FORWARD ANALYTICS SPOTLIGHT

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Losing Ground: Net New Construction and Inflation

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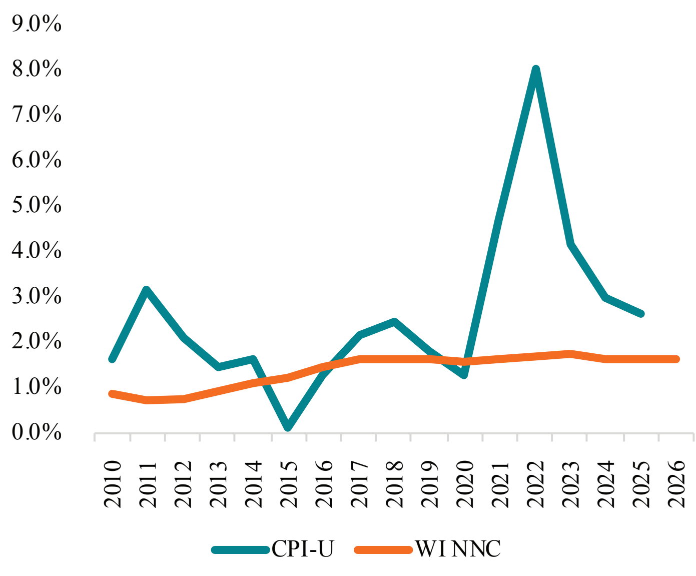
In mid-August, the Wisconsin Department of Revenue released 2026 net new construction (NNC) figures for the state, counties, and municipalities. The statewide rate held nearly steady at 1.64%, compared to 1.65% in 2025 and 1.62% in 2024. The rate plays an important role in county and municipal budgets because of Wisconsin's levy limit laws. Some of the most strict in the country, these laws tie the allowable growth in municipal and county levies to the percentage growth in net new construction (that is the increase in equalized value due to new construction less the lost value due to demolished property). In other words, the net new construction rate is effectively the annual budget growth ceiling, before any referendum.

Levy limits were originally designed to reign in property tax increases. To that end, they have been relatively successful. But the other side of levy limits is the financial strain they put on counties and municipalities, which are mandated to provide state services but unable to raise local revenues. To maintain the ability to sufficiently raise local revenues, counties and municipalities have to increase collections at the same rate as the increase in the cost of services. Measuring increased costs using the general rate of inflation (which is a conservative approach since many costs, such as transportation maintenance costs, have increased much faster than the CPI-U), shows that local governments are falling behind.

The last full year of CPI-U data from the U.S. Bureau of Labor Statistics (2025) shows that costs increased from the previous year by 2.63%, compared to a net new construction rate of 1.65% that same year. This is a consistent pattern: the rate of inflation has exceeded the rate of net new construction at the state level in 13 of the 16 years between 2010 and 2025. (2026 CPI-U figures are currently trending higher than the 2026 net new construction rate of 1.64%). See Figure 1.

The 2025 figures show a 1% difference in the ability to raise revenue compared to increased costs. This may not sound significant, but these figures are cumulative. Continued growth in costs compared to much more limited growth in allowable property tax levies "snowballs." Larger annual increases in inflation accumulate faster than smaller annual increases in net new construction.

Figure 1: Net New Construction Lags Inflation
Annual statewide



To illustrate this, imagine a county government had $100 to spend on a specific state mandated service in 2010. Through years of limited growth in net new construction, the same county would be able to increase their levy enough to spend $124 on that same service in 2025. Yet, the costs of that specific service are not controlled. If that service increased at the same rate as the CPI-U, it would cost around $150.

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Put another way, because levy limits compound every year, small annual gaps between net new construction and inflation add up. Since 2010, net new construction has limited annual county levy growth to a cumulative increase of 24.1% while the CPI-U grew by 49.9% over the same period — a gap of 25.9 percentage points.[1] Each year that this gap remains means the difference in the cost of services and the ability to pay for them will continue to widen.

COUNTY SPECIFIC

Statewide net new construction figures mask high-performing and low-performing counties, but the difference in cumulative inflation and allowable property tax levy growth is a significant driver of budgetary constraints in all counties. To examine the impact, Figure 2 shows each county's cumulative net new construction growth since 2010, plotted against a reference line marking the state's cumulative rate of inflation (49.9%) over the same period. The distance between a county's bar and that line represents its gap — the shortfall between allowable levy growth and the rise in the cost of services.

Not one of Wisconsin's 72 counties has been permitted to raise their levies enough to keep pace with inflation since 2010. Dane County was the closest, with a cumulative growth of 39.3% in net new construction, which allowed the county to raise its property tax levy by that amount. This was still 10.6 percentage points short of the 49.9% cumulative cost increase as measured by the CPI-U.

On the other end of the spectrum, Bayfield County posted the lowest cumulative net new construction growth at just 9.9%, a gap of 40 percentage points behind inflation, followed closely by Iron County (10.4%, a 39.5-point gap) and Ashland County (11.8%, a 38.1-point gap).These shortfalls have been compounding budgetary challenges over the last 15 years.

