**Fiscal Facts: Act 12 Benefits Continue in 2025, But Fiscal Challenges Loom for Milwaukee County**

Despite a mid-year budget deficit that emerged this summer, Milwaukee County’s 2025 budget proposal largely avoids harmful service cuts, while boosting spending on public safety and limiting withdrawals from reserves.

The budget shows the county has made progress in reducing its structural budget deficit, thanks largely to a new state law, 2023 Act 12, that increased state aid to counties and authorized Milwaukee County to increase its sales tax. This impact notwithstanding, it may dissipate more quickly than expected – and the county is likely to return to budget-cutting mode as soon as 2026.

Milwaukee County faces mounting public safety costs, a looming fiscal cliff for transit, and perhaps most concerning, a capital projects backlog with a price tag that may soon approach $1 billion. Future options to address these challenges remain limited, according to the Wisconsin Policy Forum’s annual brief on the Milwaukee County Executive’s 2025 recommended budget.

The Act 12 infusion of new dollars created a $51.1 million surplus for Milwaukee County’s 2024 budget, but an $11.5 million deficit re-emerged for 2025 and has grown throughout the year. County Executive David Crowley proposes to address the projected deficit by eliminating one-time expenditures made possible by federal pandemic relief aid, drawing $7.5 million from reserves, limiting departmental spending increases, and increasing out-of-pocket health care expenses for county employees. The following are keys to understanding Crowley’s budget plan:

**Public safety challenges chew up Act 12 benefits:** Juxtaposed against the influx of new revenue from Act 12 is Milwaukee County’s mounting fiscal pressure in the area of public safety. The 2025 budget plan would increase such spending by $10.8 million, or 7.1%. Much of this spending growth comes from the Milwaukee County Sheriff’s Office. Unless new strategies are developed to control annual cost increases in public safety, the future impact of Act 12 in helping to resolve the county’s structural deficit may be eclipsed.

**BRT decision reflects challenges beyond transit:** For years it has been apparent that the Milwaukee County Transit System (MCTS) is approaching a fiscal cliff that would pose a serious threat to bus services, and potentially to other county services. This stems from pandemic ridership declines and the impending exhaustion of a $191 million allotment of federal pandemic relief aid. While recent actions delayed a transit budget reckoning, it is likely that MCTS service cuts, an increase in the county’s vehicle registration fee, or both will be back on the table in the next two years.

**Pressure on the property tax builds:** This budget includes an $8.3 million (2.8%) increase in the property tax levy, the highest percentage increase in 15 years, though it follows a $24 million (7.7%) levy decrease in 2024. In future years, a growing capital projects backlog – including commitments to huge projects such as a new county courthouse, new forensic science center, and new public museum -- threaten to produce a large increase in debt service obligations that could be borne by property taxpayers.

**Structural challenges take a turn for the worse:** Since the adoption of Act 12, the county’s annual structural challenge now is in the range of about $15 million per year – a significant reduction from the $30 to $50 million annual holes that once were common. Yet continuing fiscal challenges may require county leaders to step up the search for budgetary savings, potentially including measures such as liquidating physical assets, internal consolidation, or intergovernmental service sharing with the city or other jurisdictions.

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