



# 2026 Executive Operating Budget - Final Web Version

City of Madison



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# Executive Summary

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## 2026 Executive Operating Budget — Mayor's Message

The 2026 Executive Operating Budget proposal funds the services, programs, and staff needed for a well-run and thriving city. This includes maintaining our streets and sidewalks, library services, police and fire protection, supporting small businesses and community organizations, nurturing our parks system, and more. Coupled with the [2026 Executive Capital Budget and Capital Improvement Plan](#), released in September, the operating budget supports our local economy and addresses the critical needs of our community as Madison continues to grow.

I want to begin by again thanking Madison residents for approving last year's funding referendum. It was a show of support for the important services your City government provides. The additional revenue is an essential component for overcoming the state-imposed restrictions on local governments across Wisconsin and will allow us to keep taxes to the lowest increases in decades. Instead of enacting painful and damaging cuts year after year, the referendum will allow Madison to maintain its current service levels while addressing a few emerging priorities to maintain our city's high quality of life.

The introduction of the 2026 Executive Operating Budget proposal is the start of the final public input phase of the budget process. Over the next month, the Finance Committee and the full Common Council will deliberate and propose amendments to the operating budget. I encourage residents to make their voices heard during these meetings so your elected officials can support the final adoption of the City Budget knowing it's aligned with our community's values.

## Challenges

Our budgets continue to deal with the structural inequities in how state law treats local municipalities. Currently, cities like Madison are far too dependent on property tax dollars and are prohibited by the State Legislature from using more diverse and progressive revenue sources. As a result, the state has locked cities, villages, and towns into a system that takes away local control and requires them to do more with less each year. We have also witnessed the State Legislature continue to abdicate its responsibility to care for Wisconsin's most vulnerable residents. That's now also happening at the federal level with draconian cuts to Medicaid, public health, food benefits, and other longstanding federal programs that help those that need it most. The result is that local governments must contend with the inevitable consequences of dismantling the social safety net while simultaneously having fewer resources to confront these challenges.

One bright spot is that the most recent state budget included a modest, but much needed, increase to the Municipal Services Payment program, which compensates local governments for providing services to state facilities. While the state is still not fully reimbursing cities, the increase provides an estimated additional \$2.4 million annually to the City. More importantly, it's an acknowledgment that stagnant funding for local governments must be addressed moving forward. My administration will

continue to work with other Wisconsin communities and state legislators for fairer treatment of local governments at the state level.

## Priorities

It's critical the City of Madison make smart investments that better our community while prudently using limited resources. The community's support for last year's funding referendum has provided some much-needed flexibility without the need to cut existing services. That's why my 2026 Executive Operating Budget proposal has the lowest tax rate increase in at least 40 years. The City's share of property taxes on the average valued home will go up by just \$30 annually — below the inflation rate and nearly \$5 million below the maximum allowed under the state's levy limit. I'm also proposing using \$2 million in fund balance to help close the state-imposed structural deficit gap Madison has had since the levy limit formula was tightened in 2011. That use of fund balance is lower than previously projected and will preserve resources so we can continue to hold down property taxes and reduce reliance on additional special charges in future years. We are able to do this because of the additional state aid and continued strong investment income.

My spending priorities in 2026 are focused on the basic support system that makes Madison a great place to live while confronting new challenges with compassion. I'm proposing an unprecedented investment in homeless services with \$1.7 million in support for the new homeless shelter. Historically, it's been the responsibility of other government entities and the private sector to provide emergency refuge to people experiencing homelessness. We will need these partners to also prioritize funding for the shelter to maximize the impact of this new facility and create a path for individuals to find permanent housing. The City is contributing an unprecedented level of funding and I'm confident the entire Dane County community will come together to do what's right.

I've also included additional funding for the newly built Imagination Center at Reindahl Park so it can be fully staffed without diminishing services at the City's nine other libraries. The far east side is one of the fastest growing parts of Madison and has lacked access to the services libraries provide to the community. The Imagination Center will fill that service gap and help ensure that all of Madison's neighborhoods continue to thrive.

My budget also includes funding for a 10th ambulance company in the Madison Fire Department. Calls for service have doubled since 2005 and we receive more than 30,000 ambulance calls annually. In 2024, there were more than 200 times when every ambulance was responding to a call and that number is expected to increase. To address this problem, I'm proposing new positions at the Madison Fire Department to staff a new ambulance company. This is needed to prevent overworking employees and maintain our current response times, even while the City's population increases by nearly 5,000 new residents each year.

The 2026 Executive Operating Budget also reflects the City's commitment to its workforce. The proposal includes a 3 percent wage increase for general municipal staff that keeps pace with the negotiated union contracts with police and fire department employees. I'm also proud that the City negotiated a collective bargaining contract that was overwhelmingly ratified by Teamsters 120, which represents Metro Transit operators and mechanics. The City of Madison is only able to provide a high level of service to its residents because of our staff. Whether it's a firefighter, planner, librarian, or plow driver, ensuring our workforce is paid fairly is a benefit to the entire city and a commitment to fostering a healthy middle class in Madison. Without talented individuals, we cannot come up with innovative solutions and provide the most effective services to residents.

The City of Madison invests prudently in infrastructure and delivers tangible services that benefit our residents on a daily basis. Madison is a strong community with forward-thinking and compassionate residents who understand that policymaking

at the local level must be practical, prudent, and provide real solutions. I'm looking forward to the input of Alders and the community during the final phases of our annual budget process. We are proving Madison can responsibly meet new challenges, preserve what's so special about our City, and be proud of the future we are building together.

