

BUDGET BRIEF:

CITY OF MILWAUKEE

2026 PROPOSED
BUDGET



WISCONSIN

POLICY FORUM

ABOUT THE WISCONSIN POLICY FORUM

The Wisconsin Policy Forum was created on January 1, 2018, by the merger of the Milwaukee-based Public Policy Forum and the Madison-based Wisconsin Taxpayers Alliance. Throughout their lengthy histories, both organizations engaged in nonpartisan, independent research and civic education on fiscal and policy issues affecting state and local governments and school districts in Wisconsin. WPF is committed to those same activities and that spirit of nonpartisanship.

PREFACE AND ACKNOWLEDGMENTS

This report is intended to provide citizens and policymakers with an independent, comprehensive, and objective analysis of the Mayor's proposed City of Milwaukee budget. We hope that policymakers and community leaders will use the report's findings to inform discussions during upcoming budget deliberations.

Report authors would like to thank Milwaukee fiscal officials and staff – including the Budget Director and his staff – for their assistance in providing information on the City's finances.

Finally, we wish to thank the Northwestern Mutual Foundation for generously supporting our local government finance research.





BUDGET BRIEF

2026 Proposed City of Milwaukee Budget

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Report Authors:

Jason Stein, President

Ashley Fisher, Senior Research Associate

Tyler Byrnes, Senior Research Associate

Rob Henken, Immediate Past President

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INTRODUCTION

As recently as the fall of 2022, an [in-depth assessment](#) by the Wisconsin Policy Forum found that the city of Milwaukee was beset by a series of fiscal issues that seemed almost insoluble. The lifeline of federal pandemic aid from the American Rescue Plan Act was scheduled to run out in 2024 just as the city would face a massive jump in its contribution for its underfunded pension system. As in many American cities, crime rates in Milwaukee had shot upward and staff vacancies had also risen amid low unemployment and rampant inflation. The city's reserves had dwindled, its debts had grown, and infrastructure needs in areas such as streets and water lines also needed to be addressed.

The years since then have gone as well as Milwaukee leaders could have hoped. In 2023, Mayor Cavalier Johnson and the city council secured a new 2% city sales tax and an influx in shared revenues from the legislation known as [2023 Wisconsin Act 12](#). Crime rates began to fall and city leaders made enhanced investments in streets and other infrastructure. As we noted in last year's [city budget brief](#), those new funds enabled them to wean the city off federal pandemic aid in 2025 while using the last of the funds to increase city reserves and better prepare Milwaukee for the future.

Milwaukee's challenges, however, are beginning to slowly return, starting with a massive increase in pension payments for the city's existing obligations and the added mandates in Act 12 that aim to strengthen the city's retirement system. Wages and benefits for employees are rising, helping to lower vacancies but also raising the city's labor costs. The starting gap between projected revenues and the city's cost-to-continue its present services reached just over \$100 million for 2026, down sharply from the starting gaps in 2023 and 2024 but otherwise the most on record going back to 2005.

Still, the budget largely avoids painful measures, with some increases to property taxes and fees but limited impacts to city services. Milwaukee continues to benefit from increases in city sales tax revenue and a form of state aid known as shared revenue that together are helping to offset the new pension costs and ongoing effects of inflation. The mayor's proposed budget also draws on some of the reserves that the city built up in 2024 to help ease the current pressures. Though Act 12 has not been perfect, it has clearly strengthened city finances overall.

Despite the generally manageable proposal before the Common Council this fall, however, the city will likely face greater challenges in the coming years. Costs for wages, pension benefits, and infrastructure will continue to rise. The portion of the city's property tax used for operations is currently limited under state law to a rate of growth well below the current rate of inflation. Expenses such as health care that have been under control in recent years could start to rise once again. In the near term, the city is unlikely to gain any new tools as sizable as those in Act 12. As a result, city leaders will likely have to identify efficiencies, structural changes, or partnerships with other local governments that could help to absorb these future demands.

In this brief, as the Forum does each year, we will explore the city's recent gains, present circumstances, and potential future challenges. As always, we seek to provide an impartial analysis into the city's financial condition and the proposed budget to guide both city residents and elected officials on the Common Council as they consider taxes, fees, and service levels for Wisconsin's largest city.

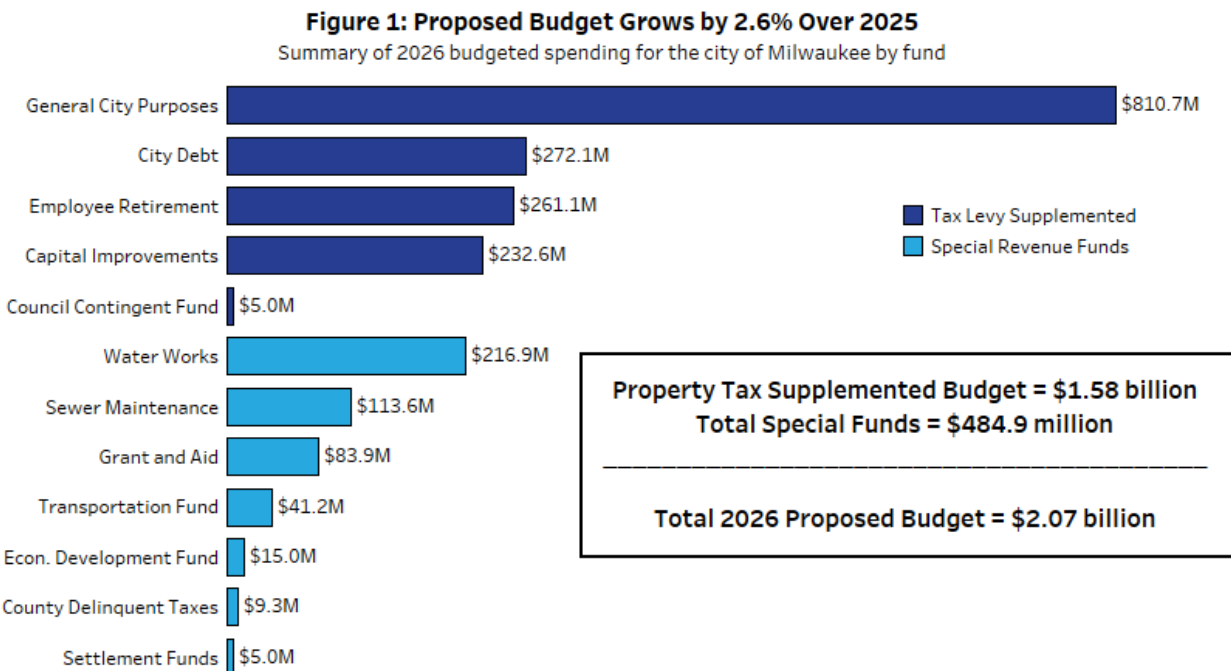


PROPOSED BUDGET OVERVIEW

The mayor’s 2026 proposed budget totals \$2.07 billion, a 2.6% increase (\$52.6 million) over the 2025 adopted budget of \$2.01 billion. The majority (\$48.6 million) of the increased spending would be for city budget categories that are partly supported by the property tax levy in addition to other sources of revenue. As shown in Figure 1, these categories are general city purposes (which funds most major city departments), debt, employee retirement, capital improvements, and the Common Council’s contingent fund. In total, the budget proposes that these categories would spend \$1.58 billion in 2026, a 3.2% increase over 2025.

