



Municipal and County Finance

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Introduction

Wisconsin's local government system is comprised of cities (190), towns (1,255), villages (407), counties (72), school districts (424), technical college districts (16), and a number of other special purpose districts. This paper provides an overview of the financial characteristics of Wisconsin's general purpose local governments -- towns, villages, cities, and counties. It includes descriptions of expenditure and revenue patterns and the role of intergovernmental revenues in local finance. It concludes with a brief discussion of the rationale for state aid programs.

Even though local governments adopt balanced budgets, current year revenues and expenditures may not be exactly equal. Balances from previous years may fund current year services, and outlays may be part of a multi-year capital project funded with proceeds from debt issued in a prior year. Also, revenues may fluctuate above or below budgeted levels due to economic conditions. This is particularly true for interest income, licenses and permits, and sales or excise taxes. In this paper, Tables 1, 2, and 3 present statewide revenue and expenditure data compiled from annual financial reports filed by municipalities and counties with the Department of Revenue (DOR) for 2015.

Municipal and County Expenditures and Revenues

Expenditures

An examination of expenditures illustrates the variation in local government service levels. Ta-

ble 1 presents 2015 statewide total and per capita expenditures of towns, villages, cities, and counties for 10 categories of general operations. The totals include amounts expended by local enterprises, such as electric, gas, water, or other utilities. Appendix I supplies a more detailed listing of the items included in each function.

Several points relevant to the data should be noted. First, some functions are not uniformly provided by all local governments. Second, governments do not use uniform methods for allocating costs to the various expenditure categories. Third, service levels may vary due to factors other than population. For example, high per capita expenditures for public safety in a municipality may be due to a concentration of commercial and manufacturing property, as opposed to a high service level for the residents of the municipality. Despite these cautions, the expenditure data can be used to draw some general conclusions about local government services.

Cities had the highest per capita level of expenditures (\$2,380), followed by villages, counties, and towns. Average per capita expenditures for villages (\$1,819) were 76.4% of the level for cities. County expenditures per person (\$1,261) were lower than both villages and cities, but higher than the per capita expenditure level in towns (\$534), which equaled only 22.4% of the city average.

Transportation was the dominant expenditure category for towns, comprising 43.3% of town expenditures. The second most important expenditure category for towns was public safety (17.2%), which was the most important expenditure category for villages (18.7%) and cities (21.9%). Principal and interest payments on debt was the second most important expenditure category both in villages (18.2%) and cities (17.2%),

Table 1: 2015 Expenditures of Municipalities and Counties

	Towns			Villages		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
General Administration	\$127,583,789	\$77	14.4%	\$120,234,061	\$133	7.3%
Public Safety	152,459,995	92	17.2	307,710,303	340	18.7
Health and Human Services	3,379,867	2	0.4	7,551,414	8	0.5
Transportation	384,265,632	232	43.3	239,574,970	265	14.6
Sanitation	80,303,381	48	9.0	265,181,437	293	16.1
Recreation and Education	23,458,815	14	2.6	94,478,825	104	5.7
Conservation and Development	17,349,410	10	2.0	90,185,465	100	5.5
Principal and Interest	72,103,247	43	8.1	299,671,853	331	18.2
Operation of Utilities	18,249,871	11	2.1	209,748,187	232	12.7
Other	<u>7,768,643</u>	<u>5</u>	<u>0.9</u>	<u>11,735,754</u>	<u>13</u>	<u>0.7</u>
Total	\$886,922,650	\$534	100.0%	\$1,646,072,269	\$1,819	100.0%

	Cities			Counties		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
General Administration	\$429,044,719	\$134	5.7%	\$753,127,182	\$131	10.4%
Public Safety	1,662,634,127	521	21.9	1,116,336,038	194	15.4
Health and Human Services	93,243,207	29	1.2	2,573,495,392	447	35.5
Transportation	1,004,208,540	315	13.2	1,212,173,979	211	16.7
Sanitation	775,135,087	243	10.2	109,006,554	19	1.5
Recreation and Education	489,067,678	153	6.4	383,626,540	67	5.3
Conservation and Development	411,826,941	129	5.4	154,637,978	27	2.1
Principal and Interest	1,305,944,662	409	17.2	371,691,431	65	5.1
Operation of Utilities	1,121,333,931	352	14.8	6,789,952	1	0.1
Other	<u>302,887,222</u>	<u>95</u>	<u>4.0</u>	<u>570,493,615</u>	<u>99</u>	<u>7.9</u>
Total	\$7,595,326,114	\$2,380	100.0%	\$7,251,378,661	\$1,261	100.0%

