BUDGET BRIEF:

CITY OF MILWAUKEE

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

2027 Proposed City of Milwaukee Budget

October 2026

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INTRODUCTION

Milwaukee leaders and taxpayers have made considerable progress from the dire fiscal cliff that the Wisconsin Policy Forum warned about several years ago. Last fall, we concluded our annual Milwaukee Budget Brief by recognizing the impact of the additional sales tax revenues that the city has received as a result of the 2023 legislation known as Act 12. The 2% city sales tax has kept at bay the financial pressures from pension and labor costs, aging streets, greater debt payments, a decreasing number of staff vacancies, and the added requirements in Act 12 itself to add police and firefighters over time. Milwaukee also has made progress in important areas such as reducing its murder rate and reinvesting in its aging streets and infrastructure.

Yet we noted last year that the city's financial difficulties had not been defeated, only beaten back as a result of additional help from local taxpayers and state officials. "Despite the generally manageable proposal before the Common Council this fall," we wrote, "the city will likely face greater challenges in the coming years."

This year, as predicted, those fiscal difficulties have grown and are evident in our annual review of Mayor Cavalier Johnson's proposed budget. At the start of the budget process, the gap between the city's expected revenues and the spending requests from agencies totaled nearly $100 million. That was the fourth highest on record for the city, and there are good reasons to think that number will grow in future years.

For now, the city's fiscal bulwarks can defend it against these challenges. To balance the budget, the mayor's proposal taps city reserves that have been built up since the pandemic and are for now large enough to justify the withdrawals. The budget raises a number of fees, trims the number of city positions, and makes service cuts in some areas such as weekend library hours. Yet the proposal also keeps the city's property tax increase below the rate of inflation – a benefit to homeowners and businesses – and keeps up a relatively high level of capital investment in infrastructure.

As we noted last year, the city's 2027 budget should also benefit from revenues that now provide more growth, including the state shared revenue aid and the new city sales tax. Those two sources are projected to provide a combined increase of $17.7 million to help sustain the rising cost of services.

Other key revenue streams, however, are rising much more slowly, including the property tax, while costs such as employee wages and pension contributions have risen much more rapidly in recent years. The city's overall costs are still growing more rapidly than its revenues, leaving a fundamental imbalance that will grow over time in the absence of action by city or state leaders. On the one hand, potential changes in the state Capitol might make it more likely that state elected officials would assist the city in the future. On the other hand, Act 12 and the sales tax increase on local residents and visitors – many of whom have low incomes – represent a major step that has already been taken to assist the city. Further assistance will not be easy to secure, even with some favorable political winds.

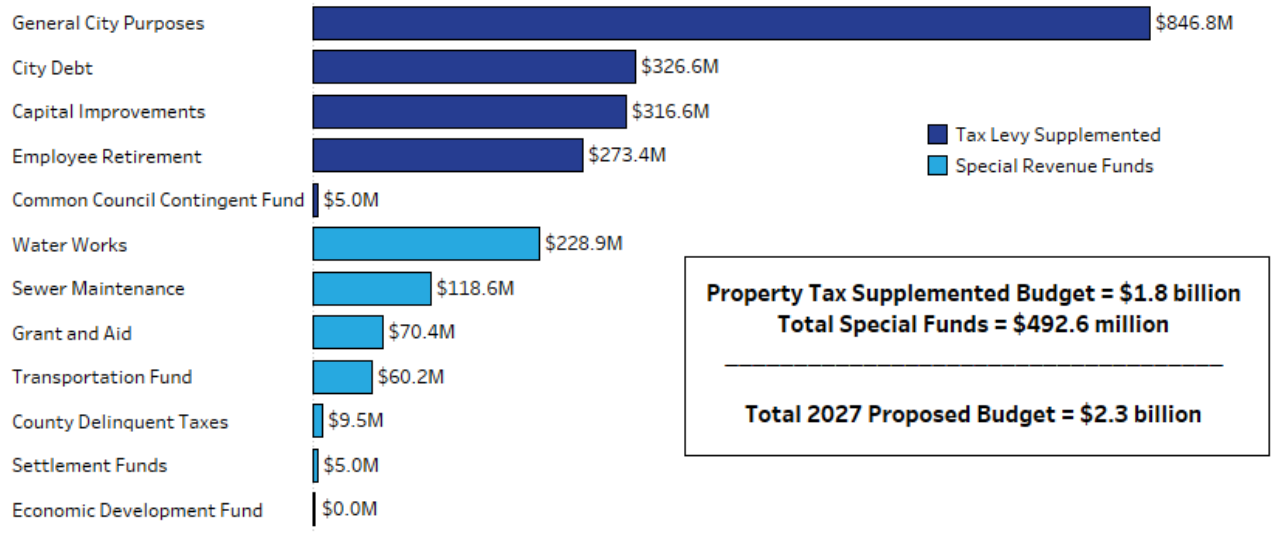
This brief seeks to lay out the city's budget in an accessible format so that policymakers and the public can quickly grasp the challenges facing the city and the options available to address them. In doing so, we argue neither for nor against the mayor's budget proposal but instead seek to provide the data and context needed for voters and community leaders to evaluate it for themselves.

PROPOSED BUDGET OVERVIEW

The mayor's 2027 proposed budget totals nearly $2.3 billion, an increase of 8.9%, or $185.4 million, over the 2026 adopted budget of just under $2.1 billion. Nearly all of the increased funding – $177.6 million – would go to city budget categories that are 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 (which is meant to cover urgent, unexpected needs). In total, the budget proposes that these categories would spend nearly $1.8 billion in 2027, an 11.2% increase over the 2026 budget of nearly $1.6 billion.

Figure 1: Proposed Budget Grows by 8.9% over 2026

Summary of 2027 budgeted spending for the city of Milwaukee by fund



Source: City of Milwaukee proposed budget

The remaining $492.6 million in city spending is budgeted within special revenue accounts that do not rely on the property tax levy. The proposal provides a nearly $8 million increase for these priorities that include the Milwaukee Water Works, sewer utility, and the transportation fund, which operate more like businesses in that they typically earn sufficient revenues to cover their operating and capital costs. The increase includes $12 million more for the Water Works, $5 million more for sewer maintenance, and declines in certain other areas such as the grant and aid fund.