Respectfully submitted,



Satya Rhodes-Conway

Mayor

# Operating Budget Overview

The City of Madison’s Operating Budget is a planning and financial document that pays for daily services for City residents. The operating budget appropriates funding to City agencies (departments and divisions) to pay staff salaries, fund community-based organizations that deliver services on behalf of the City, and pay for other costs such as supplies and equipment. Core services funded by the operating budget include police, fire, emergency medical services, library and park programs, garbage and recycling collection, snow and ice removal, and more.

## The General Fund

**\$452.5  
Million**

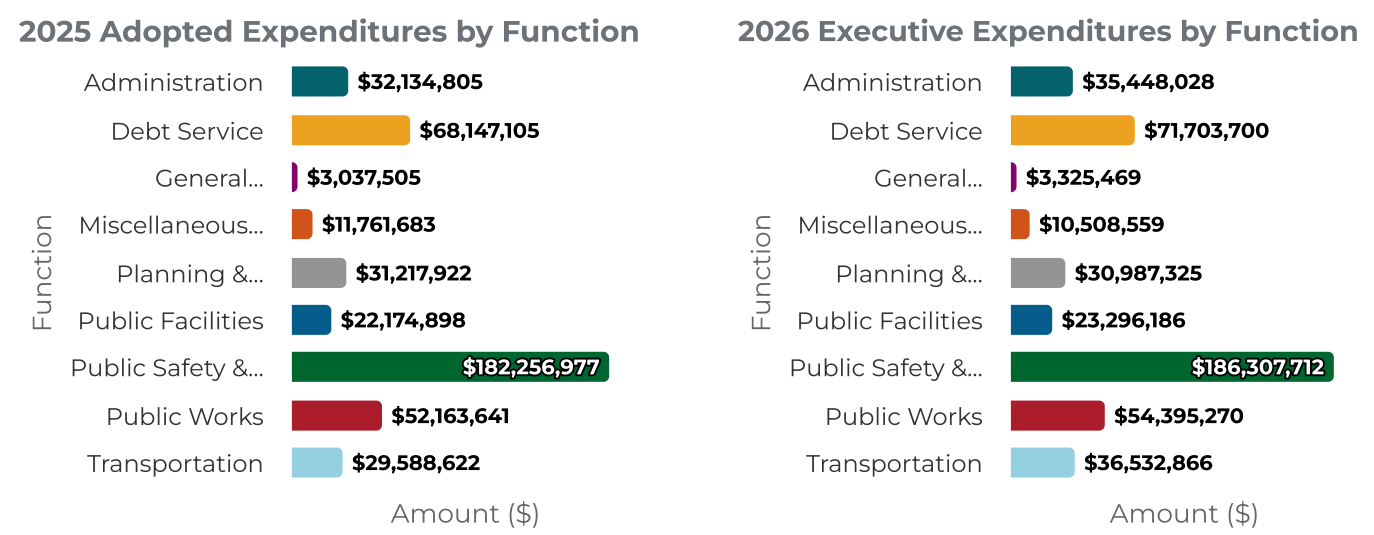
Proposed 2026 General  
Fund budget

The City of Madison’s budget is divided into funds. **The general fund is the City’s primary operating fund.** This fund is the main focus of the City’s budget because it is primarily supported by property tax revenues and pays for the cost of day-to-day City services. Other revenues include charges for services, user fees, and state aid. The library fund is also primarily supported by the property tax and is included in the general fund numbers for the purpose of this summary. The total general fund budget is **\$452.5 million.**

## 2026 Executive Budget Compared to 2025 Adopted Budget

The 2026 Executive Operating Budget proposes **\$452.5 million** in general and library fund expenditures. This is a **\$20.0 million (or 4.6%) increase** from the 2025 Adopted Budget.

The graphs below show a comparison of the 2025 adopted budget to the 2026 executive budget. Expenses are presented by “Function,” or a set of agencies that provide similar services. Debt Service and Miscellaneous & Direct Appropriations to Capital are centrally budgeted functions that address City-wide expenses.



## Functional Area Highlights

Public Safety & Health accounts for the largest share of the budget (\$186.3 million; 41.2%). The majority of expenses are for Police (\$98.5 million) and Fire/ EMS (\$76.8 million). The other agencies within this group are the City's share of the joint City-County Public Health agency (\$10.7 million) and Office of the Independent Monitor (\$405,300).

The next largest category is General Fund Debt Service (\$71.7 million; 15.8%). This is used to pay back borrowing in the capital budget for projects that invest in the City's infrastructure and assets.

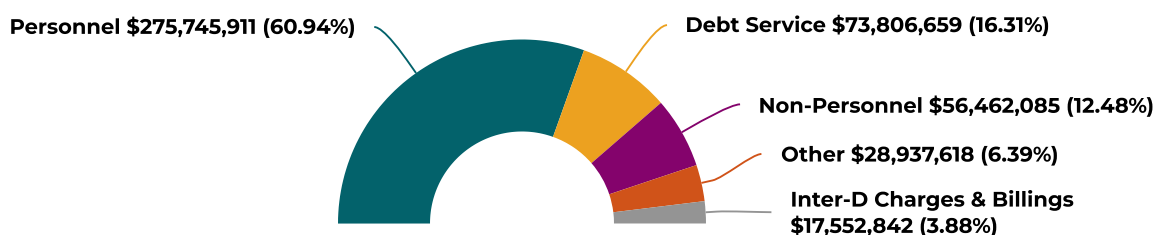
The third largest functional area is Public Works (\$54.4 million; 12.0%), which includes Streets, Parks, and Engineering. This group also includes enterprise funds, such as Sewer, Stormwater, and Water, which are not reflected in the general fund.