The remaining \$4.1 million (0.8%) in increased city spending is budgeted within special revenue accounts that do not rely on the property tax levy, including those for the Milwaukee Water Works, sewer utility, and transportation and parking fund. The combined 2026 proposed budgets of these units total \$484.9 million. While most of these categories are anticipated to decrease their spending somewhat, the Water Works budget would increase by \$20.9 million, or 10.6%, over the prior year (the largest chunk of those funds goes to [replacing lead water laterals](#)), and the economic development fund budget would rise by \$4 million.

Property tax collections provide just over one-fifth (21.1%) of revenues for the levy-supported portion of the budget. Under Wisconsin law, the portion of the tax levy supporting city operations may increase each year by no more than the rate of net new construction in a community. In the city of Milwaukee, net new construction rose by 1.04% in 2025, which was lower than the statewide increase of 1.65% as well as the rate of inflation.

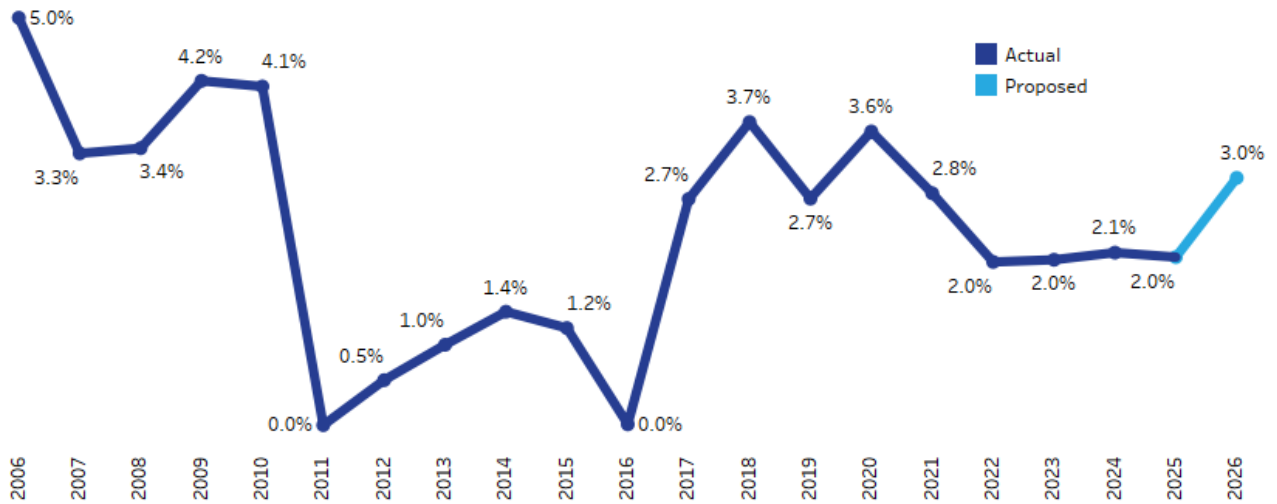


Source: City of Milwaukee



Figure 2: Tax Levy Increase Outpaces 2025 But Is Less Than Some Previous Years

City of Milwaukee property tax increases by year, 2006-2026



Sources: City of Milwaukee. The proposed amount for 2026 would be levied on December 2025 tax bills.

The proposed increase in the property tax levy is 3.0%, or \$9.7 million, bringing the budgeted total to \$333.9 million. The overall increase is greater than the growth in new construction because of exemptions in the state limits for debt service and certain other items. As shown in Figure 2, the increase would be the most since 2020 but would still be similar to the recent rate of inflation. Given that increases in property values are outpacing the growth in the city levy, under the proposal the city’s tax rate per \$1,000 of property value would fall from \$8.29 last year to \$7.52 on December 2025 bills.

General City Purposes Budget

Most city departments are funded out of the general city purposes budget, including the police and fire departments, administration, public works, and neighborhood services. Water and sewer utilities and other agencies that are run more like businesses are financed using separate funds outside of the general city purposes budget. As seen in Figure 1 on page 4, general city purposes accounts for the largest share of the 2026 proposed spending, at 39.2%, or \$810.7 million. This is a \$15.9 million, or 2.0%, increase over the 2025 adopted budget.

While the increase in the proposed general city purposes budget covers only a little more than one third of the new funding requested by city departments, the plan seeks to minimize cuts to services. Next, we describe the revenues supporting the general city purposes budget and then lay out the proposed spending for the city.

General City Purposes Revenues

The largest revenue streams supporting the general city purposes budget are state and federal aid and other intergovernmental revenue (\$315.7 million, or 38.9% of the total), charges for services (\$161.8 million, 20.0%), and the property tax levy (\$144.5 million, 17.8%). Figure 3 on the next page



shows these categories and the other revenue streams comprising the remaining 23.3% of the budget.

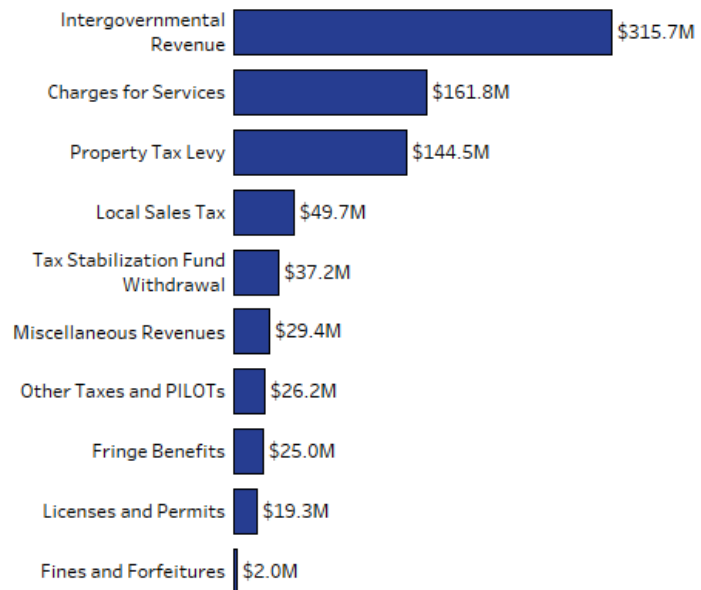
Some of the revenue streams are projected to grow compared to the 2025 budget and others are expected to shrink. The increases include \$10.2 million in new state and federal aid (a 3.3% increase in intergovernmental revenue over 2025), of which \$8.4 million is expected to be from growth in a form of state aid known as shared revenue. In addition, the budget proposes a \$2.2 million increase in the tax levy for general city purposes (up 1.6% over 2025), and a \$37.2 million withdrawal from the tax stabilization fund (however, as we later note, \$4.9 million of these reserve funds will likely be replaced by other city revenues).

Separately, the revenue from the 2% city sales tax supporting the general city purposes budget is projected to be \$49.7 million, or \$1.9 million less than budgeted in 2025. As shown in Figure 4, the projected increase in the use of sales tax dollars for pension costs as required by state law is expected to reduce the budgeted amount available for general city purposes over the 2025 budget. Other revenues projected to drop in 2025 include fines and forfeitures (down \$500,000, or 20.0%), licenses and permits (\$620,000 less, or 3.1%), and miscellaneous revenues, which will drop by \$8.8 million, or 23.0% because of a halt in transfers from the city’s transportation fund and an expected decrease in investment earnings.