General City Purposes Expenditures

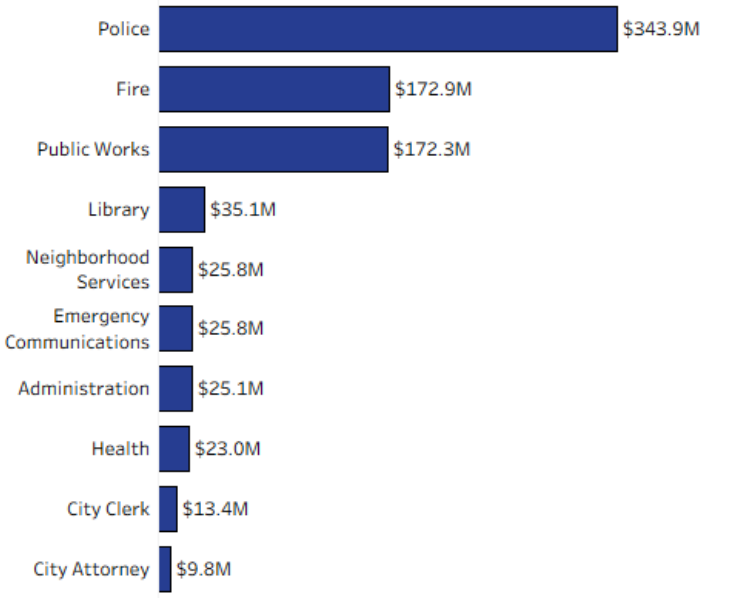
As shown in Figure 1 above, the $846.8 million in proposed spending for general city purposes is the largest area in the city budget, and consumes nearly half of proposed spending for categories that are partly supported by the property tax levy. It reflects a $31.1 million (3.8%) increase over 2026, which is just above the current rate of inflation but also $32.1 million lower than the total funding requested by the 22 city departments that are housed within the general city purposes budget. The growth in spending requests is due to factors that include wage increases and inflation as well as state-mandated increases to police and fire department staffing levels. Since state law limits city

revenues, the proposed budget seeks to minimize cuts to services while working within its available revenues.

Figure 2 shows the breakdown of the proposed spending by the largest city agencies. Emergency safety services provided by the police and fire departments would represent the majority of general city purposes spending, totaling $516.8 million, or 61.0% of the overall general city purposes budget.

Figure 2: Proposal Maintains Services and Staffing Levels

2027 proposed general city spending by large departments

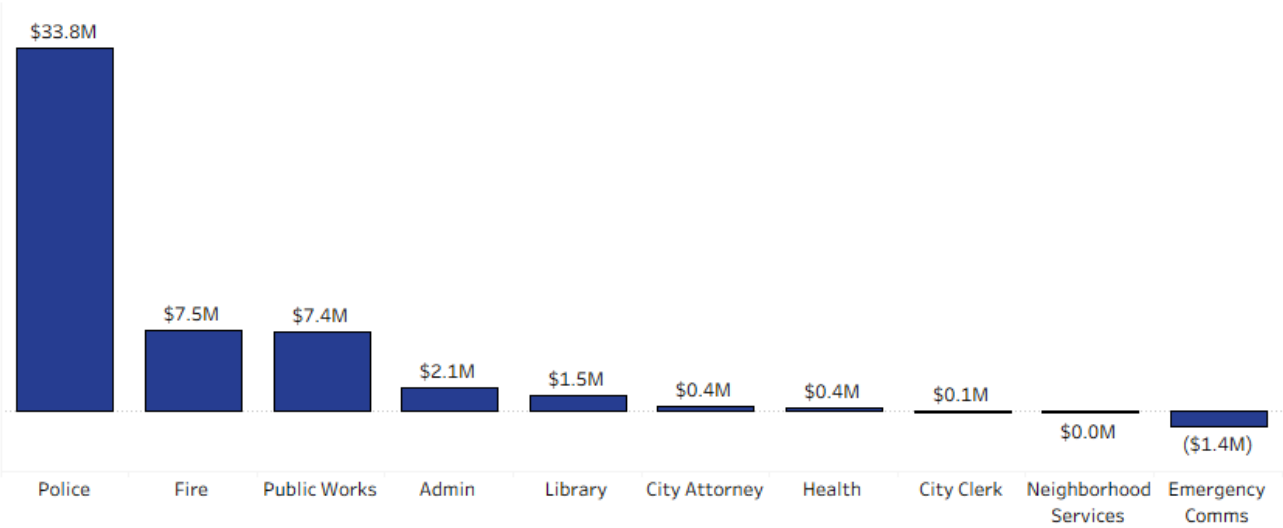


Source: City of Milwaukee proposed budget

The proposal would increase the budget for most departments, with the exceptions of emergency communications, municipal court, neighborhood services, and the Elections Commission (which will not run a fall election in 2027). Figure 3 depicts proposed changes for the 10 city departments with budgets of roughly $10 million or more. As shown in the chart, the Police Department would receive $33.8 million in new spending – the most by far of any agency – as it increases its sworn officer levels and makes wage payments retroactive to January 2023 via a transfer from the city's wages supplement fund following the implementation of a new union contract (see Key #3). The Fire Department would receive $7.5 million more, and the budget for the Department of Public Works would grow by $7.4 million.

Figure 3: Milwaukee Police Department Receives the Most New Revenues

Changes for top 10 departments in proposed 2027 general city purposes budget



Source: City of Milwaukee proposed budget

City Labor Force

General city employees would receive a 2.0% raise in the proposed budget. In total, the mayor's proposal includes 6,697.3 full-time equivalent positions (FTEs) for general city purposes, which would be a net decrease of 28.2 FTEs from the 2026 adopted budget. Notable changes include:

- A loss of 11.75 FTEs from the Department of Emergency Communications. The emergency communications officer and lead positions being eliminated are vacant, and the department would also create a few analyst positions to assist with open records requests, database operations, and payroll and scheduling.
- A loss of 36.7 FTEs from the Department of Public Works. In the Infrastructure Services Division, 15.7 positions would be cut, including roughly eleven vacant electrical worker and related FTEs that supported street lighting projects. The Operations Division would lose 21 FTEs, of which the majority are vacant equipment operator positions.
- The addition of 19 FTEs in the Fire Department, including 15 to create a new fire engine crew, a fire lieutenant for the training academy, two part-time youth carpenter apprentices, and two special duty positions.
- The addition of 45.5 FTEs in the Police Department, including 34.4 police officers and a range of support positions such as forensic print examiners and police aides.