## Expenses by Type

The Operating budget pays for staff, community contracts, and other expenses to provide core services to residents. Major categories of expenditures include the following:

- **Personnel** accounts for the largest share of expenses (\$275.7 million, 60.1%). This includes salaries and fringe benefits of staff who provide direct services and administer core government functions.
- **Debt Service**, which pays back borrowing for capital projects, accounts for the next largest share of the budget (\$73.8 million, 16.3%, includes General and Library Fund debt service).
- **Non-Personnel** includes purchased services, which includes contracts with community - based organizations and other service providers, supplies, and other expenses (\$56.5 million, 12.5%).
- **Other** includes transfers, contingent reserve, and agency revenues. Transfers include the general fund subsidy to Metro Transit (\$25.0 million), the City's share of the joint City-County Public Health Agency (\$10.7 million). The City's contingent reserve is set aside to cover unbudgeted expenses (\$2.2 million). **Agency Revenues** reflects charges for services, facility rentals, permits, and other sources (-\$13.2 million). (Total Net Expenses: \$28.9 million, 6.4%)
- **Agency Charges** include inter-departmental billings and charges between agencies to recover costs for services performed. This includes the general fund portion of Insurance, Workers Compensation, and Fleet Services, which procures and maintains City vehicles such as Police and Fire vehicles (\$17.6 million, 3.9%).

### 2026 Executive Expenditures by Type





# Expenditures: Highlights and Major Changes

## Funding continuing services

The 2026 budget funds services at the same level as 2025 with no major reductions. The \$20.0 million increase in net expenditures between 2025 and 2026 primarily accounts for cost to continue adjustments to reflect higher personnel and debt service costs. This increase also includes approximately \$2.3 million in supplemental budget requests to meet high priority needs in the City. Major changes between years, including supplemental requests, are summarized below.

## Personnel (Salaries and Fringe Benefits): \$8.5 million increase

- 3% Cost of Living Adjustment (COLA) for General Municipal Employees (GMEs) and protective service staff, 9.3% increase to health insurance rates, and other benefits adjustments (\$8.0 million)
- Reduction in citywide compensated absence escrow costs based on analysis of actual expenditures (-\$1.4 million)
- Additional funding for the City Clerk's office to administer 4 elections in 2026 compared to 2 elections in 2025 (\$629,200)
- Supplemental requests for 23 additional full-time equivalent (FTE) positions, including 9 paramedics to staff an additional ambulance and 8 library staff for the Imagination Center at Reindahl Park (\$1.3 million)

## Non-Personnel: \$11.6 million

- **Supplies:** Cost to continue adjustments in multiple agencies based on contracts, inflation, and other needs (\$503,400)
- **Purchased Services:** Increase of \$1.6 million for increased software costs in multiple agencies. Removal of \$2.0 million in one-time federal funds from the American Rescue Plan Act that were passed through the general fund for unsheltered homeless services. Addition of \$1.0 million for operations at the purpose-built men's shelter. (Total: \$1.2 million)
- **Interdepartmental Charges and Billings:** Increase in fleet charges for vehicle maintenance, depreciation, and fuel costs (\$1.5 million). Adjustments to insurance and worker's compensation charges (-\$322,900). Increased billings to non-general fund agencies based on a cost allocation plan to recover indirect costs (-\$578,700). (Total: \$615,200)
- **Debt Service:** Increase in the transfer out to debt service to repay borrowing for capital expenditures (\$3.3 million)
- **Metro Transit Subsidy:** Increase in the general fund subsidy for Metro Transit to fund level services (\$6.5 million)
- **Room Tax:** Includes a one-time increase of room tax support for the City's share of Henry Vilas Zoo and Olbrich Botanical Gardens (-\$250,000)

## Cost control measures

The 2026 budget takes several measures to control expenditures while continuing to fund key priorities. All general, library, and fleet fund agencies were required to take a 0.75% reduction in their base budget, for a total savings of \$2.8 million. In 2024 and 2025, agencies were required to take a 1% cut based on underspending trends. The 2026 budget continues a portion of this reduction, but gives back 0.25% to agencies so they have additional flexibility in meeting their budget targets.

The budget maintains a 3% salary savings rate, which reduces total personnel expenditures, for a total savings of \$6.1 million. Each agency's rate is determined by a tiered structure with variable rates based on the number of FTE positions. Based on an analysis of historic vacancy trends, it is anticipated that agencies should be able to manage the reduction by slight delays in hiring without affecting agency operations.

# Supplemental Requests

As part of the request process, agencies were allowed to submit supplemental requests for additional funding if the request met one of the following criteria: 1) funding operating expenses for a new City facility that was not included in the base budget, or 2) funding ongoing costs associated with one-time revenues that will no longer be available. Agencies were also able to indicate requests for key priorities outside the formal supplemental request process by presenting studies or other data related to key priorities. In total, the Executive Operating Budget includes \$2.3 million in supplemental funding from the general fund (\$1.3 million personnel, \$1.0 million non-personnel).

