

BUDGET BRIEF:

MILWAUKEE COUNTY

2027 EXECUTIVE 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 Milwaukee County Executive's budget. We hope that policymakers and community leaders will use the report's findings to inform discussions during ongoing budget deliberations.

Report authors would like to thank officials and staff from the Milwaukee County Office of Strategy, Budget and Performance, the Comptroller's office, and the Milwaukee County Transit System for their assistance in providing information on the budget and the county's finances.

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





BUDGET BRIEF

Milwaukee County 2027 Executive Budget

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INTRODUCTION

For the second year in a row, the leaders and citizens of Milwaukee County are facing a difficult budget. A projected \$50.8 million gap for 2027 and the revelation of a major cost re-estimate for its largest capital project in recent memory raise substantial concerns for both home and business owners as well as the vulnerable county residents who rely on key public services such as transit.

Over the past generation and under leaders from across the ideological spectrum, Milwaukee County has taken a number of steps to put its finances in better order. Those changes have included cutting thousands of positions, reducing employee benefits such as retiree health care, cutting transit service, approving a vehicle registration fee, increasing employee health and pension contributions, shifting to more modest earnings assumptions within its legacy pension system, issuing bonds to help cover unfunded pension liabilities, increasing earned revenue in the parks system, and shrinking the number and size of county buildings and offices. More recently, the county has begun phasing out its legacy pension plan in favor of the [better-designed Wisconsin Retirement System](#) and imposed an additional 0.4% sales tax on top of the county's previous 0.5% sales tax – two steps made possible by the legislation known as 2023 Wisconsin Act 12.

Some short-term moves to balance the budget over the years have hurt the county's long-term prospects, including the practice of deferring maintenance and upkeep of county assets. That in turn has added to a long list of capital projects for roads, parks, and other county assets. But most of these steps have put the county on a better long-term financial trajectory, helping to address its unfunded pension liabilities and to build up sizeable reserves in a key fund used to make debt payments.

Despite all of these actions, however, the growth in county expenses has continued to outpace revenues year after year. Most notably, the compensation for county employees has risen along with consumer prices in recent years even as growth in the county property tax levy used for operations has been limited to well below the recent rate of inflation by a state-imposed cap. State aid for key county functions has also lagged despite a one-time bump in 2024 from Act 12. As a result, the county once again faces a budget gap and the prospect of renewed cuts.

Milwaukee County Executive David Crowley's 2027 budget would address a large part of the budget gap in a sustainable way by tapping better than projected revenue growth, directing agencies to limit their spending increases, and imposing some additional efficiencies such as passing more health care costs on to county employees. However, his budget would also defer a large portion of the problem into the next budget by withdrawing a sizeable amount of county reserves. That would postpone painful cuts in transit service until late 2027 or 2028 but would also make that future budget more difficult to balance than it otherwise would be. The move would allow county officials more time to seek additional assistance from state elected officials, but it's unclear whether that aid will materialize.

As the Forum does every year, we have prepared this review of the county's finances with the aim of highlighting both the progress that has been made and the challenges that remain to be surmounted. We neither advocate for nor against the county's executive proposal, but instead hope our analysis will serve policymakers and the general public as they consider the best way to manage the complex finances of Wisconsin's largest county.



2027 RECOMMENDED BUDGET SYNOPSIS

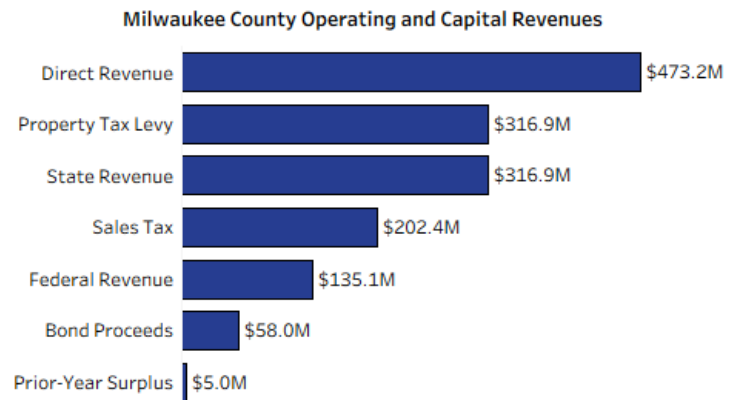
The 2027 recommended budget would total \$1.51 billion, an increase of \$86.6 million, or 6.1%. Much of this proposed increase would come from the capital budget, which would increase by \$55.3 million (51.6%). That rise in capital spending within the proposal would be driven by an influx of federal funding for both traffic calming measures (\$24.9 million) and improvements to Milwaukee Mitchell International Airport (\$16.2 million).

The county's operations budget would increase by \$31.3 million. However, one major contributor to this proposed increase is an accounting change regarding passenger and other revenue collected by the Milwaukee County Transit System (MCTS), which results in an apparent \$28 million increase in MCTS's expense and revenue budget but has no actual effect on funding or service levels. Without that change, the operations budget would have increased by only \$3.3 million (0.3%).

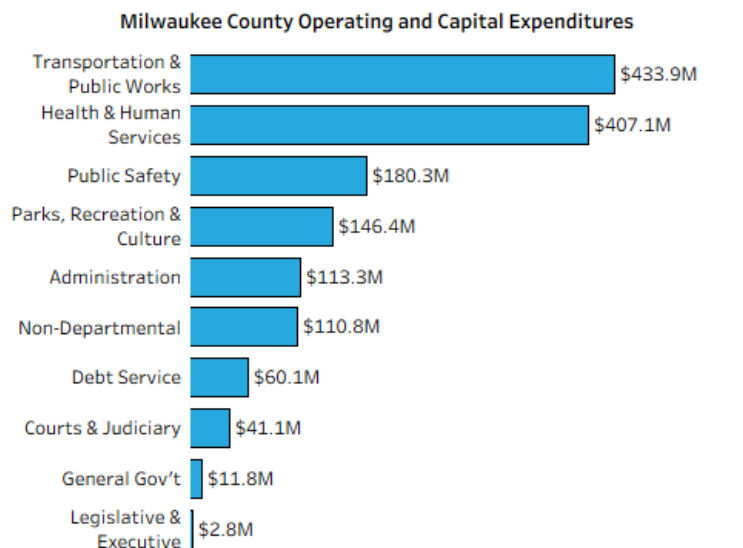
Figure 1 breaks down the budget by major revenue and expenditure categories. The two largest spending areas are transportation and public works (including for transit operations) at \$433.9 million and health and human services (including behavioral health) at \$407.1 million. Public safety is next at \$180.3 million.

