Five-Year Financial Forecast

2026 - 2030

MILWAUKEE COUNTY

Office of the 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.

The prosperous times the County has enjoyed may be quickly waning as significant fiscal pressures are mounting. On the heels of the additional 0.4% sales tax for Milwaukee County and newly authorized annual increases to State shared revenue, the County is confronting a $46.7 budgetary gap in 2026 even with an anticipated $17.6 million increase in the property tax levy. And, as iterated in almost every prior five-year fiscal forecast, the County's structural deficit persists, driven by expenditure growth that outpaces revenue growth. Heavily restrictive State-imposed levy limits and limited increases in State and Federal reimbursement for mandated services provide little ability to raise meaningful and sustainable revenue. This revenue problem, coupled with the mounting fiscal pressures of maintaining a productive and engaged workforce, funding previous capital commitments, and preserving transit operations jeopardize all the programs and services that our community relies on.

The County has enjoyed recent years of prosperity as hundreds of millions of Federal stimulus dollars flowed through the County's coffers. Federal stimulus funding paired with savings in wages, healthcare, sales tax, and investment earnings all contributed to historic surpluses. Federal stimulus funding helped combat the pandemic, meet essential worker needs, and reclaim lost revenue during the pandemic, but those Federal stimulus dollars were one-time funds and are now fully committed to a variety of projects that have little impact on the County's budget gap. Wages and healthcare expenditures are no longer producing sizable surpluses, sales tax collections are stagnant, and investment yields are shrinking. These once financially favorable conditions helped the County amass over $125 million in reserves, but with State-imposed limits on these funds, the County is limited in what it can use these reserves for. While these funds could be used for one-time operating items that would otherwise put further strain on the annual operating gap, the limitations on use of funds within the reserve provide little relief for the ongoing structural deficit.

The County's ability to preserve its full range of services as well as expanded services provided by Federal stimulus funding will be extremely difficult. Without additional revenue sources, policymakers will be tasked with the difficult choices of either eliminating services and supports or finding additional revenue or other expenditure cuts to sustain all its programming.

Other findings of the report include:

- ***The 2024 and 2025 budgets consumed the entire $50.0 million in one-time savings realized from the landmark 0.4% sales tax to fund growing expenditures in those years. So, for 2026 and***

beyond, there are no remaining savings available to reduce the estimated structural deficit. The County passed pivotal legislation that authorized an additional 0.4% sales tax (which commenced on January 1, 2024) and closed the County's pension system – the Employee Retirement System (which closed to new entrants as of January 1, 2025). With the ability to use the 0.4% sales tax to fund various pension-related expenses in lieu of property taxes, the County realized roughly $50.0 million in one-time property tax levy savings. That $50.0 million was judiciously budgeted to offset the cost-to-continue increases within the 2024 and 2025 budgets. This savings provided policymakers with a short reprieve from the difficult budget decisions that have plagued the County for at least two decades. But, beyond the enormous relief the 0.4% sales tax provides in terms of funding growing pension expenses, there are no additional savings to help offset future structural deficits.

- ***The additional 0.4% sales tax provides $82.7 million in revenue in 2026, enough revenue to offset the $57.8 million unfunded actuarial accrued liability (UAAL) cost, $18.9 million of the $37.0 million pension obligation bond (POB) payment, and $6.0 million of the ERS normal cost.*** With the approval of the additional 0.4% sales tax allowed under 2023 Wisconsin Act 12 (Act 12) came several changes to various aspects of the ERS, including a maximum amortization period of 30 years and an annual investment return assumption that is the same as or less than the annual investment return assumption used by the Wisconsin Retirement System (WRS). These changes result in an estimated UAAL payment of $57.8 million for 2026. Further, Act 12, and subsequently 2023 Wisconsin Act 40 (Act 40), provide that after first making the payment towards the UAAL, any additional 0.4% sales tax revenue can be used for payments towards the County's POBs, or for additional payments to the UAAL, or for payments towards the employer normal cost contribution to the ERS. This forecast assumes that the distribution of the 0.4% sales tax in the 2025 budget is carried forward into 2026 so that the UAAL payment of $57.8 million is fully funded, $18.9 million of the $37.0 million POB payment is funded, and $6.0 million of the ERS normal cost is funded.

- ***Historic property tax reductions in 2024 will be negated by a $17.6 million property tax increase expected in 2026 as the debt service for the Milwaukee Public Museum comes due; future increases expected as debt for the Center for Forensic Science and Protective Medicine is issued in 2026.*** The County makes its best effort to maintain a relatively flat debt service payment over time, but a debt levy increase of $14.7 million will be required in 2026 to pay the anticipated debt service on previously approved projects, including funding for the Milwaukee Public Museum. Debt levy for future years also increases as debt service for the Center for Forensic Science and Protective Medicine is expected in 2027. For 2026, general operating levy will also increase by $2.9 million resulting in a total property tax levy increase of $17.6 million.

- ***Earlier forecasts predicted that by 2025 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 an unprecedented tax levy increase of $17.8 million in 2024 but will require another $17.8 million in property tax levy support by 2028 without any additional***

aid. Based on most recent projections, the DOT – Transit Division will extend its remaining allocation of Federal stimulus funding through 2027 and increase its share of Federal Section 5307 used in the operating budget to absorb cost increases over the next two years. By 2027, the estimated gap between operating expenditures and revenues hits $2.5 million, growing to $17.8 million by 2028, and will likely fall to the property tax unless additional revenue sources are secured.