## Funding City Priorities: Bartillon Shelter

One of the top priorities of the 2026 operating budget is funding the operations of the City's first purpose-built shelter for men experiencing homelessness (Bartillon Shelter). The City has planned for this project in the capital budget since 2021. The capital budget is \$27 million, with \$13.5 million in City sources, \$10.5 million in Dane County sources, and \$3 million in federal sources. The project is currently under construction and is scheduled to open Spring 2026. It will have a capacity to serve up to 250 individuals. Additional details are available on the [Bartillon Shelter project page](#).



Rendering of the Bartillon Shelter by Dimension IV, Madison Design Group

**The executive operating budget adds \$1 million to the Community Development Division's (CDD) budget to fund operations at the Bartillon Shelter.** In addition, the budget reflects CDD's request to reallocate \$700,000 from within its base budget to this purpose. In total, the City's contribution to the Bartillon Shelter will be \$1.7 million in 2026. Of this amount, \$1.5 million will be directed to Porchlight, Inc., the non-profit operator, and \$200,000 will be dedicated for building maintenance costs. It is estimated that the cost of operations will be \$4.2 million for a 24-hour shelter, or \$3.2 million for an overnight shelter. This will leave a funding gap that will need to be filled by other parties, such as private philanthropy, contributions from other municipalities, and other sources.

## Funding City Priorities: Imagination Center at Reindahl Park

The executive budget also commits to funding the new Imagination Center and Reindahl Park. This is a collaborative library and park project located on Madison's northeast side, which is an area that has never had a library. The Imagination Center is the result of years of advocacy and planning to develop a capital funding strategy. The project is expected to open in the fall of 2026 and will serve tens of thousands of residents in one of Madison's most diverse and growing neighborhoods.



Rendering of the Imagination Center by JLA Architects

The 2026 budget fully staffs the library with 8 positions and maintains current service levels at the City's other library branches. Investments in the Imagination Center operations include adding 8 FTE staff (1 supervisor, 3 librarians, 3 library assistants, 1 clerk), adding funding for hourly security monitors and library pages, and funding hourly staff and services in the Parks department to maintain the park areas (e.g. snow removal on paths). The full-time positions are funded for a partial year, with staggered start dates, to prepare for the opening of the Imagination Center in fall 2026. To further minimize the fiscal impact in 2026, the Library also reallocated funds from their non-personnel budget to partially fund the staffing request. In total, the budget adds \$336,100 to the library's budget for operations.

## New Positions to Support City Operations

The executive budget funds 24 new positions to address critical workforce needs and create operational efficiencies. Of these positions, 22.65 FTEs are funded by the general fund, 2.35 FTEs are funded by other funds. Where possible, costs for new positions were offset by reductions in hourly wages, overtime, or other reallocations.

Although the executive budget adds new positions, the growth in the City's workforce lags behind the growth of the City's population and geography. Since 2015, the City has added an average of 31 positions annually. The number of new positions in 2026 is below the 10-year average. As a relative measure, the number of new positions per capita has also decreased in that time frame, from approximately 11.7 FTEs per 1,000 residents in 2015 to 10.6 FTEs per 1,000 residents in 2026. Although not all City services have a direct relationship with population growth, many of the proposals below are related to expanding direct services that are needed as the City grows, such as staffing for the Imagination Center at Reindahl Park and addition of a 10th ambulance. The Fire Department has seen a significant increase in call volume for emergency medical services over the last five years. The medic units are the busiest units in the Fire department, and average more than double the responses per medic compared to surrounding communities. Investing in another ambulance will allow the City to continue providing a high level of service to residents and also create a more sustainable staffing model to reduce future turnover in the department. The complete list of new positions is included below:



- **Clerk:** Add 1 FTE chief deputy clerk for a full year and 1 FTE clerk leadworker for half a year. In addition, reclassify 4 existing municipal clerk positions into 1 chief deputy clerk and 3 leadworkers mid-year. These changes are related to an HR study of the Clerk's office organizational structure and recommendations to restructure the office to add capacity for core functions. (\$227,000)
- **Fire:** Add 9 FTE paramedics to staff a 10th ambulance to address call volumes and service demands for emergency medical services. The 2026 budget funds a partial year of staffing and assumes the positions would start in the fourth quarter of 2026. (\$250,000)
- **Human Resources (HR):** Add 1 FTE HR analyst to support the administration of a new enterprise-wide HR Management System and recreate 1 FTE transit employee relations assistant from Metro Transit as a program assistant in HR to better coordinate functions related to drug testing, bargaining administration, and performance management support. This is a net increase of 1 FTE. (\$190,900)
- **Library:** Add 8 FTE staff, including 1 supervisor, 3 librarians, 3 library assistants, 1 clerk, and hourly security monitors and library pages to staff the Imagination Center at Reindahl Park. Positions are funded for a partial year, with staggered start dates, to prepare for the opening of the Imagination Center in September 2026. The total cost for positions is net of reallocations from non-personnel lines. (\$336,100)

