

2026



Legislative Reference Bureau

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# TAX STABILIZATION FUND OVERVIEW



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## 2026 Proposed Plan and Executive Budget Review

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Budget Hearing: 9:00 am on Friday, October 3, 2025

## Tax Stabilization Fund

### Tax Stabilization Fund (TSF) Overview

The Tax Stabilization Fund is used to prevent large fluctuations in the tax levy and tax rate from year to year that can result from variations in non-property tax revenues or market-driven costs.

The TSF accumulates unexpended appropriations and revenue surpluses. The funding sources for the TSF are established under s. 304-29 of the code. Primary sources include:

- Revenue surpluses (the difference between estimated revenues and the actual receipts).
- Unexpected appropriations not carried over, except from internal service funds.
- Internal service fund retained earnings that exceed 5% of that fund's budget.

The recent steep increase in the TSF balance is due to a few factors:

- Historically high vacancy rates in recent years .
- No TSF withdrawals in 2023 or 2024.
- Sales tax coming in higher than anticipated in 2024.
- High interest rates led to healthy returns on investments.

The maximum allowable withdrawal in any year is 50% of the available balance on January 1. Rating agencies view TSF withdrawals unfavorably, seeing them as using limited reserves to cover budget gaps.

Year	Total Balance (January 1)	Unassigned Balance (January 1)	TSF Withdrawal
2017	\$84,068,000	\$50,737,000	\$27,579,000
2018	\$63,268,000	\$38,350,000	\$19,000,000
2019	\$40,368,000	\$18,002,000	\$16,000,000
2020	\$23,849,000	\$7,339,000	\$10,000,000
2021	\$30,354,000	\$16,959,000	\$6,500,000
2022	\$18,696,000	\$9,081,000	\$4,000,000
2023	\$29,385,000	\$20,144,000	\$0
2024	\$64,600,000	\$59,699,000	\$0
2025	\$142,108,000	\$66,630,000	\$32,300,000
2026 (Proposed)			\$32,300,000

### Tax Stabilization Fund Benchmarks

The Government Finance Officers Association (GFOA) recommends that local governments maintain a minimum of two months (16.7%) of operating revenue in their general fund reserves. For the City of Milwaukee, this is equivalent to approximately \$147.4 million.

The appropriate amount of reserves for a local government depends on its unique circumstances and should take into consideration the risks associated with various revenue sources, the amount and timing of debt payments, the opportunity costs of the funds in the reserve account, and taxpayer objections to holding large amounts in reserve instead of using the funds for current operations.