

Five-Year Financial Forecast

2027 - 2031



Office of the Comptroller
Liz Sumner, Comptroller
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EXECUTIVE SUMMARY

The five-year forecast for Milwaukee County is a tool for helping policymakers and the public understand the future challenges and opportunities of the County's budget. Mandated by § 59.255(2)(h) Wis. Stats., the Comptroller produces this annual report based on reasonable assumptions about general economic conditions and projected changes in County revenues and expenditures. The goal of this forecast is to determine the extent of actions necessary to close the gap between revenues and expenditures, ensuring long-term fiscal sustainability. The forecast assists policymakers in the County's financial decision-making process to demonstrate the long-range impact of courses of actions being considered by the County and to gauge the effect of past decisions on future budgets.

Milwaukee County enters the 2027–2031 forecast period at a pivotal fiscal juncture. The County has benefited in recent years from extraordinary, one-time financial conditions including substantial federal stimulus allocations, favorable investment earnings, temporary savings in wages and healthcare, and the addition of the 0.4% sales tax. These conditions allowed the County to weather the uncertainty of the pandemic, support essential workers, stabilize core services, and build reserves to levels never before achieved. The environment that produced these favorable outcomes is now fundamentally shifting. Federal stimulus resources are now fully committed, wage and healthcare expenditures continue to outpace historical trends, property tax growth reflects previously authorized capital commitments rather than new fiscal capacity, and the tax levy relief associated with the additional 0.4% sales tax levy has been fully absorbed.

Against this backdrop, the County continues to face a structural imbalance between revenue and expenditure growth. This longstanding challenge reiterated in each previous forecast remains the central driver of the fiscal outlook. Expenditure growth continues to outpace revenue growth, even when accounting for the enhanced sales tax and incremental increases in shared revenues authorized by the state. Meanwhile, state-imposed levy limits severely restrict the County's ability to utilize local property tax authority to stabilize its operating budget. Additionally, reimbursements from state and federal sources for mandated services continue to fall short of covering the full cost of delivering those services, leaving the County with limited tools to generate new and sustainable revenue.

Pressures are further compounded by commitments that span multiple service areas. Workforce recruitment and retention continue to demand competitive compensation structures. Legacy capital obligations and debt service require sustained funding. The transit system faces persistent financial headwinds, with projections showing increased operating needs across the five-year period as federal stimulus funding is exhausted. Other departmental operating pressures continue to intensify. These combined fiscal demands drive an ongoing gap that is projected to widen through 2031 without additional intervention.

Other findings of this report include:

- *The additional 0.4% sales tax provides \$88.6 million in revenue in 2027, enough revenue to offset the \$55.9 million Employee Retirement System (ERS) unfunded actuarial accrued liability (UAAL) cost, \$21.7 million of the \$36.7 million pension obligation bond (POB) payment, \$8.8 million of the ERS normal cost, and an additional \$2.3 million payment towards the ERS UAAL.*

- *Debt service levy increases by \$9.1 million largely due to the final debt issuances for the for the Center for Forensic Science and Protective Medicine (CFSPM) and prior capital commitments. General operating levy increases by \$3.2 million resulting in a total property tax increase of \$12.3 million. This forecast includes no assumptions about the County's new criminal courthouse other than maintaining the \$15.8 million in tax levy funding across the five-year forecast.*
- *Forecasts have predicted that the Department of Transportation (DOT) – Transit Division would require an additional \$25.1 million in tax levy to support operations. This “fiscal cliff” was partially mitigated by tax levy increases in 2024 and 2026, but with federal stimulus funding fully exhausted by the end of 2026, an additional \$15.7 million in property tax levy support in 2027 will be necessary, resulting in a total tax levy requirement of \$44.6 million for transit operations.*
- *Steep increases in wages and employee benefits costs have significantly expanded the County's two largest cost centers - wage-related items (\$327.6 million) and health, pension, and other benefits (\$283.4 million). These two cost centers make up over 44.7% of the County's expenditure budget and are slated to grow by \$36.1 million, or 6.2% in 2027.*
- *While the County's robust reserves offer temporary flexibility, their usefulness is constrained by state restrictions. Reserves may help alleviate one-time operational demands, but they cannot compensate for the persistent structural deficit that characterizes the County's financial landscape. The limitations on how reserves can be used mean they are not a long-term solution for stabilizing day-to-day County operations.*

THE STRUCTURAL DEFICIT FRAMEWORK

Milwaukee County's five-year financial forecast estimates the future gap between expenditure and revenue growth or the "structural deficit." It is based on historical actuals, inflationary adjustments, and the most recently adopted budget (2026), with further adjustments for one-time items and programs or revenues that phase out in later years. The forecast offers an early view of upcoming budget challenges before the County Executive develops the recommended budget, including a preliminary projection of the 2027 structural deficit.

The structural deficit consists of two elements:

- Cost-to-continue increase
- One-time revenues and one-time expenditure or expenditure offsets (abatements) utilized in the previous year

The structural deficit reflects both the cost-to-continue increase and the prior year's use of one-time revenues or expenditures. When the County uses one-time revenues or expenditure abatements to balance a budget, the following year's structural deficit increases by that same amount unless offset by ongoing solutions.