- **Mayor:** Convert a limited term sustainability coordinator position, previously funded with one-time federal grant funds, to a permanent position. There is no change to the total number of positions in the mayor's office. The position will charge a portion of time to capital projects to minimize the general fund impact. (\$35,900)
- **Parks:** Add funding for hourly staff to support the expanded Warner Park Community Recreation Center and the park-specific activities at the Imagination Center at Reindahl Park. Hourly staff will support facility and park maintenance and other associated activities. The total includes nominal non-personnel costs for related supplies and services. (\$42,000)
- **Police:** Authorizes up to 6 part-time officers as an experiment to improve employee retention. This part-time option would be available on a voluntary basis, and would be funded by adjusting the attrition formula for the department's recruit class. There is no change to the department's authorized force or budget to implement the proposal.
- **Streets:** Add 1 FTE Street Machine Operator 1 and 1 FTE Operations Maintenance Worker to staff full-time operations of the Olin Ave Drop Off Site. The drop off site is currently under construction and expected to open in 2026. The positions will be paid 65% by the general fund and 35% by the Resource Recovery Special Charge (RRSC) (General fund = \$109,200; RRSC = \$58,800)
- **Water Utility:** Add 1 FTE Accountant 3 and 1 FTE Water Quality Supervisor to address staff workload and capacity needs within the agency. There is no impact to the general fund.

In addition to creating new positions, the Executive Budget recreates several existing positions into new classifications. In these cases, agencies identified existing positions that could be repurposed to meet changing operational needs. These recreations are not listed above as they do not add employees and have a minimal fiscal impact, but additional details are included in the agency's budget highlights.

## Replacing One-Time Grants

The executive budget adds \$155,100 in non-personnel costs to replace federal grant funding that will end in 2026. In the Economic Development Division (EDD), the budget adds \$50,000 to continue funding Kiva Madison (Kiva). Kiva is a crowdsourcing platform that allows Madison residents to loan money to area small businesses and is administered by the Wisconsin Women's Business Initiative Corporation (WWBIC). This program was previously funded by federal pandemic recovery dollars included in EDD's Small Business Equity and Recovery program in the capital budget. As this is an administrative expense and federal dollars have been exhausted, the costs to continue the program are proposed in the operating budget.

The executive budget also adds \$105,100 in software costs to maintain the citywide network of air quality sensors. These sensors measure particulate matter pollution, which is a growing concern as smoke from wildfires in the western US and Canada is leading to poor air quality in Madison with increasing frequency. Better information about air quality will help us know when to take action to protect our health and help our community develop strategies to reduce pollution when and where it is highest. Software costs were previously funded through a federal grant and budgeted in the Mayor's Office Sustainability capital budget. As the federal grant is no longer available to cover these expenses, the cost of software is being proposed in the operating budget.

## Non-General Fund Supplemental Requests

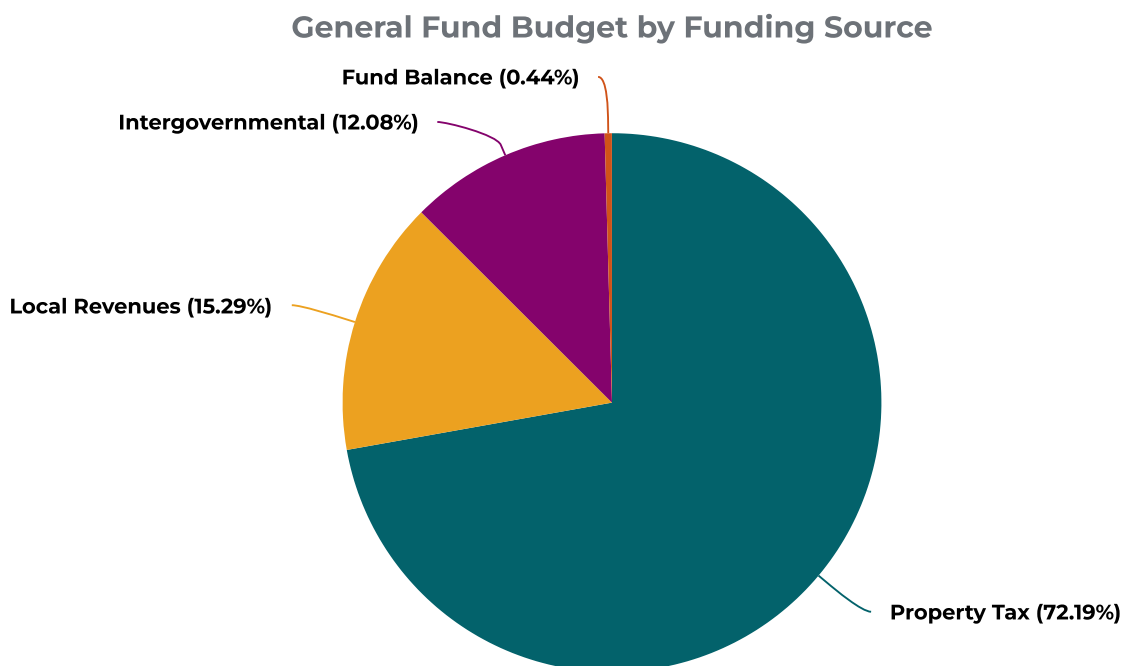
Non-general fund agencies were allowed to submit increases to their base budget if the expenditures were supported by revenues. The changes did not require a supplemental request form. The agency sections for non-general fund agencies highlight changes between the 2025 adopted and 2026 executive budget.

# Major Revenue Changes and Highlights

The Operating Budget is primarily funded by property taxes, which account for approximately 72% of the total General Fund revenues. Other local revenues, such as payments in lieu of tax, charges for services, and license and permit fees, account for 15% of General Fund revenues. Intergovernmental sources, such as federal and state aid, account for 12%. In addition, the budget applies \$2 million of general fund balance (1%).