The largest revenue source would be "direct revenue" at \$473.2 million, which includes service-related fees and payments such as transit fares and reimbursement for Medicaid health services. The property tax levy would be next at \$316.9 million, which would be an increase of \$7.9 million from 2026. Estimated state revenue also rounds to \$316.9 million – just slightly less than the tax

Figure 1: Breaking Down the 2027 Recommended Budget
Operating and capital revenue and expenditure categories in millions



**Milwaukee County
Budget
\$1.508 Billion**



Source: Milwaukee County budget documents



levy – and includes a projected \$36.9 million in state shared revenue aid (up \$1.3 million, or 3.7%, from 2026). The budget also projects \$135.1 million in aid from the federal government, an increase of \$38.5 million from 2026, owing largely to an increase in funding for capital projects. Collections from the 0.9% county sales tax are budgeted at \$202.4 million, an increase of \$6.8 million, or 3.5%.

County Operating Budget

Expenditures Tick Up

The proposal would boost spending on operations by 2.4%, or less than the rate of inflation. The largest increases in absolute terms would go to transportation and public works at \$10.9 million and to debt payments net of offsets at \$9.8 million (see Figure 2). The largest percentage increase in operations spending by far would be for debt service, which would rise by 19.5% next year because of previously approved capital projects and higher interest rates.

Health and human services spending would rise under the proposal by \$3.7 million, or 0.9%. The budget would also provide \$3.1 million more for administration, an increase of 3.7% that will go in part toward operating costs associated with the [new Forensic Science Center](#).

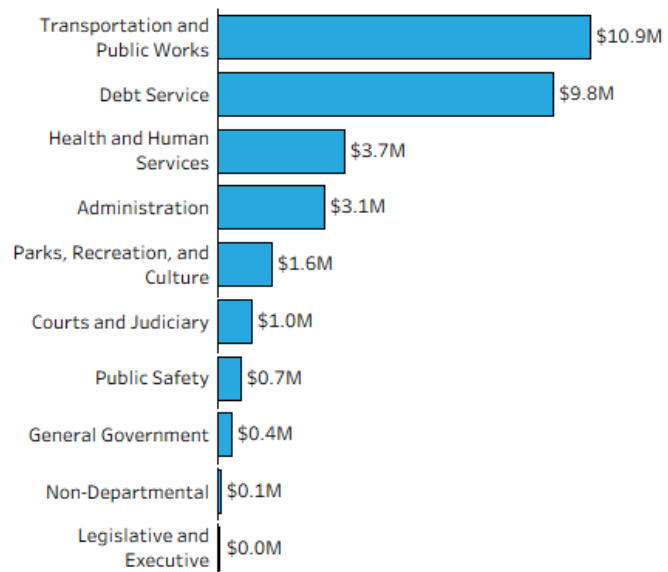
Revenues for Operations Lag Inflation

County operating revenues also would trail the rise in consumer prices, climbing by a projected 2.4% in 2027. The largest increase in absolute terms would be for direct revenue related to county services, which is expected to grow by \$20.4 million, or 4.8% (see Figure 3).

That would be followed by an additional \$7.1 million in property tax revenue (a 2.5% increase), and a

Fig. 2: Transportation and Public Works, Debt Service Would See Largest Increases in Operating Expenditures

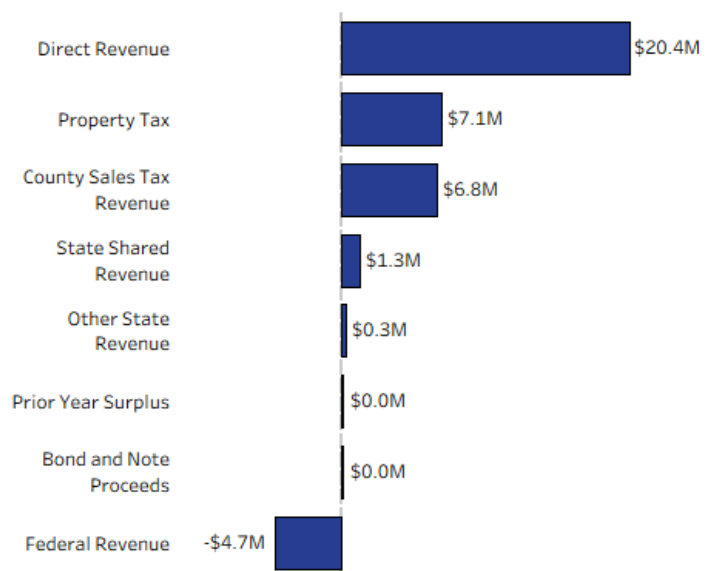
Proposed increase over 2026 adopted budget, by functional area



Source: Milwaukee County

Figure 3: Direct Revenue, Property Tax, and Sales Tax Would Be Largest Increases in Operating Revenues

Proposed increase over 2026 adopted budget, by functional area



Source: Milwaukee County



projected increase of \$6.8 million in county sales tax revenue, or 3.5%. State shared revenue would rise by \$1.3 million, or 3.7%, but all other state revenues – a much larger category – would remain essentially flat, rising by only \$282,000. Federal revenue is increasing for capital projects (see page 8) but federal aid for county operations would decrease by \$4.7 million, or 5.0%. That was the only source of operating revenue to drop in this budget, largely due to the exhaustion of federal COVID-19 relief funds for public transit.

The budget also proposes using \$5 million from the county’s surplus next year – the same as the 2026 budget – along with a \$22.1 million withdrawal from the county’s debt service reserve (not shown). For more on the reserve withdrawal, see page 15.

Property Taxes Would Lag Inflation

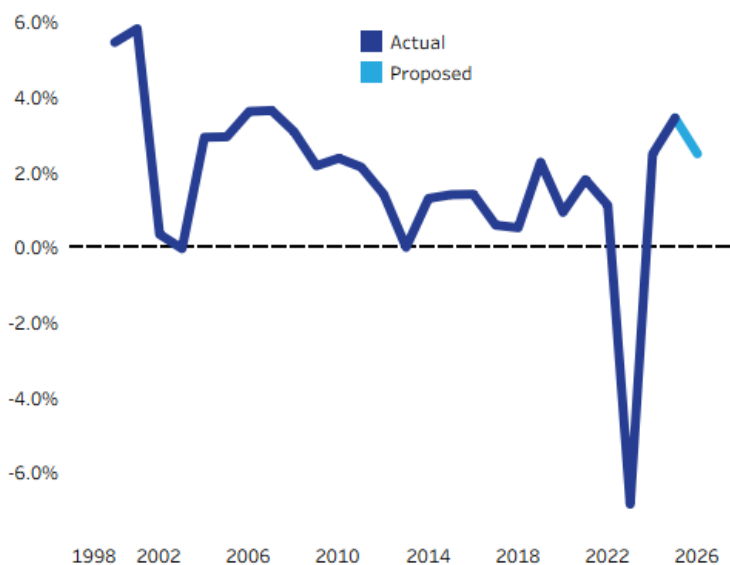
Under the proposed budget, Milwaukee County’s property tax levy on December 2026 tax bills would rise 2.5%, slowing from last year and trailing somewhat the rate of inflation (see Figure 4). The levy for all purposes would total \$316.9 million, up by \$7.9 million from \$309.0 million on last year’s bills.

