THE FINAL REPORT OF

The Commission on
State–Local
Relations and Financing
Policy

HARRY L. WALLACE
Chairman

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January, 1977
FINAL REPORT OF THE
COMMISSION ON STATE-LOCAL RELATIONS
AND FINANCING POLICY

Harry L. Wallace
Chairman

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POLICY THEMES OF COMMISSION RECOMMENDATIONS

1. Local governments must have greater flexibility and autonomy in meeting their responsibilities for organization, service provision and financing.

2. Counties should assume a more significant role, particularly with respect to local services and functions with areawide impact and considering areawide economies of scale.

3. General purpose units of local government should be strengthened and the functions of special purpose districts (other than education districts) transferred to general purpose units.

4. State-local communications need to be improved by providing local units with more lead time, as well as a closer examination of local fiscal impacts of state policy decisions.

5. The state should have a comprehensive statewide land use and boundary adjustment policy. Haphazard development can increase the costs of providing services, and guidelines and procedures are needed to ensure a rational approach to land use.

6. The present system of state-local financing relies too heavily on property taxes.

7. The Commission reaffirms its support for two major financing policy goals - the equalization of the fiscal capacity of local units to finance services, and the equalization of the ability of individuals to bear the local tax burden.
RECOMMENDATIONS IN BRIEF

The following, arranged by chapter and subsection, is a synopsis of the recommendations of the Commission on State-Local Relations and Financing Policy.

CHAPTER 1: ELEMENTARY AND SECONDARY EDUCATION

School District Organization

A. Regarding school district organization the Commission recommends:

1. The Department of Public Instruction (DPI) should periodically identify all school districts with high costs or substandard programs, based on the criteria set forth in 2 and 3 below.

2. A high-cost district is a district which incurs secondary shared costs.

3. Evaluation of school district programs shall be based on the following criteria:
   a. any performance (output assessment) criteria presently available or developed by the DPI;
   b. compliance with statutory requirements.

4. The DPI should consult with districts with high costs and/or substandard programs on ways to reduce costs and/or improve programs.

5. The Agency School Committee, after having received notification of such districts, should develop a plan to reduce high costs and improve programs in substandard districts and initiate actions related to that plan which include, but are not limited to, the following:
   a. Each district should have its own board of education elected by the voters in the district.
   b. Each district should encompass a geographic area which includes one or more established communities. The area should be of an optimum size to use financial resources in the most effective manner, to ensure competent lay and professional leadership, and to permit a high level of citizen participation and communication.
   c. Each district should include a diverse population based on economic, ethnic and racial characteristics.
   d. A school district need not conform to county or town boundaries. It may consist of only a portion of one county or town or it may include area in two or more counties or towns.
   e. Efforts should be made to reduce the disparity among school districts in taxable wealth behind each child. Each district should include property with an equalized assessed valuation per student sufficient to support a reasonable portion of the total cost of the educational program.
   f. Travel time to school should not exceed 60 minutes each way for secondary and 40 minutes each way for elementary pupils (to be used in both sparsely and densely populated areas).

B. The Commission recommends that, in the interest of both governmental efficiency and reducing taxpayer burden, the school district, Cooperative Educational Service Agency (CESA) and the DPI should strive toward and make all means available for more efficient use of school facilities in declining enrollment districts.

C. The Commission believes that the efficient use of school facilities in declining enrollment districts is best accomplished through joint utilization, facility and/or student transfer, and/or increased use of cooperative services among school districts.

D. The Commission believes that future problems of under-utilized school facilities could be avoided through closer coordination with general purpose governmental units on land use and development decisions, and with other school districts on school facility development and location decisions.
E. The Commission believes that the state has the responsibility to ensure that schools are integrated in metropolitan areas which have significant minority populations, and that all school districts within the urbanized metropolitan area of a Standard Metropolitan Statistical Area (SMSA) should participate equally in school integration.

F. The Commission recommends that all school districts in the state be reorganized as K-12 districts by the 1979-80 school year.

G. The Commission recommends that city school districts be retained in their present fiscally dependent form, with the option for the city school district to use methods presently available to become a common or unified fiscally independent school district.

H. The Commission encourages the elimination of school district islands except where, because of geographic difficulties, an appeal may be made to the Agency School Committee.

I. The Commission recommends that in future school district consolidation, the new school district boundaries should include the entirety of a city and/or village. In cases where, because of geographic difficulties, it can be demonstrated to be unfeasible or impractical for a school district’s boundaries to include the entirety of a city and/or village, such cases should be reviewed (and a determination made by) the Agency School Committee.

J. Cooperative Educational Service Agencies (CESAs)
   1. The Commission recommends that present CESAs district boundaries be retained.
   2. The Commission recommends that the role of the CESAs should be strengthened by clarifying that CESAs are legal entities which can sue and be sued in relation to its various functions.
   3. The Commission believes that, regarding personnel service contracts, CESAs should be considered the sole employer and that the recipients of CESAs personnel services are not in an employer-employee relationship, but may exercise discretion over personnel services.
   4. The Commission recommends that the DPI, with the involvement of school district officials, should periodically review CESAs district operations and make suggestions for fiscal and management improvements which would enhance the effectiveness and efficiency of the agencies.
   5. The Commission recommends creation of a study committee to develop a standardized CESAs service contract.

K. The Commission recommends that the present system of providing Exceptional Educational Need services through County Handicapped Children’s Education Boards (CHCEBs), school districts or CESAs should be retained.

L. The Commission recommends that a school board be authorized to fix the number of polling places in a school district to two or more in central places in a district when a referendum is required or some vote taken, at a time or date when no other election is taking place. The school board should provide the public notice which would be necessary in order to comply with the law pertaining to other notices of public meetings.

School District Fiscal Affairs
   1. The Commission recommends that the present full equalization concept in the general school aid formula be retained.
   2. The Commission recommends that the state establish the goal of providing general school aids in an amount sufficient to finance 50% of the shared elementary and secondary education costs.
   3. The Commission recommends that where a town, village or city is wholly within a school district’s boundaries, such municipal governing body should have the option to finance the school district levy from whatever local revenue sources are available to that municipality.
   4. The Commission recommends that the primary shared cost ceiling should be increased from 110% to 115% of the prior year’s statewide average shared cost per pupil.
5. Recognizing that provision of a standard educational program is related to the availability of school facilities, the Commission recommends that the state eliminate the $100 per member shared cost limitation for annual capital outlay and debt service.

6. Recognizing that school districts may experience higher total costs resulting from the number of students enrolled in high-cost programs (vocational programs, special education programs) or the number of high-cost students (secondary students, AFDC students), the Commission recommends that the state should begin efforts to determine differences in cost per pupil for the purpose of distributing state aids on a weighted membership basis in future years.

7. Recognizing that school district costs do not increase or decrease in direct proportion to enrollment trends for purposes of general school aids, the Commission recommends that school districts use a two-year average enrollment for state aid purposes.

8. The Commission recommends that the level of state funding for CESA district administrative purposes be increased to account for increased CESA district responsibilities recommended by the Commission.

9. The Commission recommends that present city school district bonding and borrowing requirements be retained.

10. To recognize the goal of equalization used in the school aid formula, the Commission recommends changing the present cost control formula to a formula which uses a fixed percentage of each school district's prior year's shared cost but allows a higher percentage increase for low cost per pupil districts. If a district does not budget in any year the full amount allowed under the cost control, the school district should be permitted to add the difference to its allowable budget for the next succeeding year, providing the total amount does not exceed a specified percentage (115%, for example) of the school district's cost per pupil for the previous year.
CHAPTER 2: VOCATIONAL, TECHNICAL AND ADULT EDUCATION (VTAE)

VTAE District Organization and Structure

Recognizing certain philosophical and practical problems in the administration of vocational, technical and adult education, the Commission recommends the following changes in the VTAE system of governance:

1. All local VTAE boards should be uniformly appointed by county board chairmen.

2. The school superintendent appointed to a local VTAE board should be appointed in the same manner as other local VTAE board members.

3. A minimum level and type of program available to the 16 to 18-year old population should be established by statute.

VTAE District Fiscal Affairs

1. The Commission recommends that the state meet and maintain a commitment to provide 35% state aid for vocational education.

2. The Commission recommends that the level of tuition be gradually increased to a percentage of instructional cost equal to that in effect in the University of Wisconsin System. The availability of student loans and grants should increase correspondingly.

3. The Commission recommends that all interdistrict tuition payments be eliminated for programs not available in a student’s home district.

4. The Commission recommends that the VTAE system be subject to the same general concept of controlling total cost as applies to elementary and secondary school districts.

5. The Commission recommends that expenditures be controlled locally through a local fiscal control board appointed on the basis of population by the county board chairmen, consisting of elected local officials (excluding school board members). The fiscal control board may disapprove proposed VTAE district budgets by a majority vote.

6. The Commission recommends that the present property tax mill rate limits for VTAE be eliminated if the fiscal board option is adopted.

7. The Commission recommends that the respective VTAE districts certify a budget requirement through each fiscal control board to each county board. The county board should have the option to finance the county’s portion of the vocational budget from the revenue sources available to the county.

8. The Commission recommends that all VTAE district bonds in excess of a specified dollar amount be mandatorily submitted to a referendum.

(4)
CHAPTER 3: HEALTH AND SOCIAL SERVICES

Income Maintenance Programs
1. The Commission recommends retaining present county administrative responsibility for the state and federal income maintenance programs.

2. The Commission recommends that the state provide counties with a system which will accomplish orderly and routine implementation of changes in the policies, standards and administrative regulations in these programs, to reduce confusion in program administration and eliminate time-consuming manual operations.

3. The Commission recommends that the state develop and provide a mechanism for formal county participation in the establishment of state policies in these programs.

4. The Commission encourages county social service departments to combine their personnel and management resources, wherever possible, to facilitate the administration of these programs.

5. The Commission recommends that the state, in consultation with county social service department administrators, undertake to identify a standard per unit cost for income maintenance administration.

6. The Commission recommends that the administrative costs of the state and federal income maintenance programs administered by the county be shared on a 90% state - 10% county cost-sharing basis under state sum sufficient appropriations.

Social Services
1. The Commission recommends retaining county responsibility for the administration and provision of state and federal Title XX social services.

2. The Commission recommends that the state complete development of the needs assessment system required by the federal government under the provisions of Title XX. In its development, the system should, to the fullest possible extent, draw upon the information and expertise of all state and local agencies responsible for purchasing and/or providing social services, regardless of the programs under which the services are required.

3. The Commission encourages county social service departments and all other state and local social service providers to coordinate social service functions jointly, and to utilize the needs assessment system when its development is completed.

4. For recommendations relating to the financing of social service programs, see recommendations #5 and #6 under mental health services (below).

Mental Health
1. The Commission recommends retaining county responsibility for the administration and delivery of mental health, developmental disabilities, alcoholism and drug abuse services statewide.

2. The Commission encourages the state to permit local mental health and developmental disabilities boards greater flexibility and discretion in determining local administrative structures, policies and services to be provided based on client needs and other significant local circumstances, subject to the condition that local administration and provided services achieve the broad, long-range goals for these programs as established by the state Department of Health and Social Services (DHSS).
3. The Commission recommends that the state DHSS and all local public mental health and social service agencies jointly develop a system for coordinated planning and providing of services, and that greater emphasis be placed on utilization of services available through private non-profit and voluntary service providers.

4. The Commission recommends the creation of a Human Services Advisory Council, composed of local administrators, service providers, state DHSS officials and private citizens, to assist in developing and accomplishing coordinated planning and delivery of services within and between both the state and the county. The council should also serve as a forum for the continual exchange of interest and concerns in human service delivery, and should have as one of its primary goals the continuing improvement in the human service delivery system statewide.

5. The Commission submits the following recommendations regarding the financing of mental health and social service programs:
   a. State aid appropriations for the social service and mental health programs should be consolidated into a single aid appropriation.
   b. The consolidated aids should be appropriated directly to the county boards of supervisors.
   c. The county boards should have the flexibility and discretion to determine how much and for which programs (social services and mental health) the consolidated aids will be apportioned at the county level. The method of apportioning aids at the county level should also include procedures for insuring the equitable distribution of those aids in counties which have or may establish combined multicounty 51.42/.437 and/or social service boards.
   d. Counties are encouraged, but should not be obligated, to raise additional revenues from available resources up to an amount equal to a 6% annual increase over the base budget approved for these programs, against which the state should match the local effort on a dollar-for-dollar basis.
   e. Continued annual maintenance of this fiscal effort should not be required of any county which chooses to appropriate additional locally raised revenues, but a discontinuation of this effort should result in a discontinuation of state matching grant monies.

6. As a long-range goal, the Commission recommends that the state and county social service and mental health service agencies jointly attempt to identify a minimum uniform level or range of services to be provided in these programs.

General Relief

1. The Commission recommends that the present unit system for administration and provision of general relief benefits be eliminated and that the responsibility for the general relief program be transferred to the county.

2. The Commission recommends that the state establish minimum standards of eligibility in the general relief program, and that the costs of this program be financed on a 50% state - 50% county cost-sharing basis.

Public Health

1. The Commission recommends that the state undertake efforts to develop a statewide public health policy and a comprehensive enumeration of either specific services or a range of services considered to be included within the definition of "basic health services" which counties should be expected to provide.

2. The Commission recommends that the county assume responsibility for providing basic public health services statewide.

3. The Commission recommends that incorporated municipalities be permitted the flexibility and options to provide or contract for the provision of public health services which are in addition to, but do not duplicate, those provided by the county.

4. The Commission recommends that counties be permitted to contract with each other to provide basic public health services on a multicounty basis to unincorporated areas, subject to the condition that all counties entering into multicounty contracts for public health services be within the same health planning district.

5. The Commission recommends that the basic public health services, after having been defined by the state, should be funded on a state-county equal matching basis. Cities and villages wishing to provide additional services not provided by the county should finance those services from locally raised revenues.
Community Human Services Board

The Commission recommends that the Community Human Services Board pilot projects be completed and thoroughly evaluated by the DHSS before any change in the present optional system is contemplated by the Legislature.
CHAPTER 4: TRANSPORTATION

Transportation Planning and Policies

1. The Commission recommends that each county board be given the responsibility for adopting an all-mode transportation plan after consultation with the state, regional planning commissions and affected local units of government. Such plans should be subject to periodic review.

2. The Commission believes it should be a primary responsibility of the plan to identify alternative transportation modes, and, in populous counties, to identify improved or increased transportation services.

3. The Commission recommends that the county bear full responsibility for the maintenance and repair of county roads and highways.

4. The Commission recommends that the state continue to provide technical and management assistance to local units of government to assist in identification of methods in which public transit services may be more efficiently delivered.

Transportation Financing

1. The Commission recommends that the general transportation aids formula should be revised to consider use, as reflected by actual road mileage, differing physical road characteristics, differing service characteristics of roads, and differing costs based on road type and location.

2. The Commission recommends that the highway aid formula should be updated in a manner sufficient to finance highway costs on a current year basis (through necessary adjustments in the formula) until such time as standard unit cost data can be developed after which aids should be paid on a standard unit cost basis rather than on a dollar amount per unit basis by unit of government.

3. The Commission recommends that transportation aids paid to local units be spent for transportation purposes only.

4. The Commission recommends that discretionary funds be made available to counties for the purpose of meeting locally determined transportation needs, and to make possible comprehensive countywide transportation planning. Such funds should not result in a dollar reduction in the amount available to provide aids for existing local transportation needs.

5. The Commission recommends that the state assume full financial responsibility for the state trunk system (connecting streets) and that the state make every effort in future years to maintain that responsibility.

6. The Commission recommends that the state retain the present method of distributing public transit aids and should increase the aid appropriation to fully fund the present formula.

7. The Commission recommends that the state also continue providing funds for demonstration projects to study and develop innovative public transit programs which may be of statewide significance.

8. The Commission recommends that the sales tax be extended to motor fuels and the proceeds distributed to local governments as additional transportation aids. The distribution of these aids should be consistent with Commission recommendations relating to revisions in the methods for providing local transportation aids. Appropriate exclusions from the sales tax should be provided for motor fuels used for agricultural purposes.
CHAPTER 5: GENERAL PURPOSE LOCAL GOVERNMENT

Powers and Duties

A. General Recommendations

1. The Commission recommends that where cities, villages and/or towns are the presumptive providers of a local service, such units be granted the authority to transfer, by contract at their own determination and cost, responsibility for the provision of that service to the county, whether or not the county would otherwise have authorization to provide the service. Such contracts would be activated by mutual consent.

2. The Commission recommends that counties establish a services committee to facilitate assumption of local services transferred to the county by contract.

3. The Commission encourages the state to provide financial incentives and technical and management assistance to local governments to encourage cooperative service provision agreements.

4. The Commission recommends that local governments be permitted the authority to contract with private service providers for the provision of governmental services, except for the exercise of police powers and judicial functions.

5. The Commission recommends that counties, at a minimum, be provided with optional forms of administrative home rule powers.

6. The Commission, recognizing that it is desirable for governments to seek the advice and opinions of their citizens on specific issues from time to time, recommends that counties be provided the authority to conduct advisory referenda upon resolution of the county board.

7. The Commission recommends that the statutory provision which allows towns to adopt village powers be removed.

B. Specific Services

1. Police Service

   a. The Commission recommends that the county be designated as the presumptive provider of police services in unincorporated areas, and cities and villages as presumptive providers in incorporated municipalities. The cost of police services to unincorporated areas should be borne by the units of government receiving the services.

   b. The Commission recommends that the county be permitted to provide police services to towns either on its own, through a contract with another county, or through a contract with an incorporated municipality.

   c. The Commission recommends that incorporated municipalities be permitted to provide police services either singly, through a contract with another municipality, or through a contract with the county.

2. Fire Services

   a. The Commission recommends that towns, villages and cities be designated as the presumptive providers of fire protection services in their respective communities.

   b. The Commission recommends that each of these governmental units be permitted to provide fire protection services either singly, through a contract with each other, or through a contract with the county.

3. Public Safety Department

   The Commission recommends amending sections 61.65 and 62.13, Wisconsin Statutes, to remove the requirement that villages and cities of a statutorily specified size establish both a police and fire department with their respective chiefs and subordinates, if a joint public safety department is established to provide police and fire services.

4. Sewers and Sewage Treatment

   The Commission recommends retaining the present governmental responsibilities for these functions.
5. Solid Waste Disposal and Landfill Operations
   a. The Commission recommends transferring all responsibility for landfill site operations and management to the county or multicounty level.
   b. The Commission recommends that the present responsibilities for waste collection and transfer functions be retained.

6. Water Supply System
   The Commission recommends retaining the present responsibilities for provision of water services.

7. Parks and Recreation Services
   The Commission recommends that the present system under which parks and recreation service are provided be retained.

8. The Commission recommends that responsibility for the operation of airports which provide a service to interstate commerce (regularly scheduled interstate air service) be transferred to the county level with specific encouragement for multicounty airport operations in areas where airports serve more than a single county’s needs.

Organization and Governance Structure

A. Counties
   1. The Commission recommends that counties have either an elected county executive or an appointed county administrator.
   2. Regarding electoral procedures for counties, the Commission recommends that the county executive, county board, sheriff and district attorney remain as elected officials.
   3. The Commission recommends that the Constitution be amended to provide that all other county officials at present elected (clerk, treasurer, register of deeds, surveyor, clerk of circuit court) be elected or appointed at the discretion of the county board, with the right of the citizens of the county to petition a referendum on the action of the county board.
   4. The Commission recommends that all county elected officials be elected on a non-partisan ballot in the spring.

B. Cities and Villages
   1. The Commission recommends that cities retain their present optional forms of governance, and that villages be specifically authorized the same options as cities to elect an executive officer separate from the legislative body, or to have a village manager plan regardless of population.
   2. Regarding electoral procedures for cities and villages, the Commission recommends that the mayor or village president and members of the legislative bodies remain as elected officials. All other city and village officials (clerk, treasurer, assessor, comptroller) should be elected or appointed at the discretion of the city council or village board, with the right of the citizens of the city or village to petition a referendum on the action of the municipal governing body.
   3. The Commission recommends that police and fire commissions retain those responsibilities which guarantee the right of citizens and the chief to file charges against a member of a department, the final disposition of which should be through statutory procedures. However, municipalities should be granted the authority to transfer the hiring, promotion and examination duties of police and fire commissions to normal municipal personnel procedures, at the discretion of the municipality.

C. Towns
   1. The Commission recommends that towns retain the present town board system of governance.
   2. Regarding electoral procedures for towns, the Commission recommends that the town board remain a popularly elected body.
3. The Commission recommends that the statutes be amended to provide that all other town officers (clerk, treasurer, assessor) be elected or appointed at the discretion of the town board, with the right of the citizens of the town to petition a referendum on the action of the town board.

D. General Recommendations

1. The Commission recommends that all local boards, commissions and authorities permitted or required by statute be appointed by the local general purpose government and be fiscally accountable to the local executive and legislative branches of government. Representation on multigovernmental appointed bodies at the same level of government should be determined on the one person - one vote (population) basis.

2. The Commission recommends that the Legislature undertake a review and updating of all statutes pertaining to local governments to eliminate statutory contradictions.

Fiscal Management Policies

1. The Commission recommends that all legislation affecting general and single purpose local government units be required to have a statement of the estimated fiscal effects (fiscal liability or revenue change), as well as an estimate of the direct and indirect costs and benefits to the affected local governments, and a statement of policy advisability of the proposed legislation attached to it prior to committee or full legislative consideration.

2. The Commission recommends that the implementation of any state legislation which increases local government financial liability or alters local government revenues, and which legislation is published after local governments have adopted their budgets, be deferred until the next succeeding local budget period. Such legislation may be implemented in the interim if the state bears the full fiscal responsibility until the next succeeding local budget year.

3. The Commission encourages the state to provide technical assistance to all local governments desiring to engage in improved budgeting practices.

4. The Commission recommends that efforts be made toward establishing greater uniformity in fiscal years between and among state and local government units.

5. The Commission recommends that special state aid payments continue to be made on a cost reimbursement basis. The state is encouraged to reduce the time period between the local government incurring the cost and the state reimbursement payment.

6. The Commission recommends that, to the extent feasible, all state aid payments to local units of government be paid on a periodic basis within the local units' fiscal year.

7. The Commission recommends that levy limits be repealed.

Local Governments and Collective Bargaining

1. The Commission recommends that the Municipal Employment Relations Act be amended to expressly authorize an option for a local employer and an employee bargaining unit to negotiate and mutually agree to establish procedures for the resolution of bargaining impasses. The authority to mutually establish impasse resolution procedures should apply to all local units of government which are subject to the provisions of s. 111.70 through s. 111.77. It is understood that the Commission recommends this authority as a permissive (not mandatory or prohibited) subject of bargaining.

a. The impasse resolution procedures should be negotiated and mutually agreed upon by the local employer and local employee organization. Such authority to negotiate and mutually establish an impasse procedure should not be limited to those impasse procedures provided by statute for that governmental unit and its employee bargaining unit.

b. The statute should clearly provide the local, mutually established impasse resolution procedure equal legal standing with that of the statute itself.

c. In the absence of a locally negotiated impasse resolution procedure the local employer and employee bargaining unit should be subject to the impasse resolution procedures provided in s. 111.70 through s. 111.77.
2. The Commission recommends that the initial bargaining proposals of both parties be made public at the beginning of contract negotiations after which the bargaining parties may determine to meet in open or closed session.

3. The Commission recommends that the state should review (and should reaffirm or repeal) statutes which restrict the ability of local governments to bargain with their employees.

4. The Commission recommends that the number of local employer representatives on the Retirement Research Committee be increased (from one to three) to equal the number of local employee representatives.

5. The Commission recommends that compensation for public employees be established with regard to the level of benefits paid to persons doing comparable work in the private sector. This principle is not intended however to frustrate government efforts to secure more just and equitable payment for particular job categories to fulfill desirable public policy objectives.

6. The Commission recommends that local governments and their employee bargaining units should strive to have the effective dates of contracts correspond to the fiscal and budget year, in effect making the employee contracts an integral part of the local government's budget contract with the people. Local governments and their employees should strive to complete contract negotiations in a timely manner to achieve this end.
CHAPTER 6: LOCAL SPECIAL PURPOSE DISTRICTS

1. The Commission recommends that the creation of any new special purpose districts be restricted and that, wherever possible, general purpose governments be encouraged to eliminate existing special purpose districts and assume their functions.

2. The Commission believes that appointed officials should not have the final authority to levy a tax.

3. The Commission recommends that special purpose district functions (except for educational functions) which are not assumed by a general purpose unit of government be financed by a user fee sufficient to recover all costs.
CHAPTER 7: LOCAL GROWTH AND DEVELOPMENT

Land Use Management Policies

The Commission offers the following comprehensive proposals for land use planning and zoning:

A. With regard to Development Planning

1. We recognize that broad development objectives for the state will be necessary to provide guidelines for the resolution of interjurisdictional conflicts and the multi-level appeals processes contained in this proposal.

2. All cities and villages should prepare a development plan for the physical development of the municipality, including any areas outside of its boundaries which, in the municipality's judgment, bear relation to the potential development of the municipality. A city or village may request the county to prepare the development plan subject to the adoption of the plan by the governing body of the city or village.

   a. The development plan should prescribe different types of land use, e.g., agricultural, resource protection, commercial, industrial, residential. Cities and villages are encouraged to include the timing and permissible density for projected development and the provision of services in their development plans. The development plan should seek to accommodate the housing needs of low income and minority people on an equitable basis.

   b. In order to assist municipalities in preparing a development plan, the state should provide financial aid for planning and encourage the formation of technical assistance teams. The planning process should permit sufficient lead time (suggest five years) for cities and villages to permit utilization of technical assistance and thereby minimize the financial costs of planning.

3. After preparing their development plan, cities and villages should submit their plan to all towns, cities and villages substantially affected in order to coordinate land use planning and resolve conflicts, if any. (Conflict is defined as including, though not limited to, differences in development planning with regard to land use including density decisions and the projected timing of such development and the provision of needed services.)

4. Cities and villages adopt their development plans and submit the plan to the county.

5. The county should develop a "County Land Use and Development Plan" which incorporates the complete city and village plans where such are not in conflict with each other or with the broad state development objectives. The county should prepare the development plan for unincorporated areas. The development plan for unincorporated areas should be formulated in cooperation with towns.

6. The county should refer back to cities and villages those portions of their development plans which are in conflict, with its comments on the conflict. Cities and villages should attempt to resolve those conflicts expeditiously, and resubmit their plans to the county.

7. The county should adopt a final development plan which incorporates wholly the city and village plans where not in conflict with each other or with county and/or broad state development objectives and which proposes a solution to conflicting portions of cities' and villages' plans not resolved within the three month period. Prior to final action by the county board on the proposed development plan, the plan should be referred to the Regional Planning Commission for comment if the county is a member of such commission.

8. A city or village may appeal the contested portion of the county plan to the State Land Development Review Board. The uncontested portions of the plan should remain in effect.

9. The State Land Development Review Board may either reject the appeal and accept the county-proposed solution, or accept the appeal and offer a solution to the contested issues. The parties involved have 60 days to settle the issue on their own. If no settlement has been reached, the State Land Development Review Board's solution should become part of the adopted plan. Decisions made by the State Land Development Review Board should be in accordance with the broad development objectives for the state.

10. All subsequent changes to the adopted development plan should follow the same process (steps 2-9).
11. The adopted development plan should be subject to periodic review.

12. When an adopted development plan includes agricultural areas which are recommended for continued agricultural use, the effect of designating such areas in the plan with regard to the following activities should be:

a. Ordinances, rules and regulations which are designed to promote or enhance activities which are not consistent with continued agricultural land use (such as regulations restricting farm practices beyond the requirements of health, safety and environmental protection, condemnation of lands for transportation or utility projects, investment of public funds in urban services such as sewer and water, and special assessments) should be prohibited or should be allowed to take place in planned agricultural areas only as a last resort after all other alternatives have been considered;

b. Activities of state or local governments which are supportive of continued agricultural land use (such as technical and financial assistance programs for farm operators) should give preference to areas planned for continued agricultural use; and

c. All lands designated agricultural should have a comprehensive farm plan as established by the Soil Conservation Service.

B. With regard to Zoning

1. Cities and villages should continue to zone within their municipal boundaries. The county should zone in all unincorporated territory consistent with the adopted county plan and in cooperation with towns. If a city or village proposes to alter its zoning ordinance in a manner inconsistent with the adopted development plan, the county planning function should have the opportunity to review and comment on the proposed change before it takes effect.

2. County Boards of Adjustment and municipal Boards of Appeal should be retained.

3. Zoning which is exclusionary of low income or minority people should be prohibited.

4. County buildings and facilities should be subject to the same municipal zoning restrictions as are applicable to state buildings and facilities.

5. The zoning statute (s. 62.23 (7) (d)) which permits 20% of the owners of property which is within 100 feet of a proposed zoning change to file a petition protesting that change should be modified to also permit the governing body of a city or village by majority vote to file a protest with an adjoining city or village regarding a proposed zoning change within 100 feet of the corporate boundary. In case of such a protest from an adjoining municipality, the proposed zoning change should not become effective except by the favorable vote of three-fourths of the members of the city council or village board.

C. The Commission recognizes the need for advisory regional planning commissions.

D. The Commission approves the following specific points made by the Subcommittee on Regional Planning of the Assembly Committee on Municipalities:

1. Counties should be the basic building block for areawide planning.

2. Different areas of the state require different approaches to areawide planning:
   a. In metropolitan areas of the state, there should be a metropolitan planning agency.
   b. In nonmetropolitan areas of the state, counties should undertake planning at the county level if they do not want to participate in areawide planning through a regional or multicounty commission.

3. Regional planning commissions in large metropolitan areas should be more concerned with the effects of their plans on central city residents.

4. All areawide planning agencies should be free to focus on the type of planning most suitable to their particular area, be it physical, social or economic.

5. All areawide planning agencies should strive for a higher standard of public responsiveness and public involvement, particularly in the determination of agency priorities.
Boundary Review and Boundary Adjustments

The Commission offers the following comprehensive proposal for county boundary review and boundary adjustment procedures:

A. Boundary Review

1. There should be established in each county a County Boundary Review Board, consisting of five members appointed by the county executive or county board chairman, attached to the county planning department. Members should not hold any elective office and should be appointed for staggered terms.

2. The County Boundary Review Board should be empowered to approve or disapprove all proposed boundary changes within its boundaries according to statutory standards, and be empowered to initiate the study of possible boundary adjustments.

3. There should also be established a part-time three member State Boundary Review Board attached to the Department of Local Affairs and Development. Provision should be made for appealing county-level decisions to the State Boundary Review Board.

4. The Commission recommends that the County Boundary Review Boards of each county affected by a proposed adjustment of county boundaries or consolidation of counties act as a joint County Boundary Review Board with respect to such proposals.

B. Boundary Adjustments

1. Incorporation

In order for unincorporated territory to incorporate as a city or village:

a. All incorporation petitions should be subject to County Boundary Review Board approval or disapproval, according to the present statutory criteria.

b. The county, adjacent incorporated units, the directly affected town, the state and the regional planning commission for the area should be granted standing to review and comment on a proposed incorporation.

c. A city or village should have the “right of first refusal” to annex the territory, when contiguous unincorporated territory petitions for incorporation.

2. County (and State) Boundary Review Board approval or disapproval of proposed annexations should be based on the existing applicable statutory criteria. In addition, the existing annexation procedures should be modified, as follows:

a. All annexation proposals should require County Boundary Review Board approval or disapproval.

b. The statutes should provide that where an annexation petition (both direct petition and by referendum) is approved by the County Boundary Review Board, no city or village should be permitted to reject the annexation of that territory.

c. Where annexation petition which is initiated by a city or village is approved by the County Boundary Review Board, the petitioning incorporated unit may complete the annexation by passing an annexation ordinance by a two-thirds vote of its governing body.

d. The county, any adjacent incorporated units, the town directly affected and 10% of the electors of an adjacent city, village or town by petition should be allowed to appeal the county-level decision regarding an incorporation petition to the State Boundary Review Board.

e. All other statutory procedures relating to incorporation should be retained.

2. Annexation

County (and State) Boundary Review Board approval or disapproval of proposed annexations should be based on the existing applicable statutory criteria. In addition, the existing annexation procedures should be modified, as follows:

a. All annexation proposals should require County Boundary Review Board approval or disapproval.

b. The statutes should provide that where an annexation petition (both direct petition and by referendum) is approved by the County Boundary Review Board, no city or village should be permitted to reject the annexation of that territory.

c. Where annexation petition which is initiated by a city or village is approved by the County Boundary Review Board, the petitioning incorporated unit may complete the annexation by passing an annexation ordinance by a two-thirds vote of its governing body.