General City Purposes Spending

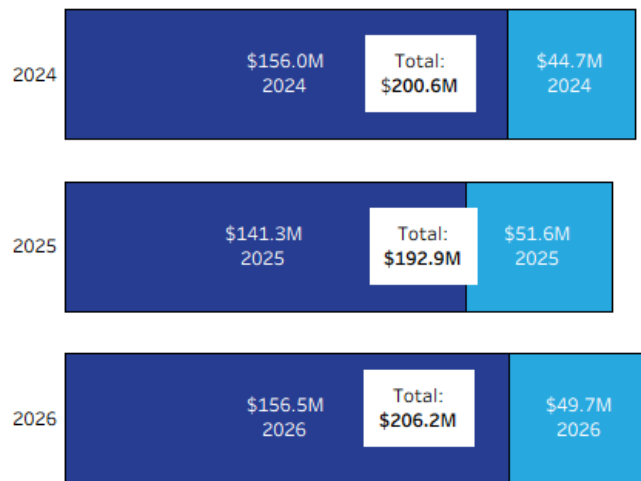
The general city purposes budget supports the operations of twenty city departments and offices and also houses certain special purpose accounts such as employee health care benefits and worker’s

Figure 3: General City Purposes Budget Grows by 2%
2026 proposed general city purposes revenues



Source: City of Milwaukee

Figure 4: Most Sales Tax Revenue Pays For Pension Costs
Budgeted sales tax revenue by year and use



Source: City of Milwaukee

■ General City Activities
■ Pension Costs



compensation that either affect multiple departments or are short-term in nature. Figure 5 shows the breakdown of the proposed spending by the largest city agencies. The police, fire, and public works departments would represent the lion's share of general city purposes spending, totaling \$640.9 million, or 79.0% of the overall budget.

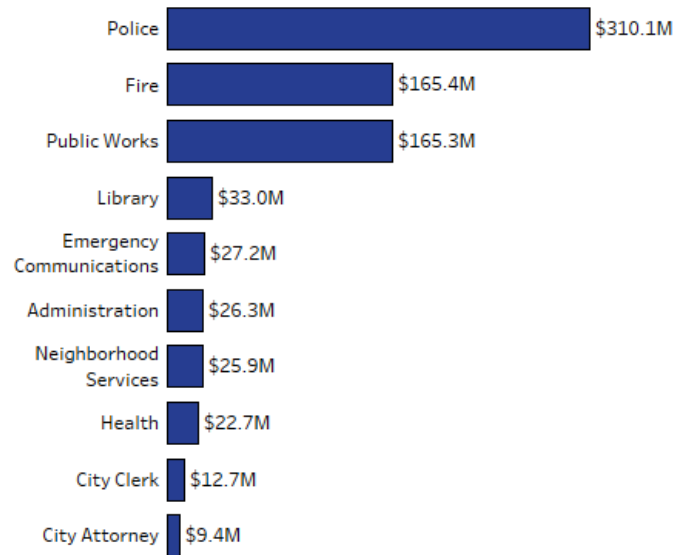
The proposal would increase the budget for most departments and offices, with the exceptions of the city treasurer, library, municipal court, Police Department, Port Milwaukee, Department of Public Works, and Department of Neighborhood Services. Figure 6 depicts proposed budget changes for the ten city departments with budgets larger than \$10 million. As

shown in the chart, the Fire Department budget would benefit from the majority of the proposed new spending (\$15.7 million) under the plan as it adds staffing following a new labor contract, followed by the Health Department (\$1.7 million), and the city clerk's office (\$509,000).

Many readers will find it striking that the Fire Department budget is receiving such a large increase while the Police Department's budget would fall by \$3.9 million. However, some of the difference between the two public safety agencies reflects the fact that they are in different stages of contract negotiations.

Figure 5: Proposal Maintains Services and Staffing Levels

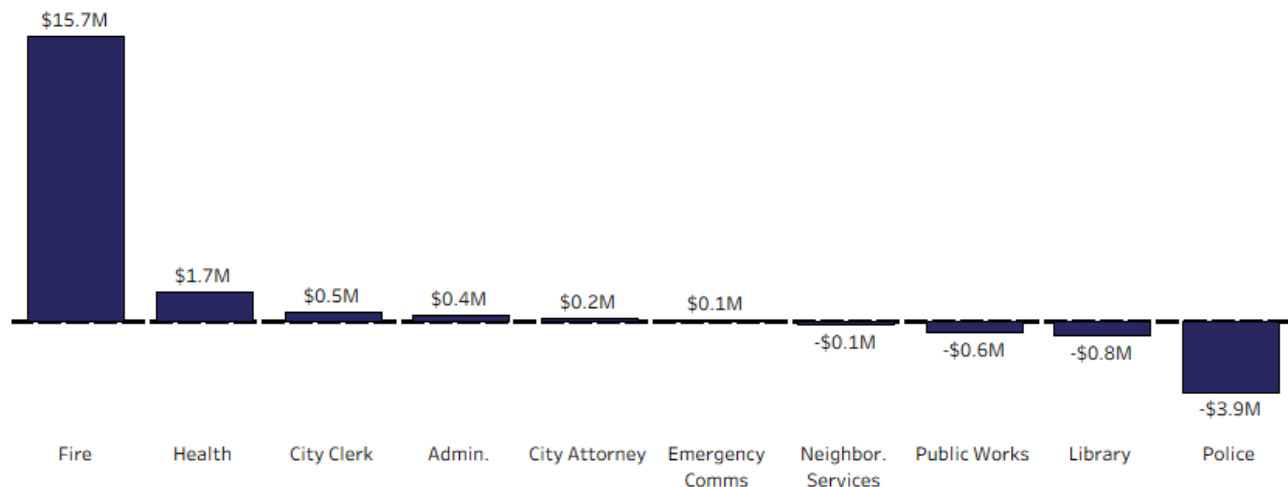
2026 proposed general city purpose spending by large departments



Source: City of Milwaukee

Figure 6: Milwaukee Fire Department Receives the Most New Revenues

Key changes in proposed 2026 general city purposes spending in millions



Source: City of Milwaukee



The city has already reached a deal on a multi-year contract with firefighters, who will be receiving back pay for wages that is now included in the proposal. Among other provisions, [the contract](#) calls for raising base wages by 3.0% in both 2023 and 2024 along with a 0.5% lump sum payment and a 1.0% raise at the beginning of 2026 and an additional 1.0% later that same year. The 2026 budget also would add 30 full-time equivalent positions (FTEs) to the Fire Department budget including all funding sources. This increase is largely to ensure adequate staffing in response to the new contract, which provides additional vacation days for firefighters.

The city is still in [ongoing negotiations](#) with its police union on the 2023-25 contract and that agreement could also result in back pay being provided to city police officers. However, the exact amount of the potential adjustment is still unknown and is not included in the proposed Police Department budget for 2026. The proposal also shows on paper a reduction of 155 positions under all funding sources for the department, but city officials say there were technical and other changes made to their staffing calculation and no filled or funded positions were affected. The budget would fund three annual classes for police officers with the maximum of 65 recruits per class, which city officials say should provide for an average force of 1,645 sworn officers, the same as the funding levels for 2025.

The Milwaukee Public Library has faced intermittent service reductions over the past several budgets and is not spared under the 2026 proposal. Under the plan, the library's 2026 budget would be reduced by \$764,000 and 12.3 FTEs. As a result, Sunday hours at the Good Hope and Tippecanoe branches would no longer be available and only the Central Library would offer Sunday hours.