Major changes in revenues in the 2026 Executive Budget compared to the 2025 Adopted Budget include:

- \$8.6 million (2.7%) increase in property tax revenues, based on an increase in new construction. The total property tax levy includes the ongoing \$22 million approved through a voter referendum in 2024 to balance the 2025 budget. In total, the proposed levy is \$4.9 million less than the maximum amount allowable under State law.
- \$5.0 million increase in State Aid. Major changes include a \$2.4 million increase in municipal services payments and \$2.1 million increase in expenditure restraint incentive payment (ERIP) related to the City's compliance with ERIP in the 2025 budget. Changes to State Aid are described in more detail below.
- \$5.2 million increase in other local revenues. Major changes include a \$3 million increase in earnings from City investments due to higher interest rates, a \$1 million increase in ambulance conveyance revenues based on Medicaid reimbursement rates, a \$700,000 increase in parking violations based on trends in actual revenues, a \$400,000 increase in the payment in lieu of taxes (PILOT) from the Water Utility, and a \$500,000 decrease in building permits based on slower projected permit activity. This includes a \$322,550 decrease in Room Tax funding based on the Room Tax Commission's adopted budget. This change is described in more detail in the Expenditure Restraint section.
- \$2 million in fund balance applied. Utilizing fund balance allows the City to "buy down" the levy to minimize the increase on property taxes. The interaction between fund balance, the levy, and impact on taxes on the average value home is described in more detail below.





# Property Taxes

## Background on the Levy Limit

The largest source of revenue in the City budget is money collected from property taxes (property tax levy). State law limits the maximum allowable increase in the property tax levy (“levy limit”). That maximum increase is calculated based on a “net new construction” (NNC) factor, which is the percentage of the total property value in the City associated with net new construction along with other adjustments. It is important to note that debt service, or payments for money borrowed for capital investments, is excluded from the levy limit calculation. As a result, debt service is paid through the property tax but does not impact how much the City can levy for operations.

In 2024, the City was facing a \$22 million budget gap due to a structural deficit. One major driver of the structural deficit is the fact that the levy limit does not account for inflation. In recent years, the growth in the average rate of NNC was lower than the rate of inflation. As a result, the cost of maintaining services was growing faster than the allowable rate of revenue growth. In November 2024, a majority of Madison voters approved a property tax levy referendum to increase the levy by \$22 million to support City services in the 2025 budget.

## The Levy in the 2026 Executive Budget

The allowable levy for 2026 includes the \$22 million increase approved in 2025. The maximum allowable levy is \$331,564,924. The executive budget proposes a levy of \$326,666,421, which is \$4,899, 503 below the maximum. There are several factors that determined the proposed levy amount.

1. **Interaction with the Expenditure Restraint Incentive Program (ERIP):** In addition to the levy limit, the City must comply with the State's Expenditure Restraint Incentive Program (ERIP). This program limits how much the City can increase its expenditures year over year. The impact of ERIP is described in detail in the following section, but in effect, the City is much closer to reaching its ERIP limit than the levy limit. The City cannot increase expenditures to utilize the full levy amount without risking losing \$7 million to \$9 million in State Aid in a future budget (2027).
2. **Additional State Aid and Local Revenues:** Local revenues and state aid are up 9% compared to 2025 due primarily to a \$5 million increase in state aid (see Municipal Services Payment and ERIP aid described in greater detail below) and a \$3 million increase over the 2025 adopted budget in investment-related income due to continued high interest rates. These additional revenues help to reduce the reliance on property taxes in the 2026 budget.
3. **Future Levy Authority:** State law allows municipalities to carry forward up to 1.5% of unused levy into the following year. The proposed unused amount is just below the 1.5% threshold, which would allow the City to retain its full levy authority for the following year.
4. **Affordability and the Property Tax:** The executive budget includes \$2 million in fund balance to buy down the levy to minimize the increase on property taxes. The 2025 budget included a 5-year plan that proposed spending \$25 million of the City's unassigned general fund balance over 5 years, with \$4 million planned in 2026. The amount of fund balance applied in the 2026 executive budget is lower due to higher than projected State Aid. The City cannot buy down the levy any further without losing future levy authority, as described above.

Ultimately, the proposed levy allows the City to maintain eligibility for future State Aid payments under ERIP, retain future levy authority, and minimizes the impact on the property tax.

## Calculating the Property Tax Rate

When taxpayers receive their property tax bill in the mail, the City's portion of the tax bill is only around 35%. The rest of the bill goes to other taxing jurisdictions, including the Madison Public Schools, Dane County, and the Madison Area Technical College. The increase in property values, or assessments, does not increase the property tax levy. Under state law, the levy can only increase by a net new construction (NNC) factor or through a voter referendum. Madison benefits from a strong economy and growing property values. However, the increase in property values, or assessments, does not increase the levy capacity.

Assessments do determine the tax rate and what proportion of the levy a property pays. The property tax rate is calculated by simply dividing the total amount of taxes (levy) allowed by the total assessed value of taxable property in the city ( $\text{Tax Rate} = \text{Levy} \div \text{Total Assessed Value}$ ). The tax rate is often expressed in terms of dollars per thousand, or as a "mill rate." The mill rate multiplied by the value of property determines how much is owed in taxes, which is issued through a tax bill. ( $\text{Taxes owed} = \text{Mill Rate} \times \text{Assessed Value} \div \$1,000$ )

## Property Tax Assessments

The property tax rate is driven by the total assessed value of property in the City of Madison. Current year assessment data is used as the basis for the upcoming budget. As of September 2025, the total net taxable value of assessed property is approximately \$46.6 billion (\$46,627,007,300). Residential real property accounts for a majority of the property in the City (\$30.2 billion; 61%), followed by commercial real property (\$18.7 billion; 38%). Manufacturing and agriculture account for the remaining 1% of property. In total, the net taxable value of assessed property is 7.1% higher than the basis for the 2025 budget. This increase is less than the year-over-year change in recent years, but reflects the continued strength in residential and commercial valuations.