3. Consolidation, Detachment

a. The present statutory procedures for consolidation should be modified to require County Boundary Review Board approval or disapproval of all consolidation proposals according to the present statutory criteria.
b. The statutes should also provide that a majority vote of one city, village or town governing body or a citizen petition should be sufficient to require another local government to cooperate in a study concerning the possibility of consolidation.

c. The present statutory procedures for detachment should be modified to provide that a two-thirds vote of approval of each governing body is sufficient to enact a detachment.

4. County Boundary Adjustments

a. An order of a joint County Boundary Review Board changing county boundaries or consolidating counties may be subject to referendum approval either by its own terms (by Joint Boundary Review Board), or upon petition by 10% of electors in any area affected by the order (e.g., area to be transferred to another county or any county involved).

b. The Commission recommends that such referendum be subject to the terms, conditions and procedures presently provided in the statutes (s. 59.997) with respect to consolidation of counties.

Areawide Government

1. The Commission recommends that legislation be enacted to create incentives that would encourage governmental units in an area to consolidate and create an areawide form of government at their initiative.

2. The Commission believes that as one alternative structure for modernizing government in its largest urban areas, modification of local government based on the "two level" concept, having the essential features outlined below, deserves further study. These features are:

a. All local governmental functions with the exception of education would be performed by one or the other level, thus eliminating separate boards, commissions, authorities, etc. Boundaries of the incorporated areas would be compatible with educational units, whose budgets could, at local option, be reviewed by municipal fiscal control boards.

b. County government (Level One) would provide areawide services (adjusting county boundaries to provide one Urban County for each separate urban area).

c. Incorporated municipalities (Level Two) 15,000 to 60,000 population in size would provide all local services.

3. The Commission recommends that a study be conducted to determine the extent, if any, to which there is a relationship between the populations or other characteristics of classes of municipalities, and their capacity to deliver services of high quality at minimum cost. To the extent that such study discloses the existence of such a relationship to a substantial degree, financial incentives should be provided to encourage municipalities to combine, divide or otherwise adjust their boundaries so as more nearly to approximate the optimum range with respect to such characteristics. The results of this study should be reported to the Governor and the Legislature by no later than December 31, 1977.

Fiscal Neutrality and Local Development

The Commission believes that a state-local fiscal relationship should be developed in manner which will not impair local incentives to encourage economic development. Fiscal neutrality is desirable if it leads communities to consider growth and development policy based on points of merit.
CHAPTER 8: STATE AND LOCAL GOVERNMENT REVENUE SOURCES

Individual Income Tax

1. The Commission recommends that the rate structure of the state individual income tax be examined in order to achieve greater progressivity.

Sales Tax

1. The Commission recommends that counties be authorized to enact a 1% sales tax to decrease their reliance on the property tax as a major source of revenue.
   a. The county sales tax should be piggybacked on the state sales tax structure.
   b. The tax should be based on the point of origin of the sale.
   c. The state may retain a percentage of county sales tax collections for administrative costs.

2. The Commission recommends that, of the revenues collected from the county sales tax, less the state administrative costs, at least 50% be distributed to the municipalities within that county based on population, to be applied as a direct credit against property taxes levied by that municipality.

Motor Vehicle Fees

1. The Commission recommends that each town, village and city be authorized to impose a motor vehicle wheel tax, equal to 50% of the state motor vehicle fee, on all passenger vehicles (including recreational vehicles) garaged within the municipality, except for vehicles used in commerce.
   a. The local wheel tax should be administered by the state in conjunction with the state registration system.
   b. The state may retain 5% of such collections for administration costs.

Other User Fees

1. The Commission recommends that the Wisconsin Statutes be amended to permit complete local option to establish user fees sufficient to cover the actual cost of any service provided.

General Recommendations

1. The Commission recommends that a special study be conducted to analyze and make recommendations concerning future policies for the taxation of and distribution of tax revenues derived from all municipally-owned, private investor and cooperative utility operations. The study committee membership should include consumer representation. The results of such study should be reported to the appropriate appointing body (Governor, Legislature) by no later than December 31, 1977.

2. The Commission recommends that a special study committee be appointed to examine the feasibility of the following proposals:
   a. A system of state and local finance which abolishes the property tax and in its place adds a percentage of property value into an annual gross income computation for the purpose of both income and property taxation in a progressive tax structure (see Appendix 2 to this report);
   b. A property tax substitute which would produce needed revenues in a progressive manner without damaging Wisconsin's relative position compared to other states. Such tax or taxes would be based upon gross earnings (for commercial and corporate enterprises) available for taxation within the state's various political subdivisions but administered by the state and subsequently returned to local units (see Appendix 2 to this report);
   c. The results of such study or studies should be reported to the appropriate appointing body (Governor, Legislature) by no later than December 31, 1977.
CHAPTER 9: PROPERTY TAX RELIEF AND STATE SHARED REVENUE POLICIES

Property Tax Relief

1. The Commission recommends that the state credit for farmers’ livestock, merchants’ stock-in-trade and manufacturers’ inventories be increased from 80% to 100%. Funds for the increase in personal property tax relief from 80% percent to 100% should be obtained from taxes on the income of the types of business enterprises receiving such personal property tax relief, including without limitation an appropriate increase in the individual and corporate income tax.

2. The Commission recommends that the state expand its present circuit breaker (Homestead Credit) program. In addition to the present appropriation of $50 million, an amount equal to $80 million from the proceeds of state income and sales tax revenues should be used to finance the homestead program expansion to provide substantially increased credits against both property and local sales taxes. Credits under this program should be calculated as equal (up to a specified dollar limit) to property and local sales tax paid in excess of specified percentages of income. If this program is expanded, the concept of applying an “asset test” to all potentially eligible individuals should be considered.

State Shared Revenues

1. As a matter of general policy, the Commission believes that the state should mandate only essential levels of state-priority services which realize state goals. Where mutual state-local service goals are involved, there should be a sharing of financial responsibility between the state and local units of government.

2. The Commission recommends that the shared tax program be revised to more nearly equalize disparities between municipalities in the relationship between their available revenue sources and their financial requirements. The shared tax formula should take into account the burden imposed upon central cities in providing services to commuters.
CHAPTER 10: PROPERTY TAX POLICIES

Assessment Quality
1. The Commission recommends that the statutes be amended to require assessments to be at 100% of full market value.

2. The Commission recommends that if the assessment level in a district falls below 75% or is above 125% of its equalized value, the taxing district should be directed to reassess all property to a level of full value.

3. The Commission recommends that if the personal property tax is retained in its present form, further study be given to the concept of providing for the assessment of personal property (3 stocks) on an average annual inventory basis to eliminate the inequity among various types of business which results from the present May 1 assessment date.

4. The Commission recommends that certification be required of all state assessors.

5. The Commission recommends that the examination for state and local assessor certification be developed so that the test more closely reflects assessment practices actually used in the field.

6. The Commission recommends that more orientation/education sessions be conducted by the state for local assessors.

Property Tax Administration
1. The Commission recommends that the present system of both elected and appointed assessors be continued at the discretion of the local government unit.

2. The Commission recommends that the state continue its efforts to encourage local assessment through a countywide system. To increase this possibility, the vote of the county board membership necessary to provide this service should be reduced from 60% to a simple majority.

3. The Commission recommends that, in areas where a countywide assessment system is not adopted, the county be encouraged to establish a county assessor service agency (based on the principle currently used in CESA districts) with which cities, villages and towns may contract for assessment services. State aids should be provided, but at a lesser rate (25%) than the rate of 75% state aid at present available for full countywide assessment.

4. The Commission recommends that the statutes provide the option, at local discretion, for cities, villages and towns to collect property taxes on a quarterly basis within their fiscal year. City, village or town treasurers should settle all property tax collections made for other taxing authorities on or before the 15th day of the month following collection.

Property Tax Exemptions
1. The Commission recommends that the Legislature adopt a “sunset” provision which would require review and positive legislative action to reenact property tax exemptions. All present exemptions should expire by 1980 unless the Legislature takes positive action to retain them. Thereafter, the manner in which legislative review occurs should ensure that each exemption is reviewed at least once every 10 years.

2. The Commission recommends that criteria be developed and applied in a manner which treats all exemptions uniformly.

3. The Commission recommends that the authority to enact or repeal property tax exemptions remain at the state level. Since such exemptions impact primarily on local government revenue sources, the state should make payments to local governments and school districts for any lost revenues.

4. The Commission recommends that annually the state specifically reimburse local governments for the tax revenue they lose because machinery and equipment was made exempt from property taxes by the state law adopted in 1973. The Commission recognizes this exemption as a sound state policy for stimulating business and creating jobs. Furthermore, whenever the state exempts other property from local taxation as a matter of policy, it should make specific reimbursement to the local governments to prevent a rise in property taxes.
5. The Commission recommends that all local assessors be required to assess all exempt property and report the value of such property to the 1979 Legislature.

6. The Commission recommends that all local general purpose governments be permitted to assess a user fee against all tax exempt property commensurate with the cost of services provided to such property, where such fees are not prohibited by federal law or otherwise aided through special payments.

7. The Commission recommends that any general purpose unit of government be permitted to challenge the tax exempt status of any parcel of property. To this extent, provisions should be made to permit local government access to the necessary tax records of exempt organizations.
CHAPTER 11: STATE-LOCAL COMMUNICATIONS

State-Local Intergovernmental Relations

The Commission, in recognition of the need to provide an ongoing evaluation of state, areawide and local government functions, recommends the following:

1. The present Advisory Council on Local Affairs to the Department of Local Affairs and Development (DLAD) should be reconstituted as the Wisconsin Commission on Intergovernmental Relations (WCIR).

2. Membership on the WCIR should consist of:
   a. Four members of the Legislature, two from each house, appointed as are standing committees.
   b. Four secretaries of state agencies appointed by the Governor.
   c. Eight local officials, representing towns, villages, cities, counties and education districts, appointed by the Governor for staggered terms.
   d. Eight citizen members appointed by the Governor for staggered terms.
   e. Ex-officio, nonvoting members from statewide organizations may be appointed by the WCIR to serve in an advisory capacity.

3. The WCIR should be empowered to study problems and relationships of governmental structures, financing policies, program performance and points of conflict at the local, areawide and state government level.

4. The WCIR should be required by statute to communicate its findings to the Governor, Legislature and other affected parties.

5. The WCIR should select its staff on an independent basis, but be attached to DLAD for administrative purposes.

Administrative Rules

The Commission makes the following 11 recommendations regarding improvements to the administrative rulemaking process:

1. A study should be done on the existing exclusions from the rulemaking process (listed in section 227.01 (5) of the Wisconsin Statutes) for the purpose of determining the exclusions to be repealed or amended. Specific attention should be given to the exclusion for standardized accounting procedures.

2. All rules should be subject to public notice and hearing.

3. The process for drafting rules should be strengthened by increasing the role of the Legislative Reference Bureau and/or Revisor of Statutes to assure that rules use easily interpreted legal language and are presented in standardized form similar to legislative bills.

4. Rules, prior to adoption, should be subject to legal analysis, citing specific statutory authorization as well as being subject to legal review for clarity and applicability of language.

5. Public notice should include a clear reference to the rules, the department’s statutory authority for adopting the particular rules, and a reasonable analysis of the rules’ impact.

6. All administrative rules, when proposed or being revised, should include from the outset an analysis of the rules’ direct and indirect fiscal effects on the state and its political subdivisions.

7. A procedure should be developed which would more clearly identify and analyze rules and regulations associated with federal assistance programs. The procedure should result in consideration of short- and long-range impact on state and local budgetary and fiscal matters, as well as current and reasonably anticipated federal rules and regulations which would accompany those federal programs.

8. The Legislature, when empowering state agencies to make rules impacting directly on local governments, should set clearer standards to guide agency rulemaking.

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9. Each house of the Legislature should, at the beginning of every new legislative session, clearly define the standing legislative committees responsible for reviewing proposed rules of particular agencies.

10. Emergency rules should continue to be exempted from the public notice and hearing requirements. However, when emergency rules are adopted, a factual listing of what constitutes the emergency, the department's statutory authority for using the emergency rulemaking process, and the statutory authority for adopting the particular rules should be given. The duration of time in which an emergency rule may remain in effect should be extended from 60 to 120 days, or until a permanent rule on the same subject is acted upon, whichever occurs first.

11. Administrative rules emanating from the federal government and mandated upon the state should be subject to a review process which would allow such rules to be implemented at the state level in a shorter period of time than is presently possible under the regular state administrative rulemaking process.

Forms, Reporting and Paperwork

The Commission recommends that every branch of state government should initiate efforts to achieve an effective reduction in, and continuing control over, the amount of reporting and volume of paperwork required from local government units, private individuals and corporations, with the participation of consumers in the review process.
ADDENDUM
FURTHER STUDY ON FINANCING PROPOSALS

1. The Commission recognizes the necessity and desirability of continuing to examine the present methods of state and local finance to determine whether existing policies are equitable and consistent in principle, and to determine whether alternative local revenue sources and methods of financing should be made available to reduce overall reliance on the property tax.

2. At the same time, we believe it is necessary to consider the impact which alternative local revenue sources and financing policies will have on individuals, businesses, agriculture and other governmental units.

3. We believe there is a need to establish a mechanism wherein all proposals to use alternative revenue sources and/or shift the emphasis of present financing policies can be examined thoroughly and in detail.

4. While the Commission has recommended some changes in the methods of taxation and has recommended some alternative revenue sources to be available to local governments to reduce reliance on the property tax, we believe there are other proposals which merit a more detailed examination than this Commission has given them.

5. This Commission recommends that a special study be commenced to thoroughly examine any proposals as may be deemed to merit consideration, in the context of the goals outlined above.

6. This study group should submit its analysis and findings concerning these proposals to the appropriate appointing body (Governor, Legislature, etc.) by no later than December 31, 1977.
FOREWORD

On October 17, 1975, Governor Patrick J. Lucey established the Commission on State-Local Relations and Financing Policy by Executive Order, providing in part that he did thereby:

"Charge the Commission with responsibility for investigating, examining, and -- in the manner it deems most effective and expeditious -- evaluating the relationship between state and local government in Wisconsin, their system of providing and financing public services and, in particular: the role of the property tax and other taxes, the number and structure of taxing jurisdictions, and the administration of tax and financing policies;

"Charge the Commission with reviewing and updating the recommendations and findings of the public commissions and task forces that have studied state-local relations, financing and taxing policies and problems over the last 25 years -- including the work of the Tarr Task Force, the Kellett Committee, the Doyle Task Force, and the Church Committee on Metropolitan Problems.

"Further charge the Commission with responsibility for recommending to the Governor and the Legislature the changes and innovations necessary to improve the state-local partnership in Wisconsin, to maintain the quality of public services, and to make Wisconsin's system of government financing more equitable and efficient;

"Ask that the Commission submit its final report to me and the Legislature before January 1st, 1977."

The following report is submitted by the Commission in response to the Governor's charge.
INTRODUCTION

Activities and expenditures of Wisconsin state and local governments have grown rapidly in recent years. From providing a few simple services, the activities of the state and local units have expanded into many diverse fields. The present major functions of state and local governments are in the areas of education, public welfare, health care services, highway construction and maintenance, protection of persons and property, waste collection and disposal, and planning and zoning.

The scope of the Commission's study has included an examination of the performance of state and local governments, not only in these functional areas, but in the context of the basic purposes for which state and local governments exist. In its examination, the Commission has identified several fundamental goals and objectives against which it has measured state and local government performance. These are: excellence; equality (both of opportunity and of tax burden); economy; efficiency; employment; experimentation; and evaluation.

The test of excellence, and accordingly of a system for financing governmental services, is its impact on people. In the discussion of institutions, organization, annexation, consolidation, local control, supportive services and service areas - in the welter of statistics with respect to costs, state aids and shared taxes - it is easy to forget that all of these are merely means to an end - to provide the best possible governmental services to the citizens of Wisconsin.

Wisconsin's local governments serve communities which are rich and poor - urban, suburban and rural - in industrial, agricultural and resort areas. Within each community reside families of all shades of wealth and educational and cultural background. An ideal system of government will provide every citizen - no matter where he or she lives or how much (or how little) money or education he or she has equal opportunity to receive necessary services.

Equality of tax burden implies that the charges collected from individual citizens for the support of government operations should bear a reasonable relationship to the individual's ability to pay. Again, this is not a new idea in Wisconsin where the state has had a progressive income tax since 1911.

An ideal system of government should achieve its goals of excellence and equalization at the least cost possible. It is essential to recognize that in the short run, the goals of excellence and economy may conflict. The best system may require more money than other alternatives. State policies should ensure that the point of diminishing returns is not greatly exceeded, that the total benefits exceed the total costs.

An ideal system for financing government will ensure maximum efficiency: that the funds invested will earn the maximum possible return. An ideal system for financing governmental services will stimulate business activity and employment. And an ideal system for providing and financing governmental services will encourage experimental research, discovery and innovation to promote continuous improvement in our governmental system.

Whatever its goals and objectives may be, the governmental system is peopled by fallible human beings. Hence, its impact will always be uncertain, subject to human frailties and human limitations. Accordingly, its results should be subject to continuing evaluation.

State vs. Local Control

State-local relations have often been characterized by an emphasis upon control on the part of the state, and by corresponding efforts of local governments to be free of such controls. The "Home Rule" movement was a reaction to the detailed legislative control, as cities and other local units sought the right to manage their own affairs. More recently, detailed statutory provisions are being replaced in many areas by equally detailed administrative regulations, promulgated by state agencies which have been given the authority to supervise various state and local government activities. Administrative regulations may permit somewhat greater flexibility than statutory provisions allow, but to local officials, the effect is the same.

The control aspects of state-local relations have received the greatest attention of those concerned with such relations. The controls usually are easily identifiable, either in law or in regulations. In either case, both those who administer the controls and those subject to the controls are quite conscious of the powers involved. The subject of controls has surfaced many times as a significant aspect of state-local relations.

The expansion of state and local government functional responsibilities has been accompanied by the growth of state administrative oversight of many local activities. This situation has intensified the debate over state versus local control, and reasons for this trend are not difficult to find.

First, technological developments have pushed in the direction of centralization. Modern developments in communication and transportation have greatly changed local decision making.

Secondly, studies and experience have indicated that greater efficiency and productivity in some governmental operations depend upon a larger area of administration. In part, these economies of scale arise from reduced overhead costs. The demand for more adequate services and economical administration has in the past resulted in the transfer of some functions from local governments to the state. The demand for additional services has not always been tied to the most economical administration of those services.
Another reason is that, at times, there appears to be an ever-increasing degree of statewide concern regarding matters once considered purely local in character. Many people have espoused the conviction that there is no justification for any part of the state to fall below a minimum standard of governmental service.

Finally, and most immediately pertinent, any trend for state centralization may be due to the fact that there is no guarantee that the existing revenue raising capacity of local governments will be sufficient to finance the services they perform. As a consequence, localities have turned to the state for additional funds.

The intent of centralization has been to provide a higher quality of governmental services. The danger is that centralization may reach the point where local freedom and local self-government become empty phrases. The question which must be resolved is: How much local freedom has been, or should be, given up to achieve the efficiency benefits which may be produced through centralization?

The Patterns for Progress in Wisconsin*

Intergovernmental cooperation is an essential aspect of almost every major program of government today. With few, if any, exceptions, the programs of every level of state and local government affect, and are affected by, the activities of other levels. The day in which each level operated within its own sphere, its activities immune from those of the others is past if it ever existed. Attempts to establish hard and fast boundaries to mark the limits of state or local activities have largely come to naught as the services of all levels have expanded and often overlapped. At present, the major activities of each level are interwoven with similar functions of the other levels. The effectiveness of future state and local programs is likely to depend in large measure upon the extent to which related activities are performed successfully by the other levels of government.

Accordingly, the business of state and local governments in Wisconsin is a joint business. Virtually every major function performed is a shared function. Local units of government are dependent upon the state for enabling legislation, providing certain funds and revenue sources, establishing standards, and many other support services. The state is dependent upon local units of government for the efficient operation of a multitude of services. The two levels of government have completely mutual interests in serving the same population, and they have a common responsibility for formulating and administering programs to achieve public objectives.

It appears clear, however, that the primary responsibility for any well-organized system of state-local relations rests with state government. This responsibility springs principally from two facts: first, except for constitutional guarantees, the state establishes the structure and the legal duties of local government; and second, the state determines the means local units may use to raise revenues. These facts place a heavy obligation upon the state to create an orderly and effective system of state-local relations.

No plan can succeed, however, without the full cooperation of local officials. The future strength of both the state and local units will ultimately depend upon the achievement of an effective system of joint operations. The desires and traditions of local citizens should have adequate consideration, and this may involve acceptance of something less than the economic first choice in the process of any suggested modifications to the present system of government. On the other hand, consideration may point to the fact that state government may have to assume greater responsibility for the proper definition of local areas of responsibility.

In view of the foregoing, and in order to achieve the goals identified by the Commission, any program of state-local relations should have two principal objectives. First, local units of government should be strengthened in every possible way. This is necessary for administrative efficiency. Localities should have discretion to meet day-to-day problems promptly and efficiently. And local strength has a larger significance: its maintenance is important as a means of attaining meaningful local democracy.

Second, state supervision of local affairs should be improved so that activities of statewide concern can be carried out with a high level of performance. Local freedom is limited for the simple reason that local activities cannot be neatly defined within local boundaries.

There should be no inconsistency between those objectives. More effective supervision by the state should lead to stronger local governments; stronger local governments should, in turn, use their discretionary authority to achieve the greatest fulfillment of their own, and of statewide objectives.

CHAPTER 1
ELEMENTARY AND SECONDARY EDUCATION

General Introduction

The Wisconsin Constitution states that "(l) he legislature shall provide by law for the establishment of district schools, which shall be as nearly uniform as practicable; and such schools shall be free and without charge for tuition to all children between the ages of 4 and 20 years." (Article X, Section 3) The State Superintendent of Public Instruction is a constitutional officer elected by the people and charged with the responsibility for the general supervision of public instruction statewide. The actual provision of education is carried out by the state's 435 school districts (436 in 1976-1977), each of which is governed by a locally elected school board. In addition, 19 intermediate regional service agencies, known as Cooperative Educational Service Agencies (CESAs), serve as educational service units to assist local school districts in providing educational services, such as technical assistance services, in-service programs, research assistance, and the like.

Elementary and secondary education is financed from state, federal, and locally raised revenues. At the local level, the property tax is presently and has been historically the major revenue source used to finance education. State participation in financing education is accomplished through a general school aids formula and categorical aid programs. The general aid formula provides revenues to support a standard level of educational programming while equalizing the property tax base among school districts. Categorical aids are provided for specific purposes, usually in specific educational program areas. Federal assistance, like state categorical aids, is also provided for specific education purposes. In total, for 1975-1976, expenditures for elementary and secondary education in Wisconsin were approximately $1.5 billion, of which approximately 59% came from property taxes, 37% from state revenues and 4% from the federal government.

Elementary and secondary education is an integral part of any study of state-local relations and financing policies, not only because of the historical state-local partnership involved here, but also because education is a significant aspect of the local service delivery system, since changes in the educational delivery system both affect and are affected by changes in local general purpose government. In addition, the Governor specifically charged this Commission with the responsibility for investigating, examining, and evaluating the role of the property tax in financing governmental services. Since the greatest portion of property tax revenues are raised for the purpose of financing elementary and secondary education, the Commission has given consideration to the relative reliance on the property tax for financing education.

The Commission began its examination of the state and local issues involved in elementary and secondary education with an implicit reaffirmation of the school district system as the most viable and effective means of delivering educational services. Working on this assumption, the Commission has chosen to address the subject in two parts. The first part, school district organization, concentrates upon the best way to deliver educational services from the perspective of the student, parent, teacher, the taxpayer, the state and local education board and administrator. The second part, school district fiscal affairs, is concerned with developing a financing relationship which will both support the educational system and complement fiscal and organizational changes made in other areas of the Commission's study.

SCHOOL DISTRICT ORGANIZATION

There are six different types of school districts in Wisconsin: K-12 common (312 districts), Unified Elementary (53 districts); Union High (11 districts); Unified (17 districts); City K-12 (41 districts); and one (1) City of the First Class district. Throughout the years, Wisconsin school districts have undergone more dramatic changes in types, numbers and size than any other type of governmental unit. From a high of 7,777 districts in 1937-1938, the number of school districts has been reduced substantially in less than 40 years to the present 435 districts (see Table 1-1).

Table 1-1
Changes in the Types and Numbers of WISCONSIN SCHOOL DISTRICTS—1937 to 1976

<table>
<thead>
<tr>
<th>School Year</th>
<th>Non-Oper.</th>
<th>One-Room Rural</th>
<th>Two or More Teachers</th>
<th>Total Elem.</th>
<th>K-or 1-12</th>
<th>Union High School (9-12)</th>
<th>City School (K-12)</th>
<th>City of First Class (K-12)</th>
<th>Total Dist.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937-38</td>
<td>472</td>
<td>6,181</td>
<td>698</td>
<td>7,351</td>
<td>240</td>
<td>82</td>
<td>103</td>
<td></td>
<td>7,777</td>
</tr>
<tr>
<td>1947-48</td>
<td>1,074</td>
<td>3,845</td>
<td>699</td>
<td>5,618</td>
<td>231</td>
<td>81</td>
<td>114</td>
<td></td>
<td>6,045</td>
</tr>
</tbody>
</table>

1-1
a. The unified district plan of school government created by the Legislature in 1959.
b. Includes two city elementary districts.
c. Includes one city elementary district.

Source: Wisconsin Department of Public Instruction.

This pattern of change in the organization, numbers and types of school districts has traditionally resulted from an ongoing state, school district and taxpayer commitment to analyze circumstances and identify changes to be made in the organizational structure which delivers educational services. Each of these groups has had diverse reasons for suggesting and supporting changes in organization: to improve the quality of educational programs for students; to develop a school district which is a more effective and efficient administrative unit; to reduce total educational costs; or all of these and numerous others. Whatever the reasons for change in organization, there has been a genuine, continuing dedication on the part of the state and the school districts to maintain the highest degree of accountability to the taxpayers, both within the school districts and statewide.

The Commission recognizes that there are some areas where the elementary and secondary education system may operate more efficiently by providing a greater return for property tax dollars through improved quality of educational programs, or through reduced or maintained levels of property taxation. There is evidence to suggest, for example, that there is some relationship between cost and school district size, but cost-efficiency, or efficiency in general cannot be the sole determining factor in organizational decisions. Organizational decisions will also be significantly affected by the existing level of educational quality. In short, any ongoing analysis and identification of organizational changes must include both efficiency and educational quality and, at the same time, take account of available human and financial resources at the local level.

Conflicts in accountability

The issue of accountability is of general concern. Both the state and the local school districts have differing capacities and responsibilities to ensure that accountability is realized. The result often is that the desire for efficiency and the need for accountability conflict. The state must ensure that a minimum level of educational programs and quality is available statewide, but must also consider ways of permitting consumer access and participation at the district level so that school districts can develop programs responsive to local needs. Conversely, the school district must be able to respond to the needs of the taxpayers in the district within the ability of the taxpayer to finance the cost of providing for those needs, while at the same time be able to demonstrate to the state that a minimum level and quality of education is being provided in accordance with state standards.

The Commission believes that accountability in the provision of education must exist between and among the state, the school district (board, administrator and teacher), the students and their parents, and the individual taxpayer. This accountability must ensure that no one group’s needs or responsibilities are overrepresented. We feel that the state and the local districts should strive to identify procedures, which would allow the consumer/taxpayer a clearer means of access and involvement in solving the accountability/efficiency conflict.

It is difficult, though not impossible, to merge the concerns of the state and the needs of the taxpayers in local school districts. There is a justifiable reluctance among school districts to be pressured into reorganization on the basis of arbitrary or fixed figures which statistically purport to define the “ideal” school district. The social, geographic, educational and cultural diversity of the state at large makes suspect the use of such figures as “minimum (or maximum) school district enrollment” and the like. On the other hand, we believe it should be recognized that some mechanism must be available at both the state and school district level to provide for a continuing evaluation of the performance of the educational system, in terms of output as well as cost. Any evaluation of this nature must utilize some standards or criteria against which educational performance should be measured, so as to enable the state and local school districts to make reasoned decisions regarding methods for improvement where improvement is needed. However, these standards should exist and be applied so as to ensure that no one of the principals (the state, school district, student, parent and taxpayer) involved in the process of evaluating a school district’s educational performance may categorically ignore the evidence provided by another which may reasonably demonstrate that those standards are (or are not) being met.

From the viewpoint of accountability, the preponderance of evidence suggests that the particular concerns, needs and circumstances of the local school district should be the predominant concern when reviewing a school district’s performance to determine whether reorganization or other improvements are needed. The Commission believes the Agency School Committee (attached to CESAs) could provide an independent forum for conducting a review and making a
determination of a school district's educational performance.

The Commission believes that the tools used by the Agency School Committee in its review should recognize and represent the interests of all parties concerned: the student, the parent, the taxpayer, the school district and the state; but these tools, in themselves, should not limit the Agency School Committee to any particular or arbitrary action regarding the school district.

The role of the CESAs

Other mechanisms are available to improve the delivery of educational service. The CESA district, in its brief 10-year history, has proven itself to be a viable, valuable, logical and cost-effective service provider to assist local school districts desiring CESA services. As with any new organization, however, there are growing pains. For example, statutory provisions are still unclear as to the limits of authority extended to CESAs. Also, CESA districts are experiencing difficulties in regularizing day-to-day functions, and are beginning to identify areas where their own operations can be improved to solve these difficulties. One such difficulty is apparent in the contractual relationship between CESAs and school districts.

There is a recognition that all agreements between CESA districts and school districts must be preceded by and based upon a clear understanding of each unit's contractual relationship and obligation to the other. This understanding, the Commission believes, is necessary to both maintain the use of existing CESA services and expand the capacity of CESA as a viable service provider with the ability to help local districts discuss and solve district problems.

A sound approach to the management of government involves a government unit's willingness to periodically review itself, its functions, its methods of service delivery and its costs to determine whether more efficient and streamlined operational methods can be used. The Commission feels that an appropriate state role in relation to CESAs would be to aid these agencies in identifying those areas of CESA operations where improved methods may be employed to ensure that school districts receive a greater return on their dollar commitment to CESAs. By the same token, state assistance in this capacity should be directed at identifying and correcting problems in which school districts could assist CESAs, not only in regularizing day-to-day CESA operations, but also in maintaining or expanding CESA service levels and quality.

Forms of school district governance

The Commission has been concerned not only with the number of governmental units at large, but also with the multiplicity of school district governance structures and the confusion this situation can and often does cause the taxpayer. In fulfilling its charge from the Governor, the Commission has reviewed and evaluated the recommendations of prior commissions and task forces regarding the elimination of certain types of school districts. There has been virtual unanimity among all of the prior task forces on this subject, particularly in reference to K-8 and Union High districts.

The Revenue Survey Commission (1960), the Commission on Efficiency and Economy in Government (1963), the Committee of 25 (1965), the Tarr Task Force (1968), the Kellett Commission (1970) and the Doyle Task Force (1973) all recommended that in addition to the K-8 school aid formula for school districts to reorganize into more efficient units were desirable. The Committee of 25 addressed the problem directly by citing the high costs in K-8, Union High and K-12 districts with low high school enrollments (bellow 400). The Committee felt that the concept of lower aids for districts providing fewer programs discouraged the continued existence of poorly organized school districts with inadequate programs. The Tarr Task Force recommended that K-8 and Union High School districts be phased into K-12 districts by July 1, 1972. The Doyle Task Force also recommended legislation to eliminate K-8 and Union High School districts by the 1975-76 school year.

We concur with the findings and general recommendations of these distinguished study commissions in this subject area. Particularly notable and worthy of repeating here are the arguments presented by the Tarr Task Force on the desirability of K-12 school districts:

"Does the K-12 system enjoy advantages in providing improved educational opportunities? The Department of Public Instruction has argued that a better educational experience results with a K-12 system, governed by a single board and directed by a single professional staff. In such a system, curricula can be coordinated from kindergarten through high school, insuring similar preparation among children attending the various elementary schools in the district and providing more uniform preparation for high school. In the K-12 district, teacher-specialists can be hired to work in the entire system. More comprehensive in-service training programs can be established for the teachers. The K-12 system enjoys greater opportunities for volume purchasing, better use of facilities and improved planning for school site selection and construction. Salary schedules more likely can be uniform between elementary schools and between elementary and high schools." (Tarr Task Force Report, 1969, p. IV-7).

