**Fiscal Facts: Federal Funds Give Milwaukee a Budget Reprieve, but Debt Up as Reckoning Nears**

Federal pandemic relief funds give a temporary reprieve to a mounting array of fiscal woes for the city of Milwaukee, helping it avert large-scale service reductions in Mayor Cavalier Johnson’s proposal for the 2023 budget.

Still, city debt levels are escalating more rapidly than anticipated, as borrowing costs continue to increase. Meanwhile, the proposed budget would use $80 million of federal dollars from the American Rescue Plan Act (ARPA) to stave off major cuts to most departments in 2023 – up more than $13 million from the amount plugged into the current budget. This, in turn, increases the budget gap that will be created when the federal funds are exhausted.

The Wisconsin Policy Forum’s annual brief on the proposed city of Milwaukee budget reinforces warnings issued in previous Forum research; most recently last month in [our report on the city of Milwaukee’s overall fiscal condition: “Nearing the Brink.”](https://wispolicyforum.org/research/nearing-the-brink-an-independent-third-party-review-of-the-city-of-milwaukees-fiscal-condition/)

Consistent with findings in that report, the 2023 proposed budget shows the city’s principal revenue streams, primarily state aid and property tax revenues, continue to stagnate. Milwaukee will continue to face steep financial challenges going forward should nothing change in Madison with regard to these two major revenue sources.

 Meanwhile, the ability to tap key reserves, a source of stability in past budgets, has all but disappeared.

Additionally, this budget sees the arrival of a long-anticipated sharp increase in the city’s pension contribution -- from $71 million in 2022 to $100 million in the proposed budget. This is the remaining element threatening to bring Milwaukee’s fiscal challenges to a head when federal pandemic aid runs out prior to 2025.

Notably, the proposed budget increases the amount of property tax levy going to service general obligation debt by 15.3%, bumping the total to $98.5 million. This would be the largest annual debt levy increase since at least 2001.

Nearly all of the budgeted ARPA funds in Johnson’s proposal would go to the Milwaukee Fire Department, supporting 470 positions – more than half of the department’s authorized positions. Once the federal funds are spent, the potential need to cut all of those positions or substitute others across city departments –and perhaps cut hundreds more as inflation and pension payments rise – would produce severe service reductions that a city with Milwaukee’s needs arguably cannot afford to endure.

As deliberations on the 2023 budget continue, city policymakers should be relieved that they have the federal resources in hand to delay their day of reckoning. And area residents and businesses should be aware of the magnitude of the problem that is emerging, as well as what is at stake if state and local policymakers fail to avert worst-case outcomes.

*This information is a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at* [*wispolicyforum.org*](https://wispolicyforum.org/research/state-tax-burden-up-but-overall-burden-still-falling/)*.*