On December 2023 tax bills, the county levy dropped by the most in decades ahead of the county’s sales tax increase. Since then, the levy has grown at a somewhat faster rate than it did during the 2010s and more like the rates seen in the 2000s. In general, county tax increases are tightly controlled by state levy limits. The state caps restrict the annual increase in the county’s property tax used for operations to the rate of net new construction, giving local leaders an important reason to prioritize development. The county’s rate of net new construction has generally lagged the state average in recent years, coming in at just 0.91% as of January 2026 compared to 1.64% statewide.

The large overall increases in recent county taxes reflect in part additional debt payments on borrowing to finance previous capital projects. The portion of the levy used to make debt payments is exempt from the state levy limits.

Because property values have risen more rapidly in the county than the tax levy, the proposed county tax rate per \$1,000 of equalized property value would fall from \$2.92 to \$2.80 on upcoming December tax bills. We estimate that the median value home in the county would rise from

Figure 4: Growth in Milwaukee County Tax Levy Would Slow
% change in Milwaukee County portion of tax levy by year (December bills)



Sources: WI Department of Revenue and Milwaukee County. Note that the cut in property taxes on December 2023 bills was accompanied by an increase in the county sales tax.



\$273,800 to \$287,220 and that taxes on that home would rise modestly from \$799 to \$803, an increase of \$4.

County Work Force Would Grow, Pay More in Health Premiums

The county executive's operating budget proposal would include 4,142.6 full-time equivalent (FTE) positions, a net increase of 10.2 FTEs from the 2026 adopted budget. The notable changes in the budget would include:

- The net addition of 4.5 FTEs to the Department of Health and Human Services. The agency would add or fund more than 17 positions across the administrative, youth justice, aging and disability, housing, and child support functions, while cutting 13 vacant positions (see page 16).
- The addition of 4.4 FTEs to the Zoological Department, which includes four maintenance worker positions and increased hours for the community engagement coordinator for the Zoo.
- The loss of five FTEs from the Department of Administrative Services, including two electricians, an apprentice coordinator, and two IT professionals.

County employees would receive a 2.0% raise in the proposed budget at a cost to the levy of \$5.1 million. Fringe benefit costs are projected to grow by \$11.0 million in 2027, but \$7.2 million would be paid for by employee health premiums and pension contributions and an additional \$553,000 would be offset by other revenues. The county tax levy would bear the remaining \$3.3 million.

County employees would see increases to their health insurance premiums of between 2.0% and 5.0% depending on their family status. Other changes to the county's health plans include higher individual and family deductibles, increased co-pays for in-person doctor's visits and emergency room visits, and a decrease in the annual limit for covered dental work. The budget would also provide continued funding for employee health clinics, eliminate co-pays for virtual visits, and increase the matching funds provided by the county for employee flexible spending accounts.

The county estimates that an employee with a gross salary of \$60,000 would see their pay rise to \$61,200 under the various changes and his or her net pay after health and pension contributions to rise from \$54,892 to \$56,413.



CAPITAL BUDGET OVERVIEW

The county executive's 2027 capital budget proposes \$162.3 million in infrastructure spending, a 51.6% increase over the \$107.0 million approved in 2026. Much of this sizeable increase in 2027 is due to an influx of federal aid that is funding traffic safety upgrades to road and several airport projects. But the budget also advances the massive courthouse project to address a substantial county need at an equally large cost to taxpayers over the coming years. Despite these large new commitments, the capital budget leaves unanswered the question of whether the county's existing financing mechanisms are adequate to meet its host of capital needs.

The proposal includes \$47.1 million in funding for projects at Milwaukee Mitchell International Airport; a small chunk of the courthouse funding; \$43.5 million for the county's roads, bridges, and traffic safety projects; and \$37.0 million for parks and other cultural projects including the Charles Allis Art Museum, Villa Terrace, the War Memorial, and the Marcus Center. The budget proposal also calls for \$110.4 million in total debt payments, which would be an 8.2% increase over 2026.

General obligation bonds backed by the county tax levy make up the largest share of the capital budget, followed by funds from outside sources like federal or state grants and reimbursements from local governments. General obligation borrowing, excluding funds for the airport, would total \$58 million, just a 2.1% increase over 2026's authorized borrowing, and \$497,000 under the county's self-imposed borrowing cap, which is meant to limit increases in future debt payments.

The proposed capital budget includes \$15.8 million for the design and construction of a new Public Safety Building and the renovation of the nearly century-old county courthouse and another building. This would be the next major capital expenditure toward upgrading the county's current aging facilities, and it will cost more than three-quarters of a billion dollars to complete, making it the most expensive county project in recent memory.

Delays in undertaking this project have added to the expense for taxpayers – recent [re-estimates](#) doubled early cost projections. In response, county officials reduced the scope of the project by eliminating a proposed entryway atrium, lowering costs by [\\$45.8 million](#) to a current estimate of \$851 million including prior spending. Project completion is not expected until 2032, so design and construction costs will impact the capital budget for years to come. The County Board has [approved](#) design changes and authorized up to \$812.2 million of borrowing separately from the traditional capital budget process, with anticipated debt service of approximately \$70 million per year for 20 years. County officials are seeking additional funding from state or federal sources to help cover those costs.

This is not the county's only major capital funding worry. Previous Forum [research](#) has also identified a [nearly \\$500 million backlog](#) of capital projects within the county's parks system. This capital budget would work to address some of that by dedicating \$37 million to the parks and the cultural projects listed above, largely focused on rebuilding playgrounds, upgrading sports facilities, improving park roads, and carrying out projects to ensure parks are safe. Notably, the county is borrowing funds to make the second of six planned \$5 million contributions to a larger \$133 million initiative led by a [private group](#) to repair and enhance the Mitchell Park Domes Horticulture Conservatory.



There are also other wins in the proposed budget. Prior Forum [research](#) has identified traffic safety in Milwaukee County as a serious problem. The 2027 capital budget request dedicates \$24.9 million of [federal funds](#) to pay for upgrades intended to improve traffic safety, including changes to pedestrian infrastructure and intersections, and improvements to high-speed roads. Funds will be spent in partnership with the city of Milwaukee, the city of West Allis, the city of Glendale, the village of Brown Deer, and the village of Shorewood. The airport is also using \$16.2 million in federal funding for three projects focused on taxiways, runways, and perimeter fencing, plus another \$16.4 million in airport funds to upgrade baggage handling as part of the 2027 capital budget.