The proposed budget manages to avoid painful cuts to positions that are filled, though we note that the slow siphoning of positions across city departments has been taking place since at least 2010 due to mounting fiscal pressures. It may become increasingly difficult in future years to avoid eliminating filled posts and laying off staff. Even as it stands, the proposed cuts signal potential service impacts in cases of positions that recently became vacant.

Position totals would stay largely steady for the city's special revenue funds, including transportation, sewer maintenance, and water works. These would receive a total of 698.24 FTEs in next year's budget, an increase of 1.5 FTEs over 2026.

While Key #4 discusses the city's pension costs, we note here that its health care benefit costs are anticipated to grow by $4.9 million, or 3.9%. This relatively modest increase comes as the city implements some changes to its self-insured health care plans and offerings for employees and retirees. This includes moving eligible city retirees to a new UnitedHealthcare Medicare Advantage plan, which is expected to save the city over $1 million over the next two years, while saving retirees an estimated $2,700 annually on average. The budget also proposes expanding workplace clinic services for employees, spouses, and eligible dependents to include primary care appointments, providing those services at below market rates.

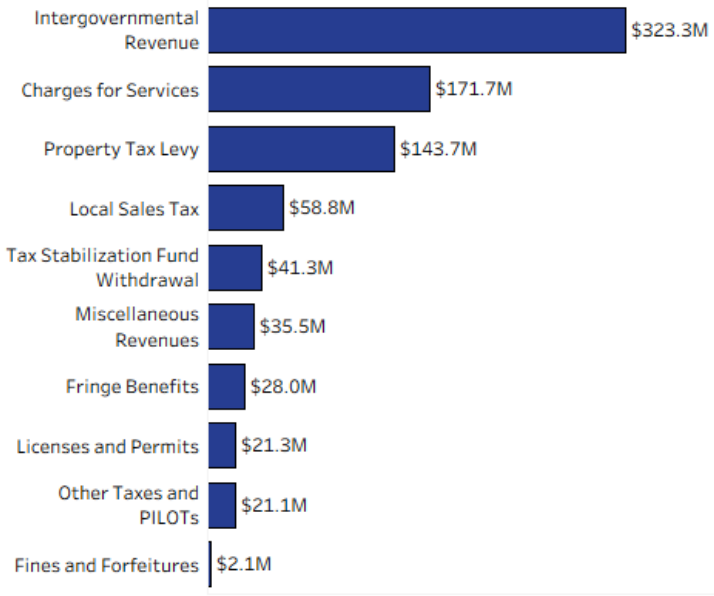
General City Purposes Revenues

The largest revenue sources for the general city purposes budget are state, federal, and other intergovernmental aid, which would total $323.3 million, or 38.2% of the budget. Charges for services would total $171.7 million (20.3%), and the property tax levy $143.7 million (17.0%). Figure 4 on the next page shows these categories and the other remaining revenue streams.

Nearly all of the revenue streams are projected to grow in 2027. The largest increase of $9.2 million, or 18.5%, would be generated by the portion of the local sales tax that goes into this part of the city budget. This would be followed by $8.2 million in new revenues (up 5.0%) from charges for services (for additional detail, see page 9). A $9 million increase in the withdrawal from the tax stabilization fund to $41.3 million is also proposed, though the actual withdrawal would be $39.8 million, as $1.5 million is intended to be allocated to other revenue categories. This would ultimately amount to a $7.5 million increase in the use of tax stabilization fund monies, or 23.2% over the 2026 budgeted amount.

Figure 4: General City Purposes Budget Grows by 3.8%

2027 proposed general city purposes revenues



Source: City of Milwaukee proposed budget

While the $323.3 million in projected state and federal aid is the largest source of general city purpose revenues, these revenues are anticipated to grow by $6.5 million, or 2.1%, over 2026. In contrast to the 2026 budget, when state shared revenue aid alone grew by $10 million, the $260 million anticipated in 2027 includes a smaller increase of $5.5 million.

The two revenue streams budgeted to decrease are a $3.6 million projected drop in the portion of the property tax levy used for general city purposes (down 2.5% from 2026), and a $5.1 million decrease in revenues from other taxes and Payments in Lieu of Taxes (PILOTs), which would primarily be a result of the city receiving less in excess tax increment district revenues.

Detail on Certain Major Revenues

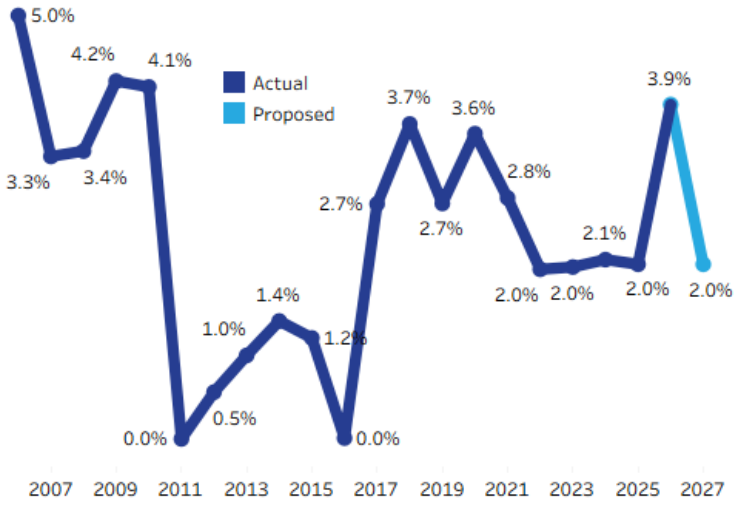
So far, we have focused on revenues and spending within the general city purposes budget. Here, we turn to sources of funding that cross into other areas within the total city budget that are supported by taxes, as shown in Figure 1 on page 4.

