**Fiscal Facts: Milwaukee Continues to Reap Act 12 Benefits, But Fiscal Challenges Remain**

For a second straight year, the city of Milwaukee’s proposed budget would largely avert staffing and service cuts and limit increases in property taxes and fees, as the city continues to benefit from a landmark state law providing new revenue, including from a new city sales tax.

After many years of deeply challenging budgets, Mayor Cavalier Johnson’s proposal for 2025 delivers mostly welcome news. It allows most city departments to avoid service cuts; funds three new Milwaukee Police Department recruit classes; restores a fire and paramedic unit; and maintains Sunday library hours. It also boosts city-backed capital spending by nearly $15 million to address infrastructure needs -- all while limiting property tax and most fee increases to a sub-inflationary 2%.

Yet this newfound budget tranquility could be short-lived, according to the Wisconsin Policy Forum's annual review of the mayor's proposed budget. Some of the mechanisms by which it is achieved, such as the largest drawdown from a key city reserve fund in at least a decade, are unlikely to be sustainable in the future. And amid mounting city infrastructure needs, the proposal would raise city borrowing levels to their highest point in at least a decade.

Last summer, Gov. Tony Evers signed into law 2023 Wisconsin Act 12, which provided every city, village, and town in the state with a boost in state shared revenue, while also ensuring that future shared revenue payments would change based on state sales tax collections. It also allowed Milwaukee to pass a 2% local sales tax. As a result, Milwaukee’s 2024 budget included a state shared revenue increase of $21.9 million. It also included $184 million in new sales tax revenue, mostly to cover the city’s skyrocketing pension obligations.

The 2025 budget is our first look at how Act 12 will change city finances going forward. The 2025 budget estimates sales tax collections of $192.9 million, a boost of $8.9 million (4.8%), and projects a shared revenue increase of $4.9 million to $246.2 million.

In 2022, our report on the city’s fiscal condition noted warnings about the city’s depleted fund balances. Consequently, for the first time in recent memory, last year the city did not withdraw any funds from its three main reserve funds. Now in the 2025 proposed budget, combined withdrawals from the three reserve funds would jump back up to $44.3 million.

The Forum has warned that capital needs would emerge as a growing contributor to the city’s financial challenges, and the 2025 proposed budget confirms this. To finance spending for the city’s mounting capital needs, general obligation borrowing would rise in the 2025 proposed budget from $96 million to $116 million, or 20.8%. Borrowing would sit at its highest level in at least the last decade.

This should add up to an even greater sense of urgency for city leaders to pursue changes aimed at increasing efficiency, without lowering service quality or breadth. The benefits of Act 12 will continue, but fall short of fully resolving the city’s fiscal challenges. It is clear that future solutions to the city’s challenges are less likely to come from Madison, and that the need to scour city operations for savings opportunities will grow.

*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/)*.*