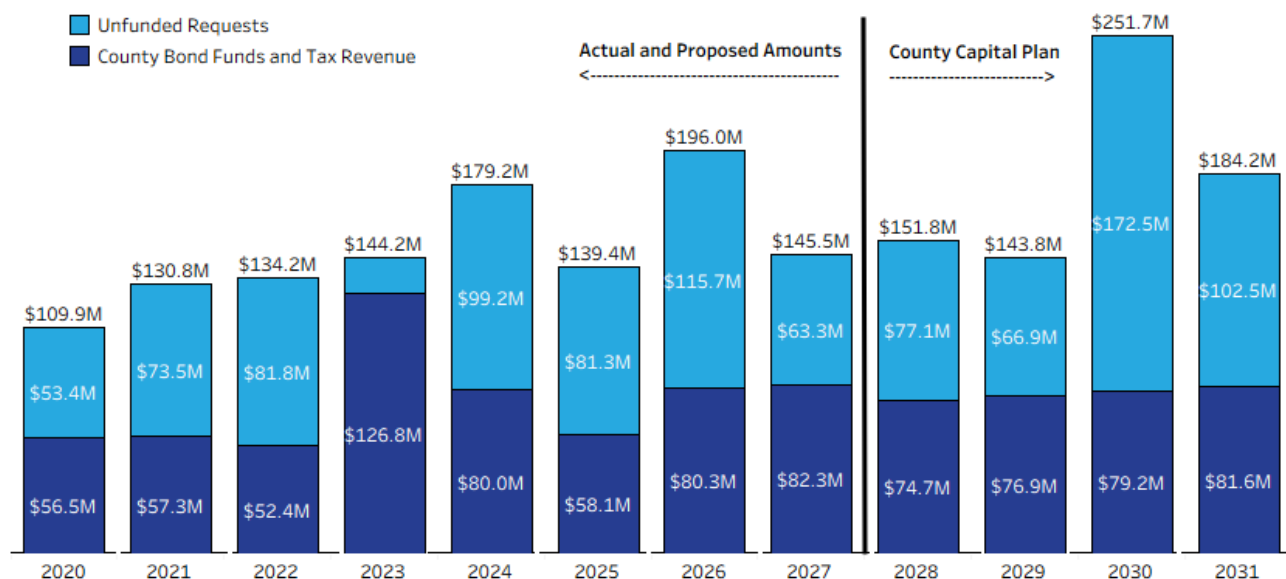
Funding for bus purchases is once again absent from the proposal. To some degree, deferring additional bus purchases may fit in with the current plan to redesign transit services, but postponing these investments indefinitely may make it difficult to catch up with the replacement schedule in the future. The county executive's capital budget does include \$1.0 million to retrofit existing buses with enhanced driver protection barriers intended to limit assaults on drivers.

The county may struggle to meet all of these needs and obligations in future years. As Figure 5 shows, the county's core tools for financing capital projects have fallen well short of agency requests in recent years and are expected to do so in the future. The chart shows the annual approved and projected amounts of capital funding from general obligation borrowing and the county's contribution of cash revenue toward projects. Those financing amounts typically fall well short of agency requests.

On the one hand, the agency requests may at times include projects that are not needed for the county to continue its operations and may be denied. In that sense, the chart might be seen as overstating the county's problems. On the other hand, the chart very notably does not include the massive courthouse complex project. For that reason, the figure could be seen as actually understating in some ways the severity of the challenge facing county officials in the years to come.

Figure 5: Agency Requests For Capital Funds Far Outstrip Budgeted Resources

Agency requests* for tax revenue and bond funds compared to budgeted or projected amounts



Source: Milwaukee County. *2027-2031 amounts exclude more than \$800 million for county courthouse project.

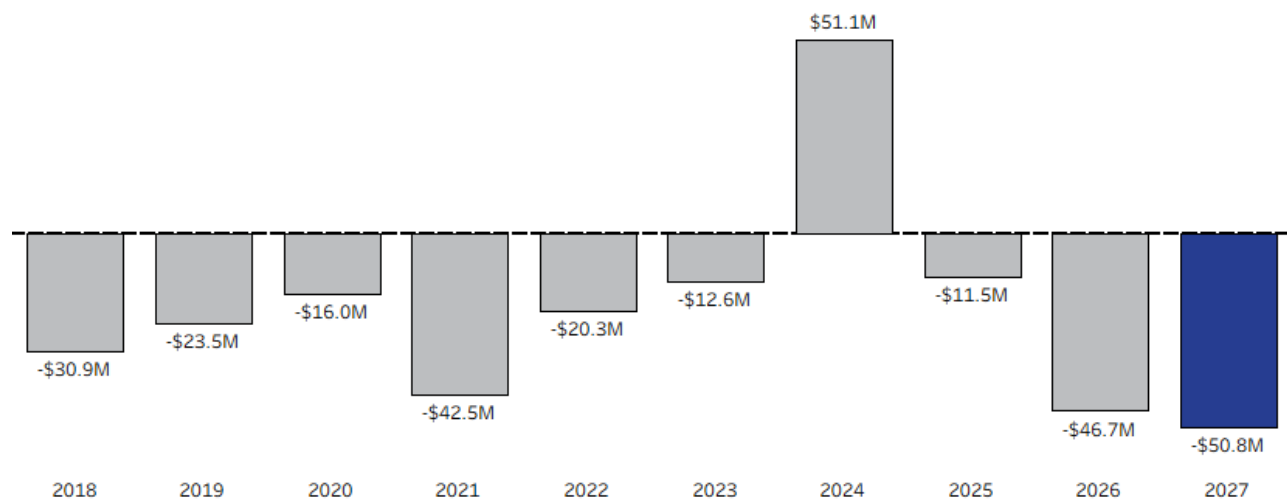


BRIDGING THE 2027 BUDGET GAP

The county [comptroller's April forecast](#) made clear that the 2027 budget would bring a series of painful decisions for Milwaukee County officials and residents. The comptroller's annual five-year fiscal forecast projected the county would start its budget process with a potential \$50.8 million shortfall for next year – the largest in nominal dollars of the past decade (see Figure 6) and the second-most after adjusting for inflation. That marked the third year in a row of growing gaps between the projected cost of continuing current county services for another year and the funding that the county expects to receive.

Figure 6: Potential Milwaukee County Budget Gap Grows for Third Straight Year

Initial projected funding gaps or surpluses in Milwaukee County budgets (nominal \$ in millions)



Sources: Milwaukee County Comptroller's Office and Office of Strategy, Budget, and Performance. Note: The sizable increase in the funding gap shown in 2021 resulted largely from initial projections about pandemic-related revenue losses that did not fully materialize.