Structural Deficit and Cost-to-Continue 2027 - 2031				
Year	Expenditure	Revenue	Structural Deficit	Cost-to-Continue*
2026	\$ 1,303,437,046	\$ 1,303,437,046	\$ 0	\$ 0
2027	\$ 1,366,985,485	\$ 1,316,137,623	\$ (50,847,862)	\$ (50,847,862)
2028	\$ 1,409,350,808	\$ 1,333,572,132	\$ (75,778,677)	\$ (24,930,815)
2029	\$ 1,444,720,719	\$ 1,340,424,479	\$ (104,296,241)	\$ (28,517,564)
2030	\$ 1,493,009,402	\$ 1,355,364,102	\$ (137,645,300)	\$ (33,349,059)
2031	\$ 1,539,414,375	\$ 1,370,702,784	\$ (168,711,592)	\$ (31,066,292)
Average Cost-to-Continue:				\$ (33,742,318)

*Cost-to-continue assumes that the prior year gap was eliminated with long-term solutions.

The County's cost-to-continue changes year-over-year based on many factors including assumption changes, economic impacts, changes in operations, or changes to the County's revenue profile. Historically ranging from \$12.8 million to \$21.9 million, the metric spiked to \$34.3 million in the 2026–2030 forecast and has remained elevated, with the current estimate at \$33.7 million. When the model was first utilized after passage of the 2009 budget, expenditures were forecast to grow by 6.1% annually while revenues were to grow by 3.7% annually. Expenditures are now forecast to grow by an average of 3.4% annually, while revenues are forecast to grow by an average of 1.0% annually.

When the County balances its budget using one-time revenues or temporary expenditure reductions (abatements), it increases the structural deficit in the following year by the same amount. Examples of one-time solutions include land sales, reserve contributions, or temporary cuts. These measures reduce the current year's gap but create an equally sized gap the next year. Conversely, one-time expenditures decrease the structural deficit in the following year by the same amount. Because the 2026 budget relied on about \$9.2 million in one-time revenues, the structural deficit for 2027 will increase by roughly \$9.2 million.

THE 2027 PROJECTED STRUCTURAL DEFICIT

Expenditures and revenues in 2027 are projected to be \$1.367 billion and \$1.316 billion, respectively, resulting in a structural deficit of \$50.8 million. The 2027 projected structural deficit is comprised of the following changes from the 2026 budget:



Items of significance include:

- **Salaries, Overtime, and FICA.** From 2021 to 2025, salary expenditures increased 34.7% and overtime costs rose 90%, a sharp escalation compared to the modest 7% salary growth and 20% decline in overtime between 2017 and 2021. Much of this acceleration reflects broader inflationary pressures in the labor market. Rising consumer prices, higher healthcare costs, and strong competition for qualified workers have all driven up wage expectations. Competitive hiring at market-adjusted salary levels has further intensified this upward cost trajectory.
- **Cost-to-Continue.** This category serves as a catchall for expenditure areas that are individually forecast in the model, including utilities, professional services, commodities, contracted services, gasoline, insurance, workers' compensation, contingency, and health and human services. These categories are among the most sensitive to inflation because their underlying cost structures are closely tied to market-driven price changes. Collectively, these items are projected to increase by \$12.5 million in 2027.
- **Health and Other Benefits.** After several years of declining healthcare costs and medical inflation averaging -1.6% from 2020 to 2023, the trend sharply reversed, with medical inflation surging to more than 10% in both 2024 and 2025. While final medical inflation in 2025 was over 10%, overall medical inflation was significantly reduced by the contract dispute between UHC and Ascension which caused a significant reduction in claims for much of the 4th quarter in 2025. Had that dispute not occurred, medical inflation in 2025 could have been closer to 22%. Pharmacy inflation averaged 8.5% from 2020 to 2023 but jumped 13.0% in 2024 and over 19% in 2025. For this forecast, it is assumed that growth persists at much higher rates, albeit not as high as 2025.
- **Debt Service.** In 2027, tax levy-backed debt service jumps to \$111.0 million from \$101.9 million, an increase of \$9.1 million. Total airport-backed debt service declines by \$0.5 million for a net increase of \$8.6 million in debt service expenses. The increase in tax-levy backed debt service is due to prior capital commitments and the remaining debt issued for the Center for Forensic Science and Protective Medicine coming due.
- **Pension Costs, Employee Pension Contribution Revenue, and 0.4% Sales Tax Revenue.** The increase in pension costs is a combination of increasing normal costs for the Wisconsin Retirement System (WRS), decreasing normal costs for the County's ERS, and an anticipated additional payment towards the County's unfunded liability in the ERS.
- **Transit-related expenditures and revenues.** The 2022 forecast for the five-year period 2023-2027 first foretold of the looming transit fiscal cliff and predicted that \$32.9 million in additional tax levy would be needed to support current transit operations. In 2024, the County provided an unparalleled increase of \$17.8 million in additional levy and an additional \$3.5 million in 2026 to sustain transit operations. Heading into 2027 with federal stimulus funding exhausted and minimal growth in fare box revenue, an additional \$15.7 million in tax levy will be needed to

finance the transit system's current operations - expenditures are expected to grow by \$6.3 million while a loss of federal stimulus funding results in a revenue deficit of \$9.4 million.