City school districts

Another major issue addressed by the present Commission was the rather controversial subject of the fiscally dependent status of the state's 41 city school districts. A fiscally dependent district is one whose territory usually includes all of an urban municipality as well as (in some cases) non-urban territory surrounding the municipality. Unlike all other types of school districts in the state, a fiscally dependent school district must have its annual total budget amount approved by a fiscal board of control, composed of members of the city council or
members of the city council plus the chief legislative officer from attached territories.

Both city school district board members and many members of this Commission have expressed the strong conviction that the boards of these school districts, being duly elected by the people, should not be singled out and subject to the constraints placed upon them by a fiscal control board. The election of school board members, it has been argued, provides an adequate and strong measure of accountability to the taxpayer, as evidenced in other types of school districts in the state.

The Commission generally believes that the organization of city school districts is advantageous in that it provides some measure of coordination between the school district and the general purpose government unit. Additionally, while we acknowledge that the election of school board members does permit accountability, we feel that accountability and accessibility can be strengthened if the city school district's expenditures are approved by the governmental body which is ultimately responsible for levying and collecting the tax.

School district islands

Apart from school district governance structures, one integral element of school district operations is the ability of a school district to plan for and meet the needs of school district residents. As has been mentioned previously, these needs are determined by a variety of influencing factors, including social, economic, cultural and geographical conditions. Situations exist in which the consideration of these factors and conditions has resulted in the creation of school district "islands." The Commission believes in principle that the existence of school district islands impairs the effective planning for and delivery of educational services, detracts from active participation of school district residents in school affairs, and inhibits the ability of the school district to provide education in an efficient manner. We recognize that specific geographic factors in particular at the school district level make a recommendation to eliminate all school district islands unreasonable. However, we believe that the continued existence of these islands should be the exception rather than the rule. The determination to continue or eliminate school district islands could be a logical function of the Agency School Committee, which has the tools available to make an informed judgement on the advisability of maintaining these islands.

School district - general purpose government relations

Throughout this chapter - and, indeed, throughout this report - the interrelationship of various governmental units is obvious. Recommendations which have been made by this Commission in many instances directly affect and involve general purpose local government officials in the affairs of other types of government. City school districts, discussed previously, are a case in point. Additionally, other recommendations regarding school districts involve the leadership and coordinating abilities of the State Superintendent of Public Instruction. Both school districts and local general purpose units jointly face a number of common problems which must receive the cooperative, concerted attention of both types of government to ensure appropriate solutions of benefit to all parties involved, including the local taxpayer.

Racial integration has surfaced as one issue where the state, as a general purpose government unit, should continue to make known its concerns. The question of school integration is just beginning to receive full attention statewide. Both federal regulations and state constitutional responsibilities require the state to assume the leadership role in ensuring that where socio-economic and racial diversity exists, all citizens are provided equal access to public education, regardless of the nature of this diversity. The Commission views this as a desirable goal, and we feel school districts should be given the initial opportunity to solve the integration question locally. The Commission would be remiss in fulfilling its mandate if we were to avoid addressing the question entirely or ignore the fact that, for all practical purposes, the Milwaukee school system is powerless to adjust its boundaries. In this instance, the problems may go beyond the Milwaukee school district boundaries and the solution, therefore, may not be limited to those boundaries. The Commission believes that the state should identify its general philosophical and constitutional commitments on this issue, but we feel it would be undesirable to make specific recommendations on the methodology for accomplishing integration until such time as all locally determined alternatives are exhausted.

Declining enrollments

Another issue of concern to both school districts, general purpose governments and taxpayers is the utilization of school facilities in school districts experiencing declining enrollments. Generally, data suggest that school district enrollments, both nationwide and in Wisconsin, will continue to decline through the early 1980s (see Tables 1-2 and 1-3).
### Table 1-2

**Nationwide Enrollment in Regular Day Schools (Public and Nonpublic)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>K-12</td>
<td>44,849</td>
<td>48,473</td>
<td>50,744</td>
<td>51,119</td>
<td>51,309</td>
<td>51,281</td>
<td>50,754</td>
</tr>
<tr>
<td>Elementary</td>
<td>30,164</td>
<td>31,570</td>
<td>31,763</td>
<td>31,655</td>
<td>31,601</td>
<td>31,588</td>
<td>31,026</td>
</tr>
<tr>
<td>Secondary</td>
<td>14,685</td>
<td>16,904</td>
<td>18,981</td>
<td>19,463</td>
<td>19,708</td>
<td>19,693</td>
<td>19,728</td>
</tr>
</tbody>
</table>

*Projected Enrollment*

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50,300</td>
<td>49,700</td>
<td>49,200</td>
<td>48,700</td>
<td>48,000</td>
<td>47,100</td>
<td>46,200</td>
<td>45,700</td>
<td>45,100</td>
</tr>
<tr>
<td>Elementary</td>
<td>30,300</td>
<td>29,700</td>
<td>29,200</td>
<td>28,800</td>
<td>28,300</td>
<td>27,800</td>
<td>27,500</td>
<td>27,600</td>
<td>28,000</td>
</tr>
<tr>
<td>Secondary</td>
<td>20,700</td>
<td>20,100</td>
<td>20,100</td>
<td>20,000</td>
<td>20,000</td>
<td>19,700</td>
<td>19,300</td>
<td>18,700</td>
<td>18,200</td>
</tr>
</tbody>
</table>

*This data does not include schools outside the regular school system, such as independent nursery schools or federal schools.


### Table 1-3

**Wisconsin Enrollment in Regular Day Schools (Public and Nonpublic)**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>K-12</td>
<td>1,079</td>
<td>1,088</td>
<td>1,089</td>
<td>1,090</td>
<td>1,080</td>
<td>1,064</td>
<td>1,048</td>
<td>1,031</td>
</tr>
<tr>
<td>Elementary</td>
<td>748</td>
<td>749</td>
<td>746</td>
<td>740</td>
<td>727</td>
<td>709</td>
<td>691</td>
<td>670</td>
</tr>
<tr>
<td>Secondary</td>
<td>331</td>
<td>339</td>
<td>342</td>
<td>350</td>
<td>353</td>
<td>355</td>
<td>356</td>
<td>362</td>
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</table>

*Projected Enrollment*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>K-12</td>
<td>1,028</td>
<td>1,013</td>
<td>997</td>
<td>973</td>
</tr>
<tr>
<td>Elementary</td>
<td>651</td>
<td>630</td>
<td>611</td>
<td>595</td>
</tr>
<tr>
<td>Secondary</td>
<td>437</td>
<td>382</td>
<td>386</td>
<td>378</td>
</tr>
</tbody>
</table>

*This data does not include schools outside the regular school system, such as independent nursery schools or federal schools.

**Numbers may not add due to rounding.

Source: Adapted from Wisconsin Department of Public Instruction data.

The data in themselves, however, do not indicate specific areas of the state which will likely experience declining enrollments. This makes a specific response or solution to the problem difficult to suggest. At the same time, although the decline is expected to continue at least until the mid-1980s, the temptation must be avoided to “oversolve” the problem and, in so doing, place school districts in a position of being unprepared, both in terms of personnel and facilities, to accommodate increased enrollments which may begin to occur, according to state population projections, in about 1985.

There is a general awareness among school districts, local general purpose units and taxpayers alike of what effects declining enrollments will have on each of these groups. The Commission believes it is possible to respond to the concerns of all parties involved by making it possible for all parties to participate in identifying, accepting and implementing solutions to both short- and long-range declining enrollment problems in their jurisdictions. Just as the “blame” for declining enrollments cannot be placed either on the general purpose or educational sectors,
neither can the solution to the problem be the exclusive responsibility of only one of the affected sectors.

School district - general purpose government boundaries

A third area of conflict involving the school district and general purpose government has been the relationships of each jurisdiction's boundaries to those of the other. Both governmental units rely upon the property tax to finance the services they provide, but only the local general purpose units actually collect the revenues for both units. In itself this would probably not create difficulty; but instances in the state are common where a single given municipality contains parts of two, three, or even more school districts. Conversely, a single school district may include parts of two, three or more municipalities. This situation creates considerable confusion for property taxpayers on a number of fronts. It makes difficult and unreliable any legitimate comparison of the property tax bills of two property taxpayers residing in different municipalities within the same school district, as an example of just one of the problems. Similarly, problems arise in determining equalized valuations, apportioning taxes to municipalities, and spreading the levy on the tax rolls. Some of these problems can be solved through improvements in property tax administration, which is discussed in Chapter 10 of this report.

Nevertheless, the Commission has recognized that the reorganization of school districts has taken place on the sound basis of an identification of community interests which dictate that boundaries of school districts be drawn in accordance with the community to be served. Using this same basis, the Commission believes that local school districts and cities and/or villages should discuss the feasibility and practicality of having the boundaries of these governmental units be conterminous wherever possible. It is not likely that the community interest served by the school district and the interest of the general purpose unit's community are so divergent as to make boundary adjustments impossible.

We believe the ultimate resolution of the problems caused by these boundary differences will depend upon a state and general purpose local government commitment to improve the manner in which property is assessed. It will also involve a willingness on the part of school districts to use boundary adjustment mechanisms, except where town boundaries are involved, in a manner which will make more accurate assessment and equalization possible and also will provide the taxpayer with a more equitable and understandable property tax system.

The Commission recognizes that boundary adjustment may not always be practical and, in turn, present functions such as special school district elections procedures should be altered. The Commission believes that it is unnecessary to completely staff an election board in a portion of a town where there may be only a few school district voters. In those instances when a special school district election (referendum) may be held, we believe that efficiency and economy dictate the use of more centralized polling places.

Exceptional Educational Needs services

In one specific instance, the county is directly involved in the provision of educational services. The county provides handicapped educational services as do CESA districts and school districts. Much of the Commission's deliberation on provision of Exceptional Educational Needs (EEN) services focused upon previous recommendations to permit or maintain existing flexibility in the provision of services at the local level. In addition, the Commission has consistently expressed two concerns: keeping the cost of education down and the quality of educational programs high. To maintain a commitment to flexibility and to remain consistent with commitments to keeping the cost of education down and the quality of education high, we recognize that the present system of providing EEN services offers some distinct options which would not be available under alterations to the present methods for providing these services. Under the present system, an EEN program may be provided on the school district level. If staff or support services are too expensive on the school district level, the CESA may be used. If cost-efficiency and program quality are achievable through a regional service provider, the County Handicapped Children's Education Board (CHCEB) may be used. We find the availability of each of the options to be desirable.

Commission Recommendations

In light of the preceding discussion, the Commission believes that several changes in school district operations are needed to improve the quality of education both for the recipients of the service and the taxpayers of this state, and therefore makes the following recommendations:

A. Regarding school district organization the Commission recommends:

1. The Department of Public Instruction (DPI) should periodically identify all school districts with high costs or substandard programs, based on the criteria set forth in 2 and 3 below.

2. A high-cost district is a district which incurs secondary shared costs.

3. Evaluation of school district programs shall be based on the following criteria:

a. any performance (output assessment) criteria presently available or developed by the DPI;

b. compliance with statutory requirements.

4. The DPI should consult with districts with high costs and/or substandard programs on ways to reduce costs and/or improve programs.
5. The Agency School Committee, after having received notification of such districts, should develop a plan to reduce high costs and improve programs in substandard districts and initiate actions related to that plan which include, but are not limited to, the following:
   a. Each district should have its own board of education elected by the voters in the district.
   b. Each district should encompass a geographic area which includes one or more established communities. The area should be of an optimum size to use financial resources in the most effective manner, to ensure competent lay and professional leadership, and to permit a high level of citizen participation and communication.
   c. Each district should include a diverse population based on economic, ethnic and racial characteristics.
   d. A school district need not conform to county or town boundaries. It may consist of only a portion of one county or town or it may include area in two or more counties or towns.
   e. Efforts should be made to reduce the disparity among school districts in taxable wealth behind each child. Each district should include property with an equalized assessed valuation per student sufficient to support a reasonable portion of the total cost of the educational program.
   f. Travel time to school should not exceed 60 minutes each way for secondary and 40 minutes each way for elementary pupils (to be used in both sparsely and densely populated areas).

B. The Commission recommends that, in the interest of both governmental efficiency and reducing taxpayer burden, the school district, Cooperative Educational Service Agency (CESA) and the DPI should strive toward and make all means available for more efficient use of school facilities in declining enrollment districts.

C. The Commission believes that the efficient use of school facilities in declining enrollment districts is best accomplished through joint utilization, facility and/or student transfer, and/or increased use of cooperative services among school districts.

D. The Commission believes that future problems of underutilized school facilities could be avoided through closer coordination with general purpose governmental units on land use and development decisions, and with other school districts on school facility development and location decisions.

E. The Commission believes that the state has the responsibility to ensure that schools are integrated in metropolitan areas which have significant minority populations, and that all school districts within the urbanized metropolitan area of a Standard Metropolitan Statistical Area (SMSA) should participate equally in school integration.

F. The Commission recommends that all school districts in the state be reorganized as K-12 districts by the 1979-80 school year.

G. The Commission recommends that city school districts be retained in their present fiscally dependent form, with the option for the city school district to use methods presently available to become a common or unified fiscally independent school district.*


H. The Commission encourages the elimination of school district islands except where, because of geographic difficulties, an appeal may be made to the Agency School Committee.

I. The Commission recommends that in future school district consolidation, the new school district boundaries should include the entirety of a city and/or village. In cases where, because of geographic difficulties, it can be demonstrated to be unfeasible or impractical for a school district's boundaries to include the entirety of a city and/or village, such cases should be reviewed (and a determination made by) the Agency School Committee.

J. Cooperative Educational Service Agencies (CESAs)
   1. The Commission recommends that present CESA district boundaries be retained.
   2. The Commission recommends that the role of the CESAs should be strengthened by clarifying that CESA is a legal entity which can sue and be sued in relation to its various functions.

3. The Commission believes that, regarding personnel service contracts, CESA should be considered the sole employer and that the recipients of CESA personnel services are not in an employer-employee relationship, but may exercise discretion over personnel services.

4. The Commission recommends that the DPI, with the involvement of school district officials, should periodically review CESA district operations and make suggestions for fiscal and management improvements which would enhance the effectiveness and efficiency of the agencies.

5. The Commission recommends creation of a study committee to develop a standardized CESA service contract.

K. The Commission recommends that the present system of providing Exceptional Educational Need services through County Handicapped Children's Education Boards (CHCEBs), school districts or CESAs should be retained.

L. The Commission recommends that a school board be authorized to fix the number of polling places in a
school district to two or more in central places in a
district when a referendum is required or some vote
taken, at a time or date when no other election is taking
place. The school board should provide the public
notice, which would be necessary in order to comply
with the law pertaining to other notices of public
meetings.

SCHOOL DISTRICT FISCAL AFFAIRS

Section 121.01 of the Wisconsin Statutes states:

"It is declared to be the policy of this state that
education is a state function and that some relief
should be afforded from the local general property
tax as a source of public school revenue where such
tax is excessive, and that other sources of revenue
should contribute a larger percentage of the total
funds needed."

The general school aid formula

Recognizing state responsibility for education, the
Governor and the Legislature have established a general
school aid formula which utilizes a standard property tax
base for all school districts. The use of a standard property
tax base is intended to eliminate the influence on school
funding of the ability to pay taxes and rely instead upon
willingness to pay taxes as the sole determinant of school
spending. Put more directly, the formula states that school
districts which spend at the same level will tax at the same
rate. Further, the formula includes a disincentive for
spending by providing a lower level of aid for costs above
110% of the prior year's statewide average shared cost per
pupil. The most crucial element of the school aid formula
is the state's commitment to fund 40% of the cost of
education, excluding federal aids, student fees and costs
over $100 per pupil for capital outlay and debt service.

Section 121.01 of the Wisconsin Statutes also states:

"It is further declared that in order to provide
reasonable equality of educational opportunity for
all children of this state, the state must guarantee that
a basic educational opportunity be available to each
pupil..."

While the Commission has considered the issue of
educational opportunity predominantly in the context of
school district organization, the fiscal relationship
between the state and the local school districts does, in
practice, have a relationship to educational opportunity as
well. First, while the general aid formula does not equalize
educational opportunity, it does recognize and equalize
financial needs for each district's educational program. In
addition, the state, through categorical assistance
programs, targets specific amounts of money for specific
educational programs also as a means of assisting a school
district in meeting specific financial needs.

An important feature of state school aids is local control
over educational programs. While the state does provide
incentives, final decision making authority is left with
individuals at the local level who understand local
problems and aspirations best. Those local citizens,
through school district boards of education, are
responsible for establishing the educational program and
setting the costs of the program as well. The state assists in
defraying the cost through the general aid for both and, in
some instances, through categorical assistance programs.

The Commission, when considering school district fiscal
affairs, addressed two major policy questions. The first
question was whether the full equalization of the property
tax base (taxable wealth) is a sound concept, or would
equalization enhance the property tax base of school districts. We
would accomplish through some other mechanism. The
answer to that policy question focuses on the correctness and
appropriateness of the entirety of the general aid formula, given existing conditions. The second question
hinges, to some extent, on the answers developed in
response to the first question. The second policy question
was whether there should be a more comprehensive
consideration of educational need than exists in the
present state aid formulas. The answer to that policy
question focuses upon the Commission's fundamental
perceptions of what constitutes general financial need at the
local level, as well as what the Commission believes to
be the appropriate relationship between general programs
(general needs) and categorical programs (more
specialized needs). When considered together, the
recommendations responding to both policy questions
should result in a more concise approach to both state-
local relationships and local ability to deliver and finance
educational services.

In response to the first policy question related to
equalization of property tax base, the Commission accepts
the principle that the general school aid formula should
fully equalize the property tax base of school districts. We
also accept the idea that it would only confuse the purpose
of the general school aids formula if attempts were made
through that formula to equalize the ability of individual
taxpayers to meet property tax liabilities.

Included within our consideration of equalization of
property tax bases has been a review of the efforts of the
1949 Study Committee which developed the basis for the
existing formula, the improvements which resulted from
the Tarr Task Force, and the changes which occurred from
the Doyle Task Force studies. More importantly, the
Commission believes that the burden of the property tax
used to finance education is a burden which is felt
statewide and should, therefore, be recognized and
equalized on a statewide basis.

The Commission recognizes that the property tax is
probably not the most equitable source of revenue which
could be used to finance elementary and secondary
education. A desirable goal in educational finance, as well
as in improving state-local relations, is to develop sound,
equitable methods to reduce reliance on the property tax
for financing education. In reducing reliance on the
property tax, the state must not overturn the emphasis on
local control over educational programs which exists in the
present general aid formula and which was consistently advanced as an essential element of state-local relations.

As with any shift in sources of revenues, there are some practical limitations in shifting educational finance from the property tax to some other source of revenue, for example, by increasing the per dollar requirement from state general purpose revenues. The Commission believes that the state should adopt and maintain a financial commitment to elementary and secondary education which not only equalizes property tax bases to the fullest possible extent, but also reduces and controls reliance on the property tax.

As a result of both testimony presented and research developed, we have concluded that the general school aids formula has some unintended side-effects on low to moderate income individuals but that those side-effects should be addressed directly through specific tax relief programs directed toward individuals. The first concern in this regard is the equity of the property tax as it is presently administered and collected. The second concern is that the property tax should not become an excessive burden on those individuals whose income bears no direct relation to their property wealth.

The Commission believes that property tax administration should be changed in a manner which assures individuals of both ease of understanding and equity of treatment. To the extent that a greater degree of comparability among tax statements can be established, citizens will be better equipped to challenge existing inequities. To the extent that greater accuracy of assessment is accomplished at the local level, greater accuracy in the distribution of state aids and greater equity in the apportionment of taxes would be achievable. Property tax administration is, however, a topic which must be considered independent of education because it not only impacts upon education but also upon the remainder of state-local relations and financing policy issues.

The Commission also believes that some form of property tax relief should be available for individuals when the property tax burden becomes excessive. The Commission commends state efforts undertaken in recent years to provide individual property tax relief; but we also realize that the present property tax relief programs may not adequately recognize the impact of full equalization. Providing relief directly to the individual still maintains the accountability process in that the property tax would still be paid by the individual to ensure that the individual is aware of the general level of property taxation and spending within his or her district. In short, the Commission is attempting to make the property tax more progressive in its impact.

The Commission believes that towns, villages and cities should have the flexibility at the local level to offset the school district’s levy with other more progressive revenue sources, should alternative revenue sources become available. The Commission recognizes, however, that this concept cannot be used in municipalities split by school district boundaries. Our reason for only allowing towns, villages and cities wholly within a school district to finance education in this manner is that where a single local unit of government is split by school district boundaries, an alternative municipal revenue source would be collected equally from the entire municipality while school district levies for each individual could vary according to the school district of residence in such split municipalities. We believe there should be a general state and local commitment, subject to practical limits, to reducing reliance on the property tax to finance education and subsequently, that the flexibility to use alternative revenue sources should be available at the local level.

Both the areas of property tax administration and individual property tax relief receive separate treatment in Chapters 9 and 10 of this report. Both areas are treated individually and separately because the Commission believes in their importance and because we recognize that their impact extends beyond the subject of education. We do believe that our recommendations in elementary and secondary education necessitate a close look at the related areas of property tax administration and individual property tax relief.

The second policy question is more basic and relates to not only general school aids but also categorical school aids. In general terms, determination of need has traditionally come from the local school district. That is dependent upon the school district’s perception of community desires, student needs, etc. Programs are developed and administered on the local level. The state’s financial relationship has traditionally been to provide a general level of assistance and allow educational need to be determined at the local level and programs developed accordingly. In those instances where statewide educational priorities are identified or particular needs exist within school districts, to varying degrees, categorical aids are usually used. Specific “need” items usually include differing general educational costs, differing per student costs, declining enrollments, and (in general) categorical aid programs. During the Commission’s public hearings, educational need was identified both on a specialized program basis and on the basis of financial need to provide a basic educational program. Suggested alternatives to meet those needs varied from simply increasing the level of state assistance, to altering the approach of state general school aids by providing for pupil weighting in the state’s general aid formula. In this as in other policy areas there is a general desire to identify, on both the state and local level, the costs associated with particular programs and to have those costs become an integral part of a shared state-local responsibility. As a practical matter, actual program cost data may not be immediately available; but this should not preclude initiating financial reporting mechanisms which would be capable of determining varying degrees of financial need. It should be noted that as educational need is included in the general aid formula and in other appropriations remain the same, shifts in the aid distribution will occur. As educational need is included in the formula and higher aid appropriations are made, aid will be somewhat targeted to specific districts.

To resolve the second policy question, the Commission has suggested several areas where changes could be made.
to recognize educational need, and we have specifically identified those areas requiring an increased appropriation as well as those areas requiring only a change in the general aid formula. The Commission believes that when an impact of the aid change would not be equal, compensation by increasing the aid appropriation is the most desirable course.

Generally, the Commission accepts the concept that a total educational program cost may be higher in one school district than in another due to factors such as cost of living differences, geographic size differences, etc., over which the district has little control. High educational costs may result also from a number of other factors. These factors have been noted, to some extent, in Commission recommendations on school district organization. However, these high educational costs are not limited to a specific geographic area of the state or to predominantly urban or predominantly rural school districts. Recognizing that expenditures may differ, but that no set of criteria or accounting techniques could adequately measure those expenditure differences, the Commission suggests that the primary shared cost ceiling (part of the general aids formula) be increased from the present 110% to 115% of the previous year's statewide average shared cost per pupil. By raising the percentage, we hope to offset some of the financial burden which occurs when using a statewide average shared cost figure that does not consider special factors which may cause a district to spend over the statewide average. Since the shift in general school aids would, without increasing the aid appropriation, draw aids away from those districts below the statewide average, the Commission suggests that the general school aid appropriation be increased accordingly.

The Commission recognizes that a basic level of educational opportunity is assured not only through minimum program levels but also through the availability of facilities in which those programs are provided. The Commission believes that if the state is to participate fairly in the equalization process, then the state should recognize all costs associated with providing an educational program, including the entirety of capital outlay and debt service costs. We see this change as making the state a full partner in the recognition of and financial participation in the cost of providing all aspects of education. Full recognition of capital outlay and debt service costs assists in meeting the educational need, expressed in the 13 minimum educational standards, for safe and healthful facilities as well as the implied educational need for space and facilities to meet the program requirements embodied in the remaining 13 minimum educational standards. We can foresee objections to this change being made on the basis that full recognition of capital outlay and debt service may be viewed as a portent of state approval of facilities or as an encouragement for more facility development. Summarily, while these may be legitimate concerns, the predominant concern should be the state's commitment to equalization as well as a concern for those districts that have basic facility needs and are unable to provide adequate facilities because those costs are not aided.

Another area of concern is the ability of the general school aid formula to recognize specific educational needs as opposed to simply recognizing fiscal capacity in terms of total educational expenditure. The Commission believes there is a need to identify a cost relationship within a school district's budget, not only to deal with the problems resulting from total cost comparisons but also to more specifically identify and meet pupil needs. This capability does not, at present, exist. We do recognize, however, that there may be some educational needs which should be addressed through the general aid formula. The types of need which should be identified are cited in the publication entitled School Finance Reform: A Legislator's Handbook, prepared by the National Conference of State Legislatures, which we quote here in part:

"There are several different kinds of inequalities of need which create differential educational costs. First, children exhibit differences in inherent learning ability or in readiness to learn. Second, many children have physical, emotional or mental disabilities which interfere with their learning. Special programs have been developed for many of these children that should improve the amount of their learning, but they are invariably more expensive than programs for normal children, mainly because the number of children handled by one teacher is smaller. Equity would dictate that more money should be provided for the education of such students.

"Third, there are learning disabilities that result from environmental factors. Children from low socio-economic groups, for example, learn more slowly because of environmental deprivation which limited their experience outside of school. Presumably an enriched curriculum could help to counteract this, but such a curriculum costs more.

"A fourth kind of need inequality has to do with differences in the cost of certain programs for normal students. Vocational subjects often require a substantial investment in equipment, and they also must have smaller classes, thus costing more per student to operate. If a legislative body wishes to recognize these differences in school finance formulas and can presume that the incidence of these differences varies among school districts and/or schools within districts, or if the legislative body prefers to abolish the type of control associated with traditional teacher unit systems, then the merits of a pupil-weighted system should be investigated." (pp. 12-13)

Following from this, the Commission believes that along with the ability to identify cost relationships within a budget, there should also be the possibility of distributing state aids on a weighted membership basis.

The Commission recognizes, as we did in school district organization, that changing enrollments should receive specific attention, since the enrollment factor is a key
element in the general school aid formula. The Commission believes that no direct, one-year relationship between changing enrollments and school district budget/expenditure decisions can be conclusively demonstrated. In response to that belief, the Commission suggests that school districts use a two-year average enrollment for state aid purposes. Such a change has the advantage of more accurately reflecting budgetary needs to provide a basic level of educational services even when enrollments are changing. When changes in enrollment do occur, the ability to increase classroom capacity or district personnel is not always possible within a one-year period. Second, using a two-year average would not delay changes in programs which accommodate changes in enrollment, but would instead give the district one year to plan for the appropriate and necessary actions. Third, the change would be consistent with the present principle of using the mid-point between the current year’s and prior year’s enrollment for cost control calculation. Further, much of the budgeting for schools is done on an estimate of enrollments for the coming budget period and districts may find themselves surprised by changes in enrollment and subsequent changes in state aid. Use of a two-year average could add some fiscal stability to that budgeting process.

The Commission recognizes that the recommendations which we have made in relation to Cooperative Educational Service Agencies could shift some additional administrative costs to the CESAs districts. Recognizing that an increase in costs could occur, but that the exact fiscal impact is not estimable, the Commission suggests that the general level of administrative funding for CESAs be increased.

Fiscal control of school districts

A final concern discussed by the Commission is fiscal control of elementary and secondary education. Under the present system, the educational community is separate from general purpose units of government in terms of fiscal controls. While state fiscal limitations on general government are accomplished through property tax levy limits, state limitations on the educational community are accomplished through budgetary cost controls.

For elementary and secondary education, two cost controls exist. The first control is actually a spending disincentive incorporated as a part of the present general school aid formula. A spending disincentive is created by reducing the level of state aid for shared costs which exceed 110% of the previous year’s statewide average shared cost per pupil. The reduction in aid is accomplished by using a lower guaranteed valuation (secondary guaranteed valuation). The concept of the secondary guaranteed valuation as a spending disincentive serves two purposes. It not only encourages school districts to stabilize or control expenditures, but also has the potential of reducing spending disparities among districts. Hypothetically, as both high and low cost districts attempt to maximize aid payments, the two-tier formula will gradually tend to equalize spending patterns throughout the state or at least reduce the present range of expenditures. The Commission, as previously noted, has suggested retention of this spending disincentive, but with an increase to 115% in the shared cost ceiling.

The second cost control is a direct expenditure limitation. Under the present cost (budget) control formula, the per pupil shared cost of each district is limited to a 9.5% annual increase over the per pupil shared cost of the previous year. This control also allows an adjustment to offset the impact of declining enrollments. Several appeal provisions allow for exemption or appeal of certain costs from the limitations and a referendum on the district level may be used to exceed the controls. The primary goal for the cost control was to maintain the 40% state aid level and avoid substantial property tax increases given the situation of increased demands for services created by inflation, and depressed revenues created by recession. Another impact of the cost control is that growth in the property tax has been curtailed as compared to the growth experienced in 1974-1975.

The Commission takes issue with the direct expenditure limitation, as presently constituted, on two counts. First, if a direct expenditure limitation is to exist, it should more nearly conform to the concept of equalization which has been a predominant influence on school district fiscal affairs since 1949, increasingly so since 1973. More specifically, school districts wishing to achieve a standard level of educational programming may be prevented from doing so under the present cost control. Second, as with levy limitations, a number of school districts may have the tendency to spend up to the maximum allowed in order to maintain their expenditure base for future years. This also, we believe, works against the general goal which accompanies the expenditure limitation. While both items of contention point toward flaws in the existing cost controls (expenditure limitations), the Commission does not propose that direct cost controls be eliminated.

We suggest instead that a basic percentage annual increase should be available to all school districts, but that low spending districts should be given the option of increasing at a faster rate than high spending districts. By way of example, all districts would be able to have increases up to 9.5% of the prior year’s shared cost per pupil. Districts spending below the prior year’s statewide average shared cost would be able to spend up to 9.5% over the prior year’s statewide average shared cost (not to exceed 15% in any given year). The state of Kansas uses a formula similar to but more complicated than the one we have suggested. The Kansas formula calculates the control based on school district budgets for three enrollment categories. This expenditure limitation (as designed in Kansas) allows the low expenditure districts to increase their expenditure level by a greater percentage than the high expenditure districts, thereby narrowing the disparities in expenditure levels between districts over a period of years. In total, such a control would mean that a school district which spends less than the prior year’s statewide average shared cost per pupil would be fiscally less restricted, but all districts below the statewide average per pupil cost would be treated the same.

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The Commission also suggests that school districts be given some budgeting latitude by allowing the school district to carry over (from the prior year) those amounts which would have been allowed under the control but which the school district did not need to expend in that year. The Commission believes that the actual percentages as well as the specific exclusions and appeals should be a legislative determination based upon budget and program priorities.

Commission Recommendations

The Commission, therefore, makes the following recommendations regarding educational financing and school district fiscal affairs:

1. The Commission recommends that the present full equalization concept in the general school aid formula be retained.*

2. The Commission recommends that the state establish the goal of providing general school aids in an amount sufficient to finance 50% of the shared elementary and secondary education costs.

3. The Commission recommends that where a town, village or city is wholly within a school district's boundaries, such municipal governing body should have the option to finance the school district levy from whatever local revenue sources are available to that municipality.

4. The Commission recommends that the primary shared cost ceiling should be increased from 110% to 115% of the prior year's statewide average shared cost per pupil.

5. Recognizing that provision of a standard educational program is related to the availability of school facilities, the Commission recommends that the state eliminate the $100 per member shared cost limitation for annual capital outlay and debt service.

