

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: October 21, 2025

To: Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

From: Joe Lamers, Director, Office of Strategy, Budget and Performance

JOSEPH LAMERS

Subject: 2026 Budget Update

File Type: Informational

BACKGROUND

After submitting the Recommended Budget, the Office of Strategy, Budget and Performance continues to review the budget and monitor expenditures and revenues as is done on a regular basis. Regarding the 2026 Recommended Budget, two issues have been identified which have potential impact on tax levy in 2026.

1. The State of Wisconsin 2025-27 Adopted Budget included a change to increase the percentage of Sheriff citation revenues retained by Milwaukee County. The following issues have been identified with this change including:
 - a. A lawsuit has been filed against Milwaukee County arguing this State Budget change as unconstitutional. This is under review by the Office of Corporation Council.
 - b. Estimates provided by the State of Wisconsin during the 2025-27 State budget process indicated that the citation revenue would yield \$2.2 million of increased revenue to Milwaukee County. However, a further evaluation by Milwaukee County staff in conjunction with state officials indicates the actual amount of revenue may be as low as \$200,000 or less than 10% of what had been projected, due to issues detailed below.
2. The 2026 Recommended Budget included \$3.2 million of tax levy for Wisconsin Retirement System (WRS) costs. 2025 is the first year of Milwaukee County's participation in the WRS. With approximately 12% of employees enrolled in WRS as of October 2025, participation and expenditures for WRS are higher than previously anticipated. Updated estimates indicate that tax levy expenditures will more likely be between \$4.0 million to \$5.0 million in 2026, or a potential tax levy shortfall of approximately \$1.0 million to \$1.8 million.

SBP is working on solutions to address these issues, including partnering with the Office of Government Affairs and the State of Wisconsin on the citation revenue shortfall. SBP is anticipating that these issues will be addressed outside of the 2026 budget process. Further detail on these items is included below.

2025-27 State Budget – Change in Citation Revenues & District Attorney Expenditures

Milwaukee County requested support from the state legislature during deliberations for the 2025-27 budget for twelve and a half assistant district attorney positions that were set to expire in 2025 due to expiring state grant funding. Milwaukee County was requesting general purpose revenue (GPR) for these positions. The funding solution from the legislature contained in 2025 Act 15 was a series of changes in statute that permitted the Milwaukee County Treasurer to retain 100% of fine and forfeiture revenues from violations of state traffic laws in order to fund the district attorney positions. Prior to Act 15, the funding from this charge was directed to the Common School Fund. A lawsuit has been filed arguing this change is unconstitutional. The issue is under review with the Milwaukee County Office of Corporation Counsel.

State budget estimates pertaining to Act 15 indicated that Milwaukee County would receive increased revenues of \$2.2 million from this change. Milwaukee County staff have further investigated and reviewed how much the funding would be, how the change would be implemented and at what date it could be expected. There were challenges obtaining fines and forfeiture data which reside in State of Wisconsin systems that were not immediately accessible. A change needed to be made to State data systems in order for the County to receive these revenues.

The 2026 Recommended Budget assumed the \$2.2 million estimated in the State budget process would be realized. However, due to uncertainties surrounding the revenue estimate, the Office of the District Attorney budget narrative also included language indicating that this revenue amount would need to be validated going forward as actual revenues are received.

After discussion with multiple state agencies, it was determined that the verbiage in the budget refers to only a subset of violations within traffic laws and that the funding to be recovered through this statutory change is likely to be far short of the funding needed for the twelve and a half district attorney positions and other District Attorney expenses that are intended to be funded by the change. The estimated expense for the district attorney positions during the fiscal year 2026 for Milwaukee County is \$1.2 million. In addition, the 2026 Recommended DA budget includes \$700,000 of operating costs that are intended to be funded by the citation revenue increase.

Based on the first month of actual results and based on further discussions with the State of Wisconsin staff, it is now expected that the increased revenue from fines and forfeitures may be as low as about \$200,000 or less than 10% of what was estimated by the State in the budget process. It is expected that the variance is due to the budget change only applying to a small portion of citations issued, and not all fines, forfeitures and surcharges are included.

Milwaukee County Governmental Affairs is investigating potential legislative remedies to this issue while the legislature remains in session. As an interim solution, the State of Wisconsin has identified temporary funding for the 12.5 assistant district attorney positions, but it is currently unknown how long this funding will be maintained.

In addition to the ADA positions, the 2026 Recommended Budget included approximately \$700,000 of other District Attorney operating expenditures that were intended to be supported by increased citation revenues. Most notably, the revenues were intended to provide continued support for the Digital Discovery Platform that the DA's Office utilizes for discovery on cases. To address this issue, and unless a legislative remedy is identified in the near future, SBP is working with the District Attorney's Office on a potential solution to cover the cost of the Digital Discovery system which may include a fund transfer.

The preferred solution for this issue is a State legislative fix, but SBP is also working on backup options to limit tax levy impacts in 2026.

Wisconsin Retirement System – Updated Estimates

As indicated above, the 2026 Recommended Budget included \$3.2 million of tax levy for Wisconsin Retirement System (WRS) costs, up from \$1.5 million in 2025. 2025 is the first year of Milwaukee County's participation in the WRS and 2025 tax levy expenditures are expected to be approximately similar to the budget. However, with approximately 12% of employees enrolled in WRS as of October 2025, participation and expenditures for WRS have been increasing at rates higher than previously anticipated and included in the 2026 Recommended Budget. Updated estimates indicate that WRS tax levy expenditures may be as high as \$4.0 million to \$5.0 million in 2026, or a potential tax levy shortfall of approximately \$1.0 million to \$1.8 million.

Recognizing that expenditures are trending at an amount higher than included in the 2026 Recommended Budget, SBP intends to identify solutions as necessary to address this issue during the first half of budget year 2026. During the first half of 2026, overall fringe benefit expenditures will first be evaluated to see if there is opportunity to realign the fringe budget to cover the full cost of WRS in 2026. However, that would require a

reduction in the rate of health care expenditure growth which has not been recent experience. If funds are not available in the fringe budget, SBP would next seek to identify savings or surplus in areas such as cash financed capital projects, formerly ARPA funded projects, or other areas with limited impact on ongoing operations.

RECOMMENDATION

This report is shared for informational purposes. SBP will provide updates on these issues in the future as updated information is available. SBP intends to address any funding needs pertaining to these two items outside of the annual budget process.

ATTACHMENTS

cc: Kelly Bablitch, Chief of Staff, Milwaukee County Board of Supervisors
Mary Jo Meyers, Chief of Staff, Milwaukee County Executive
Liz Sumner, Milwaukee County Comptroller
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