- **0.5% Sales Tax Revenue.** 2025 sales tax collections grew 3.8% over 2024 exceeding expected growth for 2025. This forecast assumes a 3.0% growth over the forecast period which is higher than previous forecasts but reasonable given historical growth patterns. A 3.0% increase results in an additional \$3.2 million in 2027.
- **State Shared Taxes.** For purposes of 2027, it is assumed that state sales tax growth will be 2.8% throughout the forecast period. This amount is then subject to offset for the Volkswagen grant of \$0.4 million, child welfare payment of \$20.1 million, Fiserv Forum contribution of \$4.0 million, and Brewers stadium contribution of \$2.5 million. The result is an increase in revenue of \$1.6 million in 2027.
- **State and Federal Revenue.** Increases in highway and child support reimbursement revenue are largely offset by an anticipated decrease from the 2026 budget for state citation revenue.
- **Investment Earnings.** Short-term and long-term investments are forecast to earn 3.0% and 3.9%, respectively, over the forecast period which provide an additional \$0.3 million in 2027.
- **Employee Health Contributions.** Contributions from employees for health-related expenses are up \$1.0 million in 2027 largely due to healthcare contributions that are expected to exceed budget in 2026.
- **Miscellaneous Revenue.** This is a catch-all for smaller categories of revenues that are distinctly forecast in the model. It includes the prior year surplus revenue, airport revenue, fees, permits, fines, forfeitures, court fees, rental revenues, admission revenue, recreational revenue, concession revenue, Potawatomi gaming revenue, and other miscellaneous revenue. Most revenues are slated to grow based on 2025 experience and historical averages.
- **Property Tax Levy.** The 2027 forecast assumes the County will assess an operating property tax levy up to the maximum allowable amount with net new construction at 1.3% which results in an increase of \$3.2 million. This, coupled with an estimated increase for debt service levy of \$9.1 results in a total increase of \$12.3 million.

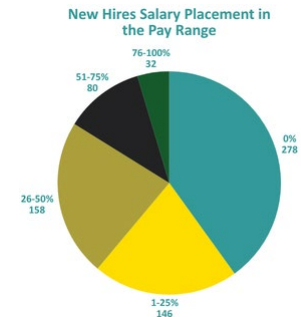
One-time revenue:

- **One-time Revenues.** The 2026 budget incorporates a one-time contribution of \$9.2 million from the debt service reserve. Because no reserve contribution is assumed in 2027, the loss of this one-time revenue increases the 2027 structural deficit. Other miscellaneous revenue is also reduced by \$1.7 million due to the one-time revenue from the closeout of the Midwest Airlines hangar agreements in the 2026 budget.

PRIMARY DRIVERS OF THE COUNTY'S COST-TO-CONTINUE INCREASES

Personnel Costs: In prior fiscal years, elevated vacancy levels and high turnover generated substantial countywide savings in wage and benefit appropriations. As staffing levels normalize, the structural deficit faces renewed pressure, driven by salary and fringe benefit growth that is now outpacing assumptions built into earlier forecasts. Personnel-related expenditures including salaries, overtime obligations, and fringe benefits remain the County's largest cost driver, representing an estimated 44.7% of total projected expenditures in 2027.

Wages. Wage growth has accelerated sharply in recent years. From 2021 to 2025, salaries increased 34.7%, compared with 7.1% from 2017 to 2021. Some of that growth reflected targeted adjustments for deputy sheriffs and correctional officers and implementation of the compensation study. However, ongoing pressures stem from significantly higher starting wages needed to remain competitive. Of the 694 full and part-time employees hired in 2025, 416 (60%) were brought in above the pay-grade minimum. Nearly 90% of the 278 employees hired at the minimum were deputy sheriffs, correctional officers, or youth development officers.



While elevated starting salaries may be necessary in the current labor market, they create fiscal ripple effects as departments address resulting compression and equity issues. In 2025 alone, 512 pay-range advancements were approved at an annualized cost of \$1.2 million. As these patterns become embedded in County operations, rising salary and overtime obligations will continue to place upward pressure on future budgets.

Salary and Overtime Budgets and Actual Expenditures 2017 - 2026						
Fiscal Year	Actual Salaries	Salaries Budget	Percent of Salary Budget	Actual Overtime	Overtime Budget	Percent of Overtime Budget
2017	\$ 173,285,000	\$ 185,267,000	93.5%	\$ 18,301,000	\$ 6,967,000	262.7%
2018	\$ 172,732,000	\$ 182,237,000	94.8%	\$ 16,210,000	\$ 9,205,000	176.1%
2019	\$ 178,163,000	\$ 187,445,000	95.0%	\$ 17,709,000	\$ 9,896,000	179.0%
2020	\$ 179,958,000	\$ 195,532,000	92.0%	\$ 13,898,000	\$ 9,213,000	150.8%
2021	\$ 186,020,921	\$ 195,920,000	94.7%	\$ 14,695,000	\$ 9,494,000	154.8%
2022	\$ 194,696,040	\$ 213,746,756	91.1%	\$ 19,244,796	\$ 9,514,632	202.3%
2023	\$ 217,386,168	\$ 222,803,919	97.6%	\$ 22,346,929	\$ 10,699,160	208.9%
2024	\$ 238,332,741	\$ 247,992,553	96.1%	\$ 28,005,829	\$ 11,940,409	234.5%
2025	\$ 251,142,283	\$ 259,177,071	96.9%	\$ 27,914,134	\$ 14,678,043	190.2%
2026*	\$ 262,129,386	\$ 267,489,144	98.0%	\$ 28,915,747	\$ 17,003,215	170.1%

*2026 salaries/overtime are estimated based on 6 payrolls. BHS is excluded from calculations.