Property Tax Levy

Property tax collections provide just under one-fifth (19.4%) of the revenues for the levy-supported

Figure 5: Tax Levy Increase Would Slow in 2027

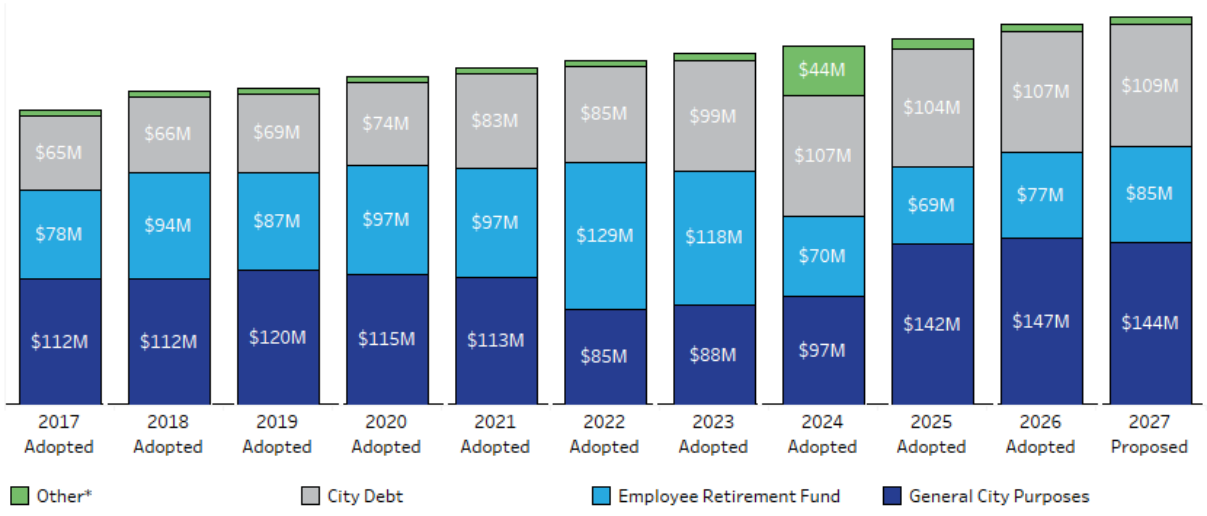
City of Milwaukee property tax increases by year, 2006-2027



Source: City of Milwaukee proposed budget

Figure 6: More Property Tax Levy Available for General City Purposes After City Sales Tax Enacted

Property tax levy allocations by budget category 2017-2027



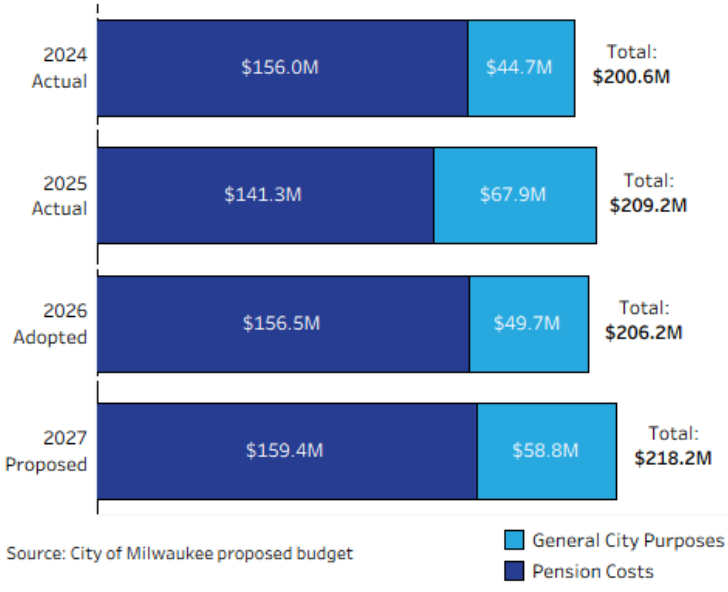
Source: City of Milwaukee. *Includes city council contingency fund and tax levy for capital improvements

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 the city. In Milwaukee, net new construction rose by 0.91% in 2026, which was well below the statewide increase of 1.64% and even further below the rate of inflation.

The proposed increase in the property tax levy is 2.0%, or $6.7 million, bringing the budgeted total to $343.6 million. The overall increase is greater than the growth in new construction because of exemptions in the state limit for debt payments and certain other items. As shown in Figure 5 on the previous page, the increase would be half the nearly 4% that was adopted by the Common Council for the 2026 budget, but similar to the increases from 2022 through 2025. Given that increases in property values would outpace the growth in the city levy, under the proposal the city's tax rate per $1,000 of property value would fall from $7.61 on last year's bills to $7.29 on December 2026 bills. The 2024 arrival of sales tax revenues has also allowed the city to lower the amount of levy needed for pension payments and has freed up more for general city purposes spending (see Figure 6).

Figure 7: Most City Sales Tax Revenue Pays for Pension Costs

City sales tax revenue by year and use in millions



Source: City of Milwaukee proposed budget

Local Sales Tax Revenue

In 2027, the revenue from the 2% city sales tax supporting the general city purposes budget is projected to be $218.2 million. This reflects anticipated

sales tax revenue growth of $12.7 million, or 6%. As shown in Figure 7 on the previous page, $58.8 million of the total would support the general city purposes budget in 2027. The remaining $159.4 million would go toward the city's pension costs.

This prioritization of sales tax revenues for pension payments was required by Act 12, which authorized the city sales tax while also imposing certain other requirements such as the hiring of more firefighters and police (see Keys #3 and #4).

Charges for Services

Under the proposal, charges for services housed within the general city purposes budget would rise by $8.2 million next year, a 5% increase. The additional charges include a 3% increase in the solid waste fee, a 3.4% increase in the snow and ice removal fee, and a 61-cent increase to quarterly fees for homes with more than one garbage cart. Table 1 shows those increases as well as the water, sewer, and stormwater fees housed within enterprise funds. While the sewer and stormwater fee rates are separately projected to grow by 3% and 3.2%, respectively, the combined growth for the median home would be 2.1% due to declines in water usage. The water service fee increase was not available prior to publication.

Table 1: Proposed increases to major service charges

Charge for Service	Rate Increase	Annual Cost for Typical Home (2026 to 2027)
Solid waste fee	3%	$271.80 to $280.00
Snow and ice removal fee	3.4%	$47.60 to $49.20
Water service fees	Not available	$273 to $350
Combined sewer and stormwater fees	Sewer: 3.2% Stormwater: 3%	$241.88 to $247.02
Total		$834.28 to $926.22

Combined, the annual cost for the average home for all the fees shown in the table would rise from $834.28 in 2026 to $926.22 in 2027, an increase of $91.94.

General Fund Balance

A key measure of the city's reserves rose in 2025 for the fourth year in a row, a welcome development that provides the city some cushion to deal with its growing fiscal challenges. The balance rose in the city's general fund, which includes assets that may be restricted for specific purposes, committed for certain uses, or otherwise assigned. It also includes monies that are unassigned and available to be spent – the typical way to identify local government reserves.