The shortfall primarily reflects a longstanding trend in which the county's expenditures are outpacing its revenues. The comptroller projects that county spending will grow by an average of 3.4% over the next five years, while revenues will grow by only 1%, leaving an unsustainable gap without new actions to either restrain the growth in spending or boost revenues.

County spending has faced upward pressure in recent years from rapid increases in employee salaries, health care costs, debt payments, energy prices, and transit services. The state provided the county with additional sales tax authority and aid payments in 2024 but has otherwise kept tight limits on county revenues in recent years, capping the growth in the property tax levy to less than the rate of inflation. That difference in growth rates will open up an additional annual gap of between \$25 million and \$33 million for county officials to solve for the 2028 to 2031 budgets.

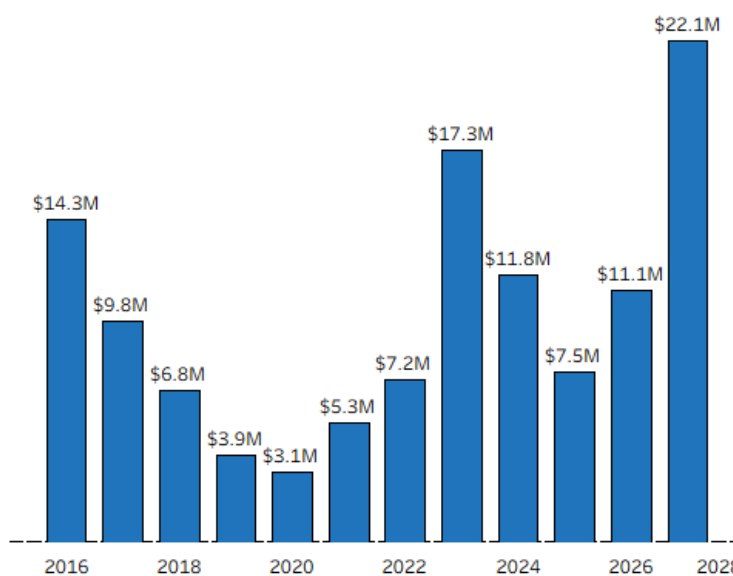
The current 2026 budget also relied on the use of more than \$9 million in one-time revenues such as reserve withdrawals to help balance the books. Because these revenues do not recur, the county must either replace them in the 2027 budget with other funding or make spending cuts in order to balance the budget. All of these factors added up to the daunting size of the 2027 gap, which points to growing fiscal challenges for the county following the approval of the additional 0.4% sales tax.

How the Gap was Eliminated

The recommended budget would close the gap in part by making the largest proposed withdrawal from the county's debt service reserve in a more than a decade (see Figure 7). Bridging the shortfall also involved dozens of other decisions and estimates affecting both county spending and revenues. Here are several of the key factors and choices:

Figure 7: Proposed Withdrawals Grow to Most in a Decade
Proposed withdrawals from Milwaukee County's debt service reserve

- The 2027 budget would withdraw \$22.1 million from the debt service reserve, nearly doubling the \$11.1 million being used in the current budget. The reserve currently has sufficient funds to cover this withdrawal (see Key #3) and it allows for a \$12.1 million one-time transfer to MCTS to delay cuts in transit service. Yet it could end up adding to future fiscal difficulties.



Source: Milwaukee County

- Agencies were told to find \$22 million in savings from their requested budgets, either by limiting the increases that they had sought in their spending or by making some outright cuts.
- The county is changing health plan designs to reduce benefits or increase employee contributions and payments, as we noted on page 9, which is expected to save about \$1.8 million.
- County sales tax revenues grew about \$1.6 million more than previously projected in the comptroller's report.

In one sense, the county's substantial use of reserves is understandable, given the impact that the transit cuts in particular would have on vulnerable county residents. This approach would delay those actions and allow time for the next governor and Legislature to consider further measures such as Act 12 that might put the county on a better financial footing.

Yet there is no guarantee that the state will provide any new assistance in 2027. By increasing the use of one-time solutions to the county's fiscal difficulties, this plan also adds to the challenges that the county will face one year from now in putting together its 2028 budget and adds to the potential for the county to face another large fiscal gap at that time.



FOUR KEYS TO THE 2027 BUDGET

Key #1: County transit services given a one-year reprieve

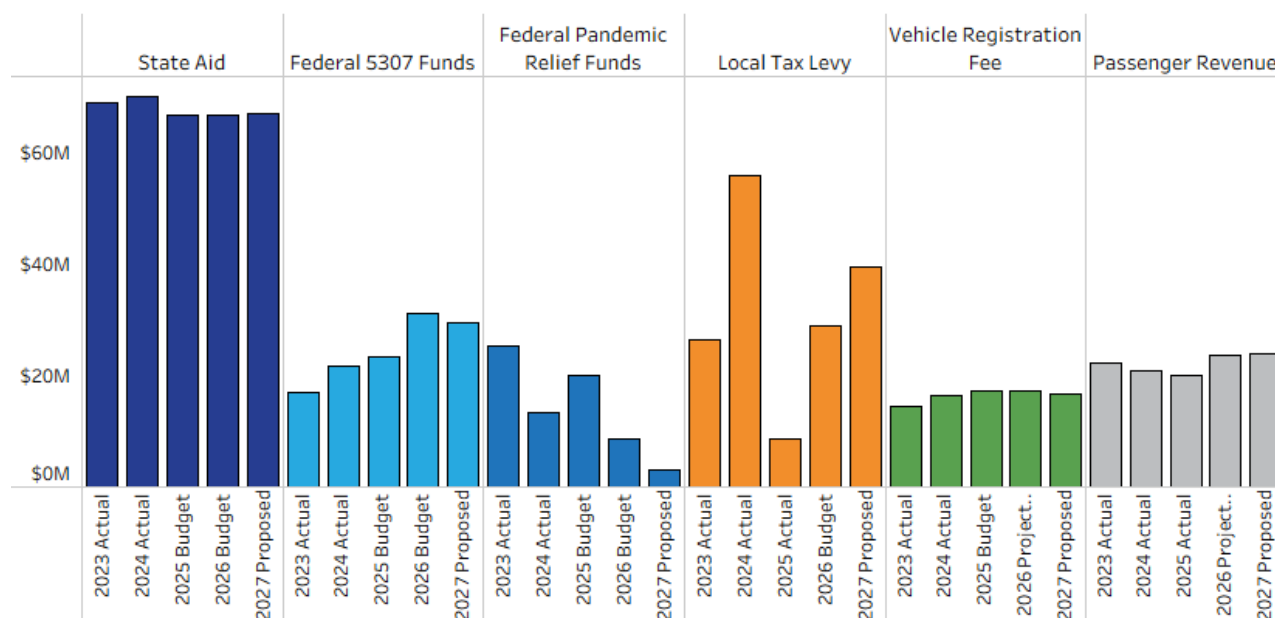
Last year, we found that an unexpected \$10.9 million budget deficit and rapid spending of federal pandemic relief funding had pulled the Milwaukee County Transit System's long-anticipated "fiscal cliff" into the 2026 budget. As we described in our 2023 report, [Detour Ahead](#), the underlying problem is deep and structural: MCTS expenditures continue to rise, but its revenues are not keeping pace. State and federal aids, which together account for a majority of its revenues, have remained stagnant for many years, while passenger revenue has not fully recovered from a sharp drop during the pandemic. Whereas transit systems in peer urban areas nationwide often derive a majority of their revenue from local sources, local revenue (from property taxes and the county's vehicle registration fee) remains a much smaller share of the total revenue for MCTS.