- ***The County workforce experienced a substantial decline during the pandemic years but has been steadily recovering alongside steep increases in wages and employee benefits costs, significantly expanding the County's two largest cost centers - wage-related items ($321.5 million) and health, pension, and other benefits ($269.9 million).*** These two cost centers make up over 43.2% of the County's expenditure budget and are slated to grow by over $40.2 million, or 7.3% in 2026. Emerging trends in wages and overtime are putting stronger fiscal pressure on the forecast than in previous years. From 2021 to 2025 salaries are estimated to grow 37.0% which is in stark contrast to the 7.1% growth from 2017 to 2021. That jump coincides with a significant increase in overtime expenses as well. While further examination is necessary, it appears unlikely that the cost of overtime will decrease without significant investments in additional staffing or changes in operations. And while the 0.4% sales tax lifted a huge pension burden off the County's property tax levy, the once positive healthcare trends the County experienced are reversing, teeing up increases the County has fortuitously avoided for several years.

- ***The fundamental conclusion from this forecast is the same as every other: even with a dedicated funding source to help pay for the County's sizable pension-related expenses, the annual structural deficit persists because expenditures grow faster than revenues.*** From 2026 to 2030, the average cost-to-continue, which assumes long-term, sustainable fiscal solutions are applied annually, is projected to be $34.3 million. This is a significant increase from the $13.8 million estimated in the 2025-2029 forecast which is largely due to the end of one-time benefits of the 0.4% sales tax in the 2024 and 2025 budget, upward trends in employee-related expenditures, and the looming transit fiscal cliff. Without long-term, sustainable solutions to the mounting fiscal pressures, the County could expect a structural deficit of $69.8 million in 2027 growing to $171.6 million by 2030, barring any unforeseen issues or significant changes to the assumptions within this forecast.

THE FRAMEWORK OF THE STRUCTURAL DEFICIT

The annual structural deficit consists of two elements:

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

A cost-to-continue increase results when forecasted expenditures grow faster than forecasted revenues. For the past decade, the average cost-to-continue has fluctuated from year to year, with a low of $12.8 million to a high of $21.9 million. The forecasted average for the current five-year period marks a substantial break from previous averages with the current forecast predicting an average cost-to-continue of $34.3 million. For the 2026–2030 forecast, expenditures are forecasted to grow 3.5% while revenues grow 1.0% driving the cost-to-continue increase up.

The structural deficit is a combination of both the cost-to-continue increase and all one-time revenues or one-time expenditures/expenditure abatements used in the prior year. Any one-time revenues, such as land sales or reserve contributions, and any expenditure abatements, such as one-time budgetary reductions, will increase the structural deficit by the same amount in the following year. Any one-time expenditures, such as capital, will decrease the structural deficit by the same amount in the following year. In the 2025 budget, the County utilized such one-time revenues of approximately $10.9 million, which directly impacted the 2026 structural deficit by roughly the same amount.

The implementation of the additional 0.4% sales tax in 2024 provided Milwaukee County with over $50.0 million in tax levy savings. The County utilized the unprecedented opportunity to invest in one-time capital expenditures of $26.4 million in 2024 while investing the remainder towards the 2024 cost-to-continue. The $26.4 million in one-time capital investments in 2024 was then reappropriated in the 2025 budget to offset the 2025 cost-to-continue. The 2024 and 2025 operating budgets fully absorbed the tax levy savings achieved from the 0.4% sales tax and since the 0.4% sales tax revenue is limited in use by State statutes, growth in the 0.4% sales tax will provide almost no relief to the County's future structural deficits.

THE 2026 PROJECTED STRUCTURAL DEFICIT

Expenditures and revenues in 2026 are projected to be $1.363 billion and $1.316 billion, respectively, resulting in a structural deficit of $46.7 million. The 2026 projected structural deficit is comprised of the following changes from the 2025 budget:

	Amount (millions)	
Expenditure Type		
Pension	$	(3.5)
Abatements	$	0.3
Transit	$	2.3
Cost to Continue	$	7.2
Health & Other Benefits	$	15.8
Debt Service	$	14.2
Salaries, Overtime, FICA	$	26.6
Expenditure Change	**$**	**62.9**
Revenue Type		
One-time Revenue	$	7.4
Odd Year Unclaimed Funds	$	3.5
Sales Tax	$	1.1
State Shared Taxes	$	(1.1)
State & Federal Revenues	$	(1.2)
Investment Earnings	$	(1.4)
Employee Health & Pension Contributions	$	(2.1)
Transit Revenue	$	(2.3)
Miscellaneous Revenue	$	(2.5)
Property Taxes	$	(17.6)
Revenue Change	**$**	**(16.2)**
Projected 2026 Operating Gap	**$**	**46.7**

Items of significance include:

- **Pension Costs.** The reduction in pension costs is largely attributable to decreasing normal costs for the County's Employee Retirement System (ERS) which offsets increases to normal costs for employees in the Wisconsin Retirement System (WRS).