6. Recognizing that school districts may experience higher total costs resulting from the number of students enrolled in high-cost programs (vocational programs, special education programs) or the number of high-cost students (secondary students, AFDC students), the Commission recommends that the state should begin efforts to determine differences in cost per pupil for the purpose of distributing state aids on a weighted membership basis in future years.

7. Recognizing that school district costs do not increase or decrease in direct proportion to enrollment trends for purposes of general school aids, the Commission recommends that school districts use a two-year average enrollment for state aid purposes.

8. The Commission recommends that the level of state funding for CESA district administrative purposes be increased to account for increased CESA district responsibilities recommended by the Commission.

9. The Commission recommends that present city school district bonding and borrowing requirements be retained.

10. To recognize the goal of equalization used in the school aid formula, the Commission recommends changing the present cost control formula to a formula which uses a fixed percentage of each school district's prior year's shared cost but allows a higher percentage increase for low cost per pupil districts. If a district does not budget in any year the full amount allowed under the cost control, the school district should be permitted to add the difference to its allowable budget for the next succeeding year, providing the total amount does not exceed a specified percentage (115%, for example) of the school district's cost per pupil for the previous year.*
CHAPTER 2

VOCATIONAL, TECHNICAL AND ADULT EDUCATION

General Introduction

At present there are 16 Vocational, Technical and Adult Education (VTAE) districts in Wisconsin. General supervision of these districts is the responsibility of the Wisconsin State Board of Vocational, Technical and Adult Education, whose members are appointed by the Governor with the consent of the Senate. The 16 vocational districts are governed at the local level by an appointed board. Thirteen district boards are appointed by county board chairmen and three district boards are appointed by school board presidents. All vocational district boards must have two members representing employers, two members representing employees, two members-at-large and one school district superintendent, who is appointed by the other six VTAE board members. The district boards are charged with the general supervision of district operations and development of district programs.

The mission of the Vocational, Technical and Adult Education System is to initiate, develop, maintain and supervise programs with specific occupational orientations below the baccalaureate level, including terminal associate degrees, training of apprentices and adult education below the professional level. The vocational districts provide courses ranging from arts and crafts (vocational) to college parallel courses. Each district offers a wide variety of courses, but all two districts provide exactly the same courses since one of the major goals of the district system is to serve the needs of the community as defined by the vocational district boundaries.

In terms of present sources of revenue and costs of the VTAE system, the local revenues, which accounted for approximately 50% of the 1975-1976 VTAE districts’ expenditures, come primarily from a property tax levied by the district board. These revenues are used to finance both operations and debt service. By state law the property tax levy for operations may not exceed 1.5 mills on the equalized property valuation within the vocational district. While there is no limitation on the mill rate for debt services, each VTAE district may not have bonded indebtedness which exceeds 2% of the district’s equalized property value. State revenues, which comprised about 22% of the total 1975-1976 VTAE expenditures, are primarily distributed on a general assistance basis although categorical aids are provided. Federal funds are provided on a categorical basis. The vocational system also derives revenue from tuition and fees. Tuition charges under the present system are 25% of the statewide operational cost for college parallel courses and 9.5% for postsecondary and vocational adult programs. Districts also receive miscellaneous revenues from private sources, enterprises such as book stores and food service, etc. In 1975-1976, total VTAE expenditures statewide amounted to slightly more than $159 million.

The Commission generally recognizes that the vocational system has worked well for the past 60 years under an appointive board structure representing groups having an interest in vocational education. The system has deservedly enjoyed a high placement rate for its graduates.

The Commission has identified two areas in which the vocational system relates to the study of state-local relations and financing policy. First, the VTAE district organization and governance involves a relationship between the state and the district boards which will ultimately impact upon the accountability process, the administrative effectiveness and the efficiency of the vocational system. Second, and more important, is the issue of VTAE fiscal affairs, which specifically includes the issues of having appointed officials levying a tax, relative reliance on the property tax, and access to vocational programs. The conclusions which we have reached are the result of not only considerable input from state and local interests in this subject, but also the application of the seven specific criteria (described in Chapter 5 of this report) for determining which level of government is best equipped to provide specific services.

VTAE DISTRICT ORGANIZATION AND STRUCTURE

As stated previously, the Commission contends that the existing organization and structure of the VTAE system has worked well for 60 years and, given the methods for operation and program development, should continue to meet its mission. While the Commission finds some problems with the existing organization and structure, these problems are not so severe that a wholesale change in the vocational system is necessary. We view the changes we have suggested as adjustments to the present system which should enhance both the quality and stature of Wisconsin’s vocational system. At the same time, we have identified three problems which, we believe, warrant specific attention in terms of organization and structure.

VTAE district boards and accountability

The first problem relates to both accountability in the vocational system as well as the ability of citizens to easily identify and approach government officials responsible for the vocational system. As presently constituted, the appointment process at the district level is confusing as well as being relatively obscure, with some VTAE district boards appointed by school board presidents while other districts have their boards appointed by county board chairmen. The only foundation for such a practice appears to be tradition rather than a decision based on which unit or group of units is the most viable appointing authority. Similarly, having the school superintendent appointed by six appointed board members is not only confusing but
also conflicts with the appointment process itself. In the appointment of both the regular board members and the school superintendent, the appointment process itself is not well known or understood by the taxpayer. The Commission believes that the appointment process should receive greater publicity and maximize community input.

Another problem, which extends beyond vocational education, is the general deterioration of general purpose government powers through creation/continuation of special purpose districts. We have consistently expressed a desire to see the ties between general purpose government and special districts strengthened, a desire which can be accomplished through alterations in the present appointment process.

In response to the foregoing problems, we suggest that the appointment process be made more uniform by having a uniform appointment authority as well having all vocational board members appointed in the same manner. The Commission suggests a uniform appointment process which utilizes the county board chairmen who are best equipped to find and appoint a balanced vocational board on the basis of geographic area, population, interest represented and affirmative action. School boards, we feel, are themselves a type of special purpose government and may have a vested interest in the program which may conflict with the development of the vocational system. We also feel that the appointment process should be open and publicized so that school boards and individual citizens are able to participate in the process.

In particular, the Commission believes that appointing the school superintendent in the same manner as the other board members is a logical change. The school superintendent, as the seventh member of the vocational board, could very well be a deciding vote on the board, and it seems incongruous to have an appointed board appoint one of its own members.

**VTAE programs for 16- to 18-year olds**

The third problem is one which relates specifically to the availability of vocational programs for Wisconsin's 16- to 18-year old population. Legislation enacted in 1971 contained revisions in the vocational education statutes to provide that vocational education be made available to 16- to 18-year olds. The problem since then has been in identifying and developing services for those students. Generally, this problem has been addressed through the creation of coordinating committees to act as a liaison between the vocational system and the elementary and secondary education system. The concept of coordinating or advisory committees, while firmly rooted in community development, must have the assurances that once problem areas have been identified, such problems will be addressed. Further, we understand the expense of providing vocational programs in the secondary schools where economies of scale may not be possible.

While the Commission does not have program components which would be necessary to ensure specific program levels for 16- to 18-year olds, we maintain that this is one area in which there is an overriding interest in ensuring a minimum level and quality of service. Our intent is to ensure establishment of a basic policy that 16- to 18-year olds should have access to vocational education and to set a date certain by which local districts must demonstrate compliance with standards established by the state board.

**Commission Recommendations**

Recognizing certain philosophical and practical problems in the administration of vocational, technical and adult education, the Commission recommends the following changes in the VTAE system of governance:

1. The Commission recommends that all local VTAE boards be uniformly appointed by county board chairmen.

2. The Commission recommends that the school superintendent appointed to a local VTAE board be appointed in the same manner as other local VTAE board members.

3. The Commission recommends that a minimum level and type of program available to the 16- to 18-year old population be established by stature.

**VTAE DISTRICT FISCAL AFFAIRS**

The Commission's examination of VTAE fiscal affairs has focused upon the financing obligations of two governmental units, the state and the district boards. The context in which our examination was conducted focused upon the relative financial impact of the vocational system on taxpayers and students alike. Two predominant concerns emerged from our deliberations. First, the Commission believes that some form of orderly growth and financial stability must be present in the vocational system. Our concern is that orderly growth and financial stability are not assured within the present financing structure. Second, the Commission maintains a philosophical objection to an appointed board having the final authority to levy property taxes. The appointed vocational boards presently have this power and, while we believe that this taxing power must be changed, we suggest that changes in the financing area should contribute to the strengthening of ties between general and special purpose governments, as discussed previously. Finally, many of the changes suggested within this section may seem incremental but we have attempted to prepare a program which not only recognizes the VTAE financing structure but also balances that financing system with recommendations in other areas and priorities which we feel are necessary to preserve the integrity of the VTAE system.

We believe that there must be orderly growth and fiscal stability within the VTAE financing system. To accomplish this, both the state and the district boards must be aware of or be able to reasonably estimate the revenues which will
be available to finance the vocational system. Both the state and the district boards must be assured that the financial demands placed upon each other in the long term will not be so unreasonable that those demands are not able to be met by either party. In conjunction with each of the aforementioned goals, the Commission believes that the relative reliance on the property tax for financing vocational education must be reduced.

State general aids for VTAE

Early in the Commission’s deliberations, we identified and recognized the impact of fluctuating levels of state general aids for vocational education as a problem within the VTAE financing structure. The Commission believes that it is an unacceptable practice to have a state aid formula designed to aid 35% of shared vocational costs while actual aids as a percentage of shared costs amount to less than 35%. This disparity, we believe, only reduces each vocational district’s ability to make accurate financial plans. Ultimately, the property taxpayer bears the burden when commitments to a particular level of aid are not met. The Commission suggests that the state meet and maintain the 35% level of state aid, a commitment which retains the essential character of the local vocational districts. The commitment of the Legislature ensures some revenue stability on the local level so that property taxes do not fluctuate as drastically as they would under varying aid percentage relationships. Furthermore, this commitment allows the district to plan more accurately, both in anticipation of approximated state aids and in recognition of continuing, long-term support of that level.

VTAE tuition

The level of tuition is something which has been debated extensively in the last two sessions of the Legislature. The Commission recognizes not only the high placement rate among vocational graduates but also that vocational programs qualify their students for well-paying jobs. Realizing that students entering the vocational system may not have enough money to pay the tuition, and realizing that some students are being trained for relatively low paying jobs, the Commission suggests that appropriate loan or grant programs should be provided to meet those needs.

The Commission believes that gradual increases in tuition and the appropriate combination of loans and grants has several advantages. First, the suggested change recognizes changing public and employer attitudes toward vocational graduates and vocational schools. In addition, our recommendation requires of those who are able to offset some of the cost of their education to do so but permits, over a period of time, individual and state planning for other means (student loans, work study, etc.) of meeting increased tuition requirements. Finally, it provides more equitable treatment of students statewide, regardless of a choice to attend a university or a vocational school.

The Commission recognizes that the vocational system has become increasingly involved in programs which, because of their specialized nature, cannot be offered on a statewide basis. Similarly, we recognize that particular programs may attract maximum enrollment in one district while another district may experience low program enrollments. In both instances the Commission sees non-resident, interdistrict tuition as a barrier to full utilization and access to the vocational system. Because both full utilization of and greater access to the vocational system are, we believe, desirable goals, we are suggesting that interdistrict tuition policies be changed to allow for increased mobility of Wisconsin residents within the vocational system.

VTAE district cost controls and accountability

The Commission believes that an essential element of the state-local relationship is a state and district commitment to each governmental unit’s respective taxing powers for vocational education. To encourage orderly growth, as well as a direct commitment to reducing reliance on the property tax. We suggest, as we did in elementary and secondary education, that the concept of controlling total cost is appropriate to accomplish these objectives. We have identified the relative benefits of cost controls in our examination of cost controls for elementary and secondary education (Chapter 1) and, as a part of the educational system, we feel that vocational education should be subject to similar constraints. Another major concern is fiscal accountability on the district level as reflected by appointed vocational district boards having final authority to levy property taxes. We hope that this concern will be considered in the context of both the property tax levy issue and the need to strengthen ties between general and special purpose government. We acknowledge the fiscal accountability which exists in the present system through cost controls, mill rate limits, equalization aids, budget hearing requirements and the advisory committee structure. Each of these elements is beneficial in terms of fiscal accountability; but we do not believe that these elements adequately address the overriding goal to eliminate the tax-levying powers of appointed boards. The Commission’s approach to the problem, however, is directed toward more than just taxing powers. We are suggesting a system which we believe secures more active participation from elected local general purpose government officials, provides the opportunity for more active and direct involvement of the citizens, provides a greater degree of flexibility in the sources of revenue used to finance VTAE, and removes one of the least understood and least effective controls on property taxation.

The Commission is suggesting that a fiscal control board be established for vocational, technical and adult education. One item which we have recurrently identified as an advantage of the present system is the ability of the VTAE system to identify and respond to employment and educational needs within a geographically defined community. We feel that the success can be attributed
both to the composition of the vocational board and also to the operational responsibilities which are vested in the local vocational board. The fiscal board which we envision specifically addresses the philosophical objections we have expressed about the tax levying powers of the vocational board. The fiscal board secures the participation of elected general purpose government officials in more than just the appointment process. Similarly, general purpose government officials are afforded the opportunity to have a meaningful influence on the total tax picture within their collective political jurisdictions. We believe that these adjustments not only maintain the essential elements of the existing district boards but also answer the taxation/general purpose government issues which confronted this Commission.

We believe that there are three changes which are complementary to the fiscal board concept, as well as to Commission principles and recommendations in other areas. The fiscal board option has been suggested on the basis of aligning special purpose districts and general purpose government and also on the basis of a general concern for total property taxation. First, the Commission suggests elimination of the mill rate limit on VTAE districts to recognize that control of the property tax would be effectively transferred to the fiscal board and that the quality of property tax control could be more effectively achieved on the local level. Further, elimination of the mill rate limitation strengthens the flexibility of the fiscal board in dealing with the vocational budget. For example, property valuations do not increase uniformly statewide which may mean that an arbitrary limitation may be too stringent in some districts or ineffectual in others. Adjustment of limitations could occur at the fiscal board level to compensate for abnormally high or unusually low valuation.

Second, given active county involvement through county representation on the fiscal board, as well as the possibility for additional county revenues through a county sales tax, we are suggesting that counties be given the option of utilizing revenues other than the property tax to finance vocational education. We feel that this measure would assist in the transition to having general purpose government officials financially responsible for special purpose units of government, which we have recommended elsewhere in this report. Additionally, the change would expand the flexibility of general purpose government officials to reduce reliance on the property tax through measures other than suppression of budget expenditures. Finally, we see this change as allowing the vocational system to be more extensively judged on the quality of its program rather than extensively criticized for the manner in which the system is financed.

Third, we would suggest that the referendum requirements for bonding and borrowing within the vocational system be changed. The problem with the present system is that 2% of the VTAE district’s equalized value is an impractical limitation, and the borrowing/bonding process itself is so obscure that the number of times VTAE bonds go to referendum are relatively few. The Commission believes that a more appropriate course would be to use referendum requirements for VTAE similar to the referendum requirements within common and unified elementary and secondary education districts.

Commission Recommendations

In response to the Vocational, Technical and Adult Education issues related to fiscal affairs, the Commission makes the following recommendations:

1. The Commission recommends that the state meet and maintain a commitment to provide 35% state aid for vocational education.

2. The Commission recommends that the level of tuition be gradually increased to a percentage of instructional cost equal to that in effect in the University of Wisconsin System. The availability of student loans and grants should increase correspondingly.*


3. The Commission recommends that all interdistrict tuition payments be eliminated for programs not available in a student’s home district.

4. The Commission recommends that the VTAE system be subject to the same general concept of controlling total cost as applies to elementary and secondary school districts.

5. The Commission recommends that expenditures be controlled locally through a local fiscal control board appointed on the basis of population by the county board chairman, consisting of elected local officials (excluding school board members). The fiscal control board may disapprove proposed VTAE district expenditures by a majority vote.

6. The Commission recommends that the present property tax mill rate limits for VTAE be eliminated if the fiscal board option is adopted.

7. The Commission recommends that the respective VTAE districts certify a budget requirement through each fiscal control board to each county board. The county board should have the option to finance the county’s portion of the vocational budget from the revenue sources available to the county.

8. The Commission recommends that all VTAE district bonds in excess of a specified dollar amount be mandatorily submitted to a referendum.
CHAPTER 3

HEALTH AND SOCIAL SERVICES

General Introduction

The maintenance and promotion of the general welfare of Wisconsin's 5 million citizens is constitutionally and statutorily one of the primary responsibilities of the state government. In carrying out this responsibility, the state presently expends substantial amounts of its own human and financial resources in the provision of a myriad of programs. Some programs are a "qualified" exception to this in that direct grants for these programs come primarily from federal funds, although federal categorical aids for Medical Assistance and Title XX social services are applied on a reimbursement basis to certain mental health program expenditures.

Responsibility for the administration of many of these programs involves not only the federal and state governments, but each of Wisconsin's 72 counties, again with some exceptions. The federal government, for example, is solely responsible for the administration of the SSI program; the state has exclusive administrative responsibility for vocational rehabilitation services. But in all of the programs involving shared responsibilities among the three levels of government, Wisconsin counties play a unique and, at times, difficult role. In the spectrum of state and local government relations, this division of responsibilities between the state and its counties, both acting in many cases under the direction of the federal government, has created a state-local partnership which has not always been harmonious.

Several factors are noted as generally contributing to the intergovernmental tensions which exist in this state-county relationship. First and perhaps most significant is the fact that, unlike most other state and local functional relationships, the health and social service delivery system involves the influence of the federal government to a degree not fully comparable in other state-local shared programs, and this federal influence cannot be underestimated. Many of the human service programs administered by the counties are of federal origin, with program policies, eligibility standards, benefit levels, administrative regulations and other conditions under which grants will or will not be made to the state-all being established by the federal government. In most of the federal programs, federal law requires that the state identify a single agency to be responsible for administering or supervising the administration of these programs. In Wisconsin, the state Department of Health and Social Services (DHSS) is this agency. Most of the other problems in the state-county relationship can be said to result from this federal-state arrangement.

When decisions regarding program policies, eligibility standards, administrative regulations-and virtually all of the funds-for these human services flow from levels of government which do not ultimately deliver the benefits and services to the recipients, problems at the service delivery point are likely to ensue which potentially impair the efficient and effective operation of the system.

In receiving testimony at its public hearings and in presentations made by state officials, elected county officials and administrators of county social service and mental health service agencies at its meetings, the Commission has been made aware of what many of these common problems are: lack of opportunity for input from local officials in designing the service delivery system; lack of flexibility in tailoring programs and services, and the system for delivering those programs and services, to accommodate local needs and other particular circumstances; lack of coordination in the delivery of services at both the county and state level, resulting in duplication of services or unavailability of services; inefficient use of human resources, and unnecessarily high administrative costs; lack of a definitive delineation of the responsibilities and expectations of each level of government; and an apparent reluctance on the part of both the state and the county to permit each other to exercise legitimate optional forms of service delivery or to provide alternative services to achieve program goals.

Ultimately, an effective human service delivery system at the county level will depend upon a cooperative relationship within, between and among the three levels of government involved, if the present system of shared responsibilities is to continue. Such a cooperative relationship, the Commission believes, is not impossible to develop, but a reevaluation and redirection of efforts is needed to bring about improved relations between the
state and its counties in the delivery of health and social services in Wisconsin. The Commission's analysis of health and social service issues affecting state-local relations, and its recommendations, have been focused on five major program areas: income maintenance, social services, mental health, general relief and public health. The first three programs which provide financial assistance, either directly in the form of cash payments or through voucher payments, to individuals meeting certain eligibility criteria based on income, assets, size of family, geographic location in the state, etc. and whose economic and/or social conditions are severely limits or precludes their ability to purchase necessary goods and services using their own financial resources. Established and financed at present entirely from state and federal funds, these programs are administered by the state's 72 county social services departments. In Wisconsin are the Aid to Families with Dependent Children (AFDC), Medical Assistance (Medicaid) and Food Stamps. Income maintenance programs are broadly defined as those programs which provide financial assistance, either directly in the form of cash payments or through voucher payments, to individuals meeting certain eligibility criteria based on income, assets, size of family, geographic location in the state, etc. and whose economic and/or social conditions are severely limits or precludes their ability to purchase necessary goods and services using their own financial resources. Established and financed at present entirely from state and federal funds, these programs are administered by the state's 72 county social services departments, as authorized by the state Legislature in sections 41.22 and 49.51 of the Wisconsin Statutes, and under the supervision of the state Department of Health and Social Services (DHSS), as required in section 46.206 (Wis. Stats.) and by federal law. Federal government involvement in these programs is pervasive, with the federal government having ultimate authority to approve or disapprove any and all aspects of these programs (e.g. additional eligibility criteria, benefit levels, administrative systems and procedures, etc.) as they are established by the state. The cost-sharing in these programs at present is approximately 60% federal and 40% state in aggregate, except for the Food Stamps program, which is financed entirely with federal funds. Expenditures for these three major programs for fiscal year 1975-1976 amounted to almost $685 million, according to DHSS figures. An additional $3.8 million of federal and county funds were expended during the same period for administrative costs incurred by counties in excess of state sum certain appropriations to counties for the administration of these programs. **Administration** County social service department responsibilities in these programs are essentially administrative *per se*: performing such functions as assisting at federal polling out applications, certifying applicants' eligibility, issuing benefit checks or vouchers, periodically reviewing recipients' applications, filling out required reports, and so forth. As was previously mentioned, policies, eligibility standards, benefit levels, which might result from such changes. The question is asked whether county elected officials, who have no decision making role in the changes which take place in these programs, should be required to finance excess administrative costs which might result from such changes. This question has become particularly important following legislation which was passed in 1974 and 1975 in which the state agreed to assume the entire non-federal share of the costs of these and other income maintenance programs (Chapter 90, Laws of 1973). On the other hand, the inability to achieve efficient administration of these programs cannot be entirely blamed on their instability at the federal and state level. We believe that it is desirable for counties to take the initiative locally to implement administrative procedures which would aid in achieving more efficient administration of these programs. Since the provision of income maintenance benefits involves essentially administrative functions, it is possible, for example, to capture economies of scale by standardizing administrative procedures internally to the extent that state and federal regulations allow. The Commission believes it is in the best interest of both the state and the administering counties to strive for efficiency in the administration of these programs. **Financing** The state-local financing relationship in the income maintenance program has also been identified as an issue
area in the Commission’s examination of this program. Prior to January 1, 1974, counties participated in both the administration and the financing of income maintenance programs. The county financial participation varied in terms of percentage, with each county’s share being determined on the basis of its property wealth and property tax effort. Wealthier counties with low property tax mill rates typically financed a larger percentage of these programs’ costs than did counties with high property tax mill rates. County financing included a portion of both the administrative costs and the cost of benefits.

Beginning in January of 1974, the state assumed the entire non-federal portion of the costs of benefits and administration of these programs as a means of providing significant amounts of property tax relief. Counties were thus absolved of their financial commitment to these programs, although they have retained administrative responsibility.

While state assumption of the county costs for these programs achieved the goal of providing property tax relief, it became evident that county expenditures for administration reimbursed by the state would have to be controlled. In response to this, the state began, in January, 1975, to reimburse county administrative costs under sum certain appropriations from the state: that is, county administrative costs would be reimbursed up to an approved maximum dollar amount and no more. County costs in excess of this approved amount would have to be financed from revenues raised by the county.

This situation has created a crisis in accountability. On the one hand, it is argued, the state has agreed to assume the entire county costs for these programs, while on the other hand, state appropriations are often not sufficient to cover those costs, thus forcing counties into a situation where they must seek the additional needed revenues from the local taxpayer in spite of the state commitment. Conversely, the argument is made that since the state has assumed this financial responsibility, the state therefore ought to reserve the right to determine the amount and manner in which it is willing to expend the funds it contributes to this program. Meanwhile, the question remains unresolved as to exactly what the limits of responsibility are or should be between the state and county in fulfilling their assigned roles in the income maintenance programs.

The Commission believes that while state efforts to relieve the property tax burden by removing welfare costs from the property tax is a desirable goal, the lack of accountability and subsequent tensions which have been created between the state and counties in this and other human service programs raises legitimate concern about the efficacy of continuing with the present state-county financing relationship.

We believe it is worthwhile to give consideration once again to reinstating some county financial participation in these programs, first to strengthen accountability at the county level, and second, to provide counties with an incentive to achieve efficient administration of these programs. We believe that a county sharing of costs should be restricted to a percentage of administrative costs, rather than a percentage of the costs of benefits since, as described earlier, county involvement in income maintenance programs is essentially administrative. Finally, a clearly defined financial responsibility both on the part of the state and the county, we feel, will encourage both units of government to focus on improving the service delivery system, ultimately to the benefit of the state, the county, the taxpayer and the service recipient.

Commission Recommendations

Based on its analysis of the issues in this program area, the Commission makes the following recommendations:

1. The Commission recommends retaining present county administrative responsibility for the state and federal income maintenance programs.

2. The Commission recommends that the state provide counties with a system which will accomplish orderly and routine implementation of changes in the policies, standards and administrative regulations in these programs, to reduce confusion in program administration and eliminate time-consuming manual operations.

3. The Commission recommends that the state develop and provide a mechanism for formal county participation in the establishment of state policies in these programs.

4. The Commission encourages county social service departments to combine their personnel and management resources, wherever possible, to facilitate the administration of these programs.

5. The Commission recommends that the state, in consultation with county social service department administrators, undertake to identify a standard per unit cost for income maintenance administration.

6. The Commission recommends that the administrative costs of the state and federal income maintenance programs administered by the county be shared on a 90% state - 10% county cost-sharing basis under state sum sufficient appropriations.

SOCIAL SERVICES

Social services are intended to assist actual or potential recipients of income maintenance benefits in achieving and maintaining economic self-support, and preventing, remedying or reducing conditions which lead to an individual’s dependency upon public assistance for support. As with the major income maintenance programs, the social services available in Wisconsin at present are predominantly of federal origin, with federal, and state funds combining to finance these services delivered at the county level. Title XX of the Federal Social Security Act,
implemented in Wisconsin in October of 1975, identifies five primary goals to be achieved in the provision of social services and enumerates a wide range of services which may be provided to achieve those goals. Among these services are day care, counseling, family planning, adoption services, legal services and the like. Federal and state cost-sharing in the Title XX program is roughly 70% federal-30% state.

Federal law requires the state to identify a single state agency to be responsible for the development, implementation and review of the Title XX plan statewide as a condition for receipt of federal Title XX funds. This agency in Wisconsin is the DHSS. However, the actual provision of social services (that is, the service delivery system) is carried out through various bureaus within the DHSS regional offices, the county mental health, developmental disabilities, alcoholism and drug abuse boards (the so-called ss. 51.42 and 51.437 boards) and the social service departments of each county. These state and local government agencies also contract with various private non-profit human service organizations to provide many of the Title XX services.

Needs assessment

The implementation of the Title XX social services plan in Wisconsin in October of 1975 encountered difficulties almost immediately. One major problem has been that the plan was implemented without the development and completion of a statewide assessment of social service needs, required by the federal government. Commonly called "needs assessment," this process is designed to provide a reasonably accurate and reliable projection of the types of social services needed by each eligible recipient group, the number of individuals expected to utilize each type of services, and an estimate of the costs of providing these services statewide.

Even though the state was granted a waiver of this requirement in order to commence the initial phase of the Title XX program on time, the lack of a "needs assessment" system caused considerable confusion among the agencies involved in providing the Title XX services. This confusion focused mainly on what types of services each agency was or was not required to purchase or provide, what types of services were or were not eligible for reimbursement under the program, and a lack of a clear understanding of how the purchased and provided services related to the major identified goals in the program.

Coordination in service delivery

Other conditions continue to exist which threaten the successful operation of the Title XX program. The complaint has been raised that the provision of Title XX services is not coordinated among the several agencies having this service provision responsibility. Since these services are available to both potential as well as actual income maintenance recipients, and to an even larger segment of the population which does not fall under the "actual or potential recipient" categories, the coordination of social service provision responsibilities is critical. Without this coordination, situations exist in which several different agencies are providing services to the same group of recipients, or where recipients are referred from one agency to the next (each agency maintaining that the other provides the service the recipient is seeking), or, in extreme cases, where the individual receives no service at all because no agency accepts the responsibility to provide the service being requested.

Lack of coordination in service delivery also interferes with the effective administration of this program. Multiple agencies providing identical services results in wasteful and unnecessary expenditures of state and federal funds, excessive administrative costs, and duplication of efforts. Furthermore, and perhaps most importantly, an absence of coordinated delivery of services makes program audit and evaluation difficult, time-consuming and probably less than comprehensive.

Flexibility in service delivery

It is worthwhile to point out that the Title XX program, unlike the federal and state income maintenance programs administered at the county level, allows - at least in theory - a much greater degree of flexibility at the point of service delivery than is typical of other federal and state human service programs. The federal government requires that the provided Title XX services be directed toward accomplishing one or more of the identified program goals, but leaves to the state and its political subdivisions the responsibility for developing and implementing the plan in the state. Ideally, then, this program contains features which permit the state to obtain the input of counties directly in the formulation of program policies and ranges of services to be provided based on the particular social service needs of each county's service jurisdiction. These are especially valuable features in view of the fact that the greatest portion of Title XX services are provided by the county social service departments and ss. 51.42/437 boards. However, this input is not being utilized, and several reasons are noted.

First, statutes relating to the responsibilities of counties in the provision of social services are interpreted as not appearing to give subdivisions of the state an option to limit or expand the availability of needed social services. It is also argued that limitations on state and federal dollars to finance these services would prevent county social service departments from expanding the range of services they provide. A third reason cited was the belief of plan writers at the state level, and county social service department personnel, that county agencies did not have the necessary data and expertise to make valid estimates of the numbers of people to be served, the types of services which would be necessary, and the dollars to be spent for purchasing or providing those services.

The Commission believes that the county, as the provider of social services (and other health and social service programs) is in a unique position to assess the needs of the population it serves. As a level of government closer to the individuals it serves, the county should be
able to provide the state with a particular insight into the local social service needs. We believe that counties should undertake the initiative to participate in a more direct and active way in the planning, implementation and provision of Title XX social services. The oft-repeated plea for "input" and "flexibility" at the county level in the provision of health and social services is possible in this program, perhaps more so than in any other. Counties should be given the opportunity to demonstrate their willingness and ability to meet that challenge.

At the same time, we recognize the state's responsibilities in this program; but we feel the state should encourage and make means available for counties to participate in this program in more than a merely ministerial capacity, both in terms of sharing responsibility for the development and implementation of program policies and services, and assisting in efforts to achieve coordination among service providers in the delivery of these services.

Commission Recommendations

1. The Commission recommends retaining county responsibility for the administration and provision of the state and federal Title XX social services.

2. The Commission recommends that the state complete development of the needs assessment system required by the federal government under the provisions of Title XX. In its development, the system should, to the fullest possible extent, draw upon the information and expertise of all state and local agencies responsible for purchasing and/or providing social services, regardless of the programs under which the services are required.

3. The Commission encourages county social service departments and all other state and local social service providers to coordinate social service functions jointly, and to utilize the needs assessment system when its development is completed.

4. For recommendations relating to the financing of social service programs, see recommendations #5 and #6 under mental health services (below).

MENTAL HEALTH

The state's commitment to providing mental health services to Wisconsin's citizens has a long history, beginning in the nineteenth century through the establishment of a state institution for the mentally ill. Many changes have taken place since then in shifting the policies, goals and general direction of mental health services. One of the most significant changes, both nationwide and in Wisconsin, has been the increased emphasis upon providing community-based treatment, care and other supportive services to individuals suffering from mental illness and developmental disabilities. This redirection of emphasis reflects a maturing societal attitude toward these individuals: that rather than consignment to institutional facilities which existed primarily to keep these individuals segregated from the mainstream of society, treatment and care directed toward habilitation and self-sufficiency for these individuals is more humane, more civilized, and, in both tangible and intangible terms, a far less costly method of addressing the needs of these individuals.