These problems led MCTS in 2026 to reduce service frequency on several bus routes, [raise passenger fares](#), and initiate a planning process to prepare for a potential 25% service cut by 2028. The [MCTS Forward](#) initiative would redesign the bus network to align service levels with existing funding streams, with the goal of establishing a system that would be financially sustainable for at least three years.

For 2027, the pandemic relief money is nearly gone and nominal state aid will be essentially the same (\$66.8 million, see Figure 8) as it was in 2010, when transit costs were far lower. The county's latest [five-year financial forecast](#) estimated that MCTS would need \$15.7 million more in 2027 just to maintain current services. About \$9.4 million of that gap comes from the exhaustion of federal pandemic relief funding and \$6.3 million comes from rising costs. The forecast estimated that transit costs (labor, fuel, contracted services, and system maintenance) would grow at an average annual

Fig. 8: Property Tax Levy Would Make Up for Loss of Pandemic Relief Funds and Rising System Costs in 2027

Key Milwaukee County Transit System operating revenue sources and amounts



Source: Milwaukee County recommended budgets 2025-2027



rate of 3.2% through 2031 while revenues would stay mostly flat, so the gap would widen if the county does not make service cuts or secure new or expanded revenues.

The county executive's budget would address this problem in 2027 with a one-time additional \$12.1 million draw from the county's debt service reserve (see page 11). That would allow the county to raise MCTS's property tax levy support from \$28.9 million in 2026 to \$39.3 million in 2027. The aim is to hold fixed-route service at 2026 levels while the county seeks new or expanded state, federal, or local revenue and completes the MCTS Forward initiative.

Several smaller measures also help. About \$3 million in pandemic relief funds previously expected to be used in 2026 will carry over to 2027 thanks to savings on the MCTS paratransit contract and a small projected 2026 surplus. A now fully funded trust will pay for 100% of retiree health care costs, and the state Department of Transportation is expected to provide some mitigation funding to MCTS for transit services affected by the Interstate-94 East/West construction project. The budget also reduces the use of federal 5307 funds for operations from \$31.0 million to \$29.5 million, modestly reversing the trend we noted last year and leaving more of these funds to be used for capital bus purchases to replace aging vehicles.

Still, though the plan to use reserves buys the county time, it does not fix the underlying problem. At best, it provides a year for county officials to lobby state leaders for help that will not necessarily arrive. The budget states that the county will not make another reserve withdrawal for transit in 2028, when the gap is likely to be at least as large. The service also would continue to shrink: the budget plans for less than 1.2 million hours of bus service in 2027, down from more than 1.3 million in 2024 and 2025, and expects fewer than 22 million riders, compared with more than 25 million in 2024 and 2025.

The central question from last year remains: how much transit service can the county and its many low-income citizens afford without a new and reliable source of revenue? Given how critical transit services are to the lives of many Milwaukee County residents and the local economy, another key question is how to avoid a downward spiral in which service cuts lead to declining ridership, prompting further service cuts, and so on.

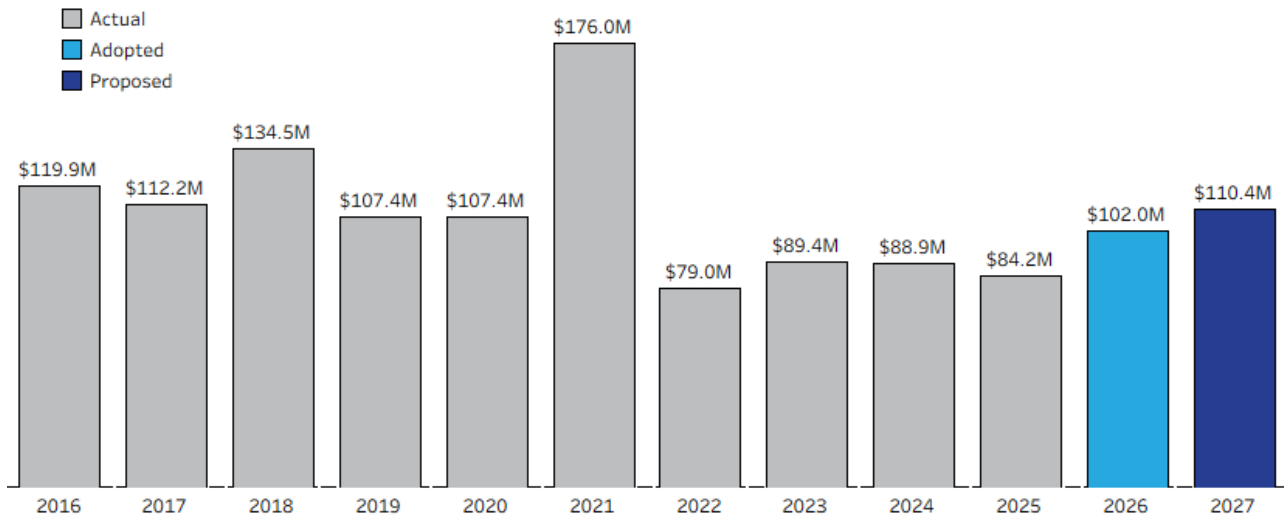
Raising the county's \$30 vehicle registration fee remains one option for county officials to consider. The prospect of doing so has drawn opposition in the past, but with the county now planning for what could be the largest cut to transit services in its history, the calculus may have changed for county leaders and residents. On the one hand, the county's fee has not been changed since its introduction in 2017. On the other hand, the city of Milwaukee and the state have both raised their own registration fees over the past decade. That might limit how much county motorists are able and willing to accept. Yet without new or expanded state or federal aid or local revenue, MCTS Forward will likely lead to a much smaller transit system for Milwaukee County in 2028 and beyond.