- **Transit-related expenditures and revenues.** In 2024, the County provided an unparalleled increase of $17.8 million in additional levy support to maintain transit operations. For this five-year forecast period, gross transit-related expenditures are forecasted to rise on average 1.71% each year, which results in $2.3 million of additional budgeted expenditures for 2026. To maintain a flat tax levy in 2026, $11.5 million of Federal stimulus funding and $26.5 million of Federal Section 5307 funding would be required. By 2027, Federal stimulus funding will be exhausted and without additional State or Federal support, the County will need to contribute an additional $2.5 million in 2027 and $17.8 million in 2028 to preserve transit operations. This would bring tax levy support for transit operations to more than $43.0 million by 2028.

- **Cost-to-Continue.** This is a catchall for various categories of expenditures that are distinctly forecasted in the model. It includes utilities, professional services, commodities, supplies, gasoline, insurance, workers compensation, contingency, and purchase of service particularly in health and human services, all of which tend to be the most susceptible to changes in inflation. These expenses grow by $7.2 million in 2026.

- **Health and Other Benefits.** With both the County's workforce returning to pre-pandemic levels and rising medical and pharmacy inflation, health and other benefit expenditures are expected to cause significant increases in the County's 2026 budget and beyond. The County has fortuitously experienced positive trends in benefits expenditures for several years, but much of that seems attributable to a shrinking healthcare census that declined to its lowest point around the end of 2022 and has been slowly reversing since. Growth in medical costs from 2020 to 2023 averaged -1.6%, reversing substantially to 10.5% in 2024. Growth in pharmacy costs averaged 8.5% over the same period, jumping to 13.0% in 2024. For purposes of this forecast period, it is assumed that growth persists at much higher rates, albeit not as high as 2024. For 2026, the forecast assumes medical costs grow at 8.0% and pharmacy costs grows at 11.0%.

- **Debt Service.** In 2026, debt service jumps to $106.4 million from $91.7 million, an increase of $14.7 million. The sizable increase is due to anticipated debt for the Milwaukee Public Museum and the Center for Forensic Science and Protective Medicine. This forecast assumes that the full amount of the debt service increase is offset by an increase in the property tax levy, resulting in an increase to the property tax levy of $14.7 million for debt service alone.

- **Salaries, Overtime, and FICA**. Salaries and overtime are the largest component in the County's overall cost-to-continue in 2026. Salaries in 2025 are projected to be 37.0% higher than they were in 2021. This compares to a 7.1% increase from 2017 to 2021. While some of this growth can be attributed to sizable increases for deputy sheriffs and correctional officers and to wage increases provided through the compensation study, it is also a result of higher compensation for newly hired employees. The increases provided for deputy sheriffs and correctional officers were expected to reduce the overall overtime costs needed in the Milwaukee County Sheriff's Office, Community Reintegration Center, and juvenile corrections but as wages increased, overtime expenditures have grown. More review is necessary, but it is likely that the number of overtime hours will not decrease significantly without additional staffing or major changes to operations. Since wages have increased but overtime appropriations have not, there is now a significant structural deficit that will need to be addressed.

- **Mental Health Expenditures.** For several years, property tax levy at DHHS – BHS remained flat at the State-mandated minimum of $53.0 million. Like the 2024 budget, the 2025 budget included property tax levy of $46,793,649 and sales tax levy of $12,664,615 to put 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.

- **Sales Tax Revenue.** Monthly sales tax collections during 2024 were extremely volatile, with year-over-year monthly collections of the 0.5% sales tax shifting anywhere from -21.3% to 57.7%. This forecast assumes a 1.0% growth in 2025 and then 1.9% over the forecast period. Because the 2025 sales tax is projected to be less than the 2025 budget, the net result is a decrease in sales tax (for both 0.5% and 0.4%) in 2026 of $1.1 million.

- **State Shared Taxes.** State shared revenue is now distributed via a formula which increases the base and supplemental State shared revenue share by the sales tax growth in the prior year. For purposes of 2026, it is assumed that sales tax growth will be 1.9% 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 $1.1 million in 2026.

- **State and Federal Revenue.** State and Federal revenues increase largely due to additional highway and child support reimbursement related to increasing expenditures.

- **Investment Earnings**. The County continues to experience substantially higher average daily balances due to the Federal stimulus funding and over $100.0 million in reserve funds within the County's investment portfolio. Short-term and long-term investments are forecasted to earn 1.5% and 3.5%, respectively, over the forecast period. Short-term investment yields over the last few months of 2024 began to decline quickly; if these rates continue to decline beyond what is estimated in the forecast period, the structural deficit may be worse than predicted.

- **Employee Health and Pension Contributions.** Contributions from employees for health and pension related expenses are up $2.1 million in 2026 largely due to pension contributions that are expected to exceed budget in 2025. The surplus is due to higher-than-average salary growth occurring at the County.

- **Miscellaneous Revenue.** This is a catchall for smaller categories of revenues that are distinctly forecasted 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. This revenue category grows in 2026 largely due to increases in parks revenue and additional airport revenue to offset a forecasted expenditure increases. These revenue increases are offset by a reduction of $1.5 million in TID-related revenue in 2025.

- **Property Tax Levy**. The 2026 forecast assumes the County will assess a property tax levy up to the maximum allowable amount with net new construction at 1.3%. This, coupled with estimated increases for the EMS tax levy and changes to the debt service, provides an additional $17.6 million in revenue. For 2026, property tax levy is expected to increase by $14.7 million over 2025 to accommodate the additional debt service due to the issuance of debt for the Milwaukee Public Museum. The remaining $2.9 million is due to increases in the operating levy for net new construction and for EMS levy.

