

Wisconsin Policy Forum: Despite pandemic, Milwaukee County budget plan avoids program cuts in 2021

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While a confluence of welcome developments may help Milwaukee County's 2021 budget proposal avoid painful reductions or substantial tax or fee hikes for another year, they have not erased an array of long-term challenges, according to a new analysis from the Wisconsin Policy Forum.

The financial hit from COVID-19, while serious, was not as dire as feared earlier this year, when the pandemic contributed to a projected budget hole of more than \$40 million. Instead, the pandemic's negative effects were cushioned by federal coronavirus relief dollars, better-than-expected sales tax revenues as the economy partially reopened, and lower projected health care costs.

However, county leaders should not assume these positive factors will relieve them from making difficult choices in coming years. A continuing inability to address several longstanding problems – including aging infrastructure, declining transit ridership, and a lingering structural imbalance – does not mean they will go away.

That said, recently elected County Executive David Crowley has proposed a budget that averts major program cuts or unreasonable demands on taxpayers, largely because of the following:

- Use of nearly \$13 million in federal coronavirus funds for transit;
- \$5 million in savings from lower health care cost projections;
- The transfer of \$4.3 million of property tax levy from the capital budget to operations; and
- Withdrawal of \$5.3 million from the county's Debt Service Reserve.

While the 2021 budget gap is bridged in far less painful fashion than what was anticipated at the outset of the pandemic, the report warns that deficit reduction is likely to be far more difficult in future years. For example, departments are asked to absorb more than \$20 million of “costs to continue” and small levy reductions in 2021, which they are largely able to accomplish by identifying new sources of outside revenue and eliminating vacant positions. Those strategies may not be available in 2022, and it is similarly unlikely that future budgets will be able to rely on lower health care spending, large infusions of federal dollars, and increased draws from reserves.

Among the report’s findings:

Pandemic’s Impacts Not as Bad as Feared

Various forms of federal dollars provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act helped the county turn a huge projected 2020 budget hole last May into a small surplus forecast in mid-September. Some of those dollars will continue to provide relief in 2021.

Nevertheless, the budget does include more than \$15 million in revenue losses attributed to the pandemic, including a projected \$7.4 million reduction in sales tax revenue.

Transit Gets a Temporary Reprieve

About \$12.8 million of the county’s \$54.9 million in CARES transit dollars received earlier this year are allocated to the Milwaukee County Transit System budget in 2021. The funds are used not only to offset reduced passenger revenues, but also to free up \$4.9 million in property tax levy for other purposes. While welcome, after the CARES money is used up it will be even more difficult for county policymakers to maintain current service levels in future budgets, making the long-term transit outlook even more precarious than ever.

No Solution for Infrastructure Funding

The 2021 budget does not address the county’s huge backlog of infrastructure repairs. Several requested projects that are ineligible for bonding are not funded, in part because the recommended budget backs all property tax levy out of the capital budget to preserve scarce resources for operations. An even larger problem, which

the Forum highlighted in our series of reports on local infrastructure needs, is that borrowing costs for larger project requests vastly exceed the county's borrowing capacity for each of the next four years.

Ultimately, the report concludes that the 2021 budget "should be seen as a temporary reprieve for a government that continues to suffer from a sizable structural imbalance and that is bound to face much more difficult budgetary decision-making in the future."

Click [here](#) to read our 2021 Milwaukee County budget brief.