City Labor Force

General city employees would receive a 2.0% raise in the proposed budget. In total, the mayor's proposal includes 6,707.4 FTEs for general city purposes, which would be a net decrease of nearly 177.7 FTEs from the 2025 adopted budget with most of those in the Police Department, as noted above. A few departments are proposed to lose 10 or more FTEs. These include the Health Department (-10.4 FTEs), the library as noted above, and a loss of 17 mostly vacant positions within the Department of Public Works (in addition, public works will shift some staffing positions toward drivers and away from laborers).

City officials believe they can continue to provide adequate services with the proposed level of public works staffing but acknowledge that some services could be affected by major weather events such as snowstorms. The Health Department would receive an increase in funding as noted to cover the costs of canceled grants and continue funding enhanced lead abatement efforts. The agency is still losing positions, however, because the city is shifting eight doula positions supporting pregnant women from city employees to outside contractors and also eliminating three vacant positions.

Position totals for the city's special revenue funds would see almost no net changes. These funds would receive a total of 697 positions in next year's budget, an increase of one position over 2025.

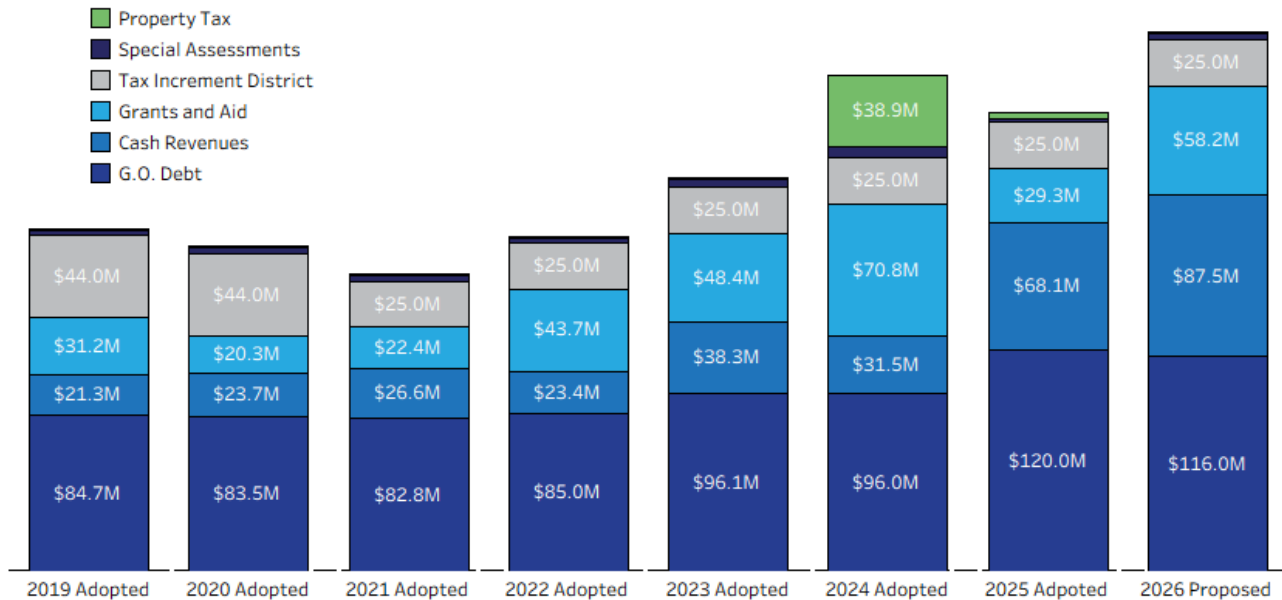
Capital Budget

The capital budget for general city purposes would continue to climb under the mayor's proposal to \$290.8 million in 2026 – a record level at least before adjusting for inflation and a significant



Figure 7: Proposed Capital Budget Continues at Historic Pace

Sources of funding for capital improvements, 2019-2026



Source: City of Milwaukee

increase over both 2024 and 2025 (see Figure 7). The rise in capital spending reflects the city's need to keep up with its growing infrastructure needs, rising construction costs, and the required local match for federal grants for street and bridge projects. Those factors continue as a driving force in the 2026 proposal, which finances the spending using general obligation (G.O.) debt, special assessments, tax increment districts, and cash revenues from fees and other sources.

Historically, city leaders have sought to limit issuing general obligation debt – that is debt backed by city levies such as the property tax – for capital projects either to the amount of debt retired in the previous year or to no more than \$80 million per year. From 2016 to 2024, new G.O. debt ranged from \$77 million to \$96 million each year. In 2025, that number grew to \$120 million. New G.O. bonding in the 2026 proposal would drop to \$116 million but remain at historically high levels. Despite these higher borrowing levels, the city maintains investment-grade [bond ratings of A+ and A-](#).

City leaders anticipate this will continue into 2027, which would be the final stretch of a three-year financing surge intended to address deferred infrastructure needs, take advantage of multi-year federal grant funding for major streets and bridges, and repair or replace certain key facilities. Although these priorities arguably justify higher than usual borrowing, we note that they will also cause city debt payments to rise in future years.

Use of cash revenues for capital project financing would grow to \$87.5 million in the 2026 proposed budget, a \$19.5 million (28.6%) increase over 2025, and a 178.0% increase over 2024. This funding source is largely made up of cash reimbursements for capital projects from fees and other sources, and is different from a cash infusion from the property tax levy. The 2026 proposal sets aside just \$905,000 in tax levy for capital projects, which would be a decrease of \$2.8 million, or 75.3%, over the prior year.



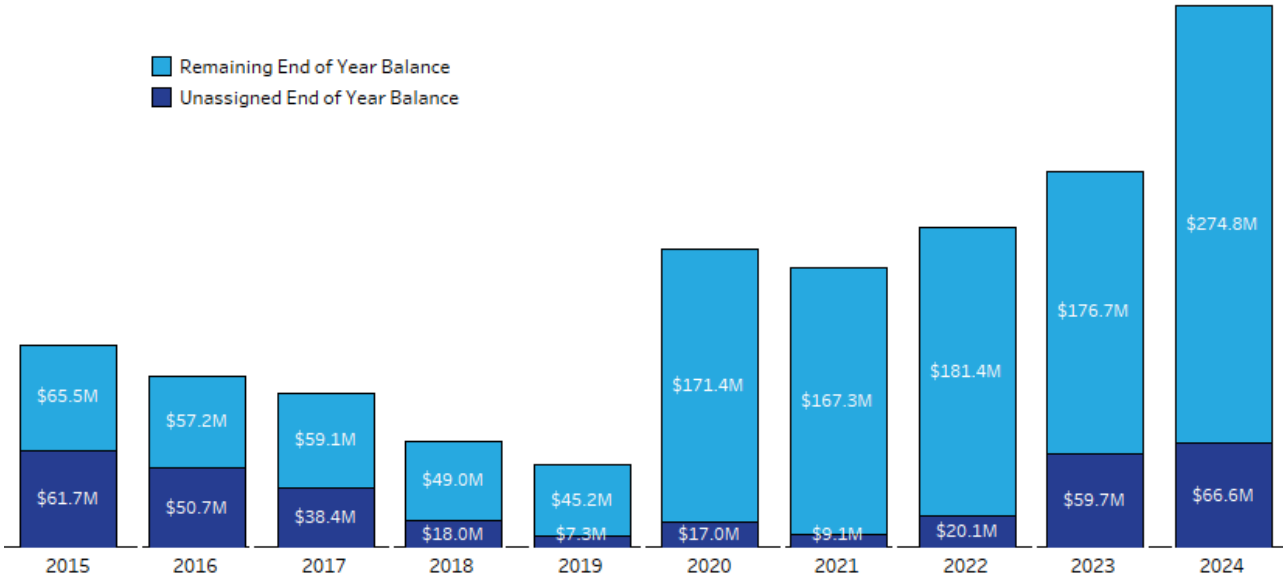
Economic development and transportation infrastructure make up the majority of proposed capital spending in 2026. Another \$42.8 million in local funds are planned for bridges and streets, with federal grants supplying an additional \$57.8 million. Other major infrastructure projects include street lighting (\$11.9 million), city fleet replacements for the police, fire, and public works departments (\$14 million), and lead service line replacements within the separate capital budget for the Water Works (\$17.6 million). Additionally, the proposed budget includes initial funding of \$4 million to begin a project to construct an electrical services facility to replace the current one, which has developed significant repair needs over time and has a footprint and layout that no longer support the city’s needs. The full cost of this project was not included in the budget.