At the end of 2025, the unassigned general fund balance reached $79.6 million (see Figure 8). Budget officials attribute the growth in part to staff vacancy rates and subsequent unspent salary and health care dollars, as well as higher than anticipated local sales tax revenues. A healthy unassigned general fund balance can be used to help balance the budget in years in which revenues are not sufficient to cover costs. For more detail, Key #2 describes the proposed withdrawal of $39.8 million from the related tax stabilization fund as well as additional withdrawals from two other special funds that the city commonly relies on: the public debt amortization fund and the transportation fund.

FIVE KEYS TO UNDERSTANDING THE BUDGET

Key #1: How the Budget was Balanced

In writing the proposed 2027 budget, the mayor faced a nearly $100 million gap between the city's expected revenues and the spending requests made by city departments. That was much less than the 2023 and 2024 budget request gaps prior to the approval of new sales tax funding and slightly less than the 2026 budget, but otherwise the largest in more than two decades.

To avoid a shortfall, the mayor's budget would increase the use of city reserves, make use of an increase in revenue projections, and reduce the amount of overall new spending going to city agencies to below their requested levels. First, the proposal would exceed initial agency requests by tapping an additional $39.8 million in reserves from the city's tax stabilization fund and $3 million more than requested for its public debt amortization fund (for more on these transfers, see Key #2).

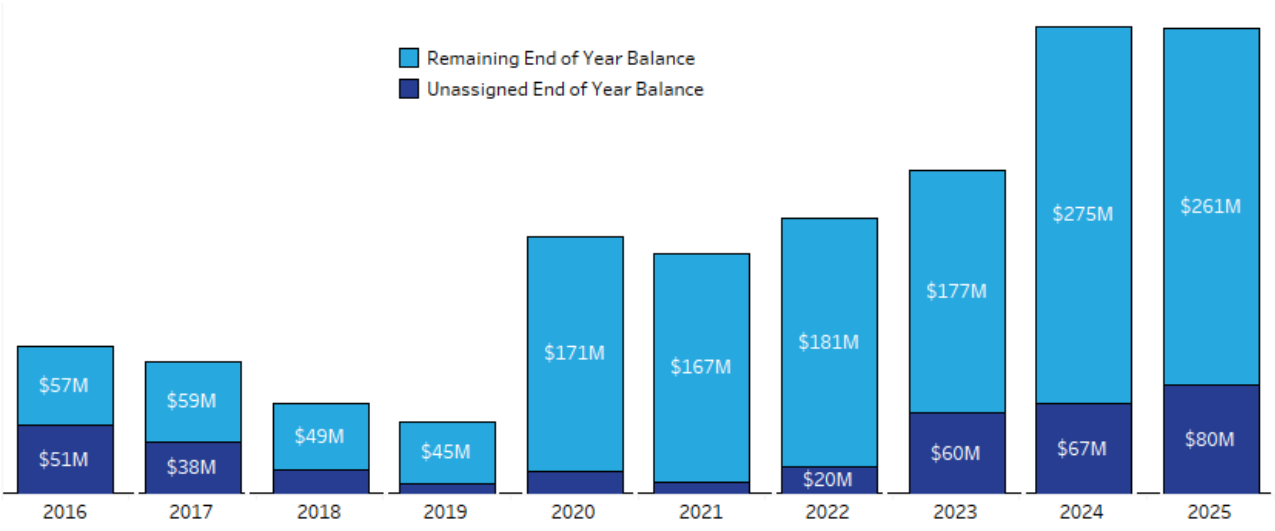
These maneuvers would help to balance the budget, but rely on one-time funds to do so. The more the city uses reserve withdrawals to close its fiscal gaps, the more likely it will be to deplete them and have to eventually shift to another strategy. In other words, the use of the tax stabilization fund in the 2027 budget could add to the potential gaps for 2028 and beyond.

Another factor that helped close the budget was an increase to the city's projected revenues, which are now expected to be $20.5 million more than was previously estimated. If these more positive predictions hold up, then the use of these funds represents a sustainable way to close the gap.

Finally, the mayor's 2027 proposal does not include more than $32 million in spending requested by city agencies, an increase from the $30 million that the mayor declined last year. Holding down spending for the coming year is also a sustainable approach to limiting future budget gaps. City

Figure 8: City Unassigned Reserves at Highest Level in 10 Years

End of year unassigned and remaining balances for city's general fund

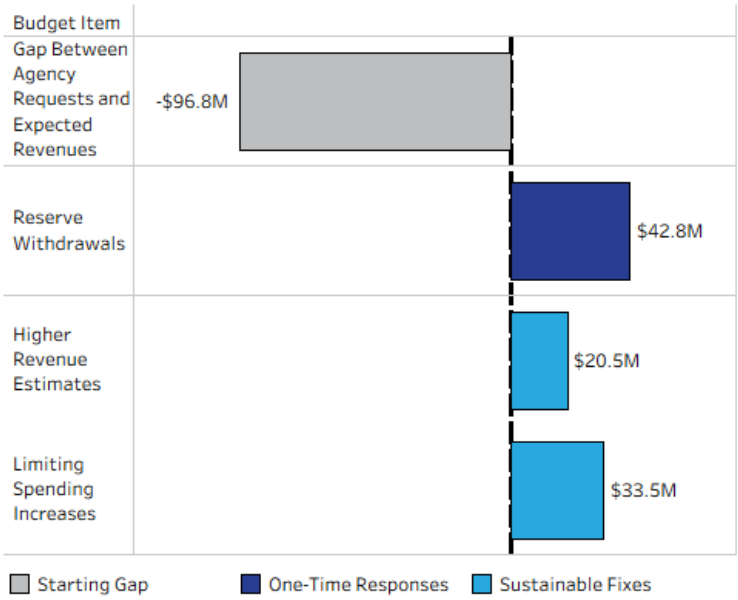


Source: City of Milwaukee

officials also note that limiting spending is necessary to ensure the city retains what is currently $11.6 million in state expenditure restraint aid. This aid could be withheld in 2028 if the city increases spending too much in 2027 (for more on this form of state aid, see last year's city of Madison budget brief).

