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Introduction

Wisconsin's local government system is comprised of cities (190), towns (1,252), villages (413), 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 2019.

Municipal and County Expenditures and Revenues

Expenditures

An examination of expenditures illustrates the variation in local government service levels. Table 1 presents 2019 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 (\$2,576), followed by villages, counties, and towns. Average per capita expenditures for villages (\$2,083) were 80.8% of the level for cities. County expenditures per person (\$1,393) were lower than both villages and cities, but higher than the per capita expenditure level in towns (\$637), which equaled only 24.7% of the city average.

For each type of municipality, public safety, principal and interest payments on debt, and transportation were three of the top four expenditure categories, and their share of total expenditures totaled 73.3% in towns, 59.7% in villages, and 58.5% in cities. Transportation was the dominant expenditure category for towns and villages, comprising 46.5% of town expenditures and 24.2% of

Table 1: 2019 Expenditures of Municipalities and Counties

	Towns			Villages		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
General Administration	\$139,735,626	\$86	13.5%	\$140,960,163	\$143	6.9%
Public Safety	173,082,431	106	16.7	353,237,575	358	17.2
Health and Human Services	3,400,130	2	0.3	10,629,268	11	0.5
Transportation	482,438,952	296	46.5	496,007,312	503	24.2
Sanitation	66,975,763	41	6.5	96,302,037	98	4.7
Recreation and Education	26,237,677	16	2.5	123,922,758	126	6.0
Conservation and Development	22,134,301	14	2.1	198,811,552	202	9.7
Principal and Interest	104,402,930	64	10.1	376,296,159	382	18.3
Operation of Utilities	11,104,255	7	1.1	234,859,766	238	11.4
Other	<u>7,493,021</u>	<u>5</u>	<u>0.7</u>	<u>21,727,626</u>	<u>22</u>	<u>1.1</u>
Total	\$1,037,095,086	\$637	100.0%	\$2,052,754,216	\$2,083	100.0%

	Cities			Counties		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
General Administration	\$552,555,872	\$171	6.6%	\$922,543,484	\$158	11.3%
Public Safety	1,798,702,441	557	21.6	1,260,799,659	216	15.5
Health and Human Services	99,182,387	31	1.2	2,376,448,650	407	29.2
Transportation	1,719,912,830	533	20.7	1,430,175,217	245	17.6
Sanitation	365,931,031	113	4.4	122,942,114	21	1.5
Recreation and Education	568,185,553	176	6.8	376,984,213	65	4.6
Conservation and Development	421,694,213	131	5.1	197,823,330	34	2.4
Principal and Interest	1,348,523,845	418	16.2	661,727,049	113	8.1
Operation of Utilities	1,123,202,312	348	13.5	11,638,270	2	0.1
Other	<u>320,966,992</u>	<u>99</u>	<u>3.9</u>	<u>779,487,213</u>	<u>133</u>	<u>9.6</u>
Total	\$8,318,857,476	\$2,576	100.0%	\$8,140,569,199	\$1,393	100.0%

Table 2: 2019 Revenue Sources of Municipalities and Counties

	Towns			Villages		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
Taxes	\$468,669,659	\$288	44.1%	\$723,728,587	\$734	36.7%
Intergovernmental Revenues	269,387,471	165	25.4	183,329,642	186	9.3
Licenses and Permits	22,466,163	14	2.1	41,943,231	43	2.1
Fines and Forfeitures	3,323,794	2	0.3	12,486,977	13	0.6
Public Charges for Services	81,533,294	50	7.7	336,690,091	341	17.1
Intergovernmental Charges	6,127,858	9	0.6	68,338,952	69	3.5
Long-Term Debt	142,274,144	87	13.4	274,220,189	278	13.9
Interest Income	15,134,219	9	1.4	36,757,012	37	1.9
Utility Revenues	10,517,522	6	1.0	213,590,470	217	10.8
Other	<u>42,687,297</u>	<u>26</u>	<u>4.0</u>	<u>79,126,478</u>	<u>80</u>	<u>4.0</u>
Total	\$1,062,121,421	\$652	100.0%	\$1,970,211,629	\$1,998	100.0%

	Cities			Counties		
	Amount	Per Capita	Percent	Amount	Per Capita	Percent
Taxes	\$2,563,180,431	\$794	30.8%	\$2,785,991,247	\$477	33.4%
Intergovernmental Revenues	1,209,197,892	374	14.5	1,687,515,745	289	20.3
Licenses and Permits	118,089,015	37	1.4	27,035,035	5	0.3
Fines and Forfeitures	42,450,216	13	0.5	24,901,006	4	0.3
Public Charges for Services	1,304,012,631	404	15.7	1,306,287,242	224	15.7
Intergovernmental Charges	480,770,027	149	5.8	1,131,144,431	194	13.6
Long-Term Debt	955,538,825	296	11.5	579,373,582	99	7.0
Interest Income	147,788,654	46	1.8	104,433,270	18	1.3
Utility Revenues	1,192,945,666	369	14.3	11,071,504	2	0.1
Other	<u>305,398,121</u>	<u>95</u>	<u>3.7</u>	<u>672,069,885</u>	<u>115</u>	<u>8.1</u>
Total	\$8,319,371,478	\$2,577	100.0%	\$8,329,822,947	\$1,426	100.0%

village expenditures. Public safety was the largest expenditure category for cities (21.6%), as well as the second highest expenditure category for towns (16.7%). Principal and interest payments on debt was the second largest expenditure category for villages, comprising 18.3% of total village expenditures. In counties, transportation (17.6%) and public safety (15.5%) were significant expenditure categories, but health and human services comprised the largest expenditure category (29.2%).

Revenues

Revenue patterns for towns, villages, cities, and counties for 2019 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 (\$2,577) and villages (\$1,998), followed by counties (\$1,426) and towns (\$652).