With the implementation of broad wage increases over the last several years, it was anticipated that higher compensation and expanded staffing levels would moderate the overtime pressures that intensified in late 2021 and 2022. However,

fiscal data suggests that overtime utilization has remained relatively stable. The persistent overtime deficits are therefore less indicative of increased overtime spending and more reflective of structural underfunding. In effect, baseline budget assumptions have not kept pace with the actual staffing requirements needed to maintain mandated operating hours, resulting in ongoing reliance on overtime to sustain core services.



This forecast incorporates an assumed 3.9% annual year-over-year growth rate in salaries, exceeding the U.S. Employment Cost Index Year-over-Year increase of 3.4% as of December 31, 2025. Although broader labor market conditions suggest some cooling, the appropriateness of a 3.9% growth rate depends on whether the County takes steps to moderate the rapid escalation of salary costs. In the absence of corrective action during the forecast period, the 3.9% assumption remains reasonable and aligned with the County's historical salary growth trends over the past five years.

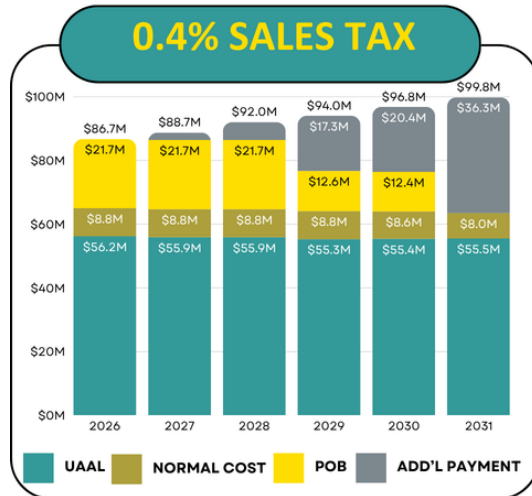
This forecast also maintains a higher overtime baseline of \$27.9 million throughout the projection period. A reduction in overtime hours would likely shift costs to base salaries, as the underlying staffing demand remains unchanged. As a result, only structural or operational changes, rather than simple reductions in overtime usage, will generate sustainable decreases in total personnel costs across both salary and overtime categories.

Fringe Benefits – Health and Other Benefits. The County enjoyed years of low medical and pharmacy inflation and declining plan participation that provided years of fringe benefit surpluses. Then, towards the end of 2023 and throughout 2024, those favorable trends in both inflation and plan participation began reversing, with medical claims costs up 10.5% and pharmacy costs up 13.0% in 2024. In 2025, the County experienced another year of unprecedented growth in medical and pharmacy inflation. Medical inflation in 2025 was likely closer to 22% as the contract dispute between UHC and Ascension caused a significant reduction in claims for much of the 4th quarter in 2025. That reduction in claims artificially reduced medical inflation to 10.2%. Pharmacy claims in 2025 experienced a substantial increase of 19.3%. While medical claims inflation appears to be cooling in early 2026, pharmacy for actives and pre-65s is still on the rise with claims up 28.7% early into the year. Cost of pharmacy claims at the point-of-sale for post-65s has dropped over 17% due to the Inflation Reduction Act (IRA). As a sponsor of a self-funded Employer Group Waiver Plan (EGWP), the IRA fundamentally changes how the County will receive financial offsets from manufacturers. Traditional rebates and the legacy Coverage Gap Discount Program (CGDP) are being replaced or heavily modified by 2026, indicating that the reduction in claims will be accompanied by a significant reduction in rebates, resulting in the County's net plan costs likely increasing in 2026. Given current economic conditions, the historic inflation in 2024 and 2025, and the shifting financial responsibility under the IRA, projecting costs for 2027 and beyond are more difficult than in the past. With these conditions at the forefront, medical and pharmacy claims are forecast to grow annually at 4.0% and 11.0%, respectively. This results in an increase of \$9.6 million in additional health and benefit expenditures in 2027.

Fringe Benefits – Pension Costs and the additional 0.4% Sales Tax. Pension costs include the County's required contributions to the ERS, WRS, and OBRA plans, along with debt service on the County's pension obligation bonds.