Figure 9: How the Budget Gap Would Be Closed

How the proposed 2027 budget would avoid a potential shortfall



Source: City of Milwaukee

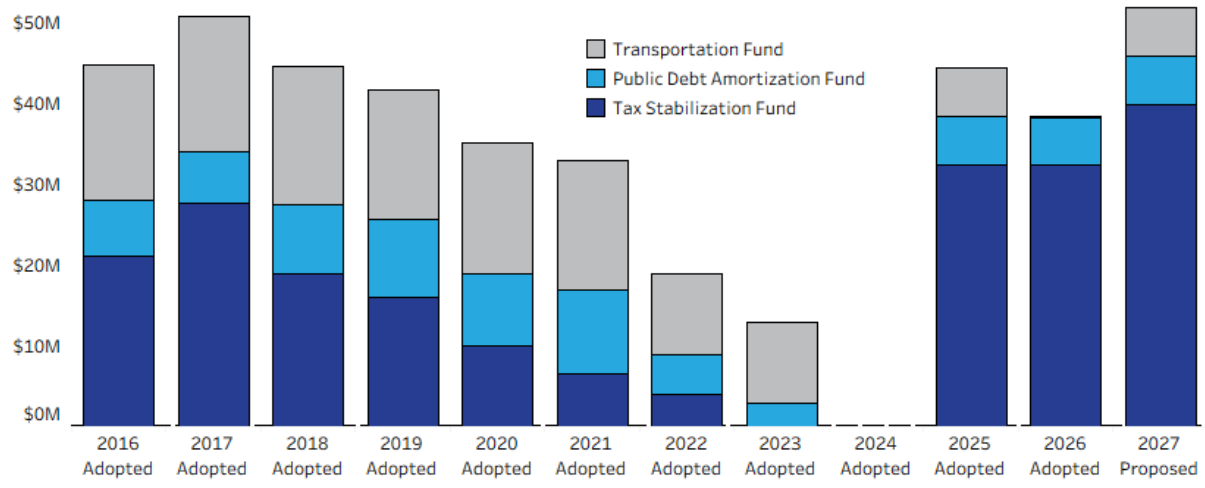
The differences between the agency requests and the mayor's budget included $5.9 million less than requested for the Fire Department (see Key #3), $1.9 million less for the Police Department, $2.8 million less for the Health Department, $1.1 million less for the library, and millions less for multiple divisions within the Department of Public Works. In one example of the impact, the 2026 budget includes funding for the city's central library branch and four other branches to operate from 10 am to 5 pm on Sundays. The mayor's proposed 2027 budget reduces those hours to noon to 5 pm at the central library plus two more branches, a savings of about $500,000 a year.

Key #2: City's Use of Reserves Would Grow

The proposed budget would increase withdrawals from city reserve funds to the most in more than a decade – a sign of the increasing pressure on Milwaukee's finances. As shown in Figure 10, the budget would draw a total of $51.8 million from these reserve funds in 2027 – the most since at least 2016 – in order to reduce budget gaps as well as raise capital spending.

Figure 10: City Would Lean Heavily on Reserves to Balance 2027 Budget and Increase Capital Spending

Withdrawals from major reserve funds, 2016 to 2027



Source: City of Milwaukee proposed budget

The larger withdrawal is possible in the short term because of the build-up in city balances in recent years due to factors such as the implementation of the city's sales tax in 2024. However, these balances could dwindle as withdrawals increase and the city faces financial pressure from constrained revenues, inflation, increases in police and fire department staffing, and decreased vacancies among other authorized city jobs.

The mayor's proposal would use the following withdrawals from three key city reserve funds to help balance the core 2027 budget and increase spending on city infrastructure:

- A $39.8 million infusion – the most since at least 2016 – from the **tax stabilization fund**, which consists of the city's 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. Any transfer from this fund to the general city purposes budget is capped at half the fund balance at the close of the prior year. At the end of 2025, the fund balance was $79.6 million, which was the most in decades.
- A $6 million withdrawal – the same as in 2025 and 2026 – from the **public debt amortization fund**. This city reserve can be used to reduce the amount of property tax levy used to make the city's debt payments. The fund grows by receiving one-third of the earnings on city investments as well as earnings from the fund's own investments. The fund had a $62.1 million unsegregated balance at the beginning of 2026.
- A $6 million transfer to the capital budget from the city's **transportation fund**, which uses revenues from parking meters, permits, citations, and towing to pay for parking services and enforcement as well as the city streetcar. The withdrawal would mark a return to the same level as in 2025 after a pause on transfers this year, when the effects of the pandemic and past city withdrawals of as much as $16.6 million in 2017 had depleted the fund's balance, making it difficult to support further transfers. However, due to recent changes including increases to parking and citation fees and to the number of staff issuing citations, revenues are projected to support a modest transfer next year.

Despite the large use of city reserves from these three funds, the mayor's 2027 proposal would not tap the city's separate pension reserve fund, which had a balance of $95.2 million as of June 30. Those funds provide another source of stability for the city's budget in 2028 and beyond, particularly if other reserves such as the tax stabilization fund shrink. In other words, the proposed budget would retain some tools for dealing with the city's growing budget challenges even though options are narrowing.

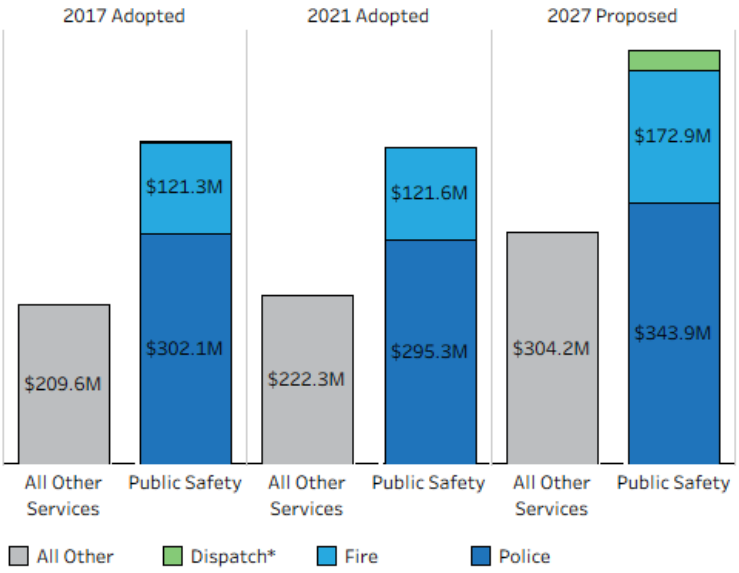
Key #3: Public Safety is a Major Cost Driver

The police, fire, and emergency communications departments are among the primary drivers of city spending. Under the proposed budget, spending on these public safety agencies would total $542.6 million and comprise 64% of all general city purpose spending in 2027.