Table 2: 2015 Revenue Sources of Municipalities and Counties

	Towns			Villages		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
Taxes	\$425,298,021	\$256	46.8%	\$605,010,801	\$669	36.1%
Intergovernmental Revenues	243,979,289	147	26.9	166,359,580	184	9.9
Licenses and Permits	21,847,416	13	2.4	32,962,516	36	2.0
Fines and Forfeitures	3,415,581	2	0.4	12,652,897	14	0.8
Public Charges for Services	84,431,394	51	9.3	272,862,624	302	16.3
Intergovernmental Charges	7,056,385	4	0.8	67,193,092	74	4.0
Long-Term Debt	65,857,223	40	7.2	248,472,184	275	14.8
Interest Income	3,870,828	2	0.4	8,460,135	9	0.5
Utility Revenues	18,684,914	11	2.1	194,891,699	215	11.7
Other	<u>33,240,146</u>	<u>20</u>	<u>3.7</u>	<u>65,806,392</u>	<u>73</u>	<u>3.9</u>
Total	\$907,681,197	\$546	100.0%	\$1,674,671,920	\$1,851	100.0%

	Cities			Counties		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
Taxes	\$2,261,257,273	\$709	29.8%	\$2,468,395,648	\$429	34.2%
Intergovernmental Revenues	1,126,748,585	353	14.8	1,673,862,733	291	23.2
Licenses and Permits	107,058,057	34	1.4	22,030,176	4	0.3
Fines and Forfeitures	45,240,324	14	0.6	23,377,554	4	0.3
Public Charges for Services	1,166,498,056	366	15.3	1,491,962,171	259	20.7
Intergovernmental Charges	470,260,580	147	6.2	969,179,759	168	13.5
Long-Term Debt	992,977,097	311	13.1	297,266,062	52	4.1
Interest Income	37,985,839	12	0.5	20,029,016	3	0.3
Utility Revenues	1,179,197,965	370	15.5	9,439,827	2	0.1
Other	<u>215,229,889</u>	<u>67</u>	<u>2.8</u>	<u>239,087,452</u>	<u>42</u>	<u>3.3</u>
Total	\$7,602,453,665	\$2,383	100.0%	\$7,214,630,398	\$1,254	100.0%

followed by sanitation, transportation, and utilities. In each type of municipality, public safety, principal and interest, sanitation, and transportation were four of the top five expenditure categories, and their share of total expenditures equaled 77.6% in towns, 67.6% in villages, and 62.5% in cities. In counties, transportation (16.7%) and public safety (15.4%) were important expenditure categories, but health and human services comprised the largest expenditure category (35.5%).

Revenues

Revenue patterns for towns, villages, cities, and counties for 2015 are displayed in Table 2. The table includes 10 revenue sources, which are described in more detail in Appendix II. In addition to total revenue collected, Table 2 reports per capita amounts and the percent that each revenue category is of total revenues.

Total revenues were comparable to the corresponding expenditure totals for each type of local government. Thus, the highest per capita revenues were recorded in cities (\$2,383) and villages (\$1,851), followed by counties (\$1,254) and towns (\$546).

Taxes, intergovernmental revenues, and public charges for services comprised 59.9% or more of total revenues for each governmental type in 2015. For each type, taxes represented the largest revenue source -- 46.8% for towns, 36.1% for villages, 29.8% for cities, and 34.2% for counties. Intergovernmental revenues was the second largest revenue source for towns (26.9%) and counties (23.2%), followed by public charges for services -- 9.3% for towns and 20.7% for counties. Public charges for services was the second most important revenue source for villages (16.3%). Long-term debt proceeds (14.8%) and utility revenues (11.7%) were more important revenue sources for villages than intergovernmental revenues (9.9%). For cities, utility revenues was the second largest revenue source (15.5%), more important than public charges for

services (15.3%) or intergovernmental revenue (14.8%).

Intergovernmental Revenues

Detail on 2015 intergovernmental revenues (IGR) is provided in Table 3. Aids are arranged under three broad categories: (1) direct federal aid; (2) state aid, including federal aid paid through the state; and (3) aid from other local governments. Counties receive most of the federal aid paid through the state. Separate figures are shown only for the larger aid programs, and most lines include several separate aid programs that fund similar types of local service. State aid does not reflect state property tax credits, which, although paid to municipalities and counties, must be passed through to taxpayers as a credit against gross property taxes.

Direct federal aid plays a relatively small role in intergovernmental revenues. Cities received \$43 per person in direct federal aid, which equaled 12.3% of their IGR. Counties received \$26 per person, or 8.9% of their IGR. Direct federal aid averaged \$1 per capita for towns and \$5 per capita for villages, or 0.6% and 2.7% of their total IGR, respectively.

County and municipal aid, including public utility aid, and state transportation aid were the largest sources of aid to municipalities in 2015. For towns, those aids comprised 83.4% of their total IGR. County and municipal aid comprised the largest share of intergovernmental revenues for villages (42.1%) and cities (48.3%). On a per capita basis, cities received more county and municipal aid (\$170) than villages (\$77) or towns (\$32). On the other hand, per capita transportation aid payments were higher for towns (\$91) than for cities (\$58) or villages (\$55).