Schedule of Pension Benefit Expenditures and Offsetting Revenues					
2027 - 2031					
	2027	2028	2029	2030	2031
ERS COSTS (including OBRA)					
OBRA Cost	\$ 328,000	\$ 328,000	\$ 328,000	\$ 328,000	\$ 328,000
ERS Normal Cost	\$ 21,794,000	\$ 20,076,000	\$ 18,604,000	\$ 17,247,000	\$ 15,960,000
ERS UAAL Cost	\$ 55,910,000	\$ 55,590,000	\$ 55,270,000	\$ 55,435,000	\$ 55,506,000
Extra ERS UAAL Payment	\$ 2,281,000	\$ 5,260,000	\$ 17,340,000	\$ 20,408,000	\$ 36,268,000
County Administrative Costs - ERS	\$ 2,118,000	\$ 2,118,000	\$ 2,118,000	\$ 2,118,000	\$ 2,118,000
Total	\$ 82,431,000	\$ 83,372,000	\$ 93,660,000	\$ 95,536,000	\$ 110,180,000
ERS REVENUE					
ERS Employee Contributions	\$ (9,875,429)	\$ (8,524,781)	\$ (7,174,133)	\$ (5,823,485)	\$ (4,472,837)
0.4% Sales Tax - ERS Normal Cost	\$ (8,789,000)	\$ (8,789,000)	\$ (8,789,000)	\$ (8,624,000)	\$ (7,980,000)
0.4% Sales Tax - ERS UAAL Cost	\$ (55,910,000)	\$ (55,590,000)	\$ (55,270,000)	\$ (55,435,000)	\$ (57,801,000)
0.4% Sales Tax - Extra ERS UAAL Payment	\$ (2,281,000)	\$ (5,260,000)	\$ (17,340,000)	\$ (20,408,000)	\$ (36,268,000)
Total	\$ (76,855,429)	\$ (78,163,781)	\$ (88,573,133)	\$ (90,290,485)	\$ (106,521,837)
TOTAL TAX LEVY ERS	\$ 5,575,571	\$ 5,208,219	\$ 5,086,867	\$ 5,245,515	\$ 3,658,163
WRS COST					
WRS Normal Cost	\$ 13,039,000	\$ 17,636,000	\$ 22,233,000	\$ 26,829,000	\$ 31,426,000
Total	\$ 13,039,000	\$ 17,636,000	\$ 22,233,000	\$ 26,829,000	\$ 31,426,000
WRS REVENUE					
WRS Employee Contributions	\$ (6,519,938)	\$ (8,901,013)	\$ (11,282,088)	\$ (13,663,163)	\$ (16,044,237)
Total	\$ (6,519,938)	\$ (8,901,013)	\$ (11,282,088)	\$ (13,663,163)	\$ (16,044,237)
TOTAL TAX LEVY WRS	\$ 6,519,062	\$ 8,734,987	\$ 10,950,912	\$ 13,165,838	\$ 15,381,763
POB COST					
POB Cost	\$ 36,706,000	\$ 36,394,000	\$ 12,631,000	\$ 12,383,000	\$ -
Total	\$ 36,706,000	\$ 36,394,000	\$ 12,631,000	\$ 12,383,000	\$ -
POB REVENUE					
0.4% Sales Tax - POB Cost	\$ (21,651,000)	\$ (21,651,000)	\$ (12,631,000)	\$ (12,383,000)	\$ -
Total	\$ (21,651,000)	\$ (21,651,000)	\$ (12,631,000)	\$ (12,383,000)	\$ -
TOTAL TAX LEVY POB	\$ 15,055,000	\$ 14,743,000	\$ -	\$ -	\$ -
Total Pension Costs - Property Tax Levy	\$ 27,149,633	\$ 28,686,206	\$ 16,037,779	\$ 18,411,353	\$ 19,039,926

In early 2023, the Comptroller reported that changes to the ERS assumed rate of return, combined with major investment losses in 2022, would significantly increase the County's pension contribution by an estimated \$29.3 million. The Wisconsin legislature subsequently passed Act 12, providing the County with the unprecedented opportunity to enact an additional 0.4% sales tax to fund the County's pension obligations. In July of 2023, the County closed the ERS plan to new entrants effective January 1, 2025, and enacted the additional 0.4% sales tax effective January 1, 2024.



Total sales tax growth in 2025 was roughly 3.8%. A modest 3.0% growth rate in future years generates \$88.6 million in 0.4% sales tax revenue that must offset certain ERS costs. Following current budget policy, the 0.4% sales tax revenue fully funds the \$55.9 million ERS UAAL payment, \$21.7 million of the POB debt service, and \$8.8 million of the ERS normal cost, with \$2.3 million remaining to offset an additional payment towards the ERS UAAL. Assuming no major changes to the ERS forecast assumptions, the County will contribute additional payments of \$81.6 million towards the ERS UAAL over the five-year period.

WRS costs, however, were underbudgeted in 2026 necessitating an increase in expenditures of \$9.8 million in 2027 offset by unbudgeted employee contribution revenues of \$6.5 million, resulting in a net cost increase of \$3.3 million for WRS-related costs.

Transit Operations:

The 2022 five-year forecast for 2023–2027 first signaled what has now become the County’s most significant transit funding challenge: a looming fiscal cliff driven by rising operating costs and the eventual loss of federal stimulus funding. At that time, the projection showed that an additional \$32.9 million in tax levy would be required simply to maintain existing transit services. Recognizing the urgency, the County took unprecedented action in 2024 by allocating an additional \$17.8 million in tax levy—an historic increase intended to stabilize the system. A further \$3.5 million was committed for 2026 to help sustain operations as federal relief dollars began to taper off.

Transit Expenditures and Revenues 2027 - 2031					
	2027	2028	2029	2030	2031
Estimated Expenditure Growth	1.40%	1.70%	1.80%	1.80%	1.80%
Total Expenditures	\$ 199,642,274.21	\$ 204,599,777.71	\$ 209,687,944.14	\$ 214,910,512.59	\$ 220,032,408.76
Tax Levy	\$ 28,928,791.00	\$ 28,928,791.00	\$ 28,928,791.00	\$ 28,928,791.00	\$ 28,928,791.00
5307 Funds	\$ 31,000,000.00	\$ 31,000,000.00	\$ 31,000,000.00	\$ 31,000,000.00	\$ 31,000,000.00
Federal Stimulus Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Passenger Fares	\$ 23,645,954.58	\$ 23,824,214.48	\$ 24,007,999.95	\$ 24,196,137.20	\$ 24,389,253.98
Other MCTS Direct Revenues	\$ 8,630,598.82	\$ 10,769,151.42	\$ 8,698,722.00	\$ 6,733,618.69	\$ 6,755,561.63
Other Revenues	\$ 74,457,476.64	\$ 74,479,687.41	\$ 74,521,310.28	\$ 74,563,349.38	\$ 74,605,808.88
VRF Revenues	\$ 17,262,266.00	\$ 17,262,266.00	\$ 17,262,266.00	\$ 17,262,266.00	\$ 17,262,266.00
Total Revenues	\$ 183,925,087.03	\$ 186,264,110.30	\$ 184,419,089.23	\$ 182,684,162.27	\$ 182,941,681.49
Estimated Gap	\$ (15,717,187.17)	\$ (18,335,667.41)	\$ (25,268,854.91)	\$ (32,226,350.32)	\$ (37,090,727.28)