One-time revenue:

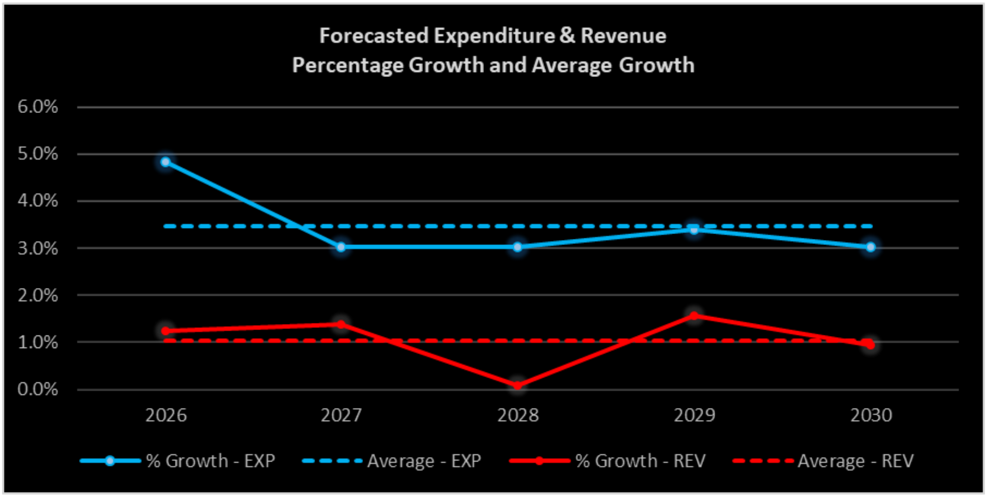
- **One-time Revenues**. The 2025 budget includes a contribution from the debt service reserve of $7.4 million. The forecast assumes no debt service reserve contributions in 2026. This decrease in one-time revenue contributes to the 2026 structural deficit.

- **Odd Year Unclaimed Funds**. The County has historically budgeted a $1.5 million contribution from unclaimed funds in each odd year, which is like a one-time revenue as it is only available every other year. For 2025, the $1.5 million contribution was increased to $3.5 million because the contribution for 2023 was never recorded. While the additional revenue helped the 2025 budget, it will not be available in 2026 and increases the structural deficit by $3.5 million in 2026.

THE FUTURE OF THE STRUCTURAL DEFICIT

When the model was first utilized after passage of the 2009 budget, expenditures were forecasted to grow by 6.1% annually while revenues were to grow by 3.7% annually. Expenditures are now forecasted to grow by an average of 3.5% annually, while revenues are forecasted to grow by an average of 1.0% annually.

Since the inception of financial forecasting nearly two decades ago, the County has made fundamental operational changes to lessen the structural deficit but has never eliminated it. While the economic outlook within the County plays a critical role in the size of the structural deficit year-over-year, ultimately, the County's ability to raise additional revenue each year is so severely limited that under current statutory restrictions, the County will never be able to eliminate the structural deficit. Since expenditure growth is forecasted to outpace revenue growth on an annual basis, the County will continue to have a structural deficit each year in the forecast period absent any major policy changes that decrease expenditure growth or boost the County's revenue profile.



Structural deficits and cost-to-continue increases change year-over-year based on many factors including assumption changes, economic impacts, changes in operations, or changes to the County's revenue profile. The previous model predicted that the County's structural deficit would grow to $68.9 million by 2029 (this assumes that each year's deficit is resolved with temporary solutions). The current model now predicts a $139.0 million structural deficit by 2029, and $171.6 million structural deficit by 2030 when assuming one-time or temporary budgetary fixes. Cost-to-continue in the current model increased from the prior model, with the prior model projecting an average annual cost-to-continue of $13.8 million over the forecast period and the current model projecting an average annual cost-to-continue of $34.3 million.

Structural Deficit and Cost-to-Continue
2026 - 2030

Year	Expenditure	Revenue	Structural Deficit	Cost-to-Continue*
2025	$ 1,300,198,516	$ 1,300,198,516	$ 0	$ 0
2026	$ 1,363,105,720	$ 1,316,450,649	$ (46,655,071)	$ (46,655,071)
2027	$ 1,404,365,539	$ 1,334,567,087	$ (69,798,452)	$ (23,143,380)
2028	$ 1,446,724,121	$ 1,335,716,318	$ (111,007,803)	$ (41,209,351)
2029	$ 1,495,683,368	$ 1,356,710,455	$ (138,972,913)	$ (27,965,111)
2030	$ 1,540,895,169	$ 1,369,308,403	$ (171,586,766)	$ (32,613,853)
			Average Cost-to-Continue:	$ (34,317,353)

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

This year-over-year change is notably the most drastic year-over-year change the County has confronted in the last decade. The most consequential impacts originate from personnel-related increases and revised revenue forecasts, with the transit fiscal cliff still a major financial risk in the 2028 fiscal year.

MOST SIGNIFICANT IMPACTS TO THE COST-TO-CONTINUE

Personnel Costs: Personnel-related costs, including salaries, overtime, and fringe benefits, are the largest expenditure category within the County, with over 43.2% of the County's budget being personnel-related costs. During 2022 and 2023 the County struggled with a high vacancy and turnover rate but has successfully reversed that trend throughout 2024 and is slowly returning to previous staffing levels. While reduced staffing levels contributed to countywide surpluses in wages and benefits over the past few years, the return to more normal staffing levels is causing fiscal strain on the structural deficit as salary and fringe benefits are increasing at much higher rates than previously forecasted.

