



# Municipal and County Finance

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## Introduction

Wisconsin's local government system is comprised of cities (190), towns (1,251), villages (411), counties (72), school districts (421), 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 2017.

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## Municipal and County Expenditures and Revenues

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### Expenditures

An examination of expenditures illustrates the variation in local government service levels. Table 1 presents 2017 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. Also, total debt service amounts reported may include bond proceeds used to repay refunding bonds. 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 (\$2,421), followed by villages, counties, and towns. Average per capita expenditures for villages (\$1,908) were 78.8% of the level for cities. County expenditures per person (\$1,288) were lower than both villages and cities, but higher than the per capita expenditure level in towns (\$558), which equaled only 23.0% of the city average.

Transportation was the dominant expenditure category for towns, comprising 44.5% of town expenditures. The second highest expenditure category for towns was public safety (17.6%), which was the highest expenditure category for cities (22.3%). Principal and interest payments on debt was the largest expenditure category for villages (19.4%) and the second highest expenditure

**Table 1: 2017 Expenditures of Municipalities and Counties**

	<b>Towns</b>			<b>Villages</b>		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
General Administration	\$138,103,640	\$85	15.2%	\$131,942,504	\$138	7.3%
Public Safety	159,784,176	98	17.6	330,204,941	347	18.2
Health and Human Services	3,504,994	2	0.4	8,787,037	9	0.5
Transportation	403,856,133	248	44.5	259,570,128	272	14.3
Sanitation	74,764,933	46	8.2	276,185,488	290	15.2
Recreation and Education	23,909,153	15	2.7	105,656,956	111	5.8
Conservation and Development	14,001,020	9	1.5	117,494,880	123	6.5
Principal and Interest	69,391,121	43	7.7	353,332,449	371	19.4
Operation of Utilities	13,790,335	8	1.5	224,950,878	236	12.3
Other	6,769,389	4	0.7	10,094,382	11	0.5
<b>Total</b>	<b>\$907,874,894</b>	<b>\$558</b>	<b>100.0%</b>	<b>\$1,818,219,643</b>	<b>\$1,908</b>	<b>100.0%</b>

  

	<b>Cities</b>			<b>Counties</b>		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
General Administration	\$450,045,439	\$141	5.8%	\$924,353,652	\$160	12.4%
Public Safety	1,726,285,489	539	22.3	1,167,746,941	202	15.7
Health and Human Services	94,711,890	30	1.2	2,331,349,336	403	31.3
Transportation	1,072,368,516	335	13.8	1,320,366,861	228	17.7
Sanitation	829,737,496	259	10.7	117,569,661	20	1.6
Recreation and Education	554,025,274	173	7.2	355,315,860	61	4.8
Conservation and Development	399,931,146	125	5.2	159,853,478	28	2.1
Principal and Interest	1,196,875,163	374	15.4	453,754,787	78	6.1
Operation of Utilities	1,124,339,942	351	14.5	10,038,765	2	0.1
Other	299,500,448	94	3.9	610,969,677	106	8.2
<b>Total</b>	<b>\$7,747,820,803</b>	<b>\$2,421</b>	<b>100.0%</b>	<b>\$7,451,319,018</b>	<b>\$1,288</b>	<b>100.0%</b>

**Table 2: 2017 Revenue Sources of Municipalities and Counties**

	<b>Towns</b>			<b>Villages</b>		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
Taxes	\$435,164,631	\$267	46.4%	\$656,222,345	\$689	34.7%
Intergovernmental Revenues	258,776,979	159	27.6	176,397,056	185	9.3
Licenses and Permits	22,861,405	14	2.4	36,277,115	38	1.9
Fines and Forfeitures	3,262,528	2	0.3	12,835,634	13	0.7
Public Charges for Services	77,362,534	48	8.2	302,664,836	318	16.0
Intergovernmental Charges	7,286,637	4	0.8	64,779,481	68	3.4
Long-Term Debt	76,389,179	47	8.1	338,639,668	355	17.9
Interest Income	7,463,326	5	0.8	12,510,637	13	0.7
Utility Revenues	12,718,923	8	1.4	209,890,696	220	11.1
Other	37,280,249	23	4.0	82,491,136	87	4.3
<b>Total</b>	<b>\$938,566,391</b>	<b>\$577</b>	<b>100.0%</b>	<b>\$1,892,708,604</b>	<b>\$1,986</b>	<b>100.0%</b>