In response to this progressive redirection of emphasis and attitude, the Wisconsin Legislature, in 1971, laid the foundation for a community-based system of providing mental health services by establishing the mental health, developmental disabilities, alcoholism and drug abuse boards at the county level. These boards, often referred to as the ss. 51.42/437 boards (a reference to the statutory sections authorizing their creation), are responsible for the provision of a wide range of services to individuals suffering from mental illness, mental retardation and other developmental disabilities, alcoholism and drug dependency. Representation on the boards consists of county board supervisors, persons of recognized ability and demonstrated interest in the program area, and private citizens. Each county at present is required to have both a ss. 51.42 board and a ss. 51.437 board - either separate or combined - as a condition for the receipt of state funds. While some federal funds are expended in these programs (primarily from funds expended through other federal programs), state revenues comprise the largest portion of direct appropriations for these programs. The Department of Health and Social Services is, as in the income maintenance and social service programs, the state level agency having overall responsibility for establishing, implementing and evaluating the policies and objectives of these programs as they are delivered by the county ss. 51.42/437 boards.

The ss. 51.42/437 legislation has undergone a number of changes since its enactment in 1971. The changes have been primarily in the area of financing responsibility for these programs; but other legislative action, such as the decriminalization of public intoxication and alcoholism, and the passage in 1973 of the Protective Services Act (Chapter 55, Wisconsin Statutes), have also had a direct impact on the administration and provision of mental health programs at the county level.

In the original 1971 legislation, the cost-sharing between the state and county was approximately 60% state - 40% county, with some variations. Beginning January 1, 1974 to December 31, 1974, the state agreed to finance a flat 60% of the approved county mental health budget, less patient fees and federal funds from other programs, subject to the condition that counties would then be required to establish these mental health and developmental disabilities boards. Prior to this time, establishment of such boards was authorized but not required. The financing formula was changed again in the period from January 1, 1975 to June 30, 1975, when the state agreed to "fully fund, within the limits of the appropriation ... a basic level of services for mental health, developmental disabilities, alcoholism and drug abuse services..." (Chapter 333, Laws of 1973). This particular
legislative provision created the greatest amount of controversy and difficulties between the state and county ss. 51.42/437 boards since the statutory language contained no specific definition of the term "considered to constitute a "basic level." Beginning July 1, 1975 to the present, the state has financed the mental health programs on the basis of a combination per capita and prior year's cost formulas.

The frequency of changes in this aspect of the program has resulted in almost constant conflicts between the local board level in attempting to determine the amount of funds which local boards can expect to receive from the state. The situation also caused difficulties between the state and local boards in that the program responsibilities of each governmental level are not clearly understood or defined.

The suggestion has been made previously that a clear understanding and mutual agreement between the state and local governments involved in providing state (and federal) health and social service programs is essential to the effective and efficient delivery of services. In the mental health related programs, this understanding and mutual agreement becomes particularly important in one sense because all citizens of the state, regardless of economic or social condition, are entitled to receive mental health services. Once again, coordination among agencies and levels of government involved in the delivery of these services is paramount to reducing or eliminating waste of human and financial resources, and to ensure that all individuals in need of the services receive them.

Community-based, non-institutional treatment has also placed local boards in a position of having to provide service to individuals in need of specialized treatment and care without having appropriate facilities and adequately trained personnel. The individuals in need of this specialized treatment and care are usually those whose mental condition is severely impaired and who require constant observation and attention by specially trained psychologists and other personnel. While there is a general recognition of the desirability of providing mental health services to these individuals in the least restrictive setting, the need for inpatient treatment of some individuals cannot be overlooked. However, the division of responsibility between the state and local boards in terms of which level of government should provide this care is unclear here as well.

**Commission principles**

We feel therefore that it is important to highlight the following principles which we believe should be used in guiding the state and the local ss. 51.42/437 boards in understanding and fulfilling their respective responsibilities to provide mental health, developmental disabilities, alcoholism and drug abuse services:

We believe that the mental health of the citizens of this state is a matter of statewide concern and that, therefore, the state has an overriding responsibility to ensure that all its citizens have access to adequate and proper services to prevent or ameliorate the occurrence of mental illness, developmental disabilities, alcoholism and drug abuse.

We further believe, pursuant to this responsibility, that the state is also responsible for establishing the long-range goals and objectives to be achieved in the mental health, developmental disabilities, alcoholism and drug abuse programs, and is additionally responsible for evaluating the delivery of services in these programs to ensure that the long-range goals and objectives are being realized at the local board level.

We believe that the county has the primary responsibility for the delivery of comprehensive mental health, developmental disabilities, alcoholism and drug abuse services, including those services which are provided on an inpatient and outpatient basis.

We recognize that inpatient services (that is, those services provided to patients in need of extended and/or specialized care) are a necessary element of the mental health service delivery system. If such services are required and local facilities and programs are inappropriate or not available, the state should assume the responsibility for ensuring the development and delivery of such services. The cost of providing such services should be shared by the state and the county ss. 51.42/437 board which refers the patient to the state.

We believe the state has the responsibility to provide technical assistance to local boards to improve and expand the delivery system at the local level. The state also has the responsibility to define and develop a full range of services which it expects local boards to provide, and to develop and enforce uniform standards for the delivery of mental health, developmental disabilities, alcoholism and drug abuse services.

**Flexibility in service delivery**

The ss. 51.42/437 legislation permits local boards a considerable amount of flexibility to perform a variety of policy related functions in the mental health programs, including the planning, development and evaluation of programs and services for all population groups, the establishment of long-range goals and intermediate range plans, utilization of community resources and development of new resources, coordination of local services and the like. In spite of this, the testimony of local board members and mental health program administrators indicates that this flexibility is not as apparent in practice as the statutes would suggest. Since the state fully finances the mental health programs, there exists a concern on the part of the state to maintain close scrutiny of the local service delivery system.

However, it is the belief of the Commission that county mental health and developmental disabilities boards were given the responsibility to provide the services because these boards are in a valuable position to be aware of and responsive to the service needs of their constituents, and that the state should be willing to entrust to these local boards the responsibility and flexibility to carry out their statutorily authorized function in a manner best suited to local conditions.
Financing of social services and mental health programs

The issues relating to the administration and provision of mental health services, as well as those relating to social services (described in the previous section), are essentially similar. The major issues are clearly a lack of flexibility on the part of the county to determine service needs, and a lack of accountability in deciding where the financial resources for these programs may be expended in order to effectively respond to those needs. These conditions exist mainly because the funds allocated for these programs come from a level of government which is different from the level of government responsible for actually providing the services. There is a general and understandable reluctance on the state (and federal) government level to permit counties to expend state and federal funds for social and mental health services at completely local discretion without a corresponding financial commitment from the counties.

The Commission, in testimony received before it, has been made well aware of the request that counties be permitted to exercise greater flexibility in determining and responding to the social and mental health service needs of their constituents. We are also aware of the desire and interest which counties have expressed in becoming more actively involved in shaping the policies and goals in these programs. A review of the recommendations we have made in this regard indicates that we find these requests to be legitimate.

However, we believe it is unrealistic and undesirable for counties to expect that this increased flexibility and input can come about without a corresponding willingness of the county to make a financial commitment to these programs. While we recognize the state's responsibility to ensure a minimum level and quality of services statewide, accountability for the expenditures of funds to ensure that decisions made at the level of government which does not contribute at least a portion of its own resources to finance these expenditures.

Because the services provided in both the mental health and social service programs are in many cases similar, there has also been an expressed interest and concern in reducing the duplication of services, efforts, and ultimately, the costs associated with providing these services. Since the county is the primary provider of social and mental health services, we believe the reduction in this duplication will require an effort on the part of the county to identify those areas of social and mental health programs where duplication exists. Beyond identifying those areas, a mechanism should also be provided which will allow counties to determine allocations of federal, state and local financial resources in a manner which will accomplish a reduction in duplication of efforts and costs.

A consolidated aids approach

To this end, the Department of Health and Social Services has proposed a new method for allocating state and federal funds to counties for the mental health and social service programs which is worthy of consideration. In its 1977-1979 biennial budget request, the DHSS proposes that the state and federal aid appropriations for social services and mental health programs be consolidated into a single appropriation. The funds thus consolidated would go directly to the county board of supervisors rather than to the specific program agencies or boards as is presently the case.

The county board's discretion would be increased through this approach in that these local elected officials will be able to decide which program agencies receive funds and for what purposes. It is anticipated that this approach to the funding of these programs will enable counties to exercise greater flexibility and control over the expenditure of funds to ensure that local social service and mental health service needs are met, and duplication of services and costs reduced.

In addition to this consolidated aids feature, the Department also proposes a return to officially recognized county participation in costs. As with the income maintenance program, the concept of county cost-sharing in mental health and social services is being reintroduced because of the strong belief that it will generate more interest in sound, efficient management of these county provided programs. The cost-sharing proposal advanced by the DHSS would be optional for each county. Essentially, a county would be entitled to receive additional state funds in an amount equal to 6% of the base budget established in the first year of a biennium, provided the county matched each additional state dollar with a dollar of county raised revenues. The same would be possible for the second year of the biennium, again at the option of the county.

The Commission believes the principles of the Department's proposals for the financing of mental health and social service programs represent a desired approach to this subject from the viewpoint of permitting counties greater flexibility in these programs, and increasing accountability for service delivery. We believe that the mechanism for the funding of human service programs should provide flexibility to meet local needs by allowing funds to be transferred between and among human service programs, concomitant with present provisions within the law which safeguard the availability of minimum levels of service. We feel that the judgment as to how human and financial resources should be allocated, and how service priorities ought to be determined, should be vested in locally elected officials, specifically (in this context) the county boards of supervisors. The Department's proposals, in our judgment, address these principles.

Commission Recommendations

1. The Commission recommends retaining county responsibility for the administration and delivery of mental health, developmental disabilities, alcoholism and drug abuse services statewide.
2. The Commission encourages the state to permit local mental health and developmental disabilities boards greater flexibility and discretion in determining local administrative structures, policies and services to be provided based on client needs and other significant local circumstances, subject to the condition that local administration and provided services achieve the broad, long-range goals for these programs as established by the state Department of Health and Social Services (DHSS).

3. The Commission recommends that the state DHSS and all local public mental health and social service agencies jointly develop a system for coordinated planning and providing of services, and that greater emphasis be placed on utilization of services available through private non-profit and voluntary service providers.

4. The Commission recommends the creation of a Human Services Advisory Council, composed of local administrators, service providers, state DHSS officials and private citizens, to assist in developing and accomplishing coordinated planning and delivery of services within and between both the state and the county. The council should also serve as a forum for the continual exchange of interest and concerns in human service delivery, and should have as one of its primary goals the continuing improvement in the human service delivery system statewide.

5. The Commission submits the following recommendations regarding the financing of mental health and social service programs:
   a. State aid appropriations for the social service and mental health programs should be consolidated into a single aid appropriation.
   b. The consolidated aids should be appropriated directly to the county boards of supervisors.
   c. The county boards should have the flexibility and discretion to determine how much and for which programs (social services and mental health) the consolidated aids will be apportioned at the county level. The method of apportioning aids at the county level should also include procedures for ensuring the equitable distribution of those aids in counties which have or may establish combined multicounty 5142/.437 and/or social service boards.
   d. Counties are encouraged, but should not be obligated, to raise additional revenues from available resources up to an amount equal to a 6% annual increase over the base budget approved for these programs, against which the state should match the local effort on a dollar-for-dollar basis.
   e. Continued annual maintenance of this fiscal effort should not be required of any county which chooses to appropriate additional locally raised revenues, but a discontinuation of this effort should result in a discontinuation of state matching grant monies.

6. As a long-range goal, the Commission recommends that the state and county social service and mental health service agencies jointly attempt to identify a minimum uniform level or range of services to be provided in these programs.

GENERAL RELIEF

General relief is a completely locally established, administered and financed program which provides temporary (emergency) financial support to individuals who are not eligible to receive similar assistance under the major state and federal income maintenance programs. The program at present is administered on a countywide basis in 45 of the state's 72 counties; in the remaining 27 counties, this program is administered by each city, village and town (called the "unit system"). Despite this program's "completely locally controlled" characteristic, the Commission has found that there are several issues involved in it which have a significant impact extending beyond the boundaries of the local government unit which provides the program.

Legal settlement

Perhaps the most prominent issue in this program is the problem of determining the legal settlement of general relief applicants so that the costs of the benefits provided to the individual are borne by the individual's municipality or county of residence. At present, because of the involvement of both counties and numerous municipalities in the general relief program, challenges to the claimed legal residence of the applicant are frequent, often resulting in lengthy litigation between the affected municipalities and/or counties over which unit of government is liable for the cost of the benefits provided. Situations exist in which general relief assistance is withheld from the applicant until the applicant's legal settlement is determined through court action, a process which may take anywhere from three days to three years or more to complete.

In other cases, the municipality or county may provide general relief assistance to the individual applicant even though his or her legal settlement has not been finally determined, but will bill another municipality or county in which the recipient is believed to have residence for the cost of benefits provided, without any assurance of reimbursement until court litigation resolves the question.

Eligibility standards, benefit levels

Another issue in this program, an issue which in part is responsible for legal settlement difficulties, is that each of the numerous units of government involved in this program establish their own eligibility criteria, amount and types of benefits and other similar features which result in wide discrepancies among jurisdictions, duplicative
administrative structures, and wasted human and financial resources. It has been argued that administration and provision of general relief assistance should remain as a responsibility of each municipality or the grounds that the local officials who administer the program are most closely "in touch" with their constituents and therefore are better aware of and more capable of responding to their constituents needs. On the other hand, the general relief program is viewed as a program directed toward the maintenance and promotion of the general welfare, and therefore is a program in which the state ought to have some measure of responsibility. There is, however, considerable disagreement among local and state officials as to exactly what that responsibility should include.

**Statewide concern**

We believe the argument is valid that the general relief program is a program of statewide concern and that, therefore, the state should assume some degree of responsibility in it. While we are cognizant of the arguments favoring completely local control of this program, we believe that the interests of the general relief applicant/recipient should be protected under uniform and equitable standards of eligibility established by the state. Along with this state responsibility, we feel the state also has an obligation to assist in the financing of this program to meet the costs of state established and imposed standards.

**Coordination in service delivery**

A third issue in this program is an issue which has been raised in other health and social service programs administered at the local level: a lack of coordination in service delivery due to multiple levels of government participating in the provision of similar services. This is particularly applicable to general relief, not only for the reasons cited previously, but because general relief is a "human service" program which provides assistance to individuals who may become eligible to receive similar assistance and services under other programs presently administered by the county. With general relief being administered by numerous municipalities and other similar programs administered by the county, there exists no mechanism for coordinated service provision between the municipalities and the county to ensure that individuals receiving general relief are also offered the opportunity to apply for and receive additional benefits and services from the programs administered by the county if eligibility exists. While many individuals attach a social stigma to state and federal "welfare" programs, the fact of the matter is that both these state and federal programs and the general relief program address the same general needs and should, therefore, be provided in a coordinated fashion so that those needs may be met.

**Commission Recommendations**

In light of the foregoing, the Commission makes the following recommendations regarding the general relief program:

1. The Commission recommends that the present unit system for administration and provision of general relief benefits be eliminated and that the responsibility for the general relief program be transferred to the county.

2. The Commission recommends that the state establish minimum standards of eligibility in the general relief program, and that the costs of this program be financed on a 50% state - 50% county cost-sharing basis.

**PUBLIC HEALTH SERVICES**

Public health services are presently provided in Wisconsin by the state and virtually all local units of government. In addition, most of Wisconsin's 436 school districts also provide some type of public health service. In all, the Department of Health and Social Services estimates that nearly 2,000 local agencies are involved in some capacity in the provision of public health services. Very little exists in the way of a direct state and local government relationship in the provision of public health services. The state does not require local governments to provide specific public health services, nor are there state established uniform standards, policies and regulations imposed on local governments relating to the specific public health services which they provide. Public health services provided by the state include inspection and certification of laboratories, restaurants, hotels and motels, communicable disease control, etc. Locally provided public health services are widely varied, but generally include a number of different services relating to personal and environmental health protection, immunization, preventive health services and the like. Generally, the property tax is the source of revenue used to finance public health services provided by the cities, villages, towns and counties in the state.

**Statewide public health policy**

Several key issues are immediately apparent in this program area. Perhaps no other single program more directly affects and includes all of the state's citizens as recipients of its benefits than a general program to maintain and promote the physical health of the public. In spite of this seemingly obvious fact, no system presently exists to ensure the availability and delivery of basic and necessary public health services statewide. Present statutes authorize or require the establishment of public health departments, commissions, boards and committees at the city, village, town and county levels, but prescribe no specific services which these administrative entities should make available to individuals in their jurisdictions.
One indisputable result of this is that basic and necessary services are not uniformly available - at least at a minimum level - to all citizens in the state. Another result is a duplication of administrative structures, duplication of services, and duplication of taxation. A third result is, once again, a lack of coordination both among the agencies delivering public health services and between these agencies and other agencies involved in the delivery of other human services.

The federal government role in the planning and delivery of public health services and related activities has been increasing steadily in recent years. Under the National Health Planning and Resources Development Act of 1974 (PL 93-641) the state has been divided into eight Health Planning Districts to be responsible for developing comprehensive health planning activities, medical programs, and facilities construction and expansion. The impact of the federal government's activities in the area of public health service planning is expected to become even more significant, particularly if a comprehensive national health insurance program is passed by Congress.

The Commission believes that the public health service delivery system in Wisconsin can and should be improved, both to ensure a minimum level and quality of public health services statewide and to enable the state and federal governments to cooperatively develop comprehensive health planning activities. We believe that public health, as a program of statewide concern, is in need of a comprehensive statewide policy which addresses the state's responsibility to ensure provision of a minimum level and quality of services. This is consistent with what we believe to be the state's appropriate role in other similar programs, and we urge the state to begin efforts to fulfill that responsibility with regard to public health.

Once again, we feel that an integral part of that responsibility is that the state should also contribute the necessary revenues so that minimum level of service can be provided.

Commission Recommendations

1. The Commission recommends that the state undertake efforts to develop a statewide public health policy and a comprehensive enumeration of either specific services or a range of services considered to be included within the definition of "basic health services" which counties should be expected to provide.

2. The Commission recommends that the county assume responsibility for providing basic public health services statewide.

3. The Commission recommends that incorporated municipalities be permitted the flexibility and options to provide or contract for the provision of public health services which are in addition to, but do not duplicate, those provided by the county.

4. The Commission recommends that counties be permitted to contract with each other to provide basic public health services on a multicounty basis to unincorporated areas, subject to the condition that all counties entering into multicounty contracts for public health services be within the same health planning district.

5. The Commission recommends that the basic public health services, after having been defined by the state, should be financed on a state-county equal matching basis. Cities and villages within the state should also fund those services from locally raised revenues.

THE COMMUNITY HUMAN SERVICES BOARD

If one overriding problem has become apparent in the Commission's analysis of the state-local human service delivery system, that problem has been the multiple, fragmented structures which have been created to provide the myriad array of human services to Wisconsin's citizens. Following from this, the point has been repeated several times that a fragmented system of service delivery results in duplication of efforts and services, unnecessary overlapping and "layering" of responsibilities, and wasteful expenditures of human and financial resources. The ultimate effect of this situation is that a meaningful, comprehensive evaluation of the effectiveness of these programs in improving the quality of life for the general citizenry is difficult to obtain.

This situation is not indigenous to Wisconsin. Almost all of the other states face the same dilemma. Realizing the need to improve the delivery of human services, several states have undertaken efforts to restructure, redefine and reallocate human and financial resources and responsibilities. Some states, including Wisconsin, either have completed or are in the process of completing consolidations of separate human service agencies into a single, so-called "super-agency" within which all human service programs are located. Reorganization of existing "super-agencies" is also taking place to further improve coordination of responsibilities. But, it is generally acknowledged that, whatever methods are used, coordinated and integrated delivery of human services will be effective only to the extent that all agencies involved in the delivery of human services, whether at the state or local level, participate in the effort.

The state of Wisconsin took the initiative in this area in 1967, when the Legislature passed the reorganization act which combined the former Department of Public Welfare and Board of Health into a single state agency, the present Department of Health and Social Services. The act also transferred a number of human service programs then provided by different state agencies to the newly created department. Even now, reorganization efforts continue in the DHSS to improve coordination of human service responsibility.
The Legislature, in Chapter 39, Laws of 1975, introduced the Community Human Services Board (CHSB) in the form of permissive legislation extending the efforts to integrate service delivery at the county level. The intent of the CHSB, as expressed by the Legislature, is

"...to enable and encourage counties to develop and make available to all citizens of this state a comprehensive range of human services in an integrated and efficient manner; to utilize and expand existing governmental, voluntary and private community resources for the provision of (human) services...to provide for the integration of administration of (those) services and facilities...through the establishment of a unified governing and policy-making board of directors..."  
(p. 46.23, Wisconsin Statutes, as affected by Chapter 39, Laws of 1975)

One CHSB pilot project is presently under way in Racine county, with another tri-county project in the planning stage in Lincoln, Langlade and Marathon counties. In addition, trends in the direction of integrated human service delivery are noted in other states, such as Minnesota, Florida and Georgia, which have passed comprehensive human service planning and delivery legislation in recent years.

The Commission believes that, as a means of accomplishing coordinated and integrated human service delivery, the CHSB has many desirable features and a great deal of merit. However, any proposal for reorganizing or restructuring governmental agencies must involve a complete awareness of what difficulties and obstructions - both political and tactical must be removed or reduced before such a proposal is mandated. The Commission believes that the pilot projects presently in existence and contemplated will be able to provide the state and counties with a reliable indication of what those difficulties and obstructions are, and the ways in which they might be solved. We applaud those counties involved in the pilot projects for their willingness to experiment; but we believe the state should move cautiously in any consideration to require the CHSB at the county level statewide.

The Commission, therefore, recommends the following:

The Commission recommends that the Community Human Services Board pilot projects should be completed and thoroughly evaluated by the DHSS before any change in the present optional system is considered by the Legislature.
CHAPTER 4
TRANSPORTATION

General Introduction

At present, any town, village, city or county may construct and maintain local roads and streets or highways (towns do not maintain state trunk highways). While the same may be said of the remaining transportation services such as freight transit, public transit, etc., counties and incorporated municipalities have traditionally provided for such services. Under present statutes no town, village, city or county is expressly prohibited from providing highways and/or local roads and streets. In addition, present statutes allow two or more governmental units having the power to provide a service independently, to provide that service cooperatively.

The relationship between the state and local units of government varies according to the type of transportation service considered. In some cases, transportation projects may utilize state funding (incentive bus subsidies) or may require state approval (airport development). In the case of general state transportation aids, the state places no restrictions on how those revenues are used.

The Commission believes that there is a conflict which is inherent within the present system. We recognize that the present system allows towns, villages, cities and counties to identify and meet transportation needs either independently or collectively. The problem, however, is that the present system is so diverse that the development and delivery of transportation services may occur in a piecemeal, overlapping and inefficient manner. While the general policy of this Commission has been that a flexible local service delivery system is workable, we also believe that coordinated local planning for existing and anticipated transportation services and local planning for all modes of transportation, must become an integral part of Wisconsin's transportation system and policy.

Present transportation financing mechanisms and policies are also subjects of some concern. Under the present system, there are two primary elements used to distribute transportation revenues to the local units: basic aids and supplemental aids. The basic aids formula, developed in 1939, distributes revenues to towns, villages, counties and cities on the basis of statutorily established dollar amounts for each local unit. Supplemental aids, begun in 1947 and altered in 1953, distribute all segregated highway funds remaining after other aid payments are made on a 40% state and 60% local basis. The dollar amount of local supplemental aids is distributed within four population groupings: 30% to towns, 30% to counties, 25% to cities over 10,000 population and 15% to villages and cities under 10,000 population. The distribution to each unit is apportioned in the same ratio as the basic county trunk allotment or the basic local roads and streets allotment. In fiscal year 1975-1976, $11.8 million was distributed in basic aids and $74.1 million was distributed in supplemental aids.

The rationale used to establish the basic aids formula was that average road costs increase significantly when moving from rural to highly urbanized settings. Supplemental aids appear to have been developed on a compromise basis to distribute excess revenues. In other words, dollar amounts available to classes of local units are determined on the basis of statutorily established percentages, and within those classes of local units, supplemental aids are apportioned on the same basis as basic aids. Several attempts have been made to change the distribution formula but no major changes have been made since 1947. There are several more direct forms of transportation aid including public transit aids and connecting streets aids. In general, the financing of highways, roads and streets, with the exception of the state trunk system, is borne by the local units of government.

The Commission acknowledges that preserving and maintaining an all-mode, balanced transportation system for the state would clearly require some additional revenues and urges the state to increase the funding available for this purpose. We believe that the methods used for acquiring this additional revenue should also promote the conservation of energy. In promotion of that belief, we have identified those changes in the aid formula, changes in specific monetary and technical assistance, and improvements in local decision making which we believe are necessary.

The Commission recognizes that three factors have worked against meeting both state and local financial transportation needs. First, while consumption of motor fuel has increased, the revenues from motor fuel consumption have not increased as rapidly as the expenditure needs due to inflation and other factors. It is reasonable to expect this trend to continue. Second, increased demands from past highway bonding have increased the pressure on the highway fund for both state and local units because debt service is a first charge against the highway fund. This situation draws funds which would otherwise be available for maintaining existing facilities. Third, Wisconsin's system of revenue raising, if left unchanged, will continue to shift transportation expenditures from a user fee to a property tax basis as revenues level off and expenditure demands increase. It should be noted that increasing pressure for energy efficiency, from the national level, may be reasonably anticipated to further aggravate those revenue problems.

TRANSPORTATION PLANNING AND POLICIES

The Commission believes that local roads should be the exclusive responsibility of the local government unit in which they are located. More specifically, the Commission believes that since approximately 71% of the state's roads primarily provide access to property, each local unit of government should
retain its present responsibility for the construction of roads, streets and highways within their respective political boundaries. County trunk highways and state trunk highways passing through incorporated and unincorporated municipalities should be the full responsibility of the county and state respectively, since over 75% of these roads provide mobility and access between one municipality and another. The Commission believes that the existing flexibility for construction and maintenance of highways is desirable and should be maintained.

The Commission believes that planning for all modes of transportation should occur at the county board level after consultation with the state, regional planning commissions and affected local units of government. We concur with a statement made by the federal Advisory Commission on Intergovernmental Relations in the introduction to its model transportation legislation:

"For several years it has been clear to public officials and citizens alike that transportation policies and planning at national, state and local levels need to be brought into closer harmony with public policies and programs, especially those concerned with urban growth and development." (ACIR 1975)

Placing transportation planning on the county board level is consistent with our belief that local general purpose government is best able to provide these services. More specifically, the county board is able to consider geographic, environmental, social and economic conditions and problems relating to the provision of transportation services, since the county's jurisdictional boundaries encompass numerous subunits of government with differing transportation needs. In this position, the county board's approval of a comprehensive transportation plan could be used to establish spending and development priorities in future years. County planning could broaden the use of transportation revenues, overcome fragmented management of local transportation systems, encourage public transit on an intergovernmental basis, strengthen the role of counties in balancing transportation priorities, and permit multicity cooperative agreements in urbanized areas where transportation needs extend even beyond a single county's boundaries.

Some counties have already undertaken this planning, and are utilizing technical and management assistance provided by the state to develop all-mode transportation services on the local level. The state, for its own part, is also actively involved in all-mode transportation planning. We believe that this approach by the state is beneficial and should be continued. In terms of increasing the county's capability for improved transportation planning, particularly in urban counties, state technical and management assistance should be directed toward identifying ways in which public transit services can be efficiently delivered on the local level. As public demands for and actual delivery of alternative transit systems become a reality, the Commission believes that all available technical and management resources should be channeled into achieving an efficient public transit system which anticipates and can accommodate these demands.

**Commission Recommendations**

In the interests of preserving and maintaining a balanced, all-mode transportation system throughout the state, the Commission makes the following specific recommendations for transportation planning and policies:

1. The Commission recommends that each county board be given the responsibility for adopting an all-mode transportation plan after consultation with the state, regional planning commissions and affected local units of government. Such plans should be subject to periodic review.

2. The Commission believes it should be a primary responsibility of the plan to identify alternative transportation modes, and, in populous counties, to identify improved or increased transportation services.

3. The Commission recommends that the county bear full responsibility for the maintenance and repair of county roads and highways.

4. The Commission recommends that the state continue to provide technical and management assistance to local units of government to assist in identification of methods in which public transit services may be more efficiently delivered.

**TRANSPORTATION FINANCING**

Various suggestions have been made to change the methods for financing transportation services, including proposals made by the 1960 Revenue Survey Committee, the Committee of 25, the Tarr Task Force and other prestigious study groups. There is validity to the general conclusions reached by these groups that the methods for obtaining and distributing transportation revenues need to be changed. Both in response to and independent of the recommendations made by these groups, several legislative attempts have been undertaken to change the transportation financing system, resulting most often in only minor revisions or simply increases in the amount of revenues returned to local governmental units. The Commission believes that the primary problem within transportation finance has been and will continue to be the inability of the financing system to adjust along with changing economic conditions, changing transportation needs and changing technology at both the state and local levels. The net result of this system will inevitably be an increasing and inequitable property tax burden to finance transportation. A second result, we believe, is that no comprehensive, responsive approach to transportation can evolve from the present financing system. There is a distinct, perceived need to alter the transportation finance
system to enable a balanced, all-mode transportation system to be developed, as well as to remedy the property taxation problems related to transportation finance.

Local road and street aids

The Commission believes that one of the first changes should be in the formula which distributes state aids to local governmental units for the construction and maintenance of local roads and streets. The present formula has long been outdated, even though the factors used to establish the formula in 1939 still have some validity. The more important problem is that the present formula has little if any relationship to the actual use a road receives. The Commission suggests that a new transportation aids formula should be developed which more extensively recognizes changes in available data and improvements in technology related to the construction and maintenance of roads, streets and highways throughout the state. Additionally, any new formula should continue to make use of improving data and technology in an effort to keep the state-local relationship current.

The new transportation aids formula should also focus upon a stronger relationship and balance between state aids and local expenditures for transportation so that intergovernmental tensions in this area may be reduced. Maintaining this aids/expenditures relationship addresses the problem of equitably distributing the property tax burden at least in terms of the impact of transportation costs which are reflected in the property tax. In spite of the difficulties which have been encountered in revising the transportation aids formula in the past, we believe the changes we have suggested are necessary in order to meet present transportation costs while shifting those costs away from property taxation.

Use of state highway aids

On a subject related to the transportation formula, recent studies have shown that there are several local units of government which have received more in state highway aids than was actually spent for transportation purposes. The Commission believes that this phenomenon requires particular importance and demands specific attention since local units of government may spend their highway aids for other than transportation purposes. Accountability is lost on the local level when the aids can be spent for purposes other than transportation. Similarly, some measure of accountability is lost at the state level if the aids cannot be correlated with the needs of local government or compared with the general transportation policies of the state. From the consumer point of view, the transportation revenues are user fees which should be used within the transportation system. The Commission suggests that there be some accountability mechanism in the formula to ensure that highway fund revenues will be spent either to improve the highway system or to develop transportation systems which will reduce financial pressures resulting from extensive, costly highway use.

Aids for transportation planning

The Commission believes that some financial consideration should be given to the county transportation planning process. Pursuant to that belief, we suggest the provision of some state financial assistance for the implementation of the county all-mode transportation plan. We believe that the transportation plan is an excellent mechanism for identifying needs, but we also recognize that the plan may fall short of its goals unless the funds are available to see that the county boards can implement the plan. The Commission is aware that there are limited resources available on the local level and that many necessary projects are not initiated because of that lack of funds. Rather than attempt to fund all local projects or to have the state determine which projects are more important, the county board, on the basis of the transportation plan, should determine which transportation projects are the most necessary and have access to funds which could be used to meet those priorities. In summary, we believe this would strengthen the state-local commitment to a balanced, all-mode transportation system while keeping effective decision making and service delivery functions at the local level.

State connecting street aids

The Commission has made a recommendation which states that "...the county should bear full responsibility for the maintenance and repair of county roads and highways." The Commission believes that a logical corollary to that would be to have the state be responsible for the maintenance and repair of all state trunk highways within an incorporated municipality's boundaries. We acknowledge the fact that the state has already assumed this responsibility for state highways in unincorporated areas. Incorporated areas, in our judgement, should receive the same treatment. The Commission believes that the present connecting streets aids impose an unfair financial burden on the property taxing resident and the municipal official because the level of aids is, in many instances, substantially less than actual costs. The Commission believes that the state should have a consistent policy for both urban and rural areas and that the connecting streets aids should be changed accordingly.