Wages. From 2021 to 2025, salaries are expected to grow 37.3%, whereas from 2017 to 2021 salaries grew 7.1% - over a 30% different between time periods. While some of the recent growth can be attributable to sizable increases for deputy sheriffs and correctional officers and to wage increases provided through the compensation study, an emerging trend is significantly higher starting wages for new employees. A review of the 1,655 people hired in 2023 and 2024 (excluding seasonal and hourly) showed that 50% were hired at a rate that was at least 3% greater than the pay grade minimum. This comparison is relevant because under previous policies and procedures, a new employee could not be brought in above step 2 without County Board approval and step 2 was typically around 3% higher than the base step. While these higher starting salaries certainly may be justified, they likely lead to a cascading effect of equity issues throughout departments. During 2024, the Department of Human Resources reported authorizing 426 salary advancements due to "Equity Issues being addressed", which is more than double the 220 equity-related salary advancements authorized by the department in 2023. Allowing these emerging trends to normalize within County operations comes with a cost and will increase the County's structural deficit in the future.

As wages proliferated at the County over the past five years, it was largely expected that increased salaries and increased staffing levels would alleviate the growing overtime issues unfolding in late 2021 and 2022. But review of the historical operating hours at both the Office of the Sheriff and Community Resource Center reveal that it is more likely that the overtime deficits are a result of underfunding then they are of additional overtime being used.

Actual Salary and Overtime Dollars
2018 - 2026

Fiscal Year	Actual Salaries	Salaries Budget	Percent of Salary Budget	Actual Overtime	Overtime Budget	Percent of Overtime Budget
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	$ 185,585,000	$ 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	$ 239,196,978	$ 247,992,553	96.5%	$ 26,080,894	$ 11,940,409	218.4%
2025*	$ 254,853,660	$ 258,937,468	98.4%	$ 27,461,949	$ 14,678,043	187.1%
2026*	$ 260,798,502	$ 266,014,472	98.0%	$ 28,011,188		

***2025 salaries/overtime are estimated based on 3 payrolls. BHS is excluded from calculations.**

Based on the emerging trends in these personnel categories, this forecast breaks from past assumptions on both salaries and overtime. This forecast assumes a 3.8% year-over-year growth in salaries annually, which follows US Employment Cost Index Year-over-Year change as of December 31, 2024. Whether 3.8% is too high is dependent on whether the County tackles the precipitous rise in salary costs. Assuming no action is taken during the forecast period, 3.8% is reasonable given the County's historical salary expenditures for the past five years. The forecast also assumes a new base of $27.5 million in overtime expenditures going forward. Any operational changes resulting in fewer overtime hours would also have to offset any overtime expenditure increases due to future wage increases. With these assumption changes, the year-over-year increase in 2026 for all salary-related expenditures is 9.0%.

Salary-related Expenditures
2026 - 2030

	2026	2027	2028	2029	2030
Salaries & Wages	270,796,295	281,357,350	292,330,287	303,731,168	315,576,684
Overtime	27,134,562	27,677,254	28,230,799	28,795,415	29,371,323
FICA	22,791,711	23,641,147	24,522,923	25,438,284	26,388,523
Total	320,722,568	332,675,751	345,084,009	357,964,867	371,336,530

Fringe Benefits. Fringe benefits include healthcare, other compensation and benefits, pension, and OPEB liability costs. These costs are forecasted to grow from $270.2 million in 2026 to $318.4 million in 2030.

Health, Pension, and Other Benefits Expenditures 2026 - 2030						
	2026	2027	2028	2029	2030	Percent Change (2026 - 2030)
Healthcare & Other Benefits	$ 143,647,121	$ 156,889,579	$ 171,384,020	$ 187,148,184	$ 204,411,013	42.3%
Pension	$ 121,243,665	$ 121,359,357	$ 122,537,558	$ 106,727,291	$ 108,488,283	-10.5%
Total Benefits Cost	$ 264,890,786	$ 278,248,936	$ 293,921,578	$ 293,875,475	$ 312,899,296	18.1%
Total Retiree Cost	$ 162,653,000	$ 168,704,000	$ 176,347,000	$ 171,214,000	$ 180,667,000	11.1%
Total Active Cost	$ 102,238,000	$ 109,545,000	$ 117,575,000	$ 122,661,000	$ 132,232,000	29.3%

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. 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. The year-over-year change in medical claims costs is difficult to decode as the past five years has ranged from a 10.9% decrease to a 10.5% increase. On the other hand, pharmacy costs have been steadily increasing each year, averaging 9.4% but have been offset with significant hikes in rebates. Given the current economic conditions, it is more likely that the past year is more indicative of future trends. Based on that assumption, medical and pharmacy claims are forecasted to grow annually at 8.0% and 11.0%, respectively. This results in an increase of $15.8 million in additional health and benefit expenditures in 2026.

Fringe Benefits – Pension Costs and the additional 0.4% Sales Tax. Pension costs include required contributions to the ERS, WRS, and OBRA plan, and debt service for the County's POBs. Back in 2023, the Comptroller reported that due to changes in the ERS assumed rate of return and major investment losses incurred in 2022, the pension contribution would rise dramatically over the forecast period, increasing $29.3 million by the final year of the forecast. After issuing that forecast, Act 12 was enacted into law and provided the County with authority to enact an additional 0.4% sales tax under certain conditions. In July of 2023, the County approved the condition that the ERS plan be closed to new entrants effective January 1, 2025, and enacted the additional 0.4% sales tax effective January 1, 2024. Pursuant to Act 12, the unfunded liability was reset using a 30-year amortization period and a 6.8% assumed rate of return for the January 1, 2024 valuation. These changes, amongst others, resulted in an estimated UAAL payment of $57.8 million for the forecast period.

