing for investment in county parks. Still, the hefty increase in the recommended capital budget **does not change the ongoing growth of a capital project backlog that Crowley recently said may exceed \$1 billion.** High inflation and rising interest rates are likely to only exacerbate this problem.
- **The trouble with transit:** Last year's budget brief declared that **outside of its backlog of capital needs, transit has emerged as the biggest budgetary trouble spot** for the county – a prognosis that remains in the 2023 budget. MCTS, like the county as a whole, has faced deep structural budget problems for decades – but massive transit ridership declines during the pandemic now threaten to bring them to a head. For now, pandemic relief funding, via a dedicated allocation separate from the county's general ARPA allotment, is filling the gap. MCTS has directly received \$191.4 million from the three federal relief measures, and about \$52 million remains that must be obligated through 2024. Unless ridership rebounds beyond expectations or additional infusions of state aid arrive, **MCTS faces a potential fiscal cliff of \$20 million or more when federal funds are exhausted.** MCTS leaders have laid out possible options to address it, including increasing fares, boosting the county's \$30 vehicle registration fee, increasing MCTS' property tax support, or cutting service. None would be popular, but a combination of each may be needed if nothing else changes.

For now, the report finds county leaders should feel grateful for the role of federal pandemic aid in preventing service reductions in this budget – and proud of their own efforts to spend the dollars responsibly on one-time needs. But the encouraging near-term picture does not alter a much more challenging long-term fiscal outlook.

[Click here to read the Forum's brief on Milwaukee County's proposed 2023 budget.](#)

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