



WISCONSIN POLICY FORUM

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Madison Finances Hold Steady Post-Referendum, Enable New Investments

Growing structural deficit, transit funding are budget areas to watch

The city of Madison's 2027 budget proposal would limit the property tax levy increase to roughly the recent rate of inflation while protecting the transit system and bolstering services in some areas, a non-partisan review finds.

Two years after Madison voters approved a \$22 million property tax increase for the city in a referendum, the city's finances, services, and infrastructure remain in a relatively strong position, the [brief from the Wisconsin Policy Forum](#) finds. The city benefits from rates of new construction that generally outpace the state average, low unemployment rates in Dane County, and a relatively strong economy.

"For a Midwest city in 2026, Madison remains in an enviable position," the brief finds.

This enables Mayor Satya Rhodes-Conway to make new investments in her 2027 budget proposal, which will be taken up by the Madison Common Council in coming weeks. It provides raises for city employees and fully funds a new ambulance company and new library on the city's northeast side. With the help of a \$350,000 grant from the Madison Community Foundation, the budget would implement body cameras for most Madison police officers. And city reserves would remain well above target levels, providing ample fiscal cushion.

At the same time, the city's budget shows some signs of pressure. Relatively rapid growth in spending and tight limits on local revenues like the property tax are likely to open up gaps in future budgets, and a relatively fast-growing population means city staff and resources are being spread more thinly. The city also covered Madison Metro Transit's operating shortfall in this budget with federal money that in part could otherwise be used for capital needs such as bus purchases.

Spending up, tax levy and employment stable

Under the mayor's proposal, general and library fund spending would total \$477.5 million in 2027, a 5.5% increase over the prior year. While not the largest recent increase for Madison, it would be more than last year's budget and outpace the rate of inflation. Top areas of spending growth are for additional debt payments, as well as for the fire and police departments, primarily to give cost of living pay increases.

The city property tax levy on December tax bills would grow to \$337.9 million, an increase of \$11.2 million, or 3.4%. That would be more than the prior year's increase but still roughly the rate of inflation.

City work force costs would rise in 2027 due to inflation, recently added positions, and the provisions of the mayor's proposed budget. General city employees as well as sworn firefighters and police officers would receive a 3.0% cost of living pay increase under the proposal. In addition, the city's costs to

provide health care to its employees would grow by an estimated 4.6%. The budget would make limited changes to overall city employment, adding a net of 5.1 full-time equivalent positions.

Transit budget is area to watch

Madison transit revenues still have yet to recover from the effects of the pandemic, making transit a key area to watch in this budget.

The 12-month period from September 2025 to August 2026 marked the first post-pandemic year in which monthly average ridership topped 1 million riders, nearing the pre-COVID monthly average. However, this period was marked by a change in Metro Transit's method for counting ridership, which while potentially more accurate, typically yields increased ridership counts.

Meanwhile, revenue growth lags the growth in ridership and has not increased as much as expected. Revenue from sources including fares in 2027 is projected to remain 16.2% below 2019, before adjusting for inflation. To respond to the agency's lingering funding challenges, the mayor's 2027 budget includes a proposed \$25.5 million transfer from the city's general fund – a 2.1% increase over 2026. The budget would plug the remaining budget hole with \$6.3 million in federal funds.

Looking ahead, with the city's East-West Bus Rapid Transit (BRT) line up and running, attention has now shifted to the proposed North-South line, currently in the final design phase. Yet this buildout comes with significant questions about the sustainability of Metro Transit funding. In the absence of action by state policymakers to provide more state aid or a new local revenue source, the city could be left with a limited set of choices – including fare increases, service cuts, or greater general fund tax support.

Reserves are robust, but could dwindle

This budget would maintain city reserves at very robust levels. However, the city's long-term plan calls for them to be drawn down significantly – a move that could work for a few years, but could not be sustained indefinitely without major tradeoffs.

At the end of 2025, the city's unassigned general fund balance – the best measure of city reserves – sat at \$128.5 million and could grow by the end of 2026. The end of 2025 balance would equal roughly 28% of budgeted 2026 general fund spending, or nearly double the city's 15% target level. The mayor proposes using \$6.6 million, or about 5%, of the balance in the city's main fund to help cover increased spending in 2027.

However, this ample fiscal cushion may not last. To their credit, Madison officials maintain and regularly update a six-year plan to address the city's growing structural deficit – a step that not all municipal officials take. Currently, the plan offers two primary strategies to bridge the projected fiscal gap between now and 2031: using \$58 million in reserve withdrawals from 2027 through 2031, and pulling in \$100 million in special charges and fees from 2028 to 2031. The latter may prove difficult to fully achieve.

Ultimately, meeting the needs of a growing Madison population serves as a constant challenge for city officials. The 2027 budget proposal largely meets those challenges for yet another year. But despite the present strength of the city's finances, hairline cracks trace the walls of this structure.

[Click here](#) to read the 2027 City of Madison Budget Brief.

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