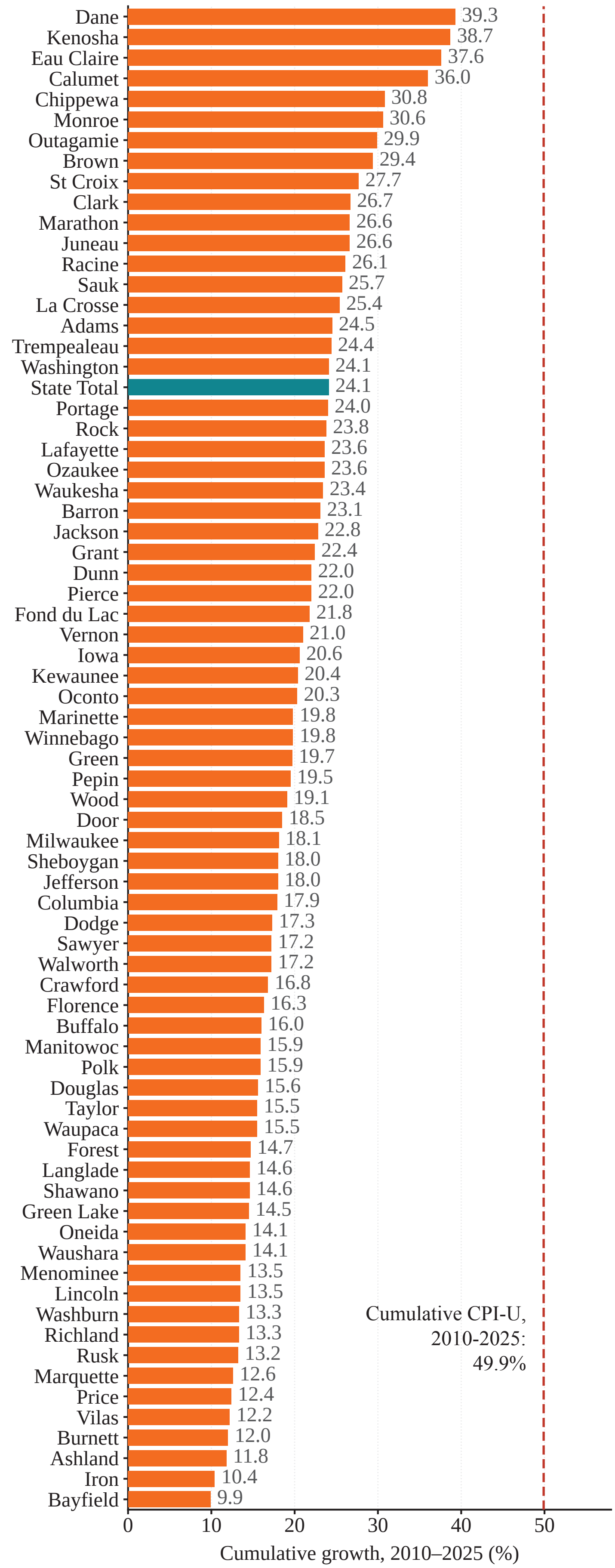
INDIVIDUAL COUNTY SUCCESS

In 2026, a small number of counties saw relatively large increases in net new construction. Racine County saw a jump of 4.97% and Dodge County jumped 1.99%. In some cases, these figures are likely driven by large data center construction (such as the Microsoft project in Racine County). Single

1 *Figures are rounded to the nearest tenth of a percentage point; as a result, cumulative NNC growth and gap may not sum exactly to the 49.9% cumulative CPI-U figure*

Figure 2: Total State and County NNC Falls Short

Cumulative NNC (%) and cumulative CPI-U (%) (red dash), 2010-25



large projects have the potential to move the new construction figures in entire counties. At the same time, large single-year increases will not account for 15 years of low growth. The “snowball effect” described above takes years to build and years to unwind.

DOR EQUALIZED VALUE ESTIMATES

The DOR Equalized Value figures released in mid-August 2026 reference a large growth in property values. It is important to note that this is not the same as growth in net new construction. Property value growth alone does not allow for any changes under levy limit laws. The memo stated that equalized value grew by 8% (around $74.6 billion) as of January 2026. The growth was driven primarily by value increases of existing property, which accounted for over $56 billion of the total increase. Just $16.4 billion of the total growth was due to net new construction.

While increasing property values offer many benefits, especially to property owners, they do not themselves change the math when it comes to allowable levy increases. For example, if a county saw an increase in property values with no corresponding change in net new construction, their allowable tax levy would not increase. Tax rates for individual property owners may change, but overall tax collections for the county would not. Increased property values must accompany new development and new growth in order to contribute to an allowable increase in the county levy.

Not one of Wisconsin’s 72 counties has been allowed to raise their levies enough to keep pace with cumulative inflation since 2010.

WHAT’S NEXT?

Despite healthy growth in overall property values, local governments in Wisconsin continue to struggle under levy limits. With few revenue options, including a maximum half-percent sales tax (0.9% in Milwaukee County), local governments are forced to borrow or to go to referenda to exceed their levy limits. The gap between the cost to provide government mandated services and the ability to raise the needed revenue continues to grow. The latest net new construction figures from DOR show that this divergence is only growing, leaving municipal and county budget officials to navigate 2027 with the same limited options as the year before.