This forecast continues the policy in the 2025 budget to use the additional 0.4% sales tax to fully fund the actuarial required UAAL payment, to fund $18.9 million of the POB debt service, and to fund up to $6.8 million of the ERS normal cost requirement. Assuming no major changes to the sales tax and POB forecast assumptions, this results in approximately $25.5 million in additional payments to the ERS UAAL during the forecast period.

Schedule of Pension Benefit Expenditures and Offsetting Revenues 2026 - 2030					
	2026	2027	2028	2029	2030
OBRA Cost	$ 420,000	$ 420,000	$ 420,000	$ 420,000	$ 420,000
ERS Normal Cost	$ 23,463,000	$ 21,185,000	$ 19,374,000	$ 17,833,000	$ 16,445,000
ERS UAAL Cost	$ 57,801,000	$ 57,801,000	$ 57,801,000	$ 57,801,000	$ 57,801,000
WRS Normal Cost	$ 2,553,651	$ 4,529,627	$ 6,228,890	$ 7,781,855	$ 9,267,739
POB Cost	$ 37,006,014	$ 36,706,154	$ 36,394,426	$ 12,630,700	$ 12,382,800
Additional ERS UAAL Cost		$ 717,576	$ 2,319,242	$ 10,260,736	$ 12,171,744
Total Pension Costs	**$ 121,243,665**	**$ 121,359,357**	**$ 122,537,558**	**$ 106,727,291**	**$ 108,488,283**
ERS UAAL - 0.4% Sales Tax	$ 57,801,000	$ 57,801,000	$ 57,801,000	$ 57,801,000	$ 57,801,000
ERS Normal Cost - 0.4% Sales Tax	$ 5,985,327	$ 6,839,553	$ 6,839,553	$ 6,839,553	$ 6,839,553
POB Cost - 0.4% Sales Tax	$ 18,940,096	$ 18,940,096	$ 18,940,096	$ 12,630,700	$ 12,382,800
Additional ERS UAAL Cost - 0.4% Sales Tax	$ -	$ 717,576	$ 2,319,242	$ 10,260,736	$ 12,171,744
Total Pension Costs - 0.4% Sales Tax	**$ 82,726,423**	**$ 84,298,225**	**$ 85,899,891**	**$ 87,531,989**	**$ 89,195,097**
Total Pension Costs - Property Tax Levy	**$ 38,517,242**	**$ 37,061,132**	**$ 36,637,667**	**$ 19,195,302**	**$ 19,293,186**

Transit Operations: In 2023, the Comptroller first reported the possibility of a major fiscal crisis on the horizon for the County's transit operations. With the crisis then projected by 2025, the $25.1 million fiscal cliff was driven largely by increasing costs, pre-pandemic level farebox revenue, and slashed tax levy funding that was less than half what it was pre-2017. The 2024 budget delayed the fiscal cliff by investing an unprecedented tax levy increase of $17.8 million in 2024, for a total property tax levy of $26.4 million; this is in addition to the $16.1 million in vehicle registration fees that also fund transit operations. With approximately $26 million in uncommitted Federal stimulus funding remaining by 2026, applying federal stimulus funding of roughly $11.5 million in 2026 and $14.5 million in 2027 and increasing federal Section 5307 in operating to $25.7 million in future years still results in a $2.5 million shortfall in 2027. By 2028, that shortfall grows to $17.8 million. Unless a new revenue source is identified or additional State or Federal funding is secured, the County will likely have to commit up to $43.3 million in property tax levy to maintain transit operations in 2028 and beyond.

Transit Expenditures and Revenues 2026 - 2030					
	2026	2027	2028	2029	2030
Estimated Expenditure Growth	1.40%	1.70%	1.80%	1.80%	1.80%
Total Expenditures	$ 180,173,286.00	$ 183,177,048.00	$ 186,489,321.00	$ 189,874,181.00	$ 193,333,255.00
Tax Levy	$ 25,435,964.00	$ 25,435,964.00	$ 25,435,964.00	$ 25,435,964.00	$ 25,435,964.00
5307 Funds	$ 26,472,000.00	$ 25,700,000.00	$ 25,700,000.00	$ 25,700,000.00	$ 25,700,000.00
Federal Stimulus Funds	$ 11,502,874.00	$ 12,526,344.00	$-	$-	$-
Passenger Fares	$ 29,900,082.00	$ 30,199,083.00	$ 30,501,074.00	$ 30,806,085.00	$ 31,114,146.00
Other Revenues	$ 86,862,365.00	$ 86,843,020.00	$ 87,008,276.00	$ 87,175,185.00	$ 87,343,763.00
Total Revenues	$ 180,173,286.00	$ 180,704,411.00	$ 168,645,314.00	$ 169,117,234.00	$ 169,593,872.00
Estimated Gap	$ -	$ (2,472,637.00)	$ (17,844,007.00)	$ (20,756,947.00)	$ (23,739,382.00)

Mental Health Services: This forecast isolates all expenditures and revenues relating to mental health services from other categories within the forecast and assumes that the tax levy provided to the DHHS – BHS will be maintained at the previously adopted level. The 2025 budget included property tax levy of

$46,793,649 and sales tax levy of $12,664,615 to put 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 additional tax levy provided up to the statutory maximum will directly increase the structural deficit in future years by the same amount.