## Growth in Property Taxes

The executive budget proposes a property tax amount of \$326,666,400. This is an \$8.6 million (2.7 percent) increase compared to 2025. Much of this increase can be attributed to strong net new construction and debt service to pay for infrastructure and other capital projects.

## 2026 Mill Rate

The mill rate is the tax rate expressed in terms of dollars per thousand. While the 2026 property tax levy is up 2.7%, the overall increase in the assessed value of property in the City reduces the mill rate (tax rate) from 7.31 in 2025 to 7.01 in 2026. This is a 4.1% decrease in the mill rate. The annual mill rate is calculated by dividing the property tax levy by the total net taxable property value in the City.

## Taxes on the Average Value Home (TOAH)

The average value home is currently assessed at \$481,300, up from \$457,300 (5.2%), in the 2025 budget. This growth continues recent trends in increased residential home assessments. Based on the proposed levy and the estimated mill rate, taxes on the average value home (TOAH) will increase by 0.9%, or \$30.41.

	2025 Adopted Budget	2026 Executive Budget	\$ Change	% Change
Average Value Home	\$457,300	\$481,300	\$24,000	5.2%
Mill Rate	7.31	7.01	-0.30	-4.1%
Taxes on the Average Value Home (assessed value x mill rate)	\$3,341.58	\$3,371.99	\$30.41	0.9%

As shown in the table above, the growth in assessed value of a property does not equal the change in TOAH. The amount of increase in property assessments does not necessarily correspond to the rate of increase in taxes. Because the increase in the property tax levy is limited to a net new construction (NNC) factor, and assessed values grow faster than the rate of NNC, the tax rate (mill rate) has been generally declining over the past decade as overall taxable assessed property value in the City has grown faster than the property tax levy for City government services. The City government tax rate with this executive budget is estimated to be the lowest in at least 40 years. The TOAH increase of 0.9% is based on the average value home. That means some property tax payers will pay more and some will pay less than the average. If an individual taxpayer's property tax has increased more than the rate on the average value home, it is likely because that property's value has increased relative to those of other local property owners.

## Other Funding Sources

### State Funding

State funding increased by \$5.0 million (35%) in the 2026 executive budget compared to the 2025 adopted budget. This increase is attributed to the Municipal Services Payment Program and Expenditure Restraint Incentive Program.

- **Municipal Services Payment Program:** This program reimburses local communities with state and University of Wisconsin (UW) facilities for a portion of the cost of providing certain services to those facilities, most notably public safety. This program has been prorated at much less than calculated amounts for decades. However, in the most recent state budget, the Governor and Legislature provided a \$7 million annual increase to the program. Madison, as the state capital and the home of the flagship campus of the University of Wisconsin, receives the largest amount of aid under this program. Aid under this program has averaged approximately \$8 million annually. With the funding increase provided by the Governor and Legislature, estimated aid to Madison under ERIP is expected to increase to \$10.4 million in 2026.
- **Expenditure Restraint Incentive Program (ERIP):** This program provides \$58 million in state aid to local communities that hold their rate of growth in general fund spending, excluding debt service, to 60% of net new construction (NNC) plus inflation. Madison has typically received approximately \$7 million under this program. The formula for distributing this aid is based on the relative share of property taxes compared to all other eligible communities. Due to the relatively large increase in the City's property tax levy in 2025 through the voter referendum, along with other recent changes in the distribution of funding in the program, Madison's ERIP funding amount is expected to increase from \$6.9 million in 2025 to \$9.0 million in 2026. This amount may change in future years depending on the relative share of the overall tax levy and number of communities that qualify for ERIP.

### Federal Funding and the End of American Rescue Plan Funds

The City of Madison received \$47.2 million of federal funding through the State and Local Fiscal Recovery Funds (SLFRF) component of the American Rescue Plan Act (ARPA) to recover from the negative public health and economic impacts caused by the COVID-19 pandemic. Those funds were utilized in prior budgets to replace lost revenue and invest in community initiatives, including \$6.3 million in funding for unsheltered homeless services.





The deadline to obligate ARPA SLFRF funds was December 2024. The [2024 adopted budget](#) and 2024 year-end appropriation resolution ([Legistar File 86200, RES-24-00737](#)) reallocated ARPA SLFRF funds across various projects to ensure all funding for operating projects was expended by December 2024. As part of these changes, the budget reallocated \$1.2 million from housing projects to a new project for Nonprofit Support and reallocated \$779,400 from unsheltered homeless support to revenue replacement. These reallocations ensured all funding was expended by the deadline. It also created a general fund savings in 2024 so that levy funding could be preserved for future needs. The [2025 Adopted Budget](#) functionally utilized these savings by adding \$2.0 million of general fund monies to continue funding temporary shelter operations, including the Dairy Drive campground. These funds will be fully exhausted by the end of 2025 and do not carry forward into the 2026 budget.

