*Fiscal Facts by Wisconsin Policy Forum*

**Federal funds delay hard decisions in Milwaukee city budget**

An unprecedented infusion of federal pandemic aid should provide substantial but temporary relief for the city of Milwaukee’s budget imbalance for the next three years, starting with its 2022 budget.

But while the arrival of $394.2 million from the federal American Rescue Plan Act (ARPA) is an extraordinarily welcome short-term development for city finances, it will only delay a reckoning with challenges including a looming pension crisis and stagnant state and local revenues. It may also widen the structural fiscal imbalance the city may face in coming years, with critical public safety positions among those at risk in future budgets.

Milwaukee Mayor Tom Barrett’s $1.75 billion spending plan for 2022 relies on ARPA monies to fill operating budget gaps in the next three budgets, as well as for a slate of one-time uses including lead abatement, affordable housing initiatives, and continued pandemic response. The Milwaukee Common Council is now considering Barrett’s proposal and will potentially amend the budget and likely adopt some version of it on Nov. 5.

Many proposed uses for ARPA dollars in the 2022 budget are to support the operating costs of 93 fire department positions and 97.5 police positions. While defensible in light of the city’s severe near-term fiscal challenges, this comes despite a cardinal rule of government finance: that one-time revenues be spent on one-time costs to avoid difficult program cuts or undue pressure on taxpayers when the funds run out. At that point, city leaders will be hard-pressed to maintain these positions without some new infusion of revenue or deep cuts in other departments.

Meanwhile, an impending crisis point for the city remains: when it will be necessary to “re-set” the city’s employer pension contribution in 2023, which could require the city to increase its annual pension contribution by up to $78 million. With this reset now one budget year away, it remains a monumental challenge that ultimately could require massive cuts to city staffing and services. City budget officials have speculated that nearly one-quarter of the city’s workforce may need to be cut in order to afford the increased pension payment.

Overall, the report finds that for now, the influx of federal funds is playing a critical role in maintaining city services while shielding residents from large tax and fee hikes. Yet policymakers and citizens should be aware that the federal infusion has not erased the city’s moment of fiscal reckoning — but more likely, simply delayed it.

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