Counties received the majority (59.7%, or \$174 per person) of their aid in the health and human services area. County and municipal aid (\$24 per capita) and transportation aid (\$22 per

Table 3: 2015 Intergovernmental Revenues to Municipalities and Counties

	<u>Towns</u>			<u>Villages</u>			<u>Cities</u>			<u>Counties</u>		
	Amount	Per Capita	% of Total	Amount	Per Capita	% of Total	Amount	Per Capita	% of Total	Amount	Per Capita	% of Total
Direct Federal Aid												
Public Safety	\$341,675	< \$1	0.1%	\$790,679	\$1	0.5%	\$16,265,784	\$5	1.4%	\$2,699,892	< \$1	0.2%
Health and Social Services	0	0	0.0	248,320	< 1	0.1	8,587,201	3	0.8	77,660,156	13	4.6
Transportation	528,340	< 1	0.2	771,353	1	0.5	10,720,976	3	0.9	3,891,347	1	0.2
Sanitation	627	< 1	< 0.1	37,530	< 1	< 0.1	741,472	< 1	0.1	0	0	0.0
Culture and Recreation	0	0	0.0	395,291	< 1	0.2	4,624,232	1	0.4	4,363,237	1	0.3
Community Development	0	0	0.0	1,495,747	2	0.9	61,671,103	19	5.5	26,001,842	5	1.6
Other	<u>557,345</u>	<u>< 1</u>	<u>0.2</u>	<u>774,905</u>	<u>1</u>	<u>0.5</u>	<u>36,374,282</u>	<u>11</u>	<u>3.2</u>	<u>33,884,907</u>	<u>6</u>	<u>2.0</u>
Total Federal Aid	\$1,427,987	\$1	0.6%	\$4,513,825	\$5	2.7%	\$138,985,050	\$43	12.3%	\$148,501,381	\$26	8.9%
State Aid (Includes Federal Aids Paid Through the State)												
County and Municipal Aid	\$52,596,993	\$32	21.6%	\$70,089,177	\$77	42.1%	\$543,771,929	\$170	48.3%	\$137,397,790	\$24	8.2%
Expenditure Restraint	192,230	< 1	0.1	5,762,632	6	3.6	52,190,835	16	4.6	0	0	0.0
General Government	36	< 1	< 0.1	11,072	< 1	< 0.1	415,304	< 1	< 0.1	38,632,058	7	2.3
Public Safety	6,823,850	4	2.8	5,780,217	6	3.5	17,203,904	5	1.5	24,394,315	4	1.5
Health and Human Services	0	0	0.0	660,313	1	0.4	2,848,817	1	0.3	999,496,573	174	59.7
Transportation	150,716,705	91	61.8	49,627,431	55	29.8	183,992,101	58	16.3	127,217,627	22	7.6
Sanitation	2,660,269	2	1.1	3,891,844	4	2.3	9,258,023	3	0.8	7,170,849	1	0.4
Culture and Recreation	81,738	< 1	< 0.1	1,130,284	1	0.7	3,464,441	1	0.3	30,156,376	5	1.8
Community Development	187,258	< 1	0.1	796,678	1	0.5	6,458,163	2	0.6	15,518,779	3	0.9
Forestry and Conservation	11,188,090	7	4.6	114,114	< 1	0.1	151,305	< 1	< 0.1	31,278,001	5	1.9
Payments for Mun. Services	539,881	< 1	0.2	279,409	< 1	0.2	17,720,769	6	1.6	60,604	< 1	< 0.1
Other	<u>5,384,986</u>	<u>3</u>	<u>2.2</u>	<u>12,387,447</u>	<u>14</u>	<u>7.4</u>	<u>92,682,160</u>	<u>29</u>	<u>8.2</u>	<u>94,079,021</u>	<u>16</u>	<u>5.6</u>
Total State Aid	\$230,372,036	\$139	94.4%	\$150,530,618	\$166	90.5%	\$930,157,751	\$292	82.6%	\$1,505,401,993	\$262	89.9%
Total Local Aid	<u>\$12,179,266</u>	<u>\$7</u>	<u>5.0%</u>	<u>\$11,315,137</u>	<u>\$13</u>	<u>6.8%</u>	<u>\$57,605,784</u>	<u>\$18</u>	<u>5.1%</u>	<u>\$19,959,359</u>	<u>\$3</u>	<u>1.2%</u>
TOTAL	\$243,979,289	\$147	100.0%	\$166,359,580	\$184	100.0%	\$1,126,748,585	\$353	100.0%	\$1,673,862,733	\$291	100.0%

capita) totaled 15.8%, combined, of all aid to counties.