Public transit aids

Under the present system, the state provides direct assistance for public transit systems. The state assistance for public transit systems cannot exceed two-thirds of the system's actual operating deficit. In 1976, the aggregate statewide demand for state funds exceeded the amount available for distribution, which means that state payments were actually less than two-thirds of the actual operating deficit. The Commission finds this situation unacceptable. We believe that this situation only prompts increased reliance on the property tax, jeopardizes existing public transit systems, discourages development of new public transit systems and, in general, works against the
Commission's stated goal of a balanced all-mode transportation system. There are desirable features in the present formula: it is responsive to local decisions concerning levels of service and fare structures; it maximizes the amounts of federal aids applied against operating deficits in urbanized areas; it is directly tied to actual costs incurred in operating each transit system; and it utilizes existing administrative procedures which are well understood by participants at the state and local levels. Given both the commendable goals and relative advantages which can be realized through this system, the Commission believes that the funding for this formula should be increased to meet the state's public transit policies and goals.

Sales tax on motor fuel

We have previously acknowledged that there is a general need for increased revenues to meet transportation needs. The Commission believes, in this regard, that application of the sales tax to motor fuel is an appropriate mechanism to raise revenues for additional fiscal assistance at the local level. We further believe that these additional revenues should be distributed in accord with the previously cited Commission recommendations.

Commission Recommendations

1. The Commission recommends that the general transportation aids formula be revised to consider use, as reflected by actual road mileage, differing physical road characteristics, differing service characteristics of roads, and differing costs based on road type and location.

2. The Commission recommends that the highway aid formula should be updated in a manner sufficient to finance highway costs on a current year basis (through necessary adjustments in the present formula) until such time as standard unit cost data can be developed, after which aids should be paid on a standard unit cost basis rather than on a dollar amount per unit basis by unit of government.

3. The Commission recommends that transportation aids paid to local units be spent for transportation purposes only.

4. The Commission recommends that discretionary funds be made available to counties for the purpose of meeting locally determined transportation needs, and to make possible comprehensive countywide transportation planning. Such funds should not result in a dollar reduction in the amount available to provide aids for existing local transportation needs.

5. The Commission recommends that the state assume full financial responsibility for the state trunk system (connecting streets) and that the state make every effort in future years to maintain that responsibility.

6. The Commission recommends that the state retain the present method of distributing public transit aids and increase the aid appropriation to fully fund the present formula.

7. The Commission recommends that the state also continue providing funds for demonstration projects to study and develop innovative public transit programs which may be of statewide significance.

8. The Commission recommends that the sales tax be extended to motor fuels and the proceeds distributed to local governments as additional transportation aids. The distribution of these aids should be consistent with Commission recommendations relating to revisions in the methods for providing local transportation aids. Appropriate exclusions from the sales tax should be provided for motor fuels used for agricultural purposes.
CHAPTER 5

GENERAL PURPOSE LOCAL GOVERNMENT

General Introduction

General purpose local government units in Wisconsin are of four basic types. There are, at present, 72 counties, 186 cities, 390 villages and 1,270 towns, each of which derives its existence, organization, governance structure, powers and duties from the state Constitution and statutes. While each exists as a "general purpose" unit of government, each is in many respects different from the others.

Counties are geographically the largest of the general purpose local government units, ranging in area from 235 square miles (Pepin) to 1,586 square miles (Marathon). County population ranges from 2,644 in Menominee to 1,004,219 in Milwaukee. The governance structure of counties is explicitly defined in the state Constitution, and their powers and duties are limited to those specifically authorized by state statutes.

Historically created as administrative districts of the state, county responsibilities have changed and grown steadily over the years in response to increased demands for services. The traditional responsibilities given to counties still remain largely intact: law enforcement and criminal prosecution, collection of taxes, road construction, maintenance and repair, and the provision of a number of state and federal health and social service programs. Additionally, counties today are authorized to provide some services similar to those provided by other local governments.

The county governance system is constitutionally established. Boards of supervisors are elected on a nonpartisan basis for two-year terms (four years in Milwaukee). In most counties in Wisconsin, there are eight elected officers: district attorney, sheriff, clerk, register of deeds, treasurer, surveyor, coroner and clerk of circuit court. While recent constitutional and statutory amendments have permitted counties the option to have an elected county executive or appointed county administrator, this option is not widely exercised. County boards also elect, from their membership, a county board chairman. The county executive has the power of veto over actions taken by the board. The county administrator and board chairperson do not have this power. In the vast majority of counties, the governance of the county is actually carried out by the board of supervisors through a plethora of county committees and committees authorized by state statute.

In another statutory amendment enacted in 1973, the Legislature, pursuant to its authority granted by the Constitution, enacted measures to "increase the organizational discretion which counties may exercise in the administration of powers conferred upon county boards of supervisors..." (s. 59.025, Wisconsin Statutes). However, Attorney's General opinions issued subsequent to the passage of this section have provided only a narrow interpretation of the discretion permitted the county, thus making implementation of this statutory amendment for "administrative home rule" for counties relatively ineffective. For all practical purposes, then, despite the increased service responsibilities given to counties in addition to their state legislation, the county governance system remains essentially as it was created by the Constitution and statutes more than 100 years ago.

Cities and villages are municipal corporations empowered to provide a wide variety of services to generally urban populations. Cities usually have a larger population than villages, with most Wisconsin villages having fewer than 1,000 residents and the majority of cities having more than 2,500 residents.

In the early history of the state, the Legislature reserved to itself the authority to enact charters to create cities and villages. These charters, which prescribed in detail the organization, governance structure and powers of the municipality, could be amended only by an act of the Legislature. As time passed, the Legislature abandoned the practice of enacting and amending municipal charters individually and instead enacted a general charter law specifying the organization and authority of municipal corporations.

Cities and villages came of age in 1924 when the Constitution was amended to provide these corporate bodies with complete "home rule" powers, allowing them to determine their local affairs and governance structure, except where state legislation is enacted on an issue of statewide concern. Considerable freedom is permitted under the home rule provisions; but these provisions do not permit cities and villages local discretion in determining the sources of revenue which they use to finance the services they provide.

Services provided by cities and villages are many: sewers, sanitation, water, police and fire protection, transportation, libraries, health, recreation, welfare, planning and zoning, property assessment, property tax collection, etc. As general purpose local governments traditionally involved in providing a wide variety of services to many residents of a particular area, cities and villages have been profoundly affected by a rapidly changing, urbanizing society which continually places upon them increased demands for improved and expanded services.

Apart from size, the basic difference between cities and villages is in each unit's system of governance. The traditional and most popular type of village government is the village president - board of trustees form, rather than a village manager form. The president, who is a member of the board of trustees, is elected at large and is assigned certain administrative responsibilities, while the board, also elected at large, sets policies for the village. The village president, unlike the mayor of a city, has no veto power over decisions made by the board. The basic village
form of government does not clearly delineate between the legislative and executive branches of government.

Most Wisconsin cities are governed by the mayor - council form of government, which can be divided into categories of "weak" or "strong." A "weak" system is characterized by shared administrative responsibilities among the mayor, elected administrative officers and various boards, commissions and other appointed officials. A "strong" system unifies responsibility and accountability in the mayor's office, with the mayor having the authority to appoint and remove administrative officials, prepare and execute a budget, supervise the day-to-day operations of the city, and exercise veto power over decisions of the council. While Wisconsin cities are empowered to adopt either of these two systems, most are under the "weak" system. Villages, on the other hand, do not have the option of adopting a "strong executive" system of governance.

Both cities and villages may adopt a manager form of governance. Under this system, the legislative body is usually small and has policymaking powers. This body appoints a professionally trained, career-oriented administrator who is responsible for policy implementation, administration, selection of major administrative officials and preparation of an executive budget. The manager is not empowered with the veto.

In addition to electing a mayor or village president and the members of the legislative body, cities and villages also generally elect a clerk, treasurer, assessor and comptroller, although the method of selection may be by appointment. However, at present any change in the existing method of selection, or in the governance structure, requires an amendment in the city or village charter, which, in turn, may require a referendum.

Towns are unincorporated units of general purpose local government. Much of the constitutional and statutory history of the town is similar to that of the county. Originally created as administrative and political subdivisions of the county using surveyor's plats of approximately 36 square miles, most Wisconsin towns in existence today still retain this size except in some northern parts of the state or in areas having an urbanized population. Town populations are typically small, with more than 71% of the state's 1,270 towns having populations of less than 1,000. There are several large towns located near large cities. The largest town in the state is the town of Caledonia (16,581) near the city of Racine.

Towns derive the entirety of their authority from the state statutes. They have no home rule powers, and are permitted to exercise only those powers and duties specifically granted them by state statutes. The major services provided by most rural towns are road maintenance and repair, property assessment and, to a somewhat limited extent, protection of persons and property. Through a provision in the statutes allowing towns to adopt certain village powers, the urbanized towns provide additional services similar to those provided by cities and villages. Since there has been no court case challenging a town's option to exercise this provision, it is unclear as to exactly what village powers a town may adopt under this provision. In some cases, counties provide services (usually road construction and maintenance and police services) to towns on a contractual basis.

A uniformity clause in the state Constitution requires that town government "shall be as nearly uniform as practicable." (Article IV, Section 23). Accordingly, at present the statutes specify that each town is to be governed by a town board of supervisors consisting of three members (five members for those exercising village powers), one of whom is elected town chairman. Town government operates under the direct - as opposed to representative - form of democracy. All qualified electors of the town may meet to elect the town board, a clerk, assessor, treasurer and constable, and to adopt the budget. The town board may opt to appoint the assessor. Elective officers serve two-year terms; the town budget is adopted annually.

In effect, then, the town electors are the legislative body. The board manages the day-to-day operations of town government in accordance with the policies adopted by the electors at the annual town meeting. Changes in this system of governance require an act of the Legislature.

Commission goals

These are Wisconsin's general purpose local governments. All were created and continue to exist to fulfill the primary responsibilities of government in a democratic society: to manage those affairs of concern to the public at large; to provide services of a public nature and in the public interest; to exact from and with the consent of the governed the revenues necessary to provide those services and meet other obligations as the public prescribes; and, ultimately, to make a full, public accounting of their performance in carrying out the mandates placed upon them by the governed.

Ours is a society in a state of constant change. Progress, both technological and cultural, becomes outdated almost as quickly as it is achieved. Commonplace are demands to increase the amount and improve the quality of goods and services not even in existence a decade ago. Private businesses and industries strain their capacities to anticipate - or simply to meet - those demands. The same is no less true of government. Yet government, unlike private business and industry, is subject to demands and pressures from all segments of society. It is also subject to constraints and limitations, unlike those imposed on private sector activities, on the methods it may employ to adequately respond to the demands and pressures it faces.

The Commission has undertaken an intensive examination and review of the performance of both the state and all local governments - single and general purpose units alike - in responding to public needs and demands for services. Cities, villages, towns and counties, we have found, are most directly affected by these needs and demands due to the "general purpose" nature of these units. All factors considered, we have found these general purpose units to be fulfilling their responsibilities to the
constituents they serve with integrity. We have measured their performance against the standards and objectives we believe a democratic system of government should strive to achieve, and we have found these general purpose units to be firm in their resolve to achieve, maintain and even surpass these standards.

We are also mindful, however, that the citizens of this state comprise a diverse population: economically, socially, culturally, educationally, vocationally; that from this diverse population comes a diversity of need to which local governments at times might less than effectively respond, due to constraints of size, fiscal capacity and statutory authority.

The Commission has adopted this fundamental goal: that general purpose local government should be preserved and strengthened wherever possible to meet their responsibilities to their electors. No other single goal of government is likely to be attained if local general purpose governments are permitted, either by neglect or purposeful design, to atrophy. To achieve this goal, however, changes in government are necessary in response to a changing societal perception of government's functions. The willingness of governmental units at all levels to adapt is paramount.

POWERS AND DUTIES OF GENERAL PURPOSE GOVERNMENTS

It has been noted in the general introduction to this chapter that most governmental services provided directly to Wisconsin citizens are provided by cities, villages and towns. While counties also provide some general governmental services, the range of services they provide is not as extensive as with cities and villages, primarily because counties may at present provide only those services specifically authorized by state statutes.

The phenomenal growth which has taken place in all sectors of American society, particularly since the early 1950’s, has been accompanied by an equivalent increase in demand for services provided by local governments. Traditionally, the response to this increased demand has been to assign service responsibilities on a somewhat haphazard, piecemeal (“as needed”) basis rather than through an evaluation of the appropriate role of the various levels of general purpose governments to determine which level or levels of government are best equipped to provide the needed service. This type of piecemeal approach to assigning service responsibilities has led in some cases to the creation of “special purpose” districts to undertake specific responsibilities, either because no general purpose government was adequately equipped to assume the responsibility, or because no general purpose unit wanted to assume it. In other cases, services have been assigned to units of government which, following assumption of the service, have discovered that their capacities are not sufficient to permit them to provide the service to their constituents in an effective manner.

Other aspects have also often been omitted from a consideration of which level of government should provide which service: for example, so-called “spillover” effects or “externalities” (the direct as well as indirect benefits or negative impacts of a service which extend beyond the boundaries of the jurisdiction which provides the service. Water or air pollution abatement is an example); economies of scale (the possible reduction in the unit cost of producing a good or service as the total number of units produced increases); accountability (the ability to clearly identify and hold directly responsible for their actions those government officials responsible for providing the service, raising the revenues, and spending the revenues necessary to provide the service); and others.

The capacity of a unit of general purpose government to provide a service is influenced by a number of factors. First, the level of government must be empowered by law to provide the service in question. Second, the unit of government should be of a sufficient size to contain the benefits and costs of the service provided within its jurisdictional boundaries. Third, the unit of government must have the ability and authority to organize its system of governance in such a way as to provide the highest quality level of service in the most effective and efficient manner. While it is true that not all governmental services can be assigned to a single “ideal” unit of general purpose government, some consideration must be given to how the service to be provided and the unit of government to which the service responsibility will be assigned are able to account for these various factors.

The Commission believes it is worthwhile to take the opportunity to review the entire local government system through a general approach to determine if present service responsibilities are assigned to the appropriate governmental units and to determine if the units are organizationally capable of providing those services.

Criteria for determining service responsibility

To begin, the Commission embraces the general principle that local governments are presumed capable of delivering governmental services to the citizens of this state on the grounds that these units are responsive, accountable and accessible to their constituents, and that the state should allow alternate levels of local government (cities, villages, towns and counties) to provide services.

Following from this general principle, we propose that any consideration to shift the primary responsibility for providing a service from one level of government to another should be measured against criteria which take into account the differences in the services and the levels of government. We believe also that the concern of the taxpayer, the needs of the consumer and the effectiveness of the administrator should be included in any such consideration. We suggest the following criteria (which are not in order of their importance by virtue of their listing here):
In the context of these criteria, the Commission considered several basic services provided by the state's general purpose local government units: police and fire protection, sewers and sewage treatment, solid waste collection and landfill operations, water supply, and parks and recreation services. The Commission's recommendations concerning what we believe to be the appropriate assignment of responsibilities for the services are included at the end of this section. Responsibility for the various health and social service programs examined in Chapter 3 was similarly determined in the context of the foregoing criteria, as was the responsibility for transportation services (Chapter 4).

No one of these services, nor levels of government contemplated to be responsible for providing them, meet all of the criteria. Conflicts exist, for example, between strong arguments favoring the efficiency which could be achieved by transferring the responsibility for income maintenance administration to the state, and an equally strong argument for retaining county administration on the grounds that the county is the more accessible and responsive level of government for the service recipient. Conflicts such as this are to be expected, as each service and each level of government have qualities and features which respond well to some of the criteria and poorly to others. Any final determination must be based on a value judgment regarding which of the criteria are of greatest importance to the service and level of government considered.

Flexibility in service delivery

While the Commission has examined the question of responsibility for providing services, we have also recognized the necessity and desirability of permitting these general purpose government units responsible for providing services the broadest possible range of options and other flexible methods to fulfill their responsibilities. A flexible system of service delivery available to local governments will enable these units to not only meet present responsibilities, but to respond effectively to new demands, problems and circumstances.

Local general purpose units have traditionally and justifiably pointed with pride to their ability to provide needed services at a high level and quality to the residents of their jurisdictions. However, as circumstances change and the demand for and cost of providing such services increases, local governments are finding it more difficult to meet their service provision responsibilities alone, using resources which do not always expand in proportion to service needs. The Commission believes that all general purpose units should be willing to recognize that the effective continued delivery of services to their constituents might be better, more easily and more efficiently accomplished through cooperative service agreements with each other. We feel that it would be appropriate for the state to assist local governments desiring to engage in cooperative service agreements by providing technical and other assistance to aid in the process.
As the level of services expands in response to increased demands, the needed level of a given service may extend beyond the boundaries of even several contiguous smaller local units. Attempting to provide the necessary level of certain services on a municipality-by-municipality basis, even under cooperative service agreements, may still not ensure that an adequate level of service is provided, that "spillover" benefits and costs for the service are contained, or that economies of scale are fully captured. It is for these reasons that the state is responsible for providing some services; but in many cases, transferring responsibility for the service to the state may be both unnecessary and undesirable. The county, as an areawide unit of general purpose government, should be recognized as a viable provider of those services of an areawide nature.

Use of private service providers

An additional option which should be recognized by and made available to local general purpose units is the use of private service providers for the provision of some governmental services. A competitive market may enable a private business to provide a traditionally governmental service - such as garbage collection - more efficiently and consequently at less cost to the user of the service. While the service would remain ultimately a governmental responsibility, private sector service provision would address a local general purpose unit's responsibility to return to the taxpayer the best possible level of service in exchange for the tax dollar.

Expanding county government

The Commission's analysis of the present powers and duties of local general purpose governments has focused specifically on those powers and duties possessed by the county and town governments. Cities and villages, empowered with home rule, enjoy considerable latitude to determine local affairs and responsibilities locally. Counties and towns, on the other hand, must receive statutory authorization to undertake responsibilities and activities affecting their jurisdictions.

It is evident from the Commission's recommendations in this chapter and elsewhere in this report that an expanded role for counties as general purpose areawide governmental units is indicated. This view of increased county responsibility and activity is not a novel idea, either to this Commission or to the state at large. The distinguished Tarr Task Force on Local Government Finance and Organization (1969) recommended numerous changes in the organization, governance, powers and duties of county government in anticipation of the increased responsibilities that might logically be assigned to the county. A constitutional amendment was passed in the spring of 1969 which exempted the county from the "uniformity of government" clause, thus paving the way for county governments to be permitted governance systems flexible enough to accommodate the needs of their areas. Nonetheless, in the absence of home rule, counties must still derive their authority to exercise powers and perform duties by specific state statutes.

The Commission has dealt with the subject of whether to recommend some form of home rule for counties. We believe, as did the Tarr Task Force, that if counties were given the same right of self-determination now enjoyed by cities and villages, "the friction between these two levels would embroil the courts in continuing litigation over the rights of each" (Tarr Task Force Final Report, page IX-4). We suspect that a grant of complete home rule for counties would, in effect, create more problems than it may solve. On the other hand, we believe it is time for the state to recognize counties as viable, valuable, efficient and necessary general purpose local units of government, and to permit them greater flexibility to handle the increased responsibilities that will inevitably be placed upon them.

Counties must be permitted to organize themselves administratively. This, we believe, involves applying the broadest possible interpretation to s. 59.025 (Wis. Stats.) regarding the right to exercise organizational discretion in the administration of powers and duties conferred upon them by the Legislature.

In addition, as general purpose units of government, counties should be permitted the authority to approach the citizens of their jurisdictions directly at their own option to receive advice or direction concerning actions contemplated by the county board. Present statutes do not permit counties to conduct advisory referenda. We do not believe this governmental power should be denied the county.

Town/village powers

The Commission has discussed another topic of some concern regarding the powers and duties of local general purpose governments: the present statutory authorization permitting towns to adopt village powers. This statutory provision is most often invoked by towns located immediately adjacent to large cities.

While no court case has ever resulted from the invocation of this provision, the Commission believes that the town's authority to adopt village powers is undesirable. Towns, and the town system of governance, have provided their residents with a now rare opportunity for direct governance over policies and matters of concern affecting predominantly rural populations, which is not possible in larger urban areas where representative governance is preferred for practical and political reasons. A town which adopts village powers significantly changes the scope of its traditional role and function. Town government, furthermore, is ideally suitable for rural areas of the state where the need for numerous governmental services is minimal. Towns located in urbanized areas, we believe, should use alternate means to provide necessary services to their residents other than through adopting village powers.
Commission Recommendations

The previous section has presented the Commission's analysis of the present powers and duties of local general purpose governments and those areas where we believe changes are needed to improve general purpose government's capacity to fulfill its responsibilities. Based on our review, we submit the following general and specific recommendations:

A. General Recommendations

1. The Commission recommends that where cities, villages and/or towns are the presumptive providers of a local service, such units be granted the authority to transfer, by contract at their own determination and cost, responsibility for the provision of that service to the county, whether or not the county would otherwise have authorization to provide the service. Such contracts would be activated by mutual consent.

2. The Commission recommends that counties establish a services committee to facilitate assumption of local services transferred to the county by contract.

3. The Commission encourages the state to provide financial incentives and technical and management assistance to local governments to encourage cooperative service provision agreements.

4. The Commission recommends that local governments be permitted the authority to contract with private service providers for the provision of governmental services, except for the exercise of police powers and judicial functions.

5. The Commission recommends that counties, at a minimum, be provided with optional forms of administrative home rule powers.

6. The Commission, recognizing that it is desirable for governments to seek the advice and opinions of their citizens on specific issues from time to time, recommends that counties be provided the authority to conduct advisory referenda upon resolution of the county board.

7. The Commission recommends that the statutory provision which allows towns to adopt village powers be removed.*

*B.Minority statements submitted by Commissioners Russell Knetzger, Walter Hollander, Laurence Day, Kenneth Schricker and Earl Schmidt. See pp. MR-7 (Knetzger) and MR-8 (Hollander, et al.).

B. Specific Services

1. Police Service

a. The Commission recommends that the county be designated as the presumptive provider of police services in unincorporated areas, and cities and villages as presumptive providers in incorporated municipalities. The cost of police services to unincorporated areas should be borne by the units of government receiving the services.

b. The Commission recommends that the county be permitted to provide police services to towns either on its own, through a contract with another county, or through a contract with an incorporated municipality.

c. The Commission recommends that incorporated municipalities be permitted to provide police services either singly, through a contract with another municipality, or through a contract with the county.

2. Fire Services

a. The Commission recommends that towns, villages and cities be designated as the presumptive providers of fire protection services in their respective communities.

b. The Commission recommends that each of these governmental units be permitted to provide fire protection services either singly, through a contract with each other, or through a contract with the county.

3. Public Safety Department

The Commission recommends amending sections 61.65 and 62.13, Wisconsin Statutes, to remove the requirement that villages and cities of a statutorily specified size establish both a police and fire department with their respective chiefs and subordinates, if a joint public safety department is established to provide police and fire services.*


4. Sewers and Sewage Treatment

The Commission recommends retaining the present governmental responsibilities for these functions.

5. Solid Waste Disposal and Landfill Operations

a. The Commission recommends transferring all responsibility for landfill site operations and management to the county or multicounty level.*


b. The Commission recommends that the present responsibilities for waste collection and transfer functions be retained.

6. Water Supply System

S-6
The Commission recommends retaining the present responsibilities for provision of water services.

7. Parks and Recreation Services

The Commission recommends that the present system under which parks and recreation service are provided be retained.

8. The Commission recommends that responsibility for the operation of airports which provide a service to interstate commerce (regularly scheduled interstate air service) be transferred to the county level with specific encouragement for multicounty airport operations in areas where airports serve more than a single county's needs.

ORGANIZATION AND GOVERNANCE STRUCTURE

The methods under which local general purpose governments organize and govern themselves have a direct bearing on the ability of those units to carry out their responsibilities. The organization and governance structure of these local units varies, as explained in the general introduction to this chapter. To some extent, these differences exist because the units themselves differ in geographic size, population and functional responsibilities. However, it is probably also the case that differences in organization and governance systems among these units are historically based and remain largely unaltered since these units were created. The Commission has found that the effective management of governmental affairs and the effective provision of governmental services will require a review of those aspects of local government organization and governance which prevent this from being accomplished. Once again, in this area as in other areas of concern to local general purpose governments, the Commission has adopted the general view and goal that flexibility should be a major aspect of the local government system.

The need for a modernized governance system and organizational capacity is perhaps most apparent at the county level. As counties face increasing responsibilities to provide services, the system of operating without an executive branch under fragmented county board committees and commissions will become impractical and inefficient. The American governmental and political system at large is modeled on the principle of separation of powers, wherein functions of an executive, legislative and judicial nature are exercised separately with appropriate checks and balances among the three branches. County organization and governance, the Commission believes, should be patterned as nearly as possible to this system. Such a system will enable counties to strengthen their administrative capabilities and improve accountability to their constituents.

Electoral procedures

Specific attention has been given to the electoral procedures in use among general purpose local units. Dating from the Jacksonian Democracy of the early nineteenth century, it became popular to fill every governmental position by election. While this process, the vestiges of which still remain today on the local government level, probably provides for accountability in its purest of forms, it also results in a situation where voters are confronted with a virtually endless list of candidates, many of whom do not run for offices of a policy making, issue-oriented nature. In election years which combine national, state and local government elections, as well as an inevitable referendum or two, the situation worsens, and voters may be prompted to vote "blindly" out of need to simplify casting their ballots.

The Commission believes a distinction should be made between those governmental offices and officials whose responsibilities are predominantly in making policy decisions, and those offices and officials whose responsibilities are essentially administrative. We maintain, as a general rule, that policy making positions should be filled through the electoral process, and administrative positions should (at the very least) be able to be filled through appointment. We see the primary advantages of this to be the ability to attract well-trained, career-oriented individuals into these administrative positions, and to provide an option for a "strong executive" system of governance for general purpose local units. As the service responsibilities and other functions of local governments expand, so, too, will the need for qualified individuals and strengthened governance to manage the administrative operations.

In any case, we do not believe that local governments should be “mandated” to organize and implement governance systems in a certain way, but rather that they should be given the authority to organize without difficulty. At present, the procedure for changing certain elective positions at the county level to appointive positions is extremely difficult, since it requires a constitutional amendment. Similar procedures for towns require a statutory amendment. Cities and villages may change these positions at their discretion, but the change requires an amendment to the municipal charter law, which, in turn, may require a referendum.

Local boards, commissions and authorities

Local general purpose governments consist of more than elected officials. There are appointed boards, commissions, committees and a host of other similar ad hoc entities at almost all levels of local government. In some cases, these bodies function in a purely advisory capacity to the local unit; in other cases, they are vested with the authority to act and make decisions which have a significant impact on the citizens of a particular jurisdiction. The Commission, in its deliberations, has continually reaffirmed its belief that the authority of local general purpose government to serve the needs of and be
accountable to its citizens should be preserved. Local boards and commissions serve a useful function; but the Commission believes that these bodies should always be subject to local general purpose government oversight. Without this accountability, the powers and responsibilities of local governments become fragmented, and local government viability weakened.

Contradictory statutes

Another matter of general concern to this Commission is a point which many local legal officers have found to be particularly confusing. The issue is the numerous statutory references which address the powers, duties, functions and governance systems of local general purpose governments. These references are sprinkled throughout the 992 chapters of the state law book, and are not only numerous but contain contradictions and ambiguities, or are outdated. Local government legal officials find themselves uncertain or unable to provide accurate interpretations of laws affecting the operations of local governments as a result. The Commission believes that legislative review and updating of the statutes is not only appropriate but necessary in order to establish clear statutory guidance to local officials regarding local government operations.

Commission Recommendations

The Commission has viewed the service responsibilities, powers and duties of local general purpose governments to be related to the governmental organization and structure. In view of the recommendations made regarding local government powers and duties, the Commission makes the following additional recommendations pertaining to organization and governance:

A. Counties

1. The Commission recommends that counties have either an elected county executive or an appointed county administrator.*

2. Regarding electoral procedures for counties, the Commission recommends that the county executive, county board, sheriff and district attorney remain as elected officials.*

3. The Commission recommends that the Constitution be amended to provide that all other county officials at present elected (clerk, treasurer, register of deeds, surveyor, clerk of circuit court) be elected or appointed at the discretion of the county board, with the right of the citizens of the county to petition a referendum on the action of the county board.*


4. The Commission recommends that all county elected officials be elected on a non-partisan ballot in the spring.

B. Cities and Villages

1. The Commission recommends that cities retain their present optional forms of governance, and that villages be specifically authorized the same options as cities to elect an executive officer separate from the legislative body, or to have a village manager plan regardless of population.

2. Regarding electoral procedures for cities and villages, the Commission recommends that the mayor or village president and members of the legislative bodies remain as elected officials. All other city and village officials (clerk, treasurer, assessor, comptroller) should be elected or appointed at the discretion of the city council or village board, with the right of the citizens of the city or village to petition a referendum on the action of the municipal governing body.

3. The Commission recommends that police and fire commissions retain those responsibilities which guarantee the right of citizens and the chief to file charges against a member of a department, the final disposition of which should be through statutory procedures. However, municipalities should be granted the authority to transfer the hiring, promotion and examination duties of police and fire commissions to normal municipal personnel procedures, at the discretion of the municipality.

C. Towns

1. The Commission recommends that towns retain the present town board system of governance.

2. Regarding electoral procedures for towns, the Commission recommends that the town board remain a popularly elected body.

3. The Commission recommends that the statutes be amended to provide that all other town officers (clerk, treasurer, assessor) be elected or appointed at the discretion of the town board, with the right of the citizens of the town to petition a referendum on the action of the town board.*


D. General Recommendations

1. The Commission recommends that all local boards, commissions and authorities permitted or required by statute be appointed by the local general purpose government and be fiscally accountable to the local executive and legislative branches of government. Representation on multigovernmental appointed
bodies at the same level of government should be determined on the one person - one vote (population) basis.

2. The Commission recommends that the Legislature undertake a review and updating of all statutes pertaining to local governments to eliminate statutory contradictions.

**FISCAL MANAGEMENT POLICIES**

Local general purpose governments are not autonomous, self-contained and self-sufficient entities. The preceding sections of this chapter, as well as other chapters in this report, have shown that all governmental units - including the state - are involved in a partnership of service to the citizens of this state.

A local government's ability to manage its fiscal affairs is another key element influencing the manner in which that unit fulfills its responsibility to provide necessary or desired services at a reasonable cost to its constituents. It is also in the area of fiscal management that the state's relationship with local governments becomes most apparent and most controversial.

This relationship takes many forms: the state returns a substantial portion of the revenue it raises to local governments in the form of "shared taxes;" the state provides various types of property tax relief to the citizens of local government to ease the burden placed on property taxpayers to finance local government services; local governments participate in providing specific services which are financed under "categorical aids" from the state. But the state-local relationship in local government fiscal affairs management and policies extends beyond the obvious dollar commitments of each level.

**Lead time and advance notice**

Perhaps no other problem in state and local government relations has received more attention, or surfaced more often, than the issue of the state "mandating" programs and services on local governments. The Commission has become well aware of the difficulties which local government officials face when the state, either directly through legislation or indirectly through the promulgation of an administrative rule, requires local governments to provide a program or service. These local officials argue that the state provides no lead time or advance notice sufficient to permit local governments to adjust fiscal or organizational procedures to accommodate the program. The result is fiscal and budgetary chaos for the affected units.

The Commission has examined this issue and finds these complaints, in general, to be justifiable. The Commission believes that the sound and stable management of local government fiscal affairs cannot be effective unless it is protected in some way against sudden, unanticipated changes in legislation made at the state level which significantly alter local government operations and fiscal conditions. We feel it is important to point out, however, that this issue does not present a clear-cut case of right and wrong. The state, as the largest unit of "general purpose" government, must also fulfill its own constitutional and statutory responsibilities. In its carrying out of those responsibilities, conflicts are likely to result where local governments are called upon by the state to assist. We believe, nonetheless, that alternative methods can and should be made available to ensure that these responsibilities are met without causing unnecessary fiscal management and other operational problems for local government.

**Improved budgeting techniques**

With the growth in the size of many local government units, and the concomitant increase in the level and types of governmental services accompanied by additional personnel and equipment necessary to provide the services, local government budgets have become increasingly more difficult and complex to prepare. Many of the larger municipalities in the state now commonly spend a substantial portion of the year preparing their budgets. While local governments (and the state) are of one mind in their efforts to control and reduce the cost of government operations, the increasing complexity of local government budgets requires a continuing refinement of budgetary processes and techniques which will help identify programs, services and operational systems which do not perform well enough to justify their costs.