By 2027 the system will face the full impact of federal stimulus funds being completely exhausted. With farebox revenue remaining relatively flat and unable to keep pace with inflationary pressures, an additional \$15.7 million in tax levy will be required just to support current levels of service. Across the entire five-year forecast period, transit expenditures are projected to grow at an average annual rate of 3.2%, driven by factors such as labor costs, fuel, contracted services, and system maintenance. In contrast, revenues remain largely stagnant. While expenditures are expected to increase by \$6.3 million, the loss

of federal stimulus support alone creates a revenue gap of \$9.4 million in 2027. Filling this gap would require the County to appropriate the additional \$15.7 million in levy in 2027, bringing total tax levy support for transit to more than \$44 million by the end of the forecast period.

Compounding these challenges is the County's increasing reliance on Section 5307 formula funds for operating expenses. Historically, a portion of 5307 funds has been reserved for capital investments – most notably bus replacement. As operating pressures intensify, the County has been forced to draw down the maximum allowable share of 5307 funds for operations. While this strategy provides short-term relief, it also significantly reduces the resources available for capital purchases in the out-years. If 5307 funds continue to be fully consumed by operating needs, the County may face delayed bus purchases, a growing backlog of aging vehicles, higher maintenance costs, and potential service reliability impacts. Furthermore, major fleet investments already challenged by inflation and vehicle cost escalation will require substantially greater local funding or new dedicated revenue sources to remain viable.

Lack of Revenue Growth: The County has little ability to raise meaningful revenues due mostly to state-imposed restrictions on fees and charges, fines, sales tax, and other types of taxes. Losses of \$20.6 million in transit, one-time revenues, and other state and federal revenue offset growth of \$33.3 million in other areas for a net revenue increase of \$12.7 million. Over one-third of that \$33.3 million in growth is dedicated to the County's pension liabilities and debt service payment and cannot be spent on general operating expenditures.

Property Tax Levy Increases: In 2006, Wisconsin placed limits on increases in property tax levies, linking levy limits to the percentage growth in property values due to new construction, but establishing a floor to allow increases of up to 2% for all communities if new construction did not reach that level. In 2011, the minimum was removed, and the only increase allowed was for net new construction or voter referenda. The most recent three-year average was only 1.1% growth in County net new construction, which when coupled with the impact of terminated TIDs, results in an average property tax levy increase of \$3.0 million. With the size of the 2027 budget gap, a property tax increase of 23.4% would be required to eliminate the \$50.8 million gap.

Vehicle Registration Fee: The Vehicle Registration Fee (VRF) remains one of the County's few reliable and growable local revenue mechanisms but has very limited annual growth without changes to the fee itself. Established in 2017 at \$30 per vehicle, this fee provides a dedicated source of funding that can be applied exclusively to transportation-related operating and capital needs, helping to preserve core infrastructure without increasing reliance on the property tax levy. While the VRF is limited in scope, it is an option for strengthening long-term transportation funding. Should future budget conditions warrant, a carefully evaluated increase to the VRF could provide additional recurring revenue, with every \$10 generating approximately \$5.9 million to support the County's transportation system.

Sales Tax: In 2023, the County successfully lobbied state policymakers for the ability to enact an additional 0.4% sales tax, which was subsequently passed by the County and took effect January 1, 2024. Although the 0.4% sales tax lifted a massive burden off the County's structural deficit, the use of the 0.4% sales tax is limited by state statutes and does not bring any additional benefit to the County's current structural deficit because any "surplus" 0.4% sales tax must be used to

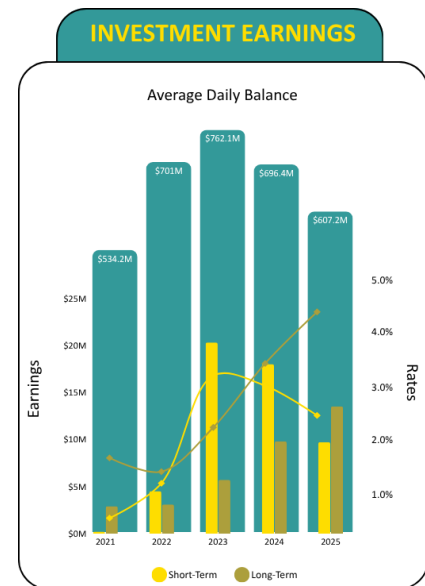
pay down the ERS unfunded liability. The ability to increase the general 0.5% sales tax percentage is also limited by state statutes, while economic conditions typically drive actual sales tax collections. For the forecast period, sales tax is predicted to grow at 3.0%.