  

	<b>Cities</b>			<b>Counties</b>		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
Taxes	\$2,386,528,576	\$745	30.7%	\$2,594,329,267	\$449	34.4%
Intergovernmental Revenues	1,172,576,385	366	15.1	1,669,442,175	289	22.2
Licenses and Permits	106,714,290	33	1.4	25,948,761	4	0.3
Fines and Forfeitures	42,819,410	13	0.5	24,140,186	4	0.3
Public Charges for Services	1,242,207,324	388	16.0	1,229,650,309	213	16.3
Intergovernmental Charges	481,765,224	150	6.2	1,029,374,285	178	13.7
Long-Term Debt	827,241,518	258	10.7	388,843,401	67	5.2
Interest Income	67,896,374	21	0.9	33,325,015	6	0.4
Utility Revenues	1,196,527,743	374	15.4	13,960,333	2	0.2
Other	239,948,091	75	3.1	526,036,541	91	7.0
<b>Total</b>	<b>\$7,764,224,935</b>	<b>\$2,423</b>	<b>100.0%</b>	<b>\$7,535,050,273</b>	<b>\$1,303</b>	<b>100.0%</b>

category for cities (15.4%), followed by utilities, transportation, and sanitation. 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 77.9% in towns, 67.1% in villages, and 62.2% in cities. In counties, transportation (17.7%) and public safety (15.7%) were significant expenditure categories, but health and human services comprised the largest expenditure category (31.3%).

## Revenues

Revenue patterns for towns, villages, cities, and counties for 2017 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 (\$2,423) and villages (\$1,986), followed by counties (\$1,303) and towns (\$577).

Taxes, intergovernmental revenues, and public charges for services comprised 60.0% or more of total revenues for each governmental type in 2017. For each type, taxes represented the largest revenue source -- 46.4% for towns, 34.7% for villages, 30.7% for cities, and 34.4% for counties. Intergovernmental revenues was the second largest revenue source for towns (27.6%) and counties (22.2%), followed by public charges for services -- 8.2% for towns and 16.3% for counties. Long-term debt proceeds was the second highest revenue source for villages (17.9%). Public charges for services (16.0%) and utility revenues (11.1%) were more significant revenue sources for villages than intergovernmental revenues (9.3%). For cities, public charges for services (16.0%) was the second largest revenue source, higher than utility

revenues (15.4%) or intergovernmental revenue (15.1%).

## Intergovernmental Revenues

Detail on 2017 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 \$47 per person in direct federal aid, which equaled 12.8% of their total IGR. Counties received \$31 per person, or 10.4% of their total IGR. Direct federal aid averaged \$2 per capita for towns and \$7 per capita for villages, or 1.4% and 3.5% of their total IGR, respectively.

County and municipal aid, including public utility aid, and state transportation aid were the largest sources of aid to each municipality type in 2017. For towns, those aids comprised 79.8% of their total IGR. County and municipal aid comprised the largest share of intergovernmental revenues for villages (40.3%) and cities (46.4%). On a per capita basis, cities received more county and municipal aid (\$170) than villages (\$75) or towns (\$32). In comparison, per capita transportation aid payments were higher for towns (\$95) than for cities (\$55) or villages (\$51).

Counties received the majority (58.5%, or \$169 per person) of their aid in the health and human services area. County and municipal aid (\$23 per capita) and transportation aid (\$22 per