Projected Property Tax Levy Increases: The ability to enact an additional 0.4% sales tax increase created the extraordinary opportunity for the County to make a significant reduction to the property tax levy in 2024. The reduction of $21.5 million was due to the additional 0.4% sales tax offsetting the POB debt service and therefore, the debt levy portion of the property tax levy. For 2026, the current forecast projects a significant increase of $17.6 million in the allowable property tax levy due largely to debt service for previously approved projected and for bonding for the Milwaukee Public Museum. Additional increases, albeit not as large, are also anticipated as debt service for the Center for Forensic Science and Protective Medicine comes due in 2027, and as POB debt is replaced with general obligation debt which results in a shift from sales tax funded POB debt to property tax funded general obligation debt.

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. In 2006, the State 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 minimums were removed, and the only increase allowed was for net new construction or voter referenda. Since 2011, the County has averaged only 1.05% growth in net new construction. With the size of the 2026 budget gap, a property tax increase of roughly 23.2% would be required to fully eliminate the $46.7 million gap. The County did expand its operational revenue base $12.2 million in 2017 and further in 2018 due to implementation of the vehicle registration fee (VRF). The VRF remains one of the only fees not limited by State statutes.

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 drive sales tax collections for the County.

Beginning in 2024, the State also provided an increase to the County's shared revenue allocation and provided for future increases to shared revenue based on the State's sales tax growth rate. The dismal sales tax growth in 2024 results in smaller increases than previously projected.

For 2026, revenues grow by $19.8 million. Most revenues are scheduled to increase in 2026 except for one-time revenues, including TID closures and unclaimed funds, and sales tax revenue. Compared to the forecasted revenue increases for the 2025 budget year, the 2026 forecasted revenue increases look quite different. The 2026 property tax levy increase is 59.3% of the total revenue increase in 2026; 15.1% of the total revenue increase is transit and airport revenue; 6.3% of the total revenue increase is in employee pension contributions; 4.7% of the total revenue increase is in earnings on investments which may be overgenerous; and 3.6% of the total revenue increase in State shared taxes. The remaining increases are largely scheduled to increase based on inflation. Odd year unclaimed funds are only available every other year and while they helped the structural deficit in 2025, they contribute $3.5 million to the budget gap in 2026. Based on a 1.0% growth rate in 2025 and 1.9% growth rate in 2026, the 2026 sales tax is expected to be less than the 2025 budget also creating a budget gap of roughly $1.0 million in 2026.

The revenue increases and decreases forecasted in 2026 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 $4.4 million a year or 9.6% of the expenditure increase.

Total Revenue Growth from Property Tax and Sales Tax
2026 - 2030

	2026	2027	2028	2029	2030
Property Tax (Operating Only)	$ 229,103,865	$ 231,908,096	$ 234,746,651	$ 237,619,950	$ 240,528,418
Sales Tax (0.5% Only)	$ 104,285,867	$ 106,267,298	$ 108,286,377	$ 110,343,818	$ 112,440,351
Total	$ 333,389,732	$ 338,175,394	$ 343,033,028	$ 347,963,768	$ 352,968,769
Year-over-Year Change	$ 2,357,737	$ 4,785,662	$ 4,857,634	$ 4,930,740	$ 5,005,001
Percent of Expenditure Increase	3.7%	11.6%	11.5%	10.1%	11.1%

*This schedule does not include changes to property lax levy due to debt service changes.

IMPACT OF ONE-TIME REVENUES AND EXPENDITURE ABATEMENTS ON THE STRUCTURAL DEFICIT

In any given year where the County adopts a budget using one-time revenues or expenditure abatements to resolve the structural deficit, the following year's structural deficit will increase by the amount of one-time revenues and expenditure abatements. In every year prior, this forecast has documented the use of one-time revenues and expenditure abatements in the budget, and the impact on the subsequent year's budget.

For budget years 2024 and 2025, the adoption of the additional 0.4% sales tax in Milwaukee County created the unprecedented opportunity to budget for one-time expenditures in 2024, which correspondingly decreased the structural deficit by the same amount in 2025. Even with the 2024 one-time expenditures freed up in 2025, the 2025 budget still utilized $10.9 million in one-time revenue that negatively impacts the 2026 structural deficit by the same amount.

While the forecast projects an average of $34.3 million in costs-to-continue annually for the County, any unsolved portion of the 2026 structural deficit will increase the subsequent structural deficits by the same amount.

OTHER ISSUES AFFECTING THE COUNTY'S FISCAL OUTLOOK

Other issues exist which may have an impact on the structural deficit and County finances in the future. The fiscal outlook presented in this report does not include any assumptions relating to these issues, but policymakers should closely monitor the potential for large fiscal impacts from these issues.

- **Future Federal and State Funding:** This forecast presumes that future State and Federal funding will remain flat other than minimal increases in various expenditure reimbursement revenues. Even with the recently enacted changes to the State shared revenue formulas, the imbalance between inflation and other State and Federal aid continues to directly impact the County's bottom-line year-over-year as the County must make up the difference. With the new Federal administration, Federal funding and federal pass-through revenue could also be subject to reductions which could directly impact County operations and finances.