As shown in Figure 11, public safety services outpace the costs of all other city departments, yet their share of the total general city budget has been relatively steady over time. The $119.2 million increase in public safety costs between the 2017 adopted and 2027 proposed budgets reflects the rapid rise in inflation over those years as well as changes that have been taking place since the passage of Wisconsin Act 12 in 2023. That law requires that a percentage of city funds support ongoing public safety costs and that staffing grow by 2033 to 1,725 law enforcement officers (including 175 detectives), and at least 218 fire department personnel. Additionally, the two departments must maintain staffing at levels at least equal to the prior year, or else lose 15% of the state shared revenue the city would have otherwise received, which in 2027 would amount to a loss of approximately $39 million.

Figure 11: Public Safety More Than Three-Fifths of Budget

Portion of the general city services budget by priority in millions. 2017-2027



Source: City of Milwaukee. *The Emergency Communications Department was created in 2022. Prior to that, dispatch functions were housed within the fire and police departments.

The 2027 proposed budget would add 19 FTEs in the Fire Department, including 15 to staff a new fire engine. The Police Department would add 45.5 FTEs, including 34.4 police officers and a range of support positions such as forensic print examiners and police aides. Of the police officers, 21 would be supported by grants and not part of the general operations budget. In total, the proposal would increase the Police Department budget by $33.8 million (10.9%) over 2026 levels, and the Fire Department by $7.5 million (4.5%). The rise in spending would include inflationary cost increases in addition to the new positions.

If the proposed FTEs are approved by the Common Council, the city would still need to add 80 more sworn police officers and at least 21 more firefighters to meet the requirements of Act 12. This means that over the next five budgets, the city could accrue tens of millions in increased costs to account for those additional salaries, benefits, and inflation.

Future revenue from the sales tax approved as part of Act 12 may not be sufficient to cover increased staffing costs at those levels. Without additional revenue sources, the city could see budget shortfalls and potentially difficult spending cuts across other city services. For now, at least, the tradeoffs from Act 12 are in the city's interest as the sales tax buoys its ability to finance the pension costs discussed in the next section and enhances its overall budget and services.

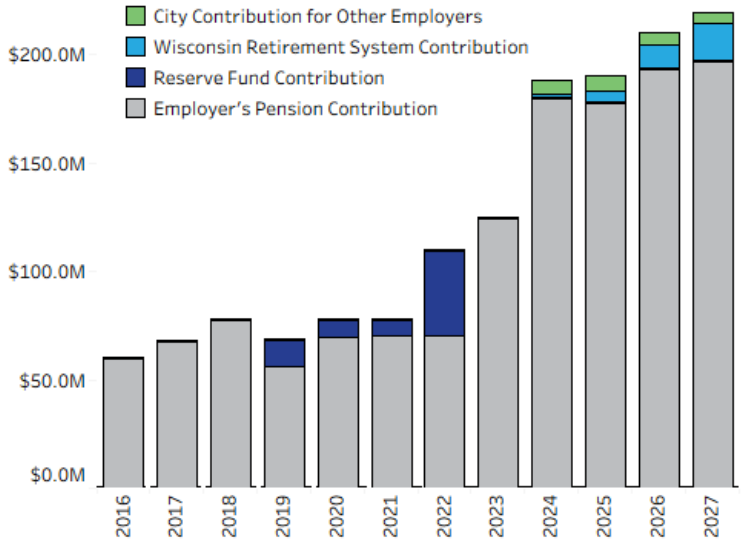
If the budget is approved as proposed, however, then emergency service budgets would have grown by $119.2 million from 2017 through 2027. Over that same period, all other general city purposes budgets would have grown by a combined $94.6 million. This disparity highlights the ongoing challenges that public safety costs impose on the city's budget and taxpayers.

Key #4: Pensions Still Carry Big Price Tag

The steep climb in Milwaukee's pension costs will slow in 2027, but the city's total pension contributions are still budgeted to increase by $9.2 million to $219.1 million, a rise of 4.4% that modestly exceeds inflation and the growth in general city purpose revenues (see Figure 12). In addition to payments for its legacy pension fund for longstanding employees, since 2024 the city has made growing contributions to the Wisconsin Retirement System, which provides city pensions for all newly hired workers. Finally, the city also makes certain payments for other employers that participate in its legacy pension system such as the city housing and redevelopment authorities and the Milwaukee Metropolitan Sewerage District.

Figure 12: City Pension Costs Keep Rising

City pension payments by type and year in millions, 2016 to 2027



Source: City of Milwaukee

The rising costs reflect, in part, the financial pain the city is accepting in the coming years to put its long-term finances in a better position. Yet the increases in recent years have been difficult for taxpayers and the city's other priorities. Over the past decade, the city's overall pension contributions have more than tripled, going from $60 million in 2016 to $209.9 million in 2026, an increase of $149.9 million.

Several factors are driving the ballooning contributions, starting with a decrease in the assumed return rate for the investments in the city's legacy pension, which dropped in 2025 from 7.5% to 6.8%. Because the city is assuming its investments will provide less growth in its assets and funding over time, it must make larger contributions up front to cover its obligations to its current and future retirees. In addition, contributions have also been driven upward by larger than expected salary increases for city employees (which in turn increase their eventual pension benefits) and by requirements within Act 12 that the city hire additional firefighters and police, who in turn require pensions.

Ultimately, the city's fiscal outlook is stronger because of these proactive steps to cover the costs of its pensions. Yet the massive spending on pensions is having a real effect on the services that the city can offer right now such as street maintenance and public works, libraries, economic development, and other priorities. This challenge will remain a major concern for years to come, though as we noted in the reserve section, the city does retain a substantial reserve fund that it can use to help make future payments to its pension system.

Key #5: City Would Keep Up its Surge in Spending on Streets

Milwaukee's total capital budget spending, including grant and aid funds, on streets and other infrastructure would grow by 14.5% in the mayor's proposed budget, from $295.3 million in 2026 to $338.2 million in 2027. The portion of the capital budget funded exclusively with city resources would grow by one third, from $236.7 in 2026 to $316.6 million in 2027. This part of the budget is crucial, since it pays for improvements to the city's infrastructure such as roads and bridges, buildings, and investments in affordable housing or other community developments.