General Fund Balance

The city’s general fund includes assets that may be restricted for specific purposes, committed for certain uses by the Common Council, or otherwise assigned. It also includes monies that are unassigned and available to be spent. If general city purpose spending exceeds revenues in a given year, those unassigned funds can be used to cover the gap. Conversely, any general city purposes revenues that are not spent at the end of the year can be used to build up the fund balance.

At the end of 2024, the unassigned general fund balance reached \$66.6 million, which marked the third consecutive year of growth (see Figure 8). Budget officials attribute the growth in part to staff vacancy rates and subsequent unspent salary and health care dollars. For the second year in a row, the 2026 budget proposes a \$32.3 million withdrawal from the city’s related tax stabilization fund (see Key #1). The build-up in city balances in recent years has been a positive trend but may be difficult to sustain as inflation puts upward pressure on city salaries, which in turn could contribute to decreases in staff vacancies and increases in pension payments.

Figure 8: City’s Reserves Grew in Recent Years
 End-of-year unassigned and remaining balances for Milwaukee’s general fund



Source: City of Milwaukee



FIVE KEYS TO UNDERSTANDING THE BUDGET

Key #1: Act 12 Revenues Remain a Ray of Light for City

As Milwaukee’s needs and costs stack up, city leaders have been able to count on at least some additional revenues in recent years from annual growth in their sales tax collections and an enhanced form of state aid. As we have noted, [2023 Act 12](#) was responsible for both authorizing the city’s 2% sales tax and the added payments through the state’s shared revenue program. The result has been a growing influx of funds into a city that had long struggled to raise revenues due to the existing constraints on both state aid and local property taxes.

Act 12 has yielded an estimated increase in sales tax and state aid revenues of more than \$240 million in 2026 compared to 2023, a lifeline that has helped preserve key city staff and services. To be sure, Act 12 was not solely a boost to Milwaukee’s budget – the legislation also required additional city spending in areas such as its pension system, which has seen costs grow by \$132 million since 2021 (see Key #2). Still, there is little doubt that without these additional funds the city would have had to lay off hundreds of employees, including in critical functions such as police and fire protection.

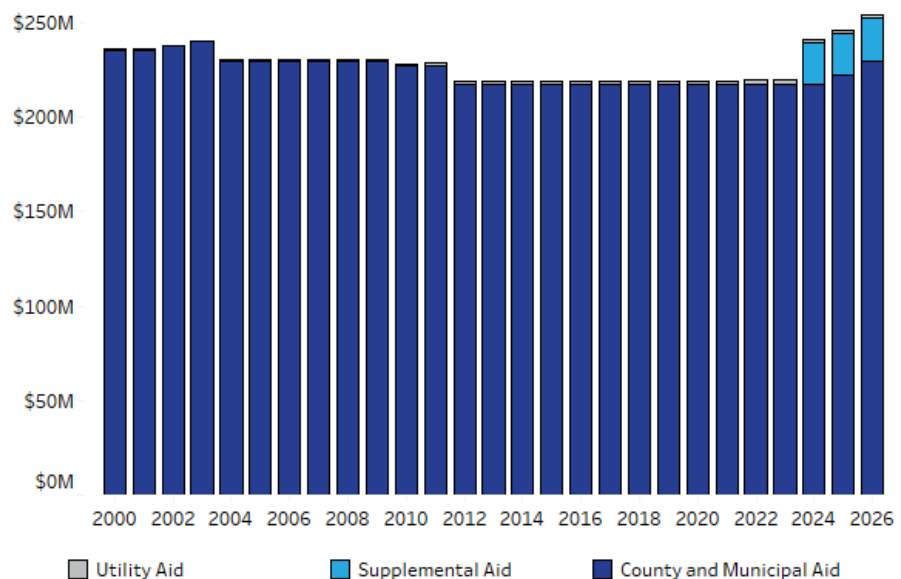
The sales tax debuted in 2024, raising \$200.6 million that year. The tax was initially forecast to bring in \$192.9 million in 2025 (that figure has now been revised to \$206 million) and is currently projected to generate more than \$206 million in 2026 (a conservative estimate that may provide some cushion in the overall budget). Despite the estimated increase of more than \$5 million in 2025, however, the sales tax revenues available for the general city purposes budget are projected to fall from the budgeted 2025 amount of \$51.6 million to \$49.7 million in the 2026 proposal because under Act 12

these tax revenues must first be used to cover increases in city pension costs.

The increase in state shared revenue aid came after decades of stagnant funding for the program and has come in two ways. First, Act 12 authorized a new component of the overall shared revenue program known as Supplemental County and Municipal Aid, which amounted to \$21.7 million for the city in 2024 and \$22.2 million in 2025 (see

Figure 9: Key Form of State Aid Would Increase for Third Straight Year

State shared revenue payments to Milwaukee, 2000-2026*, nominal dollars



Sources: WI Department of Revenue and city of Milwaukee. *2026 is projected.



Figure 9). In addition, Act 12 also called for all County and Municipal Aid to increase each year by the rate of growth in state sales taxes, adding \$8.4 million to Milwaukee's projected aid in 2026 and bringing the total shared revenue amount to \$254.5 million. Milwaukee's relatively low property values mean it has historically received more shared revenue per resident than many other communities in Wisconsin and therefore benefits more than most from these increases.

The increases have boosted nominal shared revenue payments modestly compared to two decades ago. However, after adjusting for inflation, the city's shared revenue payments in 2025 were still more than \$198 million below the amounts received in 2000.

Other new revenues in the 2026 budget include roughly \$1.8 million in additional state aid for local roads, the expenditure restraint program, and payments for services to state buildings in Milwaukee. Last, the city will also receive \$500,000 from a new payment in lieu of taxes from the Wisconsin Center District.

In summation, Act 12 is expected to provide the city with \$21.7 million more in sales tax and state aid revenues in 2026 over what was initially budgeted for 2025. That's a substantial increase and one that might well continue into future years. However, future sales tax and shared revenue collections will both depend on whether the economy continues to grow and spurs rising sales tax revenues at both the local and state level.

Key #2: Pension Costs Placing Increasing Load on City Finances

The other side of the story to the city's rising revenues remains its rapidly growing costs. The city's pension expenditures are projected to keep climbing in 2026, with contributions to retirement plans rising to an estimated \$209.9 million next year. That's an increase of \$19.9 million, or 10.5%, over the 2025 budget, and an astonishing \$131.9 million over 2022.