Key #2: County debt payments are back on the rise

Yearly debt payments would rise once again for the county under the proposed budget, climbing by \$8.4 million, or 8.2%. As Figure 9 on the next page shows, the county increased its debt payments in 2021, lowered them in 2022, and then kept them below pre-pandemic levels for several years. Now,

Figure 9: County Debt Payments Once Again Rising After Mid-Pandemic Dip

Milwaukee County debt payments by year in millions (nominal \$)



Source: Milwaukee County

however, the county's overall debt payments are once again on the rise and under the proposal would hit \$110.4 million in 2027, or the most since 2021. This would represent 8.2% of the county's operating budget, which would also be the most since 2021. These increases reflect the borrowing done on previous capital projects such as the Milwaukee Crime Lab and the new Nature and Culture Museum.

On the one hand, the rising debt payments remain manageable for the county at least for the moment. The total proposed for 2027 is less than several pre-pandemic years and would be even lower after accounting for the rapid inflation since the arrival of COVID-19. State limits on county property taxes also do not apply to debt payments, so under state law county officials can raise local property taxes by as much as needed to make debt payments. Putting off borrowing on necessary capital projects for county facilities, such as repairs to parks structures, can also lead to higher costs for taxpayers when the projects are eventually carried out.

On the other hand, the recent rise in debt service costs is concerning because of what it suggests about the future. Already, the county is staring down the possibility of making cuts to other aspects of its operations such as transit service. Ongoing and upcoming capital projects such as the county courthouse complex, the backlog of parks projects, and the Mitchell Park Domes will demand greater amounts of county borrowing and tax levy funding to carry out (for more, see the Capital Budget section). Higher interest rates are also adding to the cost of borrowing. Though the county can raise its levy to pay down its debt, local taxpayers and voters might come to see the costs as too burdensome. In that scenario, it could start to further affect the county's operations and services along with vulnerable county residents.

In short, balancing the need for elevated borrowing and debt payments with the county's other financial priorities will require considerable care and creativity in the years to come.

Key #3: Use of debt service reserve on the rise

As we noted on page 11, the budget is proposing a \$22.1 million withdrawal from the county's debt service reserve – the largest proposed withdrawal since at least 2016. Here we discuss in more detail whether this growing reliance on reserves is sustainable for the county.

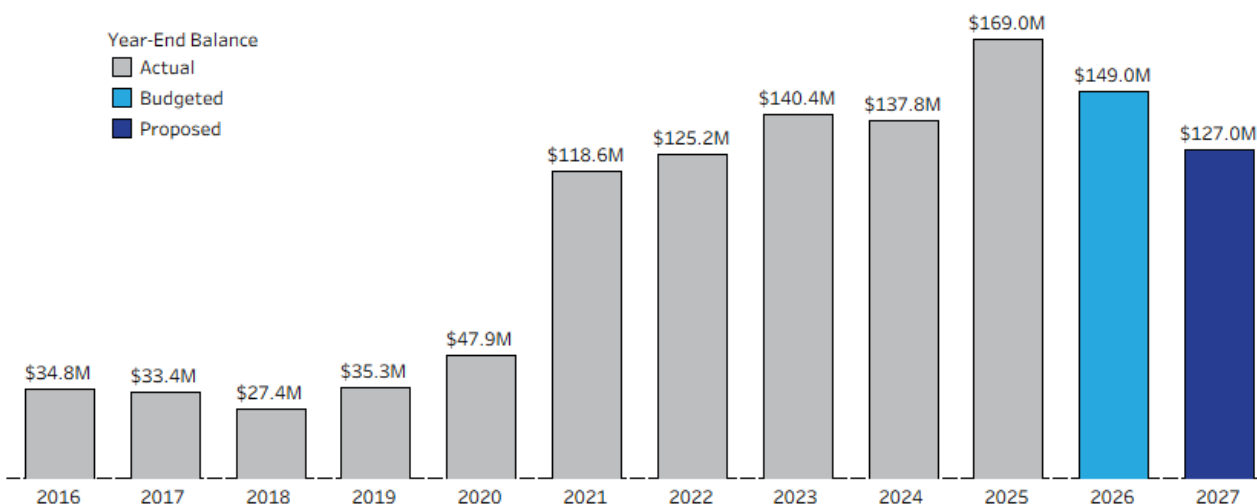
Unlike most other local governments in Wisconsin, Milwaukee County cannot simply retain a balance in its general fund (its main set of accounts) when revenues exceed spending in a given year. Instead, state law requires that the county budget those surplus funds in the following year. This requirement poses a significant challenge for the county, which needs to retain funds that it can draw on in the event of an emergency. Maintaining reserves also helps the county to receive a better bond rating that ensures lower interest rates and borrowing costs.

The debt service reserve helps accomplish this purpose, and the county has set a policy aimed at keeping the reserve between 7.5% and 10% of annual general fund spending. As shown in Figure 10, the fund has more than doubled since 2020, buoyed by a \$56.9 million budget surplus at the end of 2021 that was mostly deposited into the reserve. Since then, the fund has seen larger withdrawals, both in dollar amounts and as a percentage of the operating budget.

For now at least, the county can sustain these larger withdrawals. The county projects that even with the \$22.1 million withdrawal, at the end of 2027 the reserve would still have a balance of \$127 million. That works out to 13.4% of budgeted general fund spending in 2027, easily surpassing the county's reserve target. However, if the county persists in drawing on larger and larger amounts from the reserve, then this approach will over time prove unsustainable.

While it is true that the upcoming legislative session may bring additional revenues or other assistance for Milwaukee County that lessen future withdrawals, the next year could also usher in unexpected shocks or setbacks such as an economic slowdown. Moving forward, county officials may wish to consider looking for ways to reduce, or at least halt the growth in, the use of these reserves to balance the budget.

Figure 10: For Now, Milwaukee County Debt Service Reserve Would Remain Robust
Year end balance in the county debt service reserve in millions (nominal dollars)



Source: Milwaukee County. Amounts for 2016 through 2020 are estimates.



Key #4: Rise in youth corrections costs looms

The 2027 budget proposal would provide more funding overall to support services for vulnerable county residents even as it would reduce funding for mental and behavioral health programs specifically. The county's Department of Health and Human Services would receive \$191.2 million in the proposed budget, an increase of \$8.6 million, or 4.7%. The property tax levy going to the agency would rise even more rapidly to \$50.0 million, an increase of \$5.7 million, or 13.0%.

This net growth in department funding would largely reflect increases in personnel costs and payments made to other parts of county government for services used by the agency. However, a couple of notable revenue increases for specific programs include \$1.6 million in anticipated state grants and reimbursement funding for the Children, Youth, and Family Services division and a \$1 million federal grant that will provide responsible parenting, marriage and relationship, and other classes for fathers.