- **Vehicle Registration Fee:** One of the very few sustainable revenue sources available to the County is the vehicle registration fee (VRF). In 2017, the County imposed a VRF of $30 per vehicle. The revenue may be used only for transportation-related operations and capital projects but remains a potential source of additional revenue in the future if the fee is raised. Every $10 in VRF raises approximately $5.9 million in revenue for the County.

- **Debt and Infrastructure Needs:** The County's most recent Capital Improvement Plan (CIP) 2026 – 2029 is used for planning purposes and provides a listing of overall projects and the forecasted 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 2025 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
2026 - 2029

	2026	2027	2028	2029
Estimated County Financing	$ 59,547,899.00	$ 61,334,336.00	$ 63,174,366.00	$ 65,069,597.00
2026-2029 CIP (non-airport) Project Requests	$ 214,582,136.00	$ 308,001,939.00	$ 372,288,473.00	$ 253,416,820.00
Under/(Over) Available County Financing	$ (155,034,237.00)	$ (246,667,603.00)	$ (309,114,107.00)	$ (188,347,223.00)

As shown above, the County's 2026–2029 CIP included funding requests that total approximately $1.1 billion of County non-airport funding, which includes $450.6 million for a new County criminal courthouse. Given the sizeable increase in property tax levy for 2026 for debt service on the Milwaukee Public Museum and future debt for the Center for Forensic Science and Protective Medicine, debt service for a $450.6 million County criminal courthouse would have a substantial financial impact on the property tax levy. Policymakers will need to weigh the magnitude and timing of any debt related to the new criminal courthouse to its constituency's ability to afford significant property tax levy increases. Regardless, the County faces significant growing capital needs and little ability to provide funding to address the growing list of needs.

- **Federal Stimulus Funding and Economic Supports:** The County received both Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act State and Local Fiscal Recovery Funds (ARPA) allocations. The County's ARPA taskforce has fully committed the County's ARPA allocation of $183.7 million and funds are no longer utilized for ongoing expenditures which would have increased the structural deficit in future years. The County's direct CARES allocation was fully utilized in 2020. Other Federal stimulus funding outside of these two programs came directly to the County to fund housing and homelessness initiatives, as well as other health and human service type needs. Unspent ARPA funds were to be fully obligated by the end of 2024 and are to be fully spent by the end of 2026. When these allocations are completely spent, the service levels may drop dramatically and have a ripple effect through the community. The County may wish to further examine the types of additional supports being provided and the impact of disrupting those service levels when funding is depleted.

ABOUT THE MODEL

The five-year financial forecast for Milwaukee County provides a projection of the financial results for future budget years using the current budget year as a base, adjusted for known factors specific to Milwaukee County. The forecast uses the 2025 budget as the basis for the 2026–2030 projection. The 2025 budget expenditure base is then adjusted for inflation in most cases. For certain expenditures or revenues including wages, benefits and certain programs, inflationary increases are based on recent increases specific to Milwaukee County. The 2025 base is further adjusted for one-time events particular to 2025, or programs/revenues/expenditures which end in a future year.

This exercise provides a first look at the 2026 budget challenges for Milwaukee County, before any adjustments are proposed by the County Executive to prepare the recommended budget. The forecast provides a projection of the 2026 financial "gap" that the County would face if it were to budget a cost-to-continue budget.

CONCLUSION

Despite changes to State laws that brought improvements to the County's revenue forecast, the average, annual inflationary revenue increase still is not projected to offset the projected expenditure increase required to preserve current operations. In other words, annual revenue increases for Milwaukee County cannot pay for projected cost increases specific to Milwaukee County. The County must then cut expenditures, increase revenues, or a combination of both.

The prospect of an $46.7 million structural deficit in 2026 sets up one of the most challenging budgets in quite some time and is quite notable coming off the heels of an additional 0.4% sales tax. Further exacerbating the operating challenges in 2026 is the hefty property tax levy increase slated to pay for County capital commitments made in prior years. With the transit fiscal cliff and new public safety building looming in the future, County leaders would be prudent to begin discussions on how all the policies and priorities of the County can be achieved under a variety of fiscal scenarios. For example, will the Debt Service Reserve be used in future years to smooth out the large increases in the debt service or to pay for various capital projects? Will new or additional revenues such as VRF be required to alleviate a portion of the structural deficit? Are there reductions in the County's infrastructure or operational programming that are viable? What guardrails can be put into place to curb emerging trends in personnel costs?

The seemingly prosperous times the County has enjoyed in recent years may be winding down while significant fiscal pressures mount. Failing to address structural deficits with long-term solutions is not sustainable and will indisputably affect the County's future fiscal position. The County will need to coordinate competing funding priorities – transit, the structural deficit, the public safety building - as they lobby State leaders for additional financial assistance. Ultimately, the County will experience the cost-to-continue dilemma for the foreseeable future until the County has the means to further increase its revenue base. The County has made great strides at reducing its expenditure growth rate over time since it has had little ability to generate revenue. With little ability to increase the County's revenue base, the continued disparity between expenditure and revenue growth will cause annual budgetary issues. Without a resolution, the County will remain caught in a perpetual cycle of annual expenditure reductions, continued reliance on one-time revenues, and deferring capital and maintenance needs, all which will undoubtedly adversely affect the essential services provided to the community.