Notably, these costs largely do not reflect enhanced benefits going to employees but rather efforts to better fund city pensions, in part as directed by Act 12. That legislation has brought in crucial new revenues for the city, as we note in Key #1, but also requires Milwaukee to assume its investment gains will cover less of its overall pension costs than previously assumed and pay some pension costs for other employers in its system. The first requirement and the shift of new city employees into a second state-run pension plan will strengthen Milwaukee's financial position over the long term but in the short term these requirements also mean that the city's combined contributions into its two pension systems as determined by its actuary must be higher than they otherwise would need to be.

In 2026, the city projects its required contribution to its legacy pension fund will rise from \$178 million to \$193.9 million, an increase of \$15.9 million that accounts for most of the bump in pension costs (see Figure 10 on the next page). Factors in this increase include rising city wages, the ongoing impact of 2022 investment losses, and requirements in Act 12 that the city hire additional firefighters and police.

Another major factor in that increase is the Act 12 requirement that the city drop its assumed rate of return for the legacy pension fund from 7.5% to 6.8%, which raises the city's initial costs. That follows other decreases in recent years for the assumed rate, which was 8.3% as recently as 2017 (for more, see this [2020 Forum brief](#)). Since the pension system is now factoring in smaller returns from investments in recent years, the city's actuary as expected has determined that larger

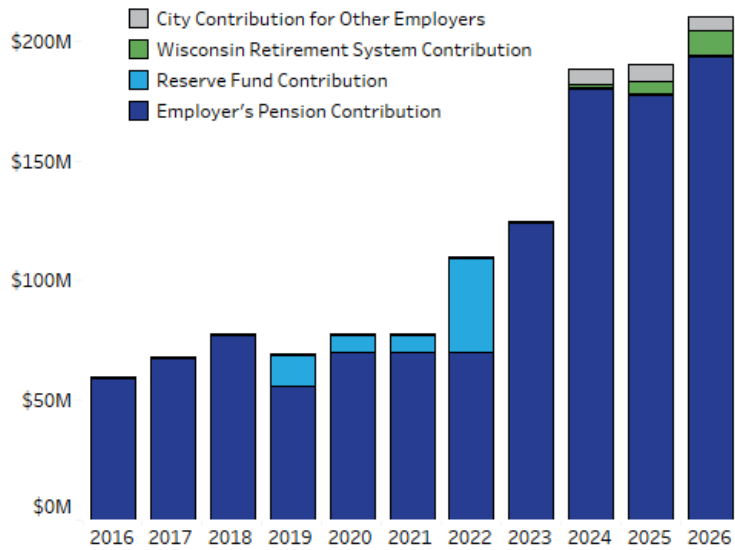


contributions will be needed from taxpayers to cover the expected benefits owed to retirees. Once again, this decision will strengthen the fund financially but does so at a near-term cost.

The city is also required by Act 12 to cover the increased costs from this lower investment assumption for other employers such as the Metropolitan Milwaukee Sewerage District, Wisconsin Center District, city housing and redevelopment authorities, and Milwaukee Public Schools (specifically for the district staff who are not teachers or administrators – see [our 2020 brief](#)). The estimated costs for the city to make these contributions in 2026 is \$5.7 million.

Fig. 10: City Pension Costs Have Skyrocketed in Recent Years

City pension payments by type and year in millions, 2016 to 2026



Source: City of Milwaukee

Finally, as we noted, Act 12 required that the city switch its new employees from its legacy pension system (which has significant unfunded liabilities) to the fully funded Wisconsin Retirement System. The Forum has written about the long-term advantages of this shift, which to some degree may come with an additional initial cost while the city pays for employees and retirees in two systems (for more on this issue, see our 2020 brief). The city's payment into the state system is expected to reach \$10.3 million in 2026, or nearly double the \$5.2 million budgeted for this year.

In the coming years, the city is likely to face ongoing cost pressures for these pension payments – they have already exceeded projections made in 2023 at the time of the passage of Act 12. On the other hand, the increases over the next five years may not be as bruising as those since 2021 given that the city is no longer expected to decrease its investment rate assumption. In one other bright spot, the city can draw on its pension reserve fund to help make future payments. That fund had a balance of \$92 million at the end of July and the current budget proposal would leave those funds untouched and available for the future.

Key #3: City Leans on Its Reserves for Second Straight Year

After replenishing its reserves in 2024, the city of Milwaukee can now draw on them to help manage the fiscal pressures that will build over the next several years. While tapping them to a greater degree for the 2026 budget, the mayor's proposal would still retain reserves in several key funds that city officials could turn to as the challenges ratchet up in 2027 and beyond.

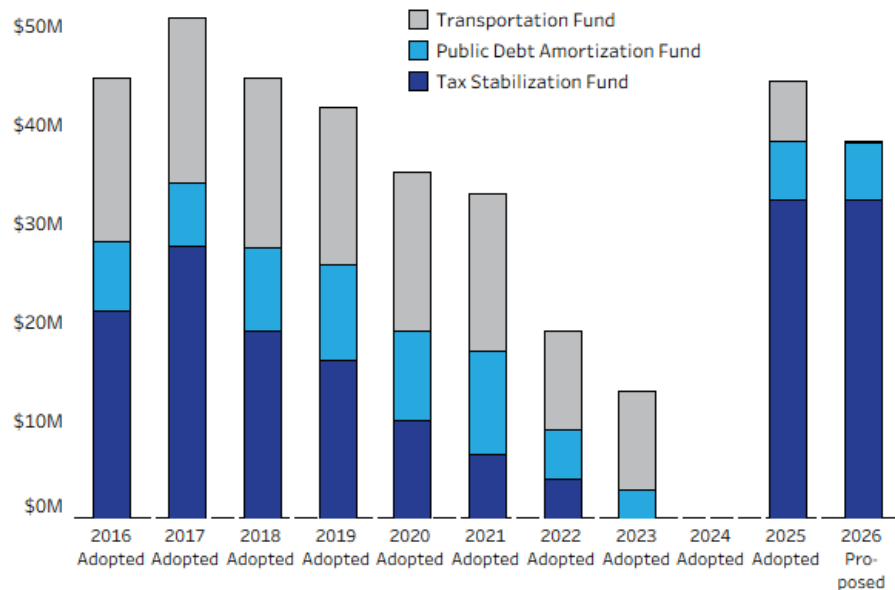
We noted in an earlier section that the city had a \$66.6 million unassigned general fund balance as of the end of 2024. A related financial metric for the city is the tax stabilization fund, which represents the unassigned general fund balance plus amounts that city officials have decided to use in the coming year for the next year's general fund budget and for an advance to the city's capital



projects fund. After withdrawing nothing in 2023 and 2024, the proposed budget would draw out \$32.3 million from the stabilization fund in 2026 – the same amount as in 2025 (see Figure 11).

The combined withdrawals for 2025 and 2026 would add up to a little less than half of the \$142.1 million that was in the fund on Dec. 31, 2024. In addition, the budget also includes, for now, an extra withdrawal of \$4.9 million from the fund, but this added amount is unlikely to be needed since city officials anticipate that they will finalize other funding sources to cover it.