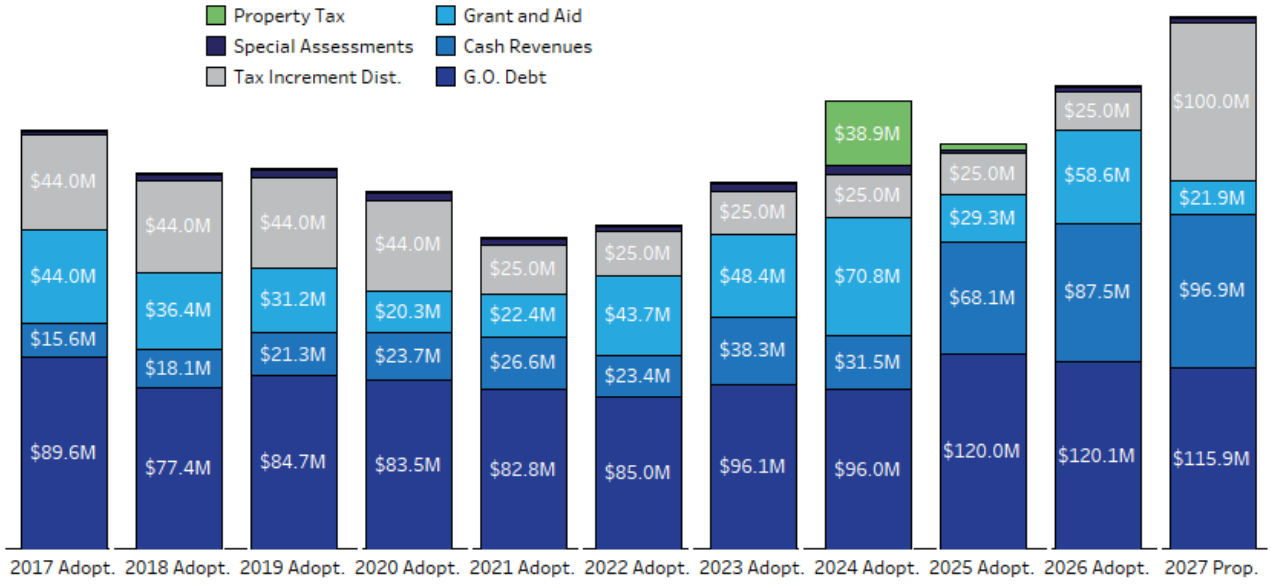
Proposed funds for the Department of City Development would more than double, jumping from $55.3 million to $130.5 million. This $75.2 million increase would be used to pay for public infrastructure projects within a half mile of tax increment districts and would be funded with revenue from those districts. Capital funding for the Department of Public Works would also increase by $19.0 million, or 17.7%. Together, these two areas would account for 81.2% of the capital budget.

The city dedicates funding from general obligation debt, special assessments, tax increment districts, and cash revenues from fees or other sources to fund capital projects. Figure 13 shows the funding by source. As planned, levy-supported borrowing would fall slightly to $116 million in 2027 from its 10-year high in 2026. In both 2025 and 2026, the Common Council approved borrowing approximately $120 million after a decade of authorizing less than $100 million of new borrowing per year. Prior to that, Milwaukee leaders chose to limit this type of debt, which is backed by the city's full faith and credit and paid for through the general fund, in order to limit the amount of funds dedicated to retiring debt.

More recently, they have increased borrowing as part of a multi-year surge to address priorities such as deteriorating streets. Borrowed city funds are complemented with federal grants to help cover

Figure 13: Proposed Capital Budget Hits Highs

Sources of funding for capital improvements, 2026 dollars, 2017-2027



Source: City of Milwaukee

these priority projects. While the city's physical infrastructure is in need of expanded investments, it's worth noting that the city's debt payments will rise in the future in response.

The city maintains high bond ratings, receiving investment-grade ratings of A+, A-, and A3 from the ratings agencies of Fitch Ratings, S&P Global Ratings, and Moody's, respectively. This helps keep city borrowing costs lower, though rising interest rates across the national economy are still impacting the city just as they are affecting other borrowers.

Last, the use of cash revenue would grow substantially under the 2027 budget. The proposal would provide $96.9 million, or 10.7% more than the $87.5 million from last year.

CONCLUSION

As we have seen, Milwaukee has held its operations together for yet another year, assisted by changes in state law and the willingness of local taxpayers to shoulder a new sales tax in 2024 and an increase in its local vehicle registration fee in 2026. The mayor's proposed 2027 budget shows the city is still largely managing its many fiscal challenges.

The tax and spending plan would hold the city's property tax increase to less than the rate of inflation while maintaining a surge of spending on streets and infrastructure and limiting service cuts to a few areas such as reduced library hours and locations on Sundays. The growth in city health care costs also remained largely in check, a welcome contrast to the increases afflicting some other local governments such as the Milwaukee Public Schools (MPS). The city maintains a healthy pension reserve that serves as a reassuring safety valve for city officials in the case of emergencies.

However, the signs of strain on the city's finances are building and on display in the 2027 budget. Borrowing has ramped up along with infrastructure spending, the use of reserves to close shortfalls is growing, and the growth in spending on core city costs such as wages and pension contributions is exceeding some key city revenues. Most notably, the increase in the city's operating revenues from the property tax is limited to the rate of net new construction and lags well behind both the rate of inflation and recent spending increases. Though the city's short-term performance has been largely heartening, the Forum's longstanding concerns about the future remain.

Admittedly, the city has been rescued from worse difficulties in recent years by outside assistance, first by infusions of federal aid during the pandemic and then by the approval of additional state aid and local sales tax authority by lawmakers and Gov. Tony Evers for the city's 2024 budget. A shift in representation at the state Capitol might even open up further state assistance for the city next year.

Yet the city simply cannot count on any such help in the future. The federal government seems unlikely to return to doling out the kind of aid that it provided at the height of the pandemic. The state has a notable surplus of its own, but absent an increase in taxes, state officials cannot necessarily commit to more than a surge in one-time aid to schools or local governments.

Raising revenues from local residents could also prove a competitive process. Since January 2020 alone, the city and county have both raised sales taxes, the city has raised its wheel tax, and MPS has had two operating referenda approved by voters. School district officials have floated the possibility of yet another referendum in the coming years, which might make it difficult for the city to make its own case for another large tax or fee increase on residents. As we wrote last year, "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."

In light of those pressures, Milwaukee officials may wish to look for ways to control costs such as working with other local governments. Two promising examples of that include the city's past efforts to work with Wauwatosa on fire and EMS services and Wauwatosa's separate plan with West Allis to merge their fire departments. Such efforts take time and are not a panacea, but they hold promise.

For more than a century, the Forum has seen our monitoring of Milwaukee's finances and operations as among our most important responsibilities. We hope this budget brief will assist voters and elected officials as they seek to build on the recent gains made in the city and set Milwaukee on a wise course in the years to come.