Taxes, intergovernmental revenues, and public charges for services comprised 60.0% or more of total revenues for each governmental type in 2019. For each type, taxes represented the largest revenue source -- 44.1% for towns, 36.7% for villages, 30.8% for cities, and 33.4% for counties. Intergovernmental revenues was the second largest revenue source for towns (25.4%) and counties (20.3%), while public charges for services was the second largest revenue source for villages (17.1%) and cities (15.7%).

Intergovernmental Revenues

Detail on 2019 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 \$49 per person in direct federal aid, which equaled 13.0% of their total IGR. Counties received \$30 per person, or 10.5% of their total IGR. Direct federal aid averaged \$1 per capita for towns and \$8 per capita for villages, or 0.8% and 4.2% 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 2019. For towns, those aids comprised 82.5% of their total IGR. County and municipal aid comprised the largest share of intergovernmental revenues for villages (41.2%) and cities (45.8%). On a per capita basis, cities received more county and municipal aid (\$171) than villages (\$77) or towns (\$33). In comparison, per capita transportation aid payments were higher for towns (\$104) than for cities (\$61) or villages (\$55).

Counties received the majority (56.8%, or \$164 per person) of their aid in the health and human services area. County and municipal aid (\$25 per capita) and transportation aid (\$26 per capita) totaled 17.6%, combined, of all aid to counties.

Aid from other local governments was not a significant part of total intergovernmental revenues. These aids comprised 7.2% of intergovernmental revenue for villages, 5.9% for cities, and 5.4% for towns. This aid was less significant for counties (0.6%).

Table 3: 2019 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
Direct Federal Aid												
Public Safety	\$364,870	< \$1	0.1%	\$540,074	\$1	0.3%	\$18,236,348	\$6	1.5%	\$2,979,788	\$1	0.2%
Health and Social Services	0	0	0.0	1,194,194	1	0.7	9,373,481	3	0.8	91,265,279	15	5.4
Transportation	943,321	< 1	0.2	1,443,281	1	0.8	25,495,158	8	2.1	15,228,066	3	0.9
Sanitation	15,937	< 1	< 0.1	546,124	1	0.3	10,556	< 1	< 0.1	0	0	0.0
Culture and Recreation	0	0	0.0	515,457	1	0.3	4,787,386	1	0.4	2,563,561	< 1	0.2
Community Development	2,134	0	< 0.1	127,752	< 1	< 0.1	57,491,635	18	4.8	24,486,464	4	1.4
Other	<u>1,371,285</u>	<u>< 1</u>	<u>0.5</u>	<u>3,303,551</u>	<u>3</u>	<u>1.8</u>	<u>41,896,274</u>	<u>13</u>	<u>3.5</u>	<u>39,789,183</u>	<u>7</u>	<u>2.4</u>
Total Federal Aid	\$2,155,481	\$1	0.8%	\$7,670,433	\$8	4.1%	\$157,290,838	\$49	13.0%	\$176,312,341	\$30	10.5%
State Aid (Includes Federal Aids Paid Through the State)												
County and Municipal Aid	\$53,420,545	\$33	19.8%	\$75,525,490	\$77	41.2%	\$553,577,954	\$171	45.8%	\$144,963,159	\$25	8.6%
Expenditure Restraint	91,401	< 1	< 0.1	5,400,164	6	2.9	53,820,135	17	4.5	0	0	0.0
General Government	2,300	< 1	< 0.1	20,149	< 1	< 0.1	52,492	< 1	< 0.1	42,472,022	7	2.5
Public Safety	8,498,573	5	3.2	7,310,685	7	4.0	21,608,987	7	1.8	25,471,095	4	1.5
Health and Human Services	0	0	0.0	748,466	1	0.4	3,962,967	1	0.3	957,922,129	164	56.8
Transportation	168,801,426	103	62.7	54,084,773	55	29.5	198,221,257	61	16.4	151,215,336	26	8.9
Sanitation	2,517,944	2	0.9	2,287,121	2	1.3	9,393,124	3	0.8	3,935,928	1	0.2
Culture and Recreation	121,098	< 1	< 0.1	1,277,553	1	0.7	4,422,955	1	0.4	27,629,853	5	1.6
Community Development	80,480	< 1	< 0.1	467,774	< 1	0.3	5,810,566	2	0.5	18,355,130	3	1.1
Forestry and Conservation	9,431,953	6	3.5	138,200	< 1	< 0.1	137,903	< 1	< 0.1	30,306,574	5	1.8
Payments for Mun. Services	439,965	< 1	0.2	413,833	< 1	0.2	17,788,506	6	1.4	1,098,009	< 1	< 0.1
Other	<u>9,213,442</u>	<u>6</u>	<u>3.4</u>	<u>14,851,675</u>	<u>15</u>	<u>8.1</u>	<u>111,671,985</u>	<u>35</u>	<u>9.2</u>	<u>97,487,598</u>	<u>17</u>	<u>5.8</u>
Total State Aid	\$252,619,127	\$155	93.8%	\$162,525,883	\$165	88.7%	\$980,468,831	\$304	81.1%	\$1,500,856,833	\$257	88.9%
Total Local Aid	<u>\$14,612,863</u>	<u>\$9</u>	<u>5.4%</u>	<u>\$13,133,326</u>	<u>\$13</u>	<u>10.8%</u>	<u>\$71,438,223</u>	<u>\$22</u>	<u>5.9%</u>	<u>\$10,346,571</u>	<u>\$2</u>	<u>0.6%</u>
TOTAL IGR	\$269,387,471	\$165	100.0%	\$183,329,642	\$186	100.0%	\$1,209,197,892	\$375	100.0%	\$1,687,515,745	\$289	100.0%

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. 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.