The Commission sees the state providing a valuable and productive service to local governments in the area of technical advice and assistance in implementing improved budgeting techniques. We view this type of assistance as an opportunity for the state and local government units to voluntarily join together to accomplish a goal which both levels of government desire.

**Uniform fiscal year**

A third issue affecting the fiscal management policies and practices of local general purpose units is that of the differences in the fiscal years under which these local units budget. Counties, cities and villages use January 1 to December 31 as their budget year; towns budget on an April to March fiscal period; in addition, the state and school districts budget on a July 1 to June 30 fiscal year; the federal government on an October 1 to September 30 period.

The importance of the fiscal year extends beyond the amount of dollars expended in any one period of time. The uniformity or nonuniformity of fiscal years among local general purpose units affects the ability of these units to enter into cooperative service agreements, particularly if each unit budgets on a different year. Non-local revenues, (that is, those revenues passed on to local governments from the state and federal government) may or may not be paid entirely within the local unit's established fiscal period, making budgetary preparation especially difficult and tenuous. The assessment of property and collection of property taxes - in particular,
those taxes collected by general purpose units for school district purposes - are timed such that these units receive their necessary revenues in separate fiscal periods.

The Commission believes that the problems and difficulties caused by the differences in fiscal periods among local units can be addressed through a uniform fiscal period approach. The adjustment required of certain units may result in some difficulties, but we believe these difficulties will be of a transitory nature, and will be offset by the advantages of uniformity which will become clear once the uniform system is well under way.

Timing of aids payments

A fourth issue, which is related to fiscal year uniformity, is the issue of timing of aids payments. The problem that arises from the present system of aid disbursement is one of cash flow affecting both state and local government. The state pays substantial amounts of monies to local governments in the early spring for a variety of purposes. This requires the state to have the necessary monies available at that time to meet those obligations. The local units, on the other hand, receive those aids largely in the first six months of the calendar year. Hence, these units must manage their financial affairs in such a way as to even out the cash flow throughout their fiscal year: a process which can and often does prove difficult. In some instances, there are no assurances that payments will be made at a particular time or that payments will coincide with the needs of local general purpose governments and/or special purpose districts.

The Commission recognizes that one way to promote sound fiscal management is to implement a regularized system of aids payments. Similarly, a greater degree of regularity in making aid payments will enable local units to plan for financial obligations in accordance with the flow of both local and state revenues. The Commission believes that the payment of state aids to local units of government on a regular periodic basis would assist these units more easily in planning for and meeting their financial obligations during the fiscal year.

Levy limits

Perhaps one of the most controversial issues examined by the Commission is the issue of levy limits. Control of the local budget process and the local property tax levy is not new in Wisconsin. In 1973, the state imposed controls on local general purpose government expenditures. While an appeal process was allowed to exceed the restrictions, the 1973 budget control allowed local general purpose units to have a 1974 property tax levy which would produce 1974 budget revenues from all sources (property taxes, shared taxes, user charges, federal revenue sharing, etc.) equal to 106% of 1973 budget revenues. The control imposed in 1973 lasted for only one year. In 1975, a permanent direct limitation on local property tax levies, as opposed to budget revenues, was imposed.

The levy limitation states that the growth in the property tax levy for local general purpose government purposes (excluding education) cannot exceed an amount equal to the previous year's property tax levy times the percentage of statewide growth in the full value of property. Eleven specific temporary or permanent exemptions from the levy limitations are allowed, including such items as changes in shared taxes, population, service provision responsibilities, etc. A final provision allows the local unit of government, through a referendum process, to obtain voter approval to exceed the state established levy limitations.

The state has advanced two major policies regarding the reasons for imposing levy limitations. First, there is the expressed concern over the increasing reliance on property taxation which the state has sought to reduce primarily through shared revenues and general property tax relief programs. Specifically, the state is attempting to achieve some degree of accountability for the amounts of state and federal revenues provided to local government (shown in Table 5-1).

| TABLE 5-1 | STATE AND FEDERAL ASSISTANCE AS A PERCENTAGE* OF LOCAL GOVERNMENT REVENUES, 1974 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
|                 | Percentage of   | Percentage of   |                  |                  |
|                 | General Revenues| Total Revenues  |                  |                  |
| Towns           | 74.8%           | 69.3%           |                  |                  |
| Villages        | 47.8%           | 35.2%           |                  |                  |
| Cities          | 39.9%           | 28.9%           |                  |                  |
| Counties        | 45.6%           | 45.2%           |                  |                  |
| Total           | 45.9%           | 39.3%           |                  |                  |

* Percentages do not include General Property Tax Relief and Personal Property Tax Relief.

In addition to the percentages listed above, the state in 1973 increased general property tax relief by approximately 60%, from $88.5 million to $140.4 million. In both shared revenues and property tax relief, the primary concern has been that increased availability of revenues returned to local governments should not simply result in increased spending at the local government level, thus possibly nullifying the state's policy commitments to reducing the level of property taxation.

The second policy consideration advanced by the state in imposing levy limits was to encourage local units of government to finance their operations from sources of revenues other than the property tax. Combined, both rationale have provided the impetus for the state to adopt and maintain levy limitations.

The Commission recognizes the state's concerns with regard to increased spending and reducing reliance on the property tax; but the Commission believes that, while those concerns are shared statewide, levy limits are not the best way to meet those concerns. Second, we believe that levy limitations, when considered in relation to both the service criteria and revenue raising criteria identified elsewhere in this report, are contrary to the Commission's expectations for local general purpose government.

The Commission has found that there are two predominant arguments against existing levy limitations. First, we presume that local governments are capable of delivering services on the grounds of responsiveness, accountability and accessibility. More specifically, local government officials should be held accountable to the electorate for the functions they perform. Given the presumptions that the local general purpose unit is the service provider and that the local government official must be accountable, levy limitations merely confuse the local accountability process by addressing only a portion of the local decision making process involving the property tax levy. Furthermore, levy limitations give little, if any, consideration to the problems of responding to existing service needs within communities.

The Commission also believes that the adverse impact levy limitations have on sound budget and revenue raising policies at the local level cannot be dismissed. Levy limitations are confusing to the local government official and taxpayer, as evidenced by the numerous methods for circumventing the limitations embodied in complicated laws and practices. The levy limitations have the short-range effect of separating the financing decisions from service provision decisions. The limitations also ignore the mobility of existing alternate revenue sources to produce sufficient amounts of revenue to replace property tax revenues. Similarly, levy limitations have the long-range effect of postponing expenditure decisions which must be made immediately, or, if delayed, will result in increased costs.

Two unintended side effects of the levy limitations are that local government officials levy the maximum allowed to maintain the base for future years, thus working against reduced spending. Additionally, in those instances where exclusions and referenda do not provide relief, short-term borrowing (under 10 years) to finance general purpose government operations may occur.

In summary, the Commission recognizes that levy limitations do not coincide with previously adopted criteria and recommendations which provide local government flexibility. Second, the levy limitations have the practical shortcomings of being both confusing and, in some instances, detrimental to sound local government budget policy.

Commission Recommendations

The Commission finds the following recommendations concerning local government management of fiscal affairs to be desirable as a means of strengthening the effectiveness of these general purpose units in conjunction with other recommendations in this chapter:

1. The Commission recommends that all legislation affecting general and single purpose local government units be required to have a statement of the estimated fiscal effects (fiscal liability or revenue change), as well as an estimate of the direct and indirect costs and benefits to the affected local governments, and a statement of policy advisability of the proposed legislation attached to it prior to committee or full legislative consideration.

2. The Commission recommends that the implementation of any state legislation which increases local government financial liability or alters local government revenues, and which legislation is published after local governments have adopted their budgets, be deferred until the next succeeding local budget period. Such legislation may be implemented in the interim if the state bears the full fiscal responsibility until the next succeeding local budget year.

3. The Commission encourages the state to provide technical assistance to all local governments desiring to engage in improved budgeting practices.

4. The Commission recommends that efforts be made toward establishing greater uniformity in fiscal years between and among state and local government units.

5. The Commission recommends that special state aid payments continue to be made on a cost reimbursement basis. The state is encouraged to reduce the time period between the local government incurring the cost and the state reimbursement payment.

6. The Commission recommends that, to the extent feasible, all state aid payments to local units of government be paid on a periodic basis within the local units' fiscal year.

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7. The Commission recommends that levy limits be repealed.* 


LOCAL GOVERNMENTS AND COLLECTIVE BARGAINING

In 1959, Wisconsin became the first state to enact a law which granted public employees of local governmental units the right to organize themselves and bargain collectively with respect to wages, hours and conditions of employment. For the public sector, as in the private sector in the early Twentieth Century, unionization and collective bargaining have been and continue to be highly controversial issues.

The subject of public sector collective bargaining has been thoroughly studied and debated over the years from many perspectives. Some analyses concentrate on the propriety of public sector collective bargaining while others emphasize the comparability of the public and private sectors. As a commission studying state-local relations, our approach has been to undertake a study of this issue in the context of state and local responsibilities under a collective bargaining system.

Collective bargaining is the social institution which has been created in order to achieve stability and democracy in labor-management relations. Within that institution, the employer and the employee organization share a mutual obligation to negotiate in "good faith" over issues of wages, hours and conditions of employment.

The Commission recognizes that the enactment of the "Municipal Employment Relations Act" (ss.117.70 - 117.77, Wisconsin Statutes) represents the determination that public sector labor relations at the local level is an issue of statewide concern. Because of this statewide concern, the state has designed procedures which require local governments to participate in collective bargaining with their employees. As an issue in state-local relations, the Commission has attempted to discern improvements to that system consistent with the statewide concern, the ability of local governments to meet their obligations under the law, and the interests of public employees.

The procedures for collective bargaining by local governments are contained in sections 117.70 through 117.77 of the Wisconsin Statutes. The basic law was enacted in 1959; substantial procedural changes were made in 1961 and 1971 affecting the impasse resolution procedures for certain types of employees. The law provides that all municipal employers (that is, any county, city, village, town, metropolitan sewerage district, school district or any other political subdivision of the state) have the obligation to bargain with organizations (unions) of their employees as may be formed. The law broadly states that the proper subjects of bargaining include wages, hours and conditions of employment. However, the law also provides that the duty to bargain does not compel either party to agree to a proposal or require the making of a concession. The essence of collective bargaining contained in the Wisconsin Municipal Employment Relations Act is that the employer and an employee organization negotiate over appropriate subjects with the intention of reaching an agreement on those issues.

The Wisconsin Employment Relations Commission (WERC) is designated to administer the provisions of the collective bargaining law. The WERC determines the appropriate bargaining unit for the purpose of collective bargaining, certifies the formation of such a unit and its representative and seeks to adjudicate numerous types of disputes between an employer and an employee bargaining unit. The WERC provides mediators and fact-finders or arbitrators when an impasse or stalemate has been reached in contract negotiations.

The Commission has addressed several issues on the subject of collective bargaining, selecting these issues on the basis of their bearing on state and local government relations.

The chapters of this report are woven together by a thread which reflects the desire of this Commission to provide local units of government with more flexibility in the performance of their responsibilities. Although the obligation to participate in collective bargaining is ultimately a statewide policy judgment, labor relations and collective bargaining by their very nature will be different throughout the state - different in importance, different in approach and different in their manner of resolution.

The Commission recognizes those inherent differences and believes the procedures and any other statutes which affect the functioning of collective bargaining should also reflect that diversity.

An attempt must be made to clearly distinguish between issues of statewide concern and issues of local concern. The inception of collective bargaining requires such a differentiation. Where an issue is determined to be of legitimate statewide concern, legislative policy enactments are appropriate. Where that statewide concern is not demonstrable, local determination is appropriate. From both a governmental and collective bargaining perspective, those differentiations contribute to the maintenance of a healthy, decentralized system of government.

The Commission believes that one such issue of statewide concern is that of negotiations and public information. A broad consensus among students of democratic government exists which stresses the need to conduct governmental business in the "sunshine" of public scrutiny. The issue of open meetings is as controversial in other matters as it is with regard to collective bargaining. While the Commission has addressed this issue with a firm conviction that public issues should be openly discussed, we have also realized that the nature of collective bargaining involves many complex factors which may be impaired by mandating public negotiation sessions.

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**Commission Recommendations**

In light of the preceding discussion, the Commission believes that the process of collective bargaining can be improved to the benefit of local governments, their employees and citizens and the state, and therefore makes the following recommendations:

1. The Commission recommends that the Municipal Employment Relations Act be amended to expressly authorize an option for a local employer and an employee bargaining unit to negotiate and mutually agree to establish procedures for the resolution of bargaining impasses. The authority to mutually establish impasse resolution procedures should apply to all local units of government which are subject to the provisions of s. 111.70 through s. 111.77. It is understood that the Commission recommends this authority as a permissive (not mandatory or prohibited) subject of bargaining.

   a. The impasse resolution procedures should be negotiated and mutually agreed upon by the local employer and local employee organization. Such authority to negotiate and mutually establish an impasse procedure should not be limited to those impasse procedures provided by statute for that governmental unit and its employee bargaining unit.

   b. The statute should clearly provide the local, mutually established impasse resolution procedure equal legal standing with that of the statute itself.

   c. In the absence of a locally negotiated impasse resolution procedure the local employer and employee bargaining unit should be subject to the impasse resolution procedures provided in s. 111.70 through s. 111.77.

2. The Commission recommends that the initial bargaining proposals of both parties be made public at the beginning of contract negotiations after which the bargaining parties may determine to meet in open or closed session.

3. The Commission recommends that the state should review (and should reaffirm or repeal) statutes which restrict the ability of local governments to bargain with their employees.

4. The Commission recommends that the number of local employer representatives on the Retirement Research Committee be increased (from one to three) to equal the number of local employee representatives.

5. The Commission recommends that compensation for public employees be established with regard to the level of benefits paid to persons doing comparable work in the private sector. This principle is not intended however to frustrate government efforts to secure more just and equitable payment for particular job categories to fulfill desirable public policy objectives.

6. The Commission recommends that local governments and their employee bargaining units should strive to have the effective dates of contracts correspond to the fiscal and budget year, in effect making the employee contracts an integral part of the local government’s budget contract with the people. Local governments and their employees should strive to complete contract negotiations in a timely manner to achieve this end.
CHAPTER 6
LOCAL SPECIAL PURPOSE DISTRICTS

An anomaly in the Wisconsin state and local system of
government is the special purpose district. The role of
these districts in the spectrum of state-local relations as a
whole has been questioned by this Commission, prompted
by several important issues regarding the impact of the
powers and duties of these districts on the citizen-
taxpayers of this state.

A special purpose district is an organized unit of
government having substantial autonomy from other
general purpose governments (town, city, village,
county). The special district usually performs a single
function which, with or without the direct approval of the
voters or general purpose unit, it may finance through
some combination of tax levies, user fees and bonding. It is
also not unusual that the boundaries of these independent
special districts do not conform to those of general
purpose units in the same area.

Wisconsin statutes provide for the creation of a number of
special or single purpose districts. An exact figure is not
known on how many special districts are actually in
operation in Wisconsin, but this state is believed to have
proportionately fewer such districts compared to the
other states. Also, although the elementary and
secondary, and vocational, technical and adult education
(VTAE) systems are "special purpose" districts in the strict
sense of the title, the Commission has not considered or
classified these educational districts as "special purpose"
districts in this chapter.

Special districts have been established for a number of
reasons, but their creation has resulted in new problems, as
well as leaving unsolved those problems which led to their
creation. Stringent annexation laws, supposedly
unrealistic limits on the taxing and borrowing powers of
municipalities, service areas not coincident with political
boundaries, and the development of urban populations
under rural forms of government (urban townships) are
several of the problems which have led to the creation of
special districts. A special district can be useful in that it
overlaps the boundaries of other governmental units,
cumulatively debt and tax limits of municipalities and
therefore meets a social need for a particular service while
leaving political loyalties undisturbed. However, the
creation of special districts may result in substituting one
set of problems for another.

An area that is fragmented into many political units
becomes functionally fragmented as well. Political and
functional fragmentation is confusing to the citizen and
may be a source of citizen alienation from the
governmental process. Costly duplication arises,
coordination among services is lost, and the service which
the special district provides no longer competes with
other services for tax dollars in a general purpose
government budget.

The creation of special districts poses a dilemma
between the issue of accountability and the electoral
process. If the officers are appointed, which is generally
the case, there is frequently no direct accountability to the
public for the functions performed. If the officers of this
new special unit are elected, the ballot is further
lengthened.

Charles R. Adrian and Charles Press, in their book
titled Governing Urban America, have noted that
"special districts are often designed to meet short-range
needs and not only do not consider more permanent
approaches but, by taking the urgency out of the need to
provide a service for a whole community through the
general purpose governments, serve to forestall efforts
toward long-range, rational governmental organization." (p. 269)

The Commission agrees with this analysis. We also feel,
in the spirit of the general principles, goals and objectives
stated elsewhere in this report, that general purpose local
government should be preserved, strengthened, and
presumed capable of delivering services to their
constituents. We recognize that it may be necessary for a
special district to be responsible for providing certain
services for recipients who are not located entirely within a
single general purpose government's jurisdiction.

However, the Commission believes that local general
purpose governments should be looked to first when
determining the system under which such service should
be provided. A Commission recommendation
encouraging local governments to utilize cooperative
service agreements (through state technical and financial
incentives) should also serve to enable local general
purpose units to provide services now provided by special
purpose districts. Finally, it is the belief of this Commission
that officials who are appointed to the governing boards of
these special purpose districts should not have final tax-
levying authority.

We recognize that general purpose governments will
not immediately assume the services provided by special
purpose districts, just as special districts will not likely be
eager to transfer their powers and duties to general
purpose governments. However, the issues of
accountability and political fragmentation which emerge
in relation to special purpose districts cannot be ignored.

In the absence of a willingness on the part of special
purpose districts to enter into cooperative service
agreements with general purpose units, or general
purpose units to assume the functions of special purpose
districts, the Commission believes that special purpose
districts should be required to recover all costs for their
operations through some method other than the levying
of a tax on property. We believe an alternate, non-tax
levying method of recovering costs, such as imposing a
user fee, will help to reduce reliance on the property tax

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and will provide an incentive for existing special purpose districts to transfer their functions to general purpose governments, particularly since the user fee would have to be sufficient to recover all costs, including costs for capital outlay.

Commission Recommendations

1. The Commission recommends that the creation of any new special purpose districts be restricted and that, wherever possible, general purpose governments be encouraged to eliminate existing special purpose districts and assume their functions.

2. The Commission believes that appointed officials should not have the final authority to levy a tax.

3. The Commission recommends that special purpose district functions (except for educational functions) which are not assumed by a general purpose unit of government be financed by a user fee sufficient to recover all costs.
CHAPTER 7

LOCAL GROWTH AND DEVELOPMENT

General Introduction

In the preceding two chapters on general purpose government and special purpose districts, our emphasis has been on the allocation of responsibilities or services among governmental units and adjustments to the powers and duties of those governmental units. As a logical extension of those considerations, the Commission has identified and addressed several issues which suggest that changes should be made to more adequately recognize the effects of growth and development on the provision of services at the local level and, subsequently, to provide the means for growth to occur in an orderly manner. The Commission recognizes that growth and development decisions should consider not only growth in government but also the impact of growth and development decisions within the private sector which ultimately influence the delivery of local government services.

The system of service delivery recommended by this Commission in Chapters 5 and 6 addresses the problems encountered by local governments as the result of changing technology, population patterns, environmental concerns and local demands for government services. The Commission does not believe that the allocation of responsibility for services or adjustment of governmental powers and duties will, in all cases, recognize the full impact of an increasing and shifting population, technological advances, pressures on the environment and the diversification of local government services. The Commission has suggested a flexible service delivery system which is responsive to existing technology, population patterns, environmental concerns and local demands for government services. Even with a flexible service delivery system, we believe that there are two major policy areas which must be addressed. Specific issues within these areas are land use, boundary review and boundary adjustment, areawide government, and fiscal neutrality and local development.

Commission Policies

In the first major policy area, the Commission believes that local government units themselves should be able to change. We do not believe that simply being able to transfer or contract for services will always suffice to resolve local problems. For example, advances in transportation, communication, industrial development and other factors have contributed to widespread urbanization, not merely urbanization in the context of major metropolitan areas. Those same advances, we believe, have led to suburbanization in some areas, that is, reverse migration from the central city to suburban areas. The net result of both urbanization and suburbanization is that governmental problems as well as growth and development decisions, once contained within traditional political boundaries, now transcend those traditional boundaries. Conversely, we believe it is entirely possible that the day may come when neither the transfer of services nor adjustments to existing boundaries will permit an adequate response to problem solving/decision making responsibilities in a community. Generally, our response in this policy area is that the municipalities should have flexibility with regard to their boundaries equivalent to the flexibility recommended for the provision of services.

Second, the Commission believes that an essential element of local growth and development is the ability of local units to collectively identify and meet future needs. Included within this policy area is our express desire to provide for the orderly, judicious use and development of land. We also believe that the planning and decision making process for growth and development should encourage growth and development decision making which is based on points of merit.

We are not the first study group, nor will we be the last, to consider the issues of land use, boundary review and boundary adjustment, areawide government, and fiscal neutrality and local development. Two of our predecessors, the Tarl Task Force and the Church Committee on Metropolitan Problems, recognized the need for change. In response to those and other studies, all intervening sessions of the Legislature have dealt in some manner with local growth and development issues. The Commission is particularly concerned with the legislative stalemate on the boundary review question and, subsequently, the stalemate which continues to exist on annexation and incorporation decisions. Stalemate, we believe, only allows more time for the problems involved to become more complicated, more confused and less solvable.

We do not generally believe that arbitrary decisions are the answer to these problems. Arbitrary decisions lead only to objections to the process through which the decision was made, rather than to a rational, methodical consideration of the points of merit for each component part of a decision. We believe that any action which is taken on land use, boundary review and boundary adjustments, areawide government, and fiscal neutrality and local development must include a process which discourages arbitrary decision making, but instead ultimately results in a reasoned decision being made.

LAND USE MANAGEMENT

A new age of environmental concern has evolved in recent years. This heightened awareness manifests itself in both recognition and positive action to protect, conserve
and utilize in a reasonable manner the land resources of our world.

Land use is the link between people and their natural and man-made environment. For the farmer, the urban dweller and the sportsman, land use affects the quality and viability of their pursuits. Yet none of these segments of society operate in isolation or autonomy from the others. The use of land in one area may and often does impact on land use in another area.

Traditionally, land use management has been performed through the planning and zoning services of government. These tools are designed to meet two important objectives. First, they are used to promote the “health, safety and general welfare” of a community by ensuring orderly growth, development and land use. Secondly, they are performed as governmental services and structured so as to preserve and protect private property rights as much as possible.

The Commission has examined the authority to plan and to zone for land use from two perspectives. First, it was viewed with regard to the allocation of responsibility for governmental services. Secondly, these functions were studied in relation to local growth and development decision making. This latter perspective includes the recognition that certain land use decisions have an impact between local units as well as within a single unit. For example, a decision regarding housing may impact on the transportation system, affect the location of business and jobs, affect the educational system and the location of schools or increase the cost of governmental services in local units adjacent to the unit making the decision.

The Commission primarily utilized three criteria in examining the proper governmental level to be responsible for planning and zoning. These criteria are accountability, responsiveness and the ability to perform the function. Accountability and responsiveness are important criteria since land use management authority must attempt to balance community needs and private property rights. The ability to effectively perform the function serves as an important criterion due to the widespread impact of some land use decisions, rather than the strictly local effects of most decisions. This matter is complicated by the often fine line between decisions which are strictly local in impact and those which have effects across municipal boundaries. To the extent that a land use decision is made outside a local unit’s influence, the local unit cannot control the problems created by that decision. Hence, the power to plan or to zone is limited.

The present statutory authority for planning and zoning is spread among the various local general purpose governments. Cities and villages possess the broadest powers to plan and zone, while towns and counties share such responsibility to some degree. Moreover, each of these units may participate in regional planning organizations.

Recently, a study of the structure, organization and operation of regional planning commissions was completed by the Subcommittee on Regional Planning of the Assembly Committee on Municipalities. The impetus for that study was due to the continuing concern over the role and authority of those appointed commissions. Due to the existence of that study committee, the Commission has concentrated on the role of general purpose local government in land use management. In other chapters of this report, the Commission has expressed its policy with regard to the authority of appointive bodies and special purpose districts. The Commission, at the same time, realizes that regional planning of an advisory nature, which may include several counties, can serve a useful and valuable purpose for citizens and their communities.

Some of the problems associated with land use management are the result of outdated or illogical municipal boundaries. Other land use issues derive from the fiscal effects of the state-local financing system on development decisions of local units. These issues are addressed in subsequent sections of this chapter.

A third factor in effective land use management is related to the statutory authority and responsibility for planning and zoning. The present system affords local units with virtually complete autonomy for these decisions. However, the nature of our society has changed substantially from the period when those powers were first authorized. Urbanization, with its effects on the central city, the urban fringe, agricultural land and recreational areas, has become a major force. The implications of sprawling development with regard to the preservation of agricultural land have been of particular concern to the Commission. The Commission recognizes that the land use management tools of planning and zoning are appropriate tools to be used to maintain our natural land resources which contribute significantly to the environment and economy of Wisconsin.

This Commission has sought, as one of its goals, to strengthen local general purpose government. As such, the proper allocation of responsibility for planning and zoning has focused on the role of counties, cities, villages and towns rather than special purpose units.

With specific reference to planning and zoning authority, the Commission has analyzed the proper distribution of such authority among the types of local units. The Commission grappled with the question of local autonomy in planning and zoning, as well as what should be the proper role of the state. Throughout its deliberations on the authority to plan and zone, the Commission increasingly recognized the importance of this issue. Moreover, the general perception prevailed that land use issues were usually matters of local concern. As such, the powers of planning and zoning were most often framed in the context of a relationship between local government units.

In considering the issues related to land use management, the Commission has adopted and been guided by several principles which reflect the importance we have attached to this critical governmental function, as well as the local government interrelationship which we believe ought to exist in carrying out this responsibility. These principles are the following:

We believe that land use planning is a necessary and important function of government in all areas of the State of Wisconsin, so that we might preserve our valuable
agricultural assets, protect our natural resources and improve the quality of urban and rural life.

We further believe that local governments are capable of delivering services to the citizens of Wisconsin on the grounds that they are responsive, accountable and accessible. Moreover, we recognize that land use protection and regulation is basically a matter of local concern. We also believe that local governments could themselves better solve area-wide land use problems if local government boundaries were better related to the boundaries of land use issues and problems. Hence, we believe that the maximum feasible degree of local autonomy and responsibility for local land use management should be preserved.

At the same time, we recognize that some land resources and land uses are of wider significance, and may vitally affect the interests of citizens beyond the immediate community where those decisions are made. Consequently, we believe that if local land use planning is to be truly effective and serve the citizens of Wisconsin, a local government partnership involving adjacent cities, villages, towns and the county should be established to guide decisions on significant land use concerns, such as the protection of important natural resources, new urban development or large scale public and private development, which has substantial impact on the physical, economic and social environment of the surrounding area. Furthermore, we recognize that the integrity of the State as a whole derives its strength from the local units of government which serve the citizens of Wisconsin. Being so, we believe there is a state role and responsibility to provide technical and financial assistance to strengthen land use planning.

Commission Recommendations

In order to effectuate its land use management policy, the Commission recommends the following comprehensive proposals for land use planning and zoning:

A. With regard to Development Planning

*Minority statement submitted by Commissioners Walter Hollander, Laura V. Stiehler and Kenneth Schmidt.

1. We recognize that broad development objectives for the state will be necessary to provide guidelines for the resolution of interjurisdictional conflicts and the multi-level appeals processes contained in this proposal.

2. All cities and villages should prepare a development plan for the physical development of the municipality, including any areas outside of its boundaries which, in the municipality's judgment, bear relation to the potential development of the municipality. A city or village may request the county to prepare the development plan subject to the adoption of the plan by the governing body of the city or village.

3. After preparing their development plans, cities and villages should submit their plan to all towns, cities and villages substantially affected in order to coordinate land use planning and resolve conflicts, if any. (Conflict is defined as including, though not limited to, differences in development planning with regard to land use including density decisions and the projected timing of such development and the provision of needed services.)

4. Cities and villages adopt their development plans and submit the plan to the county.

5. The county should develop a "County Land Use and Development Plan" which incorporates the complete city and village plans where such are not in conflict with each other or with the broad state development objectives. The county should prepare the development plan for unincorporated areas. The development plan for unincorporated areas should be formulated in cooperation with towns.

6. The county should refer back to cities and villages those portions of their development plans which are in conflict, with its comments on the conflict. Cities and villages should attempt to resolve those conflicts expeditiously, and resubmit their plans to the county.

7. The county should adopt a final development plan which incorporates wholly the city and village plans where not in conflict with each other or with county and/or broad state development objectives and which proposes a solution to conflicting portions of cities' and villages' plans not resolved. Prior to final action by the county board on the proposed development plan, the plan should be referred to the Regional Planning Commission for comment if the county is a member of such commission.
8. A city or village may appeal the contested portion of
the county plan to the State Land Development
Review Board. The uncontested portions of the plan
should remain in effect.

9. The State Land Development Review Board may
either reject the appeal and accept the county-
proposed solution, or accept the appeal and offer a
solution to the contested issues. The parties
involved have 60 days to settle the issue on their
own. If no settlement has been reached, the State
Land Development Review Board's solution should
become part of the adopted plan. Decisions made
by the State Land Development Review Board
should be in accordance with the broad
development objectives for the state.

10. All subsequent changes to the adopted
development plan should follow the same process
(steps 2-9).

11. The adopted development plan should be subject
to periodic review.

12. When an adopted development plan includes
agricultural areas which are recommended for
continued agricultural use, the effect of designating
such areas in the plan with regard to the following
activities should be:

a. Ordinances, rules and regulations which are
designed to promote or enhance activities which
are not consistent with continued agricultural
land use (such as regulations restricting farm
practices beyond the requirements of health,
safety and environmental protection, condemnation
of lands for transportation or utility projects, investment of public funds in
urban services such as sewer and water, and
special assessments) should be prohibited or
should be allowed to take place in planned
agricultural areas only as a last resort after all other
alternatives have been considered;

b. Activities of state or local governments which are
supportive of continued agricultural land use
(such as technical and financial assistance
programs for farm operators) should give
preference to areas planned for continued
agricultural use; and

c. All lands designated agricultural should have a
comprehensive farm plan as established by the
Soil Conservation Service.

B. With regard to Zoning

1. Cities and villages should continue to zone within
their municipal boundaries. The county should zone
in all unincorporated territory consistent with the
adopted county plan and in cooperation with towns.
If a city or village proposes to alter its zoning
ordinance in a manner inconsistent with the adopted
development plan, the county planning function
should have the opportunity to review and comment
on proposed zoning changes before it takes effect.*

*Minority statements submitted by Commissioners Walter Hollander,
Laurence Day, Earl Schmidt, Kenneth Schricker and Kenneth Germanson,

2. County Boards of Adjustment and municipal Boards
of Appeal should be retained.

3. Zoning which is exclusionary of low income or
minority people should be prohibited.

4. County buildings and facilities should be subject to
the same municipal zoning restrictions as are
applicable to state buildings and facilities.

5. The zoning statute (s. 62.23 (7) (d)) which permits
20% of the owners of property which is within 100
feet of a proposed zoning change to file a petition
protesting that change should be modified to also
permit the governing body of a city or village by
majority vote to file a protest with an adjoining city
or village regarding a proposed zoning change
within 100 feet of the corporate boundary. In case of
such a protest from an adjoining municipality, the
proposed zoning change should not become
effective except by the favorable vote of three-
fourths of the members of the city council or village
board.

C. The Commission recognizes the need for advisory
regional planning commissions.

D. The Commission approves the following specific points
made by the Subcommittee on Regional Planning of the
Assembly Committee on Municipalities:*


1. Counties should be the basic building block for
areawide planning.

2. Different areas of the state require different
approaches to areawide planning:

a. In metropolitan areas of the state, there should be
a metropolitan planning agency.

b. In nonmetropolitan areas of the state, counties
should undertake planning at the county level if
they do not want to participate in areawide
planning through a regional or multicounty
commission.

3. Regional planning commissions in large
metropolitan areas should be more concerned with the
effects of their plans on central city residents.

4. All areawide planning agencies should be free to
focus on the type of planning most suitable to their
particular area, be it physical, social or economic.