Shared Revenue: Beginning in 2024, state shared revenue was distributed via a formula which increases the base and supplemental shared revenue by the sales tax growth in the prior year. The increase in state sales tax growth assumed in this forecast was estimated to be 2.8% over the forecast period. For comparison purposes, an annual 3.8% increase would result in an average revenue increase of \$1.9 million over the forecast period.

State and Federal Shared Revenue: State and federal revenues are projected to remain essentially flat throughout the forecast period, with only marginal growth expected in certain reimbursement-based sources. For more than a decade, state and federal support to counties has grown at a rate far below the rising cost of personnel, contracts, mandated services, and capital reinvestment. This persistent mismatch continues to erode Milwaukee County's financial position, requiring the County to absorb increasing shortfalls each year and narrowing the set of available budget-balancing options.

Investment Earnings: The substantially higher than average daily balances the County experienced from federal stimulus funding will likely stabilize at a lower average daily balance in 2027 and beyond, underpinned by nearly \$150 million in reserve funds within the County's investment portfolio. Short-term investment rates over the last few months of 2025 have shown a decline; continued declines would likely reduce the investment yields which will have a negative impact on the structural deficit.

Miscellaneous Revenues: For 2027, miscellaneous revenue is one of the largest drivers of revenue growth, accounting for surpluses in various revenues across the parks, increasing court fees, and Register of Deeds real estate revenues. Much of this revenue increase was due to surpluses in 2025 that were built into the forecast. In future years, these revenues grow at a much slower pace (at or less than inflation) and will have a much less significant impact on the forecast revenues.



The changes to revenue forecast in 2027 may be overstated given the uncertainty of the economic and political conditions which will influence these revenues over the forecast period. Together with the limits on property tax increases, these revenue sources cannot provide the additional revenue necessary to sustain County operations. As the table below shows, the two major sources of revenue growth at the County, property tax and sales tax, provide on average \$6.5 million a year which covers on average just 14.4% of the total forecast expenditure increase.

Total Revenue Growth from Property Tax and Sales Tax					
2027 - 2031					
Column1	2027	2028	2029	2030	2031
Property Tax (Operating Only)	\$ 231,966,799	\$ 234,993,192	\$ 238,059,070	\$ 241,164,947	\$ 244,311,346
Sales Tax (0.5% Only)	\$ 112,115,969	\$ 115,479,448	\$ 118,943,831	\$ 122,512,146	\$ 126,187,510
Total	\$ 344,082,768	\$ 350,472,640	\$ 357,002,901	\$ 363,677,093	\$ 370,498,856
Year-over-Year Change	\$ 6,179,223	\$ 6,389,872	\$ 6,530,261	\$ 6,674,192	\$ 6,821,763
Percent of Expenditure Increase	9.7%	15.1%	18.5%	13.8%	14.7%
*This schedule does not include changes to property tax levy due to debt service changes.					

Mental Health Expenditures. For several years, property tax levy at DHHS – BHS remained flat at the state-mandated minimum of \$53.0 million. In recent years, the levy has grown to nearly \$59.0 million. The 2026 budget included property tax levy of \$46.3 million and sales tax levy of \$12.7 million to keep the County within its state-mandated limits. For the forecast period, it is assumed that the property tax and sales tax levies remain flat. Any increases to the property tax levy at the DHHS – BHS will directly increase the County’s structural deficit by the same amount.

OTHER DETERMINANTS OF THE COUNTY'S LONG-TERM FISCAL POSITION

From a fiscal oversight perspective, several external and internal variables have the potential to materially affect Milwaukee County's long-term financial position. These items are not incorporated into the current forecast, but they warrant continued monitoring to ensure the County is prepared for any significant budgetary impacts.

- **Federal and State Policy Changes:** Federal and state policy changes not yet enacted remain a significant determinant of Milwaukee County's long-term fiscal health. Many of the County's major revenue streams particularly in health and human services, public safety, and federally supported grant programs depend on reimbursement structures set by outside agencies. The state retains broad authority to modify program requirements, reporting obligations, and allowable-cost definitions with limited advance notice. Such changes may be adopted even when they increase County administrative or service-delivery costs, and the County is obligated to comply regardless of local budget capacity.

Federal mandates may further alter match rates, indirect cost recovery rules, grant eligibility criteria, or federal administrative requirements. These shifts can materially change the County's reimbursement environment, increase local match obligations, or require new compliance processes that carry operational and fiscal implications. Because these policy shifts are outside of the County's control and are incorporated into fiscal projections only once formally enacted, they represent a substantial source of uncertainty. Future changes in federal appropriations, state budget actions, administrative rulemaking, or revised grant guidance can alter the County's revenue base or increase service-delivery costs, influencing the County's fiscal trajectory for years to come.