In a sign of a potentially even greater cost increase to come, county payments to the Wisconsin Department of Corrections and Racine County are projected to rise by \$2.1 million in 2027. That increase would add to a long-running source of budget strain for the county as it seeks to support the cost of youth who commit certain violent felony offenses and are placed at state-run juvenile corrections facilities or Racine County's Secure Residential Center for Children and Youth (named the Jonathan Delagrave Youth Development and Care Center). The projected \$6.45 million payment for 2027 assumes a daily average rate per youth for placements at state facilities that will rise from \$758 for January through June 2027 to \$1,000 for July through December 2027. It also includes a \$1,200 daily rate for youth placed at the Jonathan Delagrave Youth Development and Care Center. An average daily population of 19 youth is anticipated across these facilities in 2027.

The rate starting in July 2027 actually could turn out to be much higher – the rate of \$758 reflects a partial veto by Gov. Tony Evers during the last state budget cycle that [averted a rate of \\$2,758 per day](#) that would have started in July 2026 and added millions of dollars to Milwaukee County's costs. As part of the upcoming 2027-29 state budget process, the [Wisconsin Department of Corrections has requested](#) \$44.8 million more in state tax funding to be able to keep the next rate for counties at \$1,000. If that funding doesn't materialize, however, the rate starting in July 2027 could also turn out to be closer to the \$2,758 rate vetoed by Evers rather than the \$1,000 rate projected in the county budget. Any rise in the rate could provide further incentive for the county to minimize the number of youth held in state facilities and keep up its ongoing strategy of holding more youth in its own correctional facilities where possible.

The 2027 budget also proposes reductions in community-based services that provide alternatives to incarceration, including \$385,000 less for Level II monitoring of youth at home and school, \$55,500 less for the Alternative Sanctions Program that supports life skills development, and \$532,500 less for the Credible Messenger Program that seeks to prevent youth from entering the justice system.

Within the Division of Children, Youth, and Family Services, the budget would sustain the \$450,000 in levy funding that was added during the 2026 budget cycle for the county's Birth-to-3 program, which provides vision, hearing, and other services through contracted providers. Those funds are in



response to growing program enrollment as well as the desire to support the inflationary costs of service providers against a backdrop of stagnant federal revenue. State law mandates that counties provide this service, which may cause additional tax levy to be devoted to this program in future years to keep up with inflationary cost growth.

The Division of Housing Services is budgeted to spend \$2.0 million more under the 2027 proposal, growing to \$49.8 million from \$47.8 million this year. The change would primarily be supported by \$1.7 million in new tax funding and would allow for the increased administrative costs mentioned above as well as ongoing work such as lead remediation in suburban homes, assistance for home purchases and repair for low- and moderate-income households, and access to housing for homeless individuals. However, no new resources are included for Housing Choice Vouchers – which have been an integral part of reducing unsheltered homelessness within the county by 75% over the past decade. Notably, the program is currently unable to issue new vouchers as the increases in the cost of rent have caused it to reach its budget limit.

Under the proposed budget, 2027 funding for the Behavioral Health Services division and its efforts to address mental health crisis and substance abuse needs would fall by \$4.9 million, or 2.3%, to \$211.1 million. On the revenue side, this includes a \$4.3 million decrease in the use of the property tax levy and a \$623,000 decrease in state and federal payments.

Some programs that have lost outside funding or that are projected to have lower service demand would be eliminated or receive a smaller budget. For example, certain outpatient services, residential services, and bridge housing would lose a combined \$1 million. Youth programs not supported by Medicaid would end, including literacy support, female-specific programs, and parenting skills. Additionally, the Youth Comprehensive Community Services program budget would be reduced by \$3.6 million.

While the overall Behavioral Health budget would fall, there are notable cost increases in certain program areas as demand for mental health services grows. This includes \$1.1 million in new funding for placements at partner facilities, which grew by 238 inpatient days in 2025; \$1 million more for community crisis intervention placements, which grew by 57 placements in 2025; and \$1.3 million more for community-based residential facilities and adult family homes, which saw an average enrollment increase by 21 people last year. The budget also proposes a \$291,000 increase for REACH Crisis Care, which connects children and families with voluntary behavioral health services and is expected to enroll 425 youth by the end of the year – a 135-person increase over 2025.

CONCLUSION

The county executive's 2027 budget proposal can be likened to a brief pause in a play that comes before a climax in the action. Milwaukee County's spending and its revenues have been slipping out of balance with one another, opening up persistent budget gaps and leading county officials to seek more long-term solutions. To achieve that, one or more weighty actions will have to be taken in the future to bring the county's spending back into alignment with its means. We still do not know what those county or state actions will be, but the proposed budget lays out the stakes.

The 2027 proposal largely avoids major tax or fee increases or immediate deep service cuts, an accomplishment that reflects in part the many actions that the county has already taken to improve its finances as well as smaller steps such as a proposed pilot to charge parking fees at some county parks. Yet the proposal for next year's budget also gives a glimpse of potentially difficult decisions ahead.

First among these, the county's transit arm is considering a budget-balancing move to make a massive cut to its services as detailed on pages 12 to 13. Those cuts were originally put forward by MCTS for implementation in 2027, but would be postponed under the budget proposal. The delay of a year would allow for county officials to seek additional aid from the state to help prevent all or some of the cuts. In order to put off the cuts, however, the budget is proposing the biggest withdrawal since at least 2016 from a key reserve fund. That withdrawal is defensible for now but can only be repeated for a limited number of years, especially if the amount were to keep rising.

Many of the county's budget pressures will likely end up growing in the future. Under the proposed budget, the property tax levy would rise by 2.5% – less than both one year ago and the rate of inflation. However, a rise in borrowing and massive county capital projects such as the new Milwaukee County courthouse complex will likely drive property taxes higher in the coming years in order to make debt payments. The county has also benefited during the current two-year state budget from a lower rate charged by the state for juveniles from Milwaukee County held in state correctional facilities. That rate could increase substantially starting in July of next year, though it is still unclear whether that will be the case.

In recent years, Milwaukee County leaders have successfully lobbied state lawmakers to increase a form of state aid known as shared revenue, allow the county to raise its sales tax, and increase state payments to cover Sheriff's Office patrols on state highways in the county. County leaders say early next year they will start lobbying state officials again for additional assistance, particularly to help stave off cuts to the county's transit services.

Depending on the condition of the state's own budget and the outcome of the November elections, some additional help may be forthcoming. However, as we noted in last year's brief, "After achieving such unexpected success in Madison over the past three years, the ability of county leaders to again turn to state leaders for substantial assistance in future state budgets is uncertain." County officials may wish to also consider additional steps that could be taken locally to control costs and increase revenues, including [partnerships with other local governments](#) as explored in [past Forum research](#).

Ultimately, the path ahead for Milwaukee County will likely be paved with many challenges and difficult decisions. We hope this brief will aid elected officials and the public as they seek to avoid those stumbling blocks and improve the county's finances as well as the quality of life of its residents.