Figure 11: City Once Again Able to Tap Reserves to Balance Budget
Withdrawals from major reserve funds by budget, 2016 to 2026



Source: City of Milwaukee

Another key pillar of stability for the city’s budget is its longstanding Public Debt Amortization Fund, which is intended to help make debt payments and smooth out the fluctuations in them. The fund, which can be used to lower the amount of property tax levy needed to service city debt, grows by receiving one-third of the earnings on overall city investments plus any additional investment revenue from its own fund balance.

After withdrawing nothing from the debt amortization fund in 2024, the city took out \$6 million in 2025. The budget proposes the same withdrawal amount for 2026. The \$12 million over the two years would be a little more than one-fifth of the \$58.8 million balance in the fund at the beginning of 2025.

The proposal, however, will not touch a source of funds that was used frequently in recent budgets – the city’s strained transportation fund. The balance in that fund has been under pressure since the onset of the pandemic due to decreases in commuting and parking revenue. The cost of operating the Hop, the city’s free streetcar, is also budgeted at \$6.9 million, with only \$1.8 million of that expense offset by grants. As a result of these factors, the proposal would leave the transportation fund untouched as city officials try to build back up its balance. The budget also would add a limited number of parking citation enforcement officer positions as part of efforts to ensure more parking revenue.

Despite being forced to stop withdrawals from the transportation fund, the proposal would still use a combined \$38.3 million at least from the other two funds to balance the city budget. While that would be down \$6 million from 2025, it would still be the second largest use of reserves from these three sources since the advent of the pandemic.



As we noted in Key #2, the mayor’s 2026 budget proposal would avoid tapping the city’s pension reserve fund, which had a balance of \$92 million as of the end of July. Those funds can also serve as a source of stability for the city as budget challenges grow more difficult in 2027 and beyond, particularly if the city finds itself unable to sustain its current level of withdrawals from sources such as the tax stabilization fund.

Key #4: Wheel Tax and Other Fees Would Rise

To help balance the budget, the mayor’s proposal would add to a longstanding trend by raising a variety of fees, most notably adding \$10 to the city’s vehicle registration fee. Milwaukee’s reliance on charges for services has increased over the years due in part to slow growth in revenue from property taxes and state aid, with service charges now representing the second largest source of revenue for the city’s general purposes budget.

The mayor’s budget would raise fees for solid waste collection, ice and snow removal, and street lighting, which would drive fee revenue to \$161.8 million in 2026. If the plan is adopted, fee revenue would make up 20.0% of the city’s general purposes budget, \$17.2 million more than the city’s property tax levy. Since 1995, the inflation-adjusted general city purposes revenue from fees has grown an average of 0.9% each year.

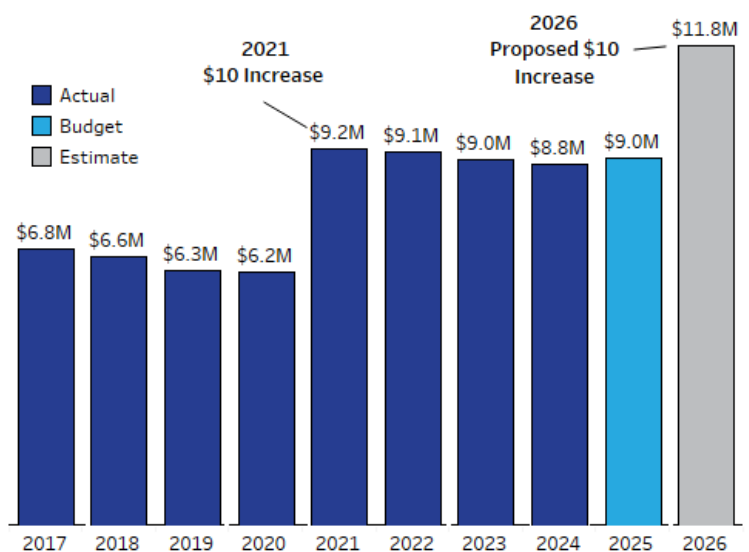
Under the plan, the city’s solid waste fee would go up by 4.0%, bumping the cost of a single garbage cart from \$261.35 per year to \$271.80, and the annual cost of an additional cart would also rise from \$78.12 to \$85.24. Together, these changes bring total solid waste fee revenue up to an estimated \$50.5 million a year. Additional recycling carts would remain free.

The snow and ice removal fee will jump by 3.5%, to \$1.19 per linear foot, generating \$11.7 million in total annual revenue, with the cost to a typical homeowner with 40 feet of frontage climbing to \$47.60 annually. Finally, the city’s streetlight fee would go up by 3.7% per linear foot of frontage for properties on streets with city lights. If enacted, these three service fee increases would combine to raise an additional \$6.0 million of revenue, costing the typical homeowner with one garbage cart and 40 feet of street frontage an additional \$13.66 per year.

Beyond the increased charges for service, the budget proposes raising the city’s vehicle registration fee from \$30 to \$40, which would place Milwaukee in a tie with a half dozen other communities for the largest local registration fee in the state. This fee is charged to residents who keep their vehicle in the city, on top of the fee charged by both the state and the county.

As Figure 12 shows, the increased fee is expected to raise an

Figure 12: Wheel Tax Revenues Would Climb if Fee Increases
City of Milwaukee vehicle registration fee revenue by calendar year



Sources: Wisconsin Department of Transportation and the city of Milwaukee



additional \$3 million per year. In 2026, however, the fee change is expected to raise less than \$2.8 million since it will not take place immediately on the first of the year. When the city, state, and county fees are combined, city residents would pay a total of \$155 per year to register a typical vehicle. That would edge out the total state and local fees paid by Madison motorists by \$2 to make those in Milwaukee the most in the state. Common Council members have [raised concerns about the fee](#) – removing it from the proposal would ease costs for Milwaukee residents but add to the city’s budget pressures.

Relying on fees for service and the wheel tax can fill gaps in the budget, and revenue from these fees generally grows along with the city’s population but not with inflation unless the city increases rates. However, city officials must also balance the need for occasional fee increases against residents’ ability to pay them, since fees such as the local wheel tax apply equally to all motorists, whether they drive an expensive sedan or an aging compact car.

Key #5: City May Struggle in the Future to Upgrade Infrastructure and Pay Long-Term Liabilities

As we have noted, the city’s current financial position is clearly stronger than it was before the adoption of Act 12. However, there are still several reasons for concern on the horizon. First, ongoing inflation has pushed wages for city employees upward; growth in the national economy has slowed in recent months; federal cuts could affect city grants in various areas; the costs of city pension and other employee benefits will likely put continued pressure on city finances (see Key #2); state limits remain in place on city property taxes; and the state of the city’s infrastructure is such that it will require sizable ongoing investments to maintain.

The condition of roads, bridges, and water and sewer lines does not always show up clearly on financial statements, but the state of these assets is nevertheless a major factor to consider for Milwaukee. A [2024 brief by the Forum](#) found that at that time more than one-third of Milwaukee’s streets were rated as “poor” or “failed” – the worst rating among Wisconsin’s most populous 25 municipalities, and the Forum conducted even more in-depth assessments of city infrastructure in a series of reports prior to the pandemic. A [September Forum analysis](#) found city-owned bridges were in better condition, but still noted a greater percentage of them than the state average were rated as being in poor condition. The [Forum has also documented](#) that the city has the most lead water service lines in the state – making their replacement a major ongoing undertaking.