**Table 3: 2017 Intergovernmental Revenues to Municipalities and Counties**

	<u>Towns</u>			<u>Villages</u>			<u>Cities</u>			<u>Counties</u>		
	Amount	Per Capita	% of IGR	Amount	Per Capita	% of IGR	Amount	Per Capita	% of IGR	Amount	Per Capita	% of IGR
<b>Direct Federal Aid</b>												
Public Safety	\$1,449,527	\$1	0.6%	\$858,288	\$1	0.5%	\$16,090,907	\$5	1.4%	\$2,075,446	< \$1	0.1%
Health and Social Services	0	0	0.0	956,905	1	0.5	10,373,076	3	0.9	73,400,805	13	4.4
Transportation	943,321	< 1	0.3	899,697	1	0.5	29,458,705	9	2.5	33,619,116	6	2.0
Sanitation	32,053	< 1	<0.1	23,875	< 1	< 0.1	830,034	< 1	0.1	0	0	0.0
Culture and Recreation	0	0	0.0	67,688	< 1	< 0.1	2,417,972	1	0.2	1,867,635	< 1	0.1
Community Development	35,000	0	<0.1	286,800	< 1	0.2	57,641,174	18	4.9	28,031,542	5	1.7
Other	<u>1,232,538</u>	<u>&lt; 1</u>	<u>0.5</u>	<u>3,165,825</u>	<u>3</u>	<u>1.8</u>	<u>33,317,263</u>	<u>10</u>	<u>2.8</u>	<u>34,492,027</u>	<u>6</u>	<u>2.1</u>
Total Federal Aid	\$3,692,439	\$2	1.4%	\$6,259,078	\$7	3.5%	\$150,129,131	\$47	12.8%	\$173,486,571	\$31	10.4%
<b>State Aid (Includes Federal Aids Paid Through the State)</b>												
County and Municipal Aid	\$51,616,603	\$32	19.9%	\$71,087,956	\$75	40.3%	\$543,871,984	\$170	46.4%	\$134,093,202	\$23	8.0%
Expenditure Restraint	133,522	< 1	0.1	5,640,261	6	3.2	52,371,915	16	4.5	0	0	0.0
General Government	0	0	0.0	11,844	< 1	< 0.1	0	0	0.0	39,407,710	7	2.3
Public Safety	8,137,185	5	3.1	5,490,234	6	3.1	18,642,964	6	1.6	23,149,301	4	1.4
Health and Human Services	0	0	0.0	718,304	1	0.4	3,199,486	1	0.3	975,909,661	169	58.5
Transportation	154,887,227	95	59.9	48,145,356	51	27.3	175,888,728	55	15.0	126,374,358	22	7.6
Sanitation	2,551,732	2	1.0	2,460,306	3	1.4	10,344,912	3	0.8	6,860,610	1	0.4
Culture and Recreation	469,080	< 1	0.2	896,975	1	0.5	5,633,886	2	0.5	25,174,833	4	1.5
Community Development	0	0	0.0	372,339	< 1	0.2	5,707,371	2	0.5	20,442,837	4	1.2
Forestry and Conservation	14,157,178	9	5.5	200,671	< 1	0.1	198,078	< 1	< 0.1	31,505,834	5	1.9
Payments for Mun. Services	586,179	< 1	0.2	265,316	< 1	0.2	18,178,562	6	1.5	582,984	< 1	< 0.1
Other	<u>9,372,177</u>	<u>6</u>	<u>3.6</u>	<u>15,846,600</u>	<u>17</u>	<u>9.0</u>	<u>94,817,696</u>	<u>30</u>	<u>8.1</u>	<u>97,966,346</u>	<u>17</u>	<u>5.9</u>
Total State Aid	\$241,910,883	\$149	93.5%	\$151,136,162	\$160	85.7%	\$928,855,582	\$291	79.2%	\$1,481,467,676	\$256	88.7%
<b>Total Local Aid</b>	<u>\$13,173,657</u>	<u>\$8</u>	<u>5.1%</u>	<u>\$19,001,816</u>	<u>\$20</u>	<u>10.8%</u>	<u>\$93,591,672</u>	<u>\$29</u>	<u>8.0%</u>	<u>\$14,487,928</u>	<u>\$3</u>	<u>0.9%</u>
<b>TOTAL IGR</b>	\$258,776,979	\$159	100.0%	\$176,397,056	\$187	100.0%	\$1,172,576,385	\$367	100.0%	\$1,669,442,175	\$290	100.0%



capita) totaled 15.6%, combined, of all aid to counties.

Aid from other local governments was not a significant part of total intergovernmental revenues. These aids comprised 10.8% of intergovernmental revenue for villages, 8.0% for cities, and 5.1% for towns. This aid was less significant for counties (0.9%).

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### **Rationale for State Aid to Local Governments**

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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. However, this category does include repayment of refunding bonds.

*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.