Aid from other local governments was not a significant part of total intergovernmental revenues. These aids comprised 6.8% of intergovernmental revenue for villages, 5.1% for cities, and 5.0% for towns. This aid was less significant for counties (1.2%).

Rationale for State Aid to Local Governments

States provide aid to local units of government for a number of reasons. Although not exhaustive, the following list describes several of these reasons.

1. *Spreading Costs.* Some local services are provided to residents of other communities. State aid may help to ensure that local residents do not bear the entire burden of providing these services. For example, major streets in urban areas serve commuters from other areas. State transportation aid helps to offset the cost borne by urban residents.

2. *Tax Base Equalization.* The purpose of tax base equalization is to provide funds to equalize local governments' fiscal capacity by channeling proportionately larger amounts of aid to fiscally weak jurisdictions. Local governments vary in the amount of tax base per resident and the costs of providing local services. Through equalization, tax rates are equalized for local governments possessing equal spending levels. Although the state no longer distributes aid to municipal and county governments under tax base equalization, general state aids to elementary and

secondary school districts are allocated under an equalizing formula.

The policy of tax base equalization has been pursued for several reasons. First, it can remove fiscal capacity as a barrier to providing local services. Second, equalization may accomplish a limited degree of income redistribution, providing more state assistance to areas with low total fiscal capacity. Third, equalization can reduce the variance in local tax rates, making it easier for areas with low fiscal capacity to compete for new development.

3. *Replacing Lost Tax Base.* The exemption of a class of property from local taxation may result in a burdensome shift in taxes to owners of the remaining taxable property. State aid can cushion and spread the burden of the revenue lost due to the exemption.

4. *Substituting State Taxes for Local Taxes.* Using state aid to help finance local government may improve the overall equity in the state-local tax system. The state income tax, in particular, is generally perceived to be more progressive, equitable, and better related to the taxpayer's ability to pay than the property tax.

5. *Funding Local Mandates.* Local governments provide a wide variety of services that are required by state law. The provision of state aid helps to offset the cost of these services.

A concern raised with state aid is the trade-off between stimulating local expenditures and substituting state revenues for local revenues. Either or both responses by local governments are possible. Depending on the state's reasons for providing local aid, provisions can be built into the aid system to address this concern.

APPENDIX I

Explanations of Expenditure Categories Used in Table 1

General Administration. These are the resources expended for legislative, judicial, and general government support, including governing boards, judges, attorneys, clerks, treasurers, assessors, financial administration, and planning activities.

Public Safety. This includes police, fire, emergency communications (911), ambulance, and correctional facilities.

Health and Human Services. This includes health programs, drug abuse, mental health, services to the aged, medical and health care services for indigent individuals, veterans programs, income maintenance administration, and other human service programs.

Transportation. This includes highway maintenance, traffic control, street lighting, bicycle trails, parking lots, meters and ramps, mass transit, airports, and docks and harbors.

Sanitation. This includes sanitary sewers and treatment plants for sewer departments, refuse collection, storm water drainage, and landfill operations.

Recreation and Education. This includes

libraries, recreation programs, parks, recreational facilities, and educational programs.

Conservation and Development. This includes expenditures for public housing, economic development, county forestry projects, conservation of natural resources, and administration of planning policies and zoning laws.

Principal and Interest. This includes repayment of the principal and interest on bonds, long-term notes, installment contracts, and state trust fund loans and interest on temporary loans. It does not include the payment of principal on temporary loans.

Operation of Utilities. This includes operating expenses of water, electric, gas, and other miscellaneous utilities.

Other. This includes surplus funds applied to reduce the tax levies of other jurisdictions, expenditures from internal services accounts, and miscellaneous expenditures not classified elsewhere.

Total. This is the sum of the preceding 10 categories.

APPENDIX II

Explanations of Revenue Categories Used in Table 2

Taxes. This includes the municipal and county shares of general property taxes, county sales taxes, room taxes, special assessments, and other miscellaneous local taxes.

Intergovernmental Revenues. This includes direct federal aid, state aid, federal aid paid through the state, and aid from other local governments.

Licenses and Permits. This includes liquor licenses, building and zoning permits, and other regulatory permits and fees.

Fines and Forfeitures. This includes police fines, contract forfeitures, judgments, and damage awards.

Public Charges for Services. This includes fees charged for a variety of public services, such as parking fees, golf course fees, mental health service fees, and other user charges.

Intergovernmental Charges. This includes revenues received from other governmental units for services provided.

Long-Term Debt. This includes proceeds from long-term general obligation bonds, notes, state trust fund loans, and installment purchase contracts.

Interest Income. This includes interest earned on invested funds and interest and penalty charges on special assessments.

Utility Revenues. This includes user fees and other revenues from water, gas, electric, and other miscellaneous utilities.

Other. This includes miscellaneous revenues.

Total. This is the sum of the preceding 10 categories.