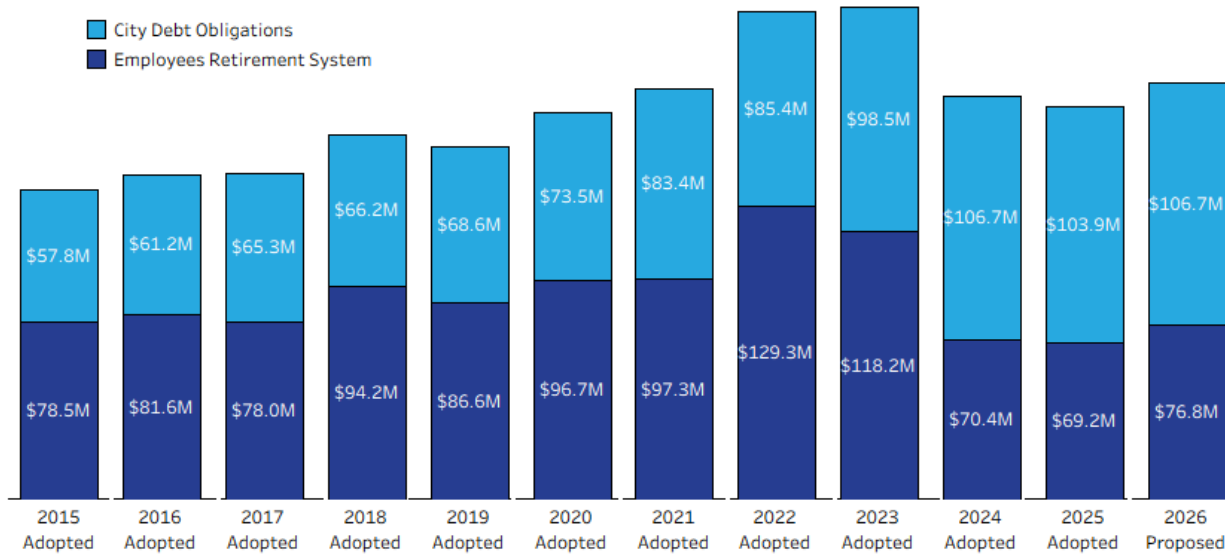
The proposed budget makes efforts to address those infrastructure challenges by investing substantial amounts in both replacing lead lateral lines and upgrading streets. However, the borrowing needed to undertake these improvements will take time to repay.

As Figure 13 on the next page shows, the city over the last decade has had to put an ever larger portion of its property tax revenues into funding its pension obligations and repaying its debts. The addition of city sales tax revenues in 2024 reversed this growth for two years, but with the 2026 budget these costs are once again projected to rise. In 2015, the city budgeted \$136.3 million in property tax levy for pension and debt costs, but by 2026 the city is projected to use \$183.5 million in levy funds to pay those costs. Meanwhile, the proposed budget would spend less than \$1 million in cash from property tax revenue to finance capital projects in 2026.



Figure 13: Debt Payments Consume More Levy than Retirement Payments

Property tax levy funding for city debt and employee retirement system



Source: City of Milwaukee

City officials do not necessarily need to panic about these levy costs, which because of the one-time decrease due to Act 12 have been temporarily brought back more or less into line with the growth in inflation since 2015. On the pension side, the increases may not be as great moving forward if the city holds its assumed return rate steady (though the payment amounts could be more volatile than in the past). The city also maintains its pension reserve and does have the ability under state law to increase its levy as needed to make debt payments, which provides city officials some flexibility in managing their finances.

However, Milwaukee’s infrastructure and its debt levels remain issues of ongoing concern, as does the city’s operating budget. The city property tax levy for operations, for example, remains under state caps that will limit its future growth to less than the rate of inflation. The restrictions on that key revenue source will make it difficult to cope with other future costs such as the requirements in Act 12 that the city maintain certain numbers of police and firefighters. In particular, the city must reach employment levels of 1,725 law enforcement officers, including 175 detectives, and not fewer than 218 members of the paid fire department by 2034.

In recent years, Milwaukee has relied on savings from vacant positions to help balance its budget, but as the city raises wages and fills positions these savings should shrink. The city’s current reliance on the use of reserves to help close shortfalls may also become more difficult. The increase in its health care and other benefit costs also is currently projected to be relatively modest for 2026, but that could easily change in the future.

As we noted in our budget brief last year, these ongoing pressures should add to the urgency for city leaders to find whatever efficiencies they can to control costs without sacrificing service quality. The Forum has attempted to aid in this work through projects such as a 2023 [report on administrative service sharing](#) opportunities for the city and Milwaukee County, and will continue to do so. Ultimately, Milwaukee has an opportunity to use the breathing room afforded by Act 12 to find these efficiencies and improvements in its system – its future may ultimately depend on how well it uses this time.



CONCLUSION

In working with the Legislature and marshalling the means to pay its rising pension and other costs, Milwaukee has overcome huge obstacles. The current proposal and other recent budgets showcase how far the city has come: limiting its property tax increase to the rate of inflation, raising employee wages, managing its long-term liabilities, making investments in streets and new infrastructure, and limiting the most obvious service cuts for 2026 to a limited number of library hours.

Yet despite these accomplishments, the city still faces challenges moving forward even assuming the national economy remains relatively strong. The revenues from Act 12 for now have kept at bay the pressures from labor and pension costs, aging streets, greater debt payments, a decreasing number of staff vacancies, and the Act 12 requirements to maintain and eventually add police and firefighters. Yet these difficulties have not been defeated, only beaten back. In future budgets, they will return with greater force.

The city's costs to continue its current services are likely to rise with the rate of inflation if not more quickly. Yet at least one key revenue source – the property tax levy for operations – will substantially lag the growth in those costs under current state law. Federal grants and other funding could be cut. If the economy stalls, the city could also face a decline in its sales tax revenues and a slowdown or cut in its state aid payments. Even with solid economic conditions, the city turned in this proposed budget to relatively high borrowing and notable fee increases including a \$10 bump in its local wheel tax to help fund its priorities – an increase that some city alders have questioned.

How the city will meet the full return of all of these challenges in the future is not entirely clear. In the short term, city officials certainly have tools that they can employ as stopgaps, with the foremost being the \$92 million balance in Milwaukee's pension reserve fund. However, like all reserves, this is only a one-time solution. In the longer term, the city will have to find ongoing sources of both revenue and cost savings to balance its budget.

On the revenue side, it is worth noting that residents of the city of Milwaukee have already shouldered both the city's new 2% sales tax and the county's additional 0.4% sales tax authorized by Act 12 as well as the property tax increases resulting from referenda for the Milwaukee Public Schools in 2020 and 2024. The latter resulted in the [largest overall percentage increase](#) in decades in the gross property tax levy for city residents on last December's bills. The city's 2026 budget would also continue the long-term trend of the city becoming gradually more reliant on revenues from fees and other charges for service to balance its books.

Given the low incomes of many Milwaukee residents, the question arises as to how much more local governments in the city can do to raise revenues in the near term. There are steps that the city of Milwaukee can and arguably should take to work with other local governments to help control its costs, but that work also takes time and is not a panacea.

In sum, Milwaukee officials and residents are fortunate to have come as far as they have from the fall of 2022, when the Forum warned that “city and state leaders must begin to talk and act almost immediately if they wish to avoid untenable budget cuts.” Since then, the actions taken by city leaders and lawmakers and the governor have elevated Milwaukee's finances to a much better position, but significant obstacles remain and they are likely to grow in the coming years. We hope this budget brief can serve both as a testament to the gains made and the pressing need to keep making progress on the city's still formidable challenges moving forward.