- **Future Indirect Cost Rate Funding:** The County submitted its first-ever Indirect Cost Rate Proposal (ICRP) to the federal government in July 2025. Once approved, the resulting Negotiated Indirect Cost Rate Agreement (NICRA) will enable the County to recover a significantly larger share of indirect costs across federal and state pass-through grants by replacing reliance on the 10%–15% federal de minimis rate with a federally negotiated rate that reflects the County's actual cost structure. This expanded recovery capacity, supported by the County's full cost allocation plan, will generate additional reimbursable revenue, improve alignment between indirect expenditures and federal reimbursement, and strengthen the County's long-term financial sustainability as intergovernmental revenue growth remains constrained.
- **Debt and Infrastructure Needs:** The County's most recent Capital Improvement Plan (CIP) 2027 – 2030 is used for planning purposes and provides a listing of overall projects and the estimated fiscal requirements over the forecast period. The costs for most of the projects in the CIP are conceptual in nature and will likely change based on updated information as provided by departments as part of the annual budget process. The table below, taken from the 2026 Capital Improvements Budget, reflects non-airport capital project expenditures relative to the estimated County financing available of (general obligation) bond, tax levy, sales tax, and VRF revenues only. The estimated County financing assumes the 3% annual bond cap increase and the 20% cash financing goal.

CIP Forecast and Estimated Available County Funding				
2027 - 2030				
	2027	2028	2029	2030
Estimated County Financing	\$ 73,145,093.00	\$ 75,339,445.00	\$ 77,599,629.00	\$ 79,927,618.00
2026-2029 CIP (non-airport) Project Requests	\$ 237,015,908.00	\$ 384,944,750.00	\$ 299,568,260.00	\$ 176,785,379.00
Under/(Over) Available County Financing	\$ (163,870,815.00)	\$ (309,605,305.00)	\$ (221,968,631.00)	\$ (96,857,761.00)

As shown above, the County's 2027–2030 Capital Improvement Plan (CIP) includes approximately \$1.1 billion in non-airport funding requests, of which \$411.4 million is designated for construction of a new criminal courthouse. Total projected costs for this facility now exceed \$458 million when including funds previously allocated. Debt service associated with a \$411.4 million County-funded criminal courthouse would impose significant pressure on the property tax levy, requiring policymakers to carefully consider both the magnitude and timing of any new debt in relation to taxpayers' capacity to absorb substantial levy increases.

Recent actions by the State of Wisconsin provided some fiscal relief. Prior to 2025, Milwaukee County was the only county in Wisconsin required to provide expressway patrol through the Sheriff's Office at an annual cost of roughly \$20.0 million. In 2025, the state agreed to provide direct funding for Milwaukee County's expressway patrol services, thereby "creating uniformity" with other counties that resulted in a \$20.0 million increase in expressway policing aids in 2026 for the County. The increase was intended to offset a portion of the County's law enforcement-related tax levy requirements which could then be contributed towards the development of the criminal courthouse and other justice system infrastructure needs.

Even with this state support, the County continues to face substantial and growing capital needs with little ability to generate the resources necessary to address them fully. Policymakers will need to balance statutory responsibilities, facility obsolescence, public safety demands, and the County's limited fiscal capacity as they evaluate funding strategies for the criminal courthouse and other major capital priorities.

- Federal Stimulus Funding and Economic Supports:** With the County's CARES Act allocation fully expended and its \$183.7 million ARPA allocation fully committed, Milwaukee County, like state and local governments nationwide, will likely face consequences from the expiration of temporary federal relief. These one-time funds had provided a critical fiscal buffer, stabilizing operations and supporting community services during and after the pandemic. As these federal supports expire, national discussions have increasingly focused on the emerging "fiscal cliff" confronting governments, the steep rise in child poverty following the end of enhanced federal benefits, and the expiration of healthcare subsidies that alleviated financial pressures for households. The conclusion of these programs is expected to heighten demand for County-supported safety-net services and will likely intensify fiscal pressures across the 2027–2031 forecast period as economic vulnerabilities among residents potentially increase.

CONCLUSION

Building on the meaningful improvements to the County's revenue structure in recent years including the 0.4% sales tax and increased state support for expressway patrol, the County is better positioned than before to strengthen its fiscal outlook. However, projected annual revenue growth still falls short of fully covering cost-to-continue expenditures. As past forecasts have shown, revenue growth continues to trail expenditure growth, creating an ongoing structural imbalance. To sustain current service levels, the County will need to once again pursue strategic expenditure reductions, new revenue opportunities, or a thoughtful combination of both.

The projected \$50.8 million structural deficit in 2027 sets the stage for another challenging budget cycle, even following notable revenue enhancements. Compounding these pressures, 2027 marks the year in which the County must confront the long-anticipated transit fiscal cliff, with the transit system facing a \$15.7 million funding gap as federal stimulus resources fully expire. At the same time, the planning and financial commitments associated with the new criminal courthouse continue to loom over the County's long-term capital outlook.

Given these converging pressures, County leadership will need to evaluate the full range of fiscal strategies available. Key considerations include whether to deploy the Debt Service Reserve to mitigate future spikes in debt service, whether new or expanded revenue sources such as a Vehicle Registration Fee are warranted, and what level of programmatic or infrastructure reductions may be feasible. Leaders must also consider policy approaches to manage emerging personnel-cost trends, which continue to exert upward pressure on operating expenditures.

The period of relative fiscal stability supported by one-time federal aid and favorable economic conditions is ending, while structural pressures continue to increase. Failure to proactively address these challenges with long-term, sustainable solutions would jeopardize the County's financial position and limit its ability to provide essential services. As the County prepares to navigate the competing demands of transit stabilization, courthouse development, and ongoing operating balanced-budget requirements, it must weigh priorities carefully and continue advocating for additional state support. Without structural solutions, the County will remain trapped in a cycle of annual expenditure reductions, reliance on one-time measures, deferred maintenance, and diminished service capacity all of which would undermine long-term fiscal sustainability and the well-being of County residents.