# Expenditure Restraint Incentive Program

## About the Expenditure Restraint Incentive Program (ERIP)

The Expenditure Restraint Incentive Program (ERIP) provides \$58 million in state aid to local communities that hold their rate of growth in general fund spending, excluding debt service, to 60% of net new construction (NNC) plus inflation. The formula for distributing this aid is based on the relative share of property taxes compared to all other eligible communities.

Municipalities that comply with the ERIP limit in a given fiscal year receive a state aid payment for the subsequent year. For example, compliance with ERIP in the 2025 budget qualified the City to receive an ERIP payment in 2026.

Madison has typically received approximately \$7 million under the ERIP program. Due to the relatively large increase in the City's property tax levy in 2025 through the voter referendum, along with other recent changes in the distribution of funding in the program, Madison's ERIP funding amount is expected to increase from \$6.9 million in 2025 to \$9.0 million in 2026. This amount may change in future years depending on the relative share of the overall tax levy and number of communities that qualify for ERIP.

## ERIP and the 2026 Executive Budget

Although the City benefits from a higher ERIP payment in 2026, this additional revenue does not create additional expenditure capacity. In other words, the budget is still constrained by ERIP spending limits, and the 2026 budget must comply with the ERIP limit to qualify for a state aid payment in 2027.

The estimated growth limit for 2026 is a 4% increase in expenditures over the 2025 budget, or a total budget of \$380.4 million (380,384,799). At the beginning of the budget development process, the Finance Department estimated total expenditures for the [cost to continue budget would be \\$381.6 million](#), or \$1.2 million higher than ERIP. These estimates were updated in August after agency requests were submitted, final health insurance and WRS rates were confirmed, and other technical adjustments were entered. At that point, the estimated agency request budget, excluding supplemental requests, was estimated at [\\$378.8 million](#). This decrease from cost to continue was primarily due to the increase in health insurance and WRS rates being lower than anticipated.

The executive budget proposes other adjustments that created expenditure capacity under ERIP. This includes reducing the centrally budgeted compensated absence escrow benefit to \$3.0 million based on historic trends. The City is still expected to be able to fund all compensated absence escrow costs, but reduces the amount set aside in direct appropriations for this purpose. In addition, it reduces the general fund contribution to the Henry Vilas Zoo and Olbrich Botanical gardens, which is being replaced with additional Room Tax funds; reduces the Room Tax transfer to the General Fund to offset the additional contribution to the Zoo and Olbrich Gardens; and helps establish a permanent reserve for the fund. These changes are consistent with the Room Tax Commission's [adopted budget motion](#).

The executive budget utilized the ERIP capacity to fund key priorities, including providing an additional \$1 million for the Bartillon Shelter, adding \$336,100 to the Library for opening the Imagination Center at Reindahl Park, and \$250,000 to fund the addition of a tenth ambulance in the Fire Department in October 2026.

In total, the executive budget proposes total expenditures, less debt service and other ERIP exclusions, to be \$379,966,514. This is \$418,286 below the ERIP limit. The Finance Department recommends leaving a \$200,000 margin for future readjustments to ensure the City qualifies for the 2027 ERIP payment.

# Long-Range Operating Plan

The 2025 Adopted Operating Budget included a five-year plan as a roadmap for future budgets. When the 2025 budget was being developed, the City faced an operating deficit of \$22 million. That budget gap was closed when Madison voters approved a referendum in November 2024 to exceed the state limit on the property tax levy by \$22 million. This allowed the City to continue services without significant cuts. Although the referendum balanced the budget in 2025 and will continue to support City operations in future budgets, the City faces a structural deficit. This means that the cost of maintaining the same level of services grows faster than projected revenues, regardless of economic conditions. The City has faced a structural deficit since 2011, when the State of Wisconsin enacted strict levy limits (see the [About the City Budget website](#) for more information). In addition to the levy limit, the City must balance spending against the State's Expenditure Restraint Incentive Program (ERIP), which limits annual growth in general fund spending (see the ERIP section for more details).

In the 2025 budget, the five-year plan projected utilizing \$25 million in fund balance, with approximately \$4 million in fund balance applied in 2026. This amount of fund balance was considered prudent as it would spend down the City's fund balance to the recommended 15% of total budget and not rely too heavily on one-time sources to fund ongoing expenses.

The 2026 executive budget updates the five-year plan and the associated budget balancing strategies. One major change is the plan increases the amount of fund balance applied from \$25 million to \$40 million over five years. At the end of 2024, the City's fund balance ratio reached 27% of the budget due to higher than budgeted revenues, primarily driven by higher interest payments, and underspending in agency budgets. As a result, the City can utilize \$40 million in fund balance over five years while also meeting its policy target to maintain a fund balance ratio of 15% of the operating budget.

In 2026, the fund balance amount decreases from \$4 million to \$2 million. This is possible due to State Aid and local revenues being higher than projected in last year's plan (see the "Revenue: Highlights" section for more details). In 2027 and subsequent years, the updated plan annualizes the cost of partial-year supplemental requests in 2026 (staffing for the Imagination Center at Reindahl Park and staffing for a 10th ambulance), and other adjustments to the base budget. This increase in fund balance delays the need for additional special charges to 2028.

The following graphs show a comparison between the 2025 plan and 2026 plan. In both graphs, the \$22 million property tax levy referendum is excluded from the budget balancing strategies, as this amount is built into the base budget. In addition, the underlying long range projection model has been updated between years, so the annual budget gap in a given year may be different across the plans.

