



Cavalier Johnson
Mayor

Department of Administration
Budget and Management Division

Nik Kovac
Budget and Management Director

March 30, 2026

MEMORANDUM

To: Alderman Burgelis; Finance and Personnel Committee Members

From: Nik Kovac, Budget and Management Director

Subject: File 251454 - Substitute resolution relating to the use of sales tax revenue for the purchase of fire apparatus.

What follows below are the relevant portions of the Wisconsin State statutes which enumerate permitted uses of the City of Milwaukee sales tax:

Wis. Stat. § 77.701

(1) . . . No 1st class city may impose a tax under this section unless the city makes an election to join the Wisconsin Retirement System for all new employees, pursuant to s. [40.21 \(7\) \(a\)](#), and the city contributes the amount calculated under s. [62.625^{\[1\]}](#) to its retirement system's unfunded actuarial accrued liability in 2025 and in each year thereafter until the first year in which the retirement system is determined by the retirement system's actuary to be fully funded....

(2)

(a) Annually, the city shall use no more than 90 percent of the amount of revenue generated under this section in the first full calendar year in which the tax is imposed to offset the actual costs of the required payment under sub. [\(1\)](#) and to offset the increase in participating city agency employer contribution costs from 2022 to the current year for the retirement system established under [chapter 396, laws of 1937](#). . . .

(b) The city shall use an amount equal to the revenue derived from 10 percent of the amount of revenue generated under this section in the first full calendar year in which the tax is imposed to maintain a level of law enforcement and fire protective and emergency medical service that is equivalent to that provided in the 1st class city on April 1, 2023.

(c) In any year in which the amount of the taxes collected under this section exceeds the amount of the taxes collected in the first full calendar year and the amounts necessary to make the payments under pars. [\(a\)](#) and [\(b\)](#), the city shall use the excess revenue to implement the requirements under s. [62.90 \(5\) \(b\)](#) and the ongoing costs of the increased number of law enforcement officers and daily staffing level of the members of the paid fire department.

[1] **62.625 Amortization period for employer contributions.** Notwithstanding any provision of law or actuarial rule, beginning in the calendar quarter of the year that a tax is first imposed under s. [77.701 \(1\)](#), in any retirement system of a 1st class city, the required annual employer contribution shall be calculated using a 30-year amortization period 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 for participating employees, as defined in s. [40.02 \(46\)](#). Future unfunded actuarial accrued liability due to factors such as market returns and standard actuarial practices may be amortized on the basis of standard actuarial practices. The amortization period and investment return assumptions in this section shall supersede any amortization period and investment return assumption adopted by the actuary or retirement board of the retirement system of the city. No trustee or administrator of a retirement system of a 1st class city shall be subject to liability for complying with this section.



(3) *Annually, beginning in 2026, the city shall submit a report to the joint committee on finance, in the manner provided under s. [13.172 \(2\)](#), containing detailed information on the city's expenditures in the previous year from the revenues collected under this section, including expenditures and staffing levels related to law enforcement, fire protection, and other public safety measures.*

Wis. Stat. § 62.90(5)(b):

(5)

(b) *In any year in which moneys available under s. [77.701 \(2\) \(c\)](#) are available for expenditure under this paragraph, the 1st class city shall use the moneys to increase the number of law enforcement officers, as defined in s. [165.85 \(2\) \(c\)](#), employed by the 1st class city and the daily staffing level of the paid fire department of the 1st class city above the number and daily staffing level provided in the 1st class city on April 1, 2023. This paragraph does not apply in any year after the 1st class city employs 1,725 law enforcement officers, including 175 detectives, and maintains a daily staffing level not fewer than 218 members of the paid fire department.*

The three “buckets” outlined by the state statutes are:

- 1) Eligible pension costs cf. 2(a) above
- 2) Maintenance of police and fire service cf. 2(c) above
- 3) Ongoing costs of increased police and fire staffing levels cf. 3 and 5(b) above

The second and third “buckets” offer the greatest flexibility to allow the purchase of fire apparatus with sales tax proceeds. Those “buckets” still require the expenditure to be used “to maintain a level of law enforcement and fire protective and emergency medical service that is equivalent to that provided in the 1st class city on April 1, 2023” i.e. bucket 2, or for “the ongoing costs of the increased number of law enforcement officers and daily staffing of the members of the paid fire department” i.e. bucket 3. In short, we would need to show that the new fire apparatus are needed to maintain service and/or are related to the larger number of fire fighters.

In 2024, the first year of sales tax collections and the last year of ARPA expenditure assignments, there was money available to cash finance equipment supporting increases in police and fire staffing levels. In the 2025 and 2026 budgets, that was not the case, and all fire equipment was bonded for rather than cash-financed. Most of our bonds are done on ten-year notes, meaning that only a fraction of the total cost is reflected in the first budget year when it is purchased.

Pursuant to the intent of this legislation, as part of the 2027 budget process, BMD will report whether there are sufficient sales tax proceeds recognized in the 2027 budget to allow for the cash-financing of fire equipment purchases.