



WISCONSIN POLICY FORUM

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City of Milwaukee Budget Proposal Avoids Severe Cuts, Increases Fees

Thanks to state law, city has window of opportunity to find efficiencies before cost pressures ramp up

Milwaukee's 2026 budget proposal shows how far the city has come since 2022, when the Forum warned that soaring pension costs and a daunting array of fiscal challenges threatened to force "untenable budget cuts" unless prompt action was taken.

Four years later, an infusion of new revenue from a landmark state law has allowed Milwaukee Mayor Cavalier Johnson to propose a budget that would increase fees and property taxes, but limit most impacts to city services outside of the library.

Yet despite the near-term reprieve, concerns remain for the years to come, according to the Wisconsin Policy Forum's annual review of the city budget. Inflation has pushed wages for city employees upward, and growth in the national economy has slowed in recent months, which could affect the city's new sales tax. Benefit, pension, and in particular infrastructure costs are likely to keep rising. State caps will also limit the growth in city property tax revenues for operations to less than the rate of inflation.

"As a result, city leaders will likely have to identify efficiencies, structural changes, or partnerships with other local governments" to reduce future spending, the report finds.

The review also notes that in the near term, the city is very unlikely to gain any new tools comparable to those in 2023 Wisconsin Act 12, which enabled adoption of a new city sales tax and boosted the city's main form of state aid, shared revenue. That means city leaders may have to lean more on their own leadership and that of other local partners. Below are five keys the budget brief offers to understand the 2026 budget proposal.

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

The result of Act 12 has been a growing influx of funds into a city that had previously struggled to raise revenues. 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, the legislation also required greater city spending in areas such as its pension system. Yet 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.

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

City pension costs are projected to continue their climb in 2026, with contributions to retirement plans rising to an estimated \$209.9 million. That's an increase of \$19.9 million, or 10.5%, over the 2025 budget, and an astonishing \$131.9 million increase over 2022. These costs do not reflect enhanced benefits going to employees but rather efforts to better fund their pensions, as directed by Act 12. 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. But one bright spot is that the city can draw on \$92 million in its pension reserve fund to help make future payments.

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 – including a \$66.6 million unassigned general fund balance at the end of 2024 – to help manage its budget pressures. The 2026 proposal calls for tapping a combined \$38.3 million from two reserve funds. It does not touch a source of funds that was used frequently in recent budgets: the city’s strained transportation fund. This proposal would also avoid tapping the city’s pension reserve fund, which may serve as a source of stability as the city’s budget challenges grow more difficult in 2027 and beyond.

Key #4: Wheel Tax and Other Fees Would Rise

The mayor’s proposal would continue a longstanding trend by raising a variety of fees, most notably adding \$10 to the city’s vehicle registration fee, raising it from \$30 to \$40. This proposal has notably [drawn some initial questions](#) from the Common Council. Milwaukee’s reliance on fees for services has already increased over the years due in part to slow growth in revenue from property taxes and state aid. The budget also would raise fees for solid waste collection, ice and snow removal, and street lighting, which would drive projected fee revenue to \$161.8 million in 2026. Fee revenue would make up 20% of the city’s general purposes budget, or \$17.2 million more than the city’s property tax levy. Relying on fees for service and the wheel tax can fill gaps in the budget, but as some city council members have noted, Milwaukee officials must also balance the need for occasional fee increases against residents’ ability to pay them.

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

While the city’s current financial position has strengthened, there are still reasons for concern on the horizon. Chief among these are that the cost of pensions and other employee benefits will likely put continued pressure on city finances, and the state of the city’s infrastructure is such that it will require sizable ongoing investments to maintain. [A 2024 brief](#) by the Forum found more than one-third of Milwaukee’s streets were rated as “poor” or “failed” – the worst rating among Wisconsin’s most populous 25 municipalities. The proposed budget would invest substantially in upgrading streets as well as replacing lead lateral lines – another major priority. However, the proposal calls for substantial added borrowing to finance these improvements. This comes as the city over the last decade has had to put a growing portion of its property tax revenues into repaying debt and funding pension obligations.

These and other ongoing pressures should add to the urgency for city leaders to find whatever efficiencies they can to control costs without sacrificing service levels. 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,” our report finds, “Milwaukee has an opportunity to use the breathing room it gained from Act 12 to find these efficiencies and improvements in its system – its future may ultimately depend on how well it uses this time.”

[Click here](#) to read the full budget brief.

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