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5. All areawide planning agencies should strive for a higher standard of public responsiveness and public involvement, particularly in the determination of agency priorities.

**BOUNDARY REVIEW AND BOUNDARY ADJUSTMENTS**

As a part of the first major policy, the Commission recognizes that service delivery and governmental problems in general are not easily confined to either long-standing or arbitrarily drawn governmental boundaries. Changes such as increasing or shifting populations make the local government boundaries even less logical as a reflection of a self-contained community or as a logical service delivery unit. Not all problems are solved by transferring service delivery or decision making responsibilities to a different unit of government. Furthermore, if the state is to maintain effective local units of government, the boundaries must grow and shift along with changes not only in population, but also as technology allows better, more efficient service delivery, as local units are required to meet expanded environmental concerns, and as demands increase for governmental services. The Commission, therefore, believes that the boundary review and boundary adjustment statutes should be changed in a manner which permits local units of government to constitute themselves as a logical service community and which provides an adequate population and geographic base to recognize and meet the problems which the local official is being asked to solve.

Early on we stated our presumption that local governments are capable of delivering services to the citizens of Wisconsin on the grounds of responsiveness, accountability and accessibility. Our major goals in that regard were to provide local flexibility, to strengthen the decision making power of locally elected officials within general purpose government, and wherever possible identify and eliminate unnecessary or arbitrary interference from the state. Boundary review and boundary adjustment must be consistent with those goals.

In the specific areas of annexation, incorporation and consolidation, the Commission believes that the issues which lead up to consideration of annexation, consolidation and incorporation are sufficiently important that the state has an interest in seeing that decisions are reached. We prefer that the decisions be reached at the local level through utilization of annexation, incorporation and consolidation statutes which, as presently constituted, need to be modified to become more meaningful, reasonable alternatives at the local level. The stalemate of the entire process of boundary review and boundary adjustment which presently exists, the Commission contends, is unacceptable. Similarly, any changes in the process, for the sake of breaking the stalemate, which do not include an opportunity for the citizens and affected governmental units to be heard are also unacceptable.

**County Boundary Review Board**

To meet our goals for local flexibility, local decision making and strengthening local government, the Commission believes that establishment of a County Boundary Review Board to serve as the primary review level for incorporation, annexation, consolidation and detachment proposals for resolution of these local boundary issues is desirable. Similarly, we believe that an appropriate function of this body would be to study possible or contemplated boundary adjustments. The Commission acknowledges the significant improvements to the system of boundary review and boundary adjustment that have been made in past years, particularly the revision of the incorporation statutes enacted in 1959. However, the single dominant issue of boundary review and boundary adjustment - the stalemate between incorporation and annexation for the urbanized fringe territory of cities and villages - must be directly addressed and some resolution reached. The Commission additionally recommends that appeals from a county-level decision should be directed to a part-time State Boundary Review Board. We believe that the suggested change allows the maximum opportunity for local government officials to collectively discuss and resolve boundary review and boundary adjustment issues while assuring that the existing stalemate is resolved in an acceptable manner.

**Statutory procedures**

Along with the changes suggested above, additions or revisions in the body of law related to boundary adjustment and boundary review are necessary to make the laws themselves more meaningful and reasonable. The Commission believes that the statutorily established criteria for incorporation, annexation, consolidation and detachment proceedings are adequate standards for reviewing those proceedings. We adhere to this belief as a result of our commitment to preserve the quasi-judicial nature of boundary change which ensures that a reasoned, comprehensive and informed decision is reached. Similarly, the Commission believes that the process of local decision making and county boundary review should make use of all available local, regional and state expertise and that the process should grant affected local officials the opportunity to review and comment upon proposed changes. Finally, the county boundary review process and the procedural requirements within incorporation, annexation, consolidation and detachment statutes should be reasonable. We specifically believe that any procedural requirements should be balanced so that the local units of government and the electors are recognized in the process. The ultimate result of the process, however, must be examination and confrontation of the issues which led to a consideration of boundary adjustment in the first place.

It is the Commission's feeling that the process which we have proposed can work. This process, as should any process, conforms to a set of goals which ultimately lead to resolution of present and future conflicts and stalemates.
The Commission believes that the procedures and changes in the law which we have specifically suggested adequately define what the state may expect from the local units, what the local units may expect from the state, and what the local units may expect from each other as well as their respective electors. The Commission’s recommendations directly confront what we perceive as mutual distrust and stalemate in the confrontation of boundary issues related to local growth and development.

Commission Recommendations

In recognition of the identified issues and in recognition of the goals and recommendations in other areas, the Commission makes the following comprehensive proposals for boundary review and boundary adjustment procedures:

A. Boundary Review

1. There should be established in each county a County Boundary Review Board, consisting of five members appointed by the county executive or county board chairman, attached to the county planning department. Members should not hold any elective office and should be appointed for staggered terms.

2. The County Boundary Review Board should be empowered to approve or disapprove all proposed boundary changes within its boundaries according to statutory standards, and be empowered to initiate the study of possible boundary adjustments.

3. There should also be established a part-time three member State Boundary Review Board attached to the Department of Local Affairs and Development. Provision should be made for appealing county-level decisions to the State Boundary Review Board.

4. The Commission recommends that the County Boundary Review Boards of each county affected by a proposed adjustment of county boundaries or consolidation of counties act as a joint County Boundary Review Board with respect to such proposals.

B. Boundary Adjustments

1. Incorporation

In order for unincorporated territory to incorporate as a city or village:

a. All incorporation petitions should be subject to County Boundary Review Board approval or disapproval, according to the present statutory criteria.

b. The county, adjacent incorporated units, the directly affected town, the state and the regional planning commission for the area should be granted standing to review and comment on a proposed incorporation.

c. A city or village should have the “right of first refusal” to annex the territory, when contiguous unincorporated territory petitions for incorporation.

d. The county, any adjacent incorporated units, the town directly affected and 10% of the voters of an adjacent city, village or town by petition should be allowed to appeal the county-level decision regarding an incorporation petition to the State Boundary Review Board.

e. The provision in Chapter 60 of the Statutes (s. 60.81) which permits any town with a resident population of 5,000 and which is immediately adjacent to a city of the first class to incorporate should be repealed.

f. All other statutory procedures relating to incorporation should be retained.

2. Annexation

County (and State) Boundary Review Board approval or disapproval of proposed annexations should be based on the existing applicable statutory criteria. In addition, the existing annexation procedures should be modified, as follows:

a. All annexation proposals should require County Boundary Review Board approval or disapproval.

b. The statutes should provide that where an annexation petition (both direct petition and by referendum) is approved by the County Boundary Review Board, no city or village should be permitted to reject the annexation of that territory.

c. Where an annexation petition which is initiated by a city or village is approved by the County Boundary Review Board, the petitioning incorporated unit may complete the annexation by passing an annexation ordinance by a two-thirds vote of its governing body.

d. The county, any adjacent incorporated units, the town directly affected and 10% of the electorate of an adjacent city, village or town by petition should be allowed to appeal the county-level decision regarding an annexation petition to the State Boundary Review Board.

e. All other statutory procedures relating to annexation procedures should be retained.

3. Consolidation, Detachment

a. The present statutory procedures for consolidation should be modified to require County Boundary Review Board approval or disapproval of all consolidation proposals according to the present statutory criteria.

b. The statutes should also provide that a majority vote of one city, village or town governing body or a citizen petition should be sufficient to require another local government to cooperate in
a study concerning the possibility of consolidation.

b. The present statutory procedures for detention should be modified to provide that a two-thirds vote of approval of each governing body is sufficient to enact a detachment.

c. The present statutory procedures for detachment should be modified to provide that a two-thirds vote of approval of each governing body is sufficient to enact a detachment.

4. County Boundary Adjustments

a. An order of a joint County Boundary Review Board changing county boundaries or consolidating counties may be subject to referendum approval either by its own terms (by Joint Boundary Review Board), or upon petition by 10% of electors in any area affected by the order (e.g., area to be transferred to another county or any county involved).

b. The Commission recommends that such referendum be subject to the terms, conditions and procedures presently provided in the statutes (s. 59.997) with respect to consolidation of counties.

AREAWIDE GOVERNMENT

In Chapter 5 on local general purpose government, the Commission addressed some of the issues of governmental organization and service responsibility which influence citizen understanding of local government, efficient service delivery as a means toward accomplishing effective use of tax dollars, and intergovernmental cooperation to provide services. At the same time, the Commission recognizes that not all local governmental problems encountered in the delivery of services can be resolved through those improvements. There are unique circumstances and problems faced by the largest and the smallest units of local government which are addressed in this section.

The Commission considered the issues of governmental responsiveness and accountability, citizen participation, service delivery, and political fragmentation in the largest urban areas of Wisconsin. In view of the many issues facing the Commission, these special “metropolitan” problems were discussed but a complete analysis of the complex issues of fiscal capacity and equity, citizen participation (or lack thereof) and urban sprawl was not possible.

The Commission did consider and adopt, for continuing discussion and study in the future, a plan which it found to be especially intriguing. The Commission believes that the concept of the “Two Level” form of improved local government may accommodate both the proponents of local control and those who favor areawide government in metropolitan Wisconsin communities. This concept is viewed as a fresh approach to the unique service delivery problems of metropolitan areas while strongly emphasizing the need to revitalize local government to make it small enough to be close to the citizens.

While discussing the problems of Wisconsin’s largest urban areas, it was noted that many extremely small units of government (small both in population and area) face problems in delivering services efficiently. To this end, the Commission believes that the state should provide some incentives to encourage governmental units to consolidate in order to achieve more efficient use of tax dollars while remaining accessible and accountable to the citizens.

The Governor’s Executive Order creating this Commission referred to “the large number of taxing jurisdictions in the state” and expressly directed the Commission to investigate, examine and evaluate “the number and structure of taxing jurisdictions.” At an early meeting we ascertained that Wisconsin has 1,846 cities, villages and towns, of which 1,149 have populations under 1,000 and only 58 have populations in excess of 10,000, while six cities have populations in excess of 60,000. We have not really focused on whether this is a desirable or undesirable situation, and we have insufficient evidence to make any firm recommendations. We believe more serious study than we have had time for should be given to these matters.

Commission Recommendations

The Commission, in its study of alternative forms of local government organization, has come to address the problems faced by Wisconsin’s largest and smallest units of government. Recognizing the need to provide citizens with the best use of their tax dollars and to promote the strengthening of viable units of local government which can respond to that need, the Commission adopts the following recommendations:

1. The Commission recommends that legislation be enacted to create incentives that would encourage governmental units in an area to consolidate and create an areawide form of government at their initiative.

2. The Commission believes that as one alternative structure for modernizing government in its largest urban areas, modification of local government based on the “two level” concept, having the essential features outlined below, deserves further study. These features are:

   a. All local governmental functions with the exception of education would be performed by one or the other level, thus eliminating separate boards, commissions, authorities, etc.

   b. County government (Level One) would provide areawide services (adjusting county boundaries to provide one Urban County for each separate urban area).

   c. Incorporated municipalities (Level Two) 15,000 to 60,000 population in size would provide all local services.

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3. The Commission recommends that a study be conducted to determine the extent, if any, to which there is a relationship between the populations or other characteristics of classes of municipalities, and their capacity to deliver services of high quality at minimum cost. To the extent that such study discloses the existence of such a relationship to a substantial degree, financial incentives should be provided to encourage municipalities to combine, divide or otherwise adjust their boundaries so as more nearly to approximate the optimum range with respect to such characteristics. The results of this study should be reported to the Governor and the Legislature by no later than December 31, 1977.

**FISCAL NEUTRALITY AND LOCAL DEVELOPMENT**

The preceding sections on land use policies and boundary review and adjustment mechanisms have emphasized the Commission's goals of, first, providing - or ensuring the provision of - rational, orderly use and development of land; and second, the Commission’s concern has been also to preserve environmental quality as well as the general quality of life for the citizens of this state.

Two other general goals relate and contribute to the accomplishment of the goals cited above. The first is the encouragement of economic development and employment activity in the state. The second is the equalization of the fiscal capacity of local governments to provide services. While these two goals may conflict, the Commission feels they are both important, and that such conflict, rather than being ignored, should be addressed openly in manner such that a desirable balance between the two can be achieved.

Prior to the advent of programs aimed at equalization of fiscal capacity, economic development often yielded direct financial benefits to local units of government. Economic development added property tax base which, depending on the costs of servicing the new development, often resulted in a reduction in the property tax mill rate. This reduction provided a direct financial benefit to other local property taxpayers and incentives to local officials to capture those benefits by attracting such development.

While reductions in property tax rates are desirable, this situation produced some less than desirable side effects. One such side effect was the resultant sparring among local units for additional tax base through economic development. This produced two corollary effects. First, decisions to encourage development tended to be based more on impacts on local government finance than on the overall effect on the community in terms of neighborhoods, environment and employment opportunities. Second, to the extent that low property rates attract development, other things being equal, such competition may have helped to perpetuate and even increase differences in local fiscal capacity and resulting property tax rates.

In response to these problems, the state has sought through the general school aid formula, aidable revenues portion of the shared tax formula, and general property tax relief programs to equalize the fiscal capacity of local units to finance services, and thereby to limit interlocal competition for added tax base through economic development. The attempt has been to neutralize the effects of added tax base on local units’ decisions to encourage development, thus promoting development decisions made on bases other than the direct impact on municipal finances.

Some testimony before the Commission at public hearings has suggested that this policy of equalization or fiscal neutrality has perhaps been too successful to the point that local officials no longer wish to attract new development. The Commission recognizes these arguments; but we also feel that the 1973 machinery and equipment (M and E) property tax exemption, and increases in the level of general property tax relief payments, have done much to improve the overall business tax climate of Wisconsin relative to other states.

In light of all these considerations the Commission reaffirms its belief that a state-local fiscal relationship should be developed in a manner which will not impair local incentives to encourage economic development. Fiscal neutrality is desirable if it leads communities to consider growth and development policy based on points of merit.
CHAPTER 8

STATE AND LOCAL GOVERNMENT REVENUE SOURCES

General Introduction

One of the major efforts of the Commission's study has been an examination of government financing policy. Specifically, the Commission has studied the means by which both state and local governments raise the revenues necessary to support public services provided at each level. The system at present is such that the state relies heavily on the individual income, the corporate income and the sales taxes to finance its activities. Local units, on the other hand, must rely on the property tax as the major tax tool for raising money at the local level.

Discussion by Commission members and testimony received at Commission meetings and public hearings suggest that there is much discontent with the limited revenue raising tools available to local governments, and specifically with the burden this situation places on the property tax.

The Commission recognizes that the effects of any decisions to change the present state-local financing system in any fundamental way will have far-reaching ramifications in terms of taxpayer equity and the distribution of the state-local tax burden, the accountability of state and local governments as regards their revenue raising and expenditure decisions, and the state policy goal of equalization of local governments' fiscal capacity to finance services.

The Commission has sought to evaluate each of the financing alternatives before it in light of these policy concerns. In some cases the Commission has reached the conclusion that there is convincing evidence to support recommendations for particular changes in Wisconsin's state-local system of finance. Such recommendations are presented and discussed in the following sections.

However, we also recognize that some issues of alternative revenue sources, state aids, equalization of local fiscal capacity and individual tax relief are all related policy issues and that major changes to any one part of this system have implications for all the other parts. Because of far-ranging effects and the present lack of data necessary to evaluate alternative revenue sources, the Commission believes a special study group should evaluate several alternatives in detail in order to determine the impact such changes would have on the policy goals of individual tax relief, equalization and accountability.

INDIVIDUAL INCOMETAX

In 1911, Wisconsin became the first state to adopt an individual income tax. In enacting the tax, this 1911 law also exempted all intangible personal property in the state from the property tax. One of the major reasons for this exemption was the difficulty of discovering, listing and consequently levying a tax on such intangibles. As a result, the individual income tax was originally thought of as a replacement for property taxes lost to local governments due to the exemption of intangible personal property. At that time, only 10% of all state individual income tax collections were retained by the state, with 20% being distributed to county governments and 70% to municipal governments based on the residence of the taxpayer. Since then the percent of individual income taxes returned to local governments has decreased (although the dollar amounts have increased substantially) and the income tax has become a major source of state general revenues.

State individual income tax collections have increased from a total of $489 million in fiscal year 1969-1970 to $960 million in fiscal 1975-1976, representing a 96% increase in the revenue yield from this tax source over the past six years. However, the rate structure of the individual income tax has remained essentially unchanged since 1971. Presently, the highest marginal rate on taxable income in Wisconsin is 11.4% on incomes of $14,000 or more. In 1975, the average taxable household income in Wisconsin was $9,565.

Although the personal income tax rate structure in Wisconsin was considered at one time to be fairly progressive, it has become less so in recent years. Inflationary pressures have moved wage-earning individuals into higher income brackets, while the actual buying power (or real income) of these individuals has been eroded. The combination of these factors, along with the rate structure applied incrementally only up to $14,000, has produced the effect of a disproportionate share of the income tax burden on low and middle income individuals.

In the introduction to this report, the Commission identified "equity of tax burden" as a standard and goal against which to measure the impact of existing revenue raising tools on the individuals who pay the tax. In the context of our examination of the state individual income tax as a revenue raising tool, we have found that the present burden of this tax on individuals in various income brackets raises questions about whether that burden falls equitably among income classes based on ability to pay. We believe the time has come for the state to undertake a re-examination of the existing individual income tax rate structure to determine whether and what kind of changes may be necessary to make this tax rate more equitable.

Commission Recommendations

1. The Commission recommends that the rate structure of the state individual income tax be examined in order to achieve greater progressivity.

SALES TAX

Another source of tax revenue at present used only by the state is the sales tax. With the exceptions of necessities such as food, medicines, medical supplies and the like, the
Wisconsin 4½% sales tax is imposed on most retail purchases made by individuals. The sales tax is the second largest tax revenue producing source used by the state, yielding $585 million in revenues in fiscal year 1975-1976.

The Commission has examined the sales tax structure, not so much in terms of the progressivity or regressivity of this tax, but rather in terms of an alternate source of revenue which might be available to local governments to assist in reducing reliance on the property tax. As far as the progressivity/regressivity of this tax is concerned, the main body of literature on the subject suggests that the sales tax by its nature has predominantly regressive features, since the tax itself is not geared to any factors which reflect an individual's ability to pay. On the other hand, the regressivity can be offset somewhat through exemption of certain items (food, medicine, etc) as well as through a credit system if such items are subject to the tax. In terms of the Commission's examination of the sales tax, the goal of reducing reliance on the property tax through the use of alternate revenue sources (including the sales tax) must be weighed against the possible negative effects of this (sales) tax source and a judgment made as to the relative merits of these pros and cons.

County sales tax

Section 77.70 of the Wisconsin Statutes at present authorizes counties, at their option, to impose a sales tax of .5%, to be piggybacked on the state sales tax. Under this statutory option, the state would administer the county sales tax and be permitted to retain 3% of the collection to cover administrative costs. Despite this provision, no county has authorized a county sales tax, for one major reason: the statutory provision requires the county levying a sales tax to return all net proceeds from the tax to the cities, villages and towns within it. This present local sales tax option presents not only political difficulties but also raises a serious question about the accountability process. The question which the Commission has considered is whether to re-endorse the county sales tax as a desirable method whereby local officials, at their own option, could use an alternative revenue source to reduce reliance on the property tax. Similarly, the Commission's consideration of this optional revenue source has also involved focusing attention on the manners in which the use of this revenue source might be made more feasible.

In concept, we find the optional county sales tax to be a desirable, viable alternate revenue source. Although the sales tax yield is subject to fluctuations in response to business cycles, it is generally capable of producing a relatively large yield at low rates. In terms of amounts, it is estimated that a 1½% county sales tax (if imposed by all counties in the state in fiscal year 1976-1977) would have yielded approximately $158 million, or an amount equal to 65.5% of the county property taxes collected in 1976, thus reducing property tax reliance.

The Commission believes the county is the logical unit of government to be given the discretionary authority to levy this tax. A countywide sales tax is more likely to minimize any potentially negative effects of this tax, such as out-migration of individuals and businesses for the purpose of tax avoidance. Administrative problems are also negligible. To enable the residents of cities, towns and villages to derive the benefits of reduced property taxes directly, we believe it is also desirable to return a portion of the tax collections to the municipalities within the county, to be applied specifically for the purpose of property tax relief.

Regarding the sales tax, the Commission has also recommended that this tax be applied to motor fuels. For a further explanation of this recommendation, see Chapter 4, "Transportation Financing" section.

Commission Recommendations

1. The Commission recommends that counties be authorized to enact a 1½% sales tax to decrease their reliance on the property tax as a major source of revenue.
   a. The county sales tax should be piggybacked on the state sales tax structure.
   b. The tax should be based on the point of origin of the sale.
   c. The state may retain a percentage of county sales tax collections for administrative costs.

2. The Commission recommends that, of the revenues collected from the county sales tax, less than the state administrative costs, at least 50% be distributed to the municipalities within that county, based on population, to be applied as a direct credit against property taxes levied by that municipality.

MOTOR VEHICLE FEES

At present, the Wisconsin Statutes provide municipalities with the option of imposing a wheel tax, and several municipalities are known to have considered and ultimately rejected the option. The major deterrent to the use of the wheel tax has been the administrative problems which collection of the tax poses for municipalities. Under present law, the state is expressly prohibited from collecting the tax, which makes the tax administratively cumbersome for the municipality enacting it.

The Commission believes that the primary goal in consideration of alternative revenue sources for local governments should be to ease the property tax burden and, where possible, to make taxation more equitable. We believe that an optional, locally imposed motor vehicle wheel tax is a viable revenue producing source which should be made available to achieve that goal.

The Commission again suggests certain changes in the present statutory provisions which allow, but at the same time discourage, local governments to impose such a tax. We believe that the state should be permitted to assist local governments by administering this tax, since the state already has the necessary administrative structure. The specific percentage of the state registration fee which we suggest is intended to permit enacting municipalities to derive revenues from the local wheel tax on a basis
consistent with whatever adjustments may be contemplated by the state regarding the state motor vehicle registration fee.

Commission Recommendations

1. The Commission recommends that each town, village and city be authorized to impose a motor vehicle wheel tax, equal to 50% of the state motor vehicle fee, on all passenger vehicles (including recreational vehicles) garaged within the municipality, except for vehicles used in commerce.
   a. The local wheel tax should be administered by the state in conjunction with the state registration system.
   b. The state may retain 5% of such collections for administration costs.

OTHER USER FEES

With the same goals in mind of, first, reducing reliance on the property tax, and second, providing local governments with more flexibility in raising revenue, the Commission has examined the broad concept of utilizing user fees to finance locally provided services. An examination of present statutory provisions reveals that local governments are restricted in the amount that they may charge through a user fee reimbursement mechanism for services provided. Since the amount is often established statutorily, long periods of time may elapse before a state legislative review of the statutes governing user fees is undertaken. During that time, local governments which make use of user fees are permitted to collect only the amount authorized in the statutes, which often does not accurately reflect the actual cost of providing the service.

The Commission believes these statutory provisions are unduly restrictive, inhibit local government flexibility, and deny local governments a reasonable optional method for financing the services which these units provide.

Commission Recommendations

1. The Commission recommends that the Wisconsin Statutes be amended to permit complete local option to establish user fees sufficient to cover the actual cost of any service provided.

FURTHER STUDY

In the introductory paragraphs to this chapter, we have noted that substantial changes in the system under which state and local governments finance their operations may have profound implications in terms of taxpayer equity, distribution of tax burden and the realization of the state policy goal to equalize local government fiscal capacity. While we have offered what we believe to be legitimate and viable recommendations concerning alternate revenue sources in some areas, we have found that to undertake a wholesale review of the entire state and local financing system will require a detailed examination of a duration of time considerably longer than we are able to commit. Other issues, such as the taxation of and distribution of tax revenues collected from public and private utilities, are felt to be outside the purview of this Commission but are nonetheless deserving of consideration.

The Commission recognizes the necessity and desirability of continuing to examine the present methods of state and local finance to determine whether existing policies are equitable and consistent in principle, and to determine whether alternative revenue sources and methods of financing should be made available to reduce overall reliance on the property tax. We believe there is a need to establish a mechanism wherein all proposals to use alternative revenue sources and/or shift the emphasis of present financing policies can be examined thoroughly and in detail.

Commission Recommendations

1. While the Commission has recommended some changes in the methods of taxation and has recommended some alternative revenue sources to be available to local governments to reduce reliance on the property tax, we believe there are other proposals which merit a more detailed examination than this Commission has given them.1


2. This Commission recommends that a special study be commenced to thoroughly examine any proposals as may be deemed to merit consideration, in the context of the goals outlined above.

3. This study group should submit its analysis and findings concerning these proposals to the appropriate appointing body (Governor, Legislature, etc.) by no later than December 31, 1977.

4. The Commission recommends that a special study be conducted to analyze and make recommendations concerning future policies for the taxation of and distribution of tax revenues derived from all municipally-owned, private investor and cooperative utility operations. The study committee membership should include consumer representation. The results of such study should be reported to the appropriate appointing body (Governor, Legislature) by no later than December 31, 1977.

5. The Commission recommends that a special study committee be appointed to examine the feasibility of the following proposals:
   a. A system of state and local finance which abolishes the property tax and in its place adds a percentage
of property value into an annual gross income computation for the purpose of both income and property taxation in a progressive tax structure (see Appendix 2 to this Report);

b. A property tax substitute which would produce needed revenues in a progressive manner without damaging Wisconsin's relative position compared to other states. Such tax or taxes would be based upon gross earnings (for individuals) as well as gross revenues (for commercial and corporate enterprises) available for taxation within the state's various political subdivisions but administered by the state and, subsequently returned to local units (see Appendix 2 to this Report).

c. The results of such study or studies should be reported to the appropriate appointing body (Governor, Legislature) by no later than December 31, 1977.
CHAPTER 9

PROPERTY TAX RELIEF
AND STATE SHARED REVENUE POLICIES

General Introduction

The state at present provides financial assistance to individual taxpayers and local government units through a variety of mechanisms designed to achieve a number of stated or implied objectives. This financial assistance takes the form of three types of programs: state aids, shared taxes and property tax relief.

First, state aids are paid to local units of government for a specified purpose or activity. Also known as "targeted aids," these state payments are commonly provided for such governmental functions as welfare and educational services. The amount distributed under a state aid program is most often determined by a statutory formula and depends on a legislative appropriation rather than the yield of a particular tax. Normally, these targeted aids involve some degree of state (sometimes federal) control over how they may be spent. The major targeted aids (welfare, transportation, education, VTA, etc.) are considered in other chapters of this report.

Second, shared taxes represent a portion of state levied and collected taxes which are shared with local units of government on the basis of a statutory formula. The revenues distributed as shared taxes are derived from specific percentages of the state individual income, corporate and franchise income, utility, liquor and other taxes imposed by the state. The shared tax distribution program (funded through the Municipal and County Shared Tax Account) consists basically of three parts, each with its own specific formula: the per capita payment, which is an amount paid to each municipality and county on the basis of its estimated population; the special utility payment, which is an amount paid to each municipality and county having certain types of utility property located within it; and the aidable revenues payment, which is an amount paid to each municipality on the basis of its three-year average reliance on general property and other local raised revenues in relation to the other municipalities in the state, with counties receiving payments based on a similar formula.

Shared taxes distributed in this manner have no strings attached and may be spent for any local government purpose. Prior to 1971, the shared tax program was fairly simple. Portions of various state-collected taxes were set aside for tax sharing, with distributions to municipalities and counties being based on each unit's relative contribution to these state revenues. In 1971, a new tax sharing philosophy was adopted by the Legislature (in direct response to the Tax Task Force), in which ability to pay and fiscal capacity, rather than relative local contribution, became the underlying principle. An attempt was made at this time to move away from "point-of-origin" sharing toward sharing based in part on need and effort.

Property tax relief, the third major state program providing financial assistance to taxpayers, represents a different concept in tax redistribution. At present, state provided property tax relief consists of three "sub-programs": personal property tax relief, general property tax relief and Homestead Credit. While the specific features of each differ, the intent is to lower the tax bills of local property taxpayers by requiring proportionate tax relief monies to be applied directly against the local levy (in general and personal property tax relief), or to offset the property tax liability through a credit against an individual's income tax liability (in Homestead Credit). Revenues used to finance these three "sub-programs" of property tax relief are derived from state levied and collected taxes.

Briefly, the differences between these property tax relief programs are the following. Personal property tax relief is specifically directed toward reducing the property tax liability on merchants' stock-in-trade, manufacturers' inventories and farmers' livestock (commonly known as the "three stocks"). Presently, the state provides a credit equal to 80% of the property tax liability on this property. General property tax relief is provided to reduce the property tax liability on all items of property not covered by personal property tax credits. The amount of relief allocated to taxpayers in each municipality varies depending upon the property tax effort for all purposes. The amount each taxpayer within the municipality receives is based on the assessed value of his or her taxable property. State payments for this program are made to municipalities (towns, cities and villages) which, in turn, are required to apply the amount received as a credit against the property tax levy for all purposes. The Homestead Credit program provides a payment directly to individual owners and renters with household incomes up to $7,500 to offset a certain portion of property tax liabilities, the amount of credit being based on tax liability and income. Individuals seeking property tax relief through this program must, at present, meet certain eligibility requirements relating to age and household income.

In summary, the basic goal of the general and personal property tax relief programs is to lower the overall level of local property taxes. The goal of the Homestead Credit program is to lessen the regressivity of the property tax by providing credits to low-income individual taxpayers based on their ability to pay.

A number of prior commissions, task forces and study groups in Wisconsin have examined and made recommendations concerning what is or should be the appropriate role of the state in providing financial assistance to local governments. A review of the recommendations made by some of these groups reveals
that substantial attention has been given to: 1) the role of and relative reliance upon property taxation in the financing of local government services; 2) the need for reducing reliance on the property tax and methods for accomplishing this; and 3) the general manner in which the state shares the revenues it raises with local government units. By way of example, the 1960 Blue Ribbon Tax Committee proposed a revision of the state tax distribution system which would shift the emphasis from shared taxes to state grants-in-aid to local governments, with consideration given to a municipality’s property, income and population and with emphasis upon establishing an equalization fund for property tax relief purposes. That same Commission also recommended that the “three stocks” be exempted from the personal property tax, with local units being granted additional alternative tax sources to reduce reliance on the property tax. Similarly, the Committee of 25, the Tarr Task Force, the Doyle Task Force, the Kellett Commission and the Church Committee on Metropolitan Problems all gave consideration to property tax relief and state shared revenue relationships in the context of the total governmental financing system.

In addition to these study groups, the state Legislature has also devoted a great deal of time and energy in developing legislation in response to the recommendations of these task forces, as well as on its own initiative. Each of the previously mentioned programs has, since 1971, been considered or altered by the Legislature in some manner, indicating the increased concern and importance of these programs statewide.

Numerous specific objectives and goals are likely to be identified in the establishment of state programs designed to reduce reliance on and/or alter the incidence of local property taxation, as well as in programs involving a direct sharing of state raised revenues with local governments. Among the various objectives and goals, three in particular appear to be predominant.

One objective may be that state-raised revenues should be used as a substitute for local property tax levies. The rationale is that state raised taxes are superior on two counts: first, the state has a greater capacity to tax, and second, the incidence of a state raised tax is less regressive and therefore more equitable than the present local property tax.

A second objective may be that the state has an interest in supporting certain minimum levels of service provided by local governments. Because the needs of local governments are so varied, it is preferable to have one program which allows local officials to decide their own minimum service priorities, than to have a targeted (categorical) aid program for each type of service.

Third, the ability of local governments to raise revenues varies. The objective of equalization through providing state raised revenues is to equalize the ability of local units to raise taxes and/or provide services. Equalization aids are usually distributed with the intent that equal revenue raising effort (measured by actual full value mill rate or mill rate weighted by income) yields equal amounts of revenue. Alternatively equal revenue raising efforts should result in the ability to finance equivalent levels of service.

A fourth objective may be that the state should attempt to make the incidence of the property tax less regressive. Achieving this goal usually assumes that some correlation between ability to pay (as measured by income) and property tax liability is achieved. This objective implies a commitment to ensuring that low income individuals do not pay an excessive percentage of their income in property taxes.

The Commission, in deliberating the policies and objectives of the present property tax relief and shared tax programs, has addressed two major policy questions with respect to these programs. The first is whether the existing property tax relief and shared tax programs, considered in their entirety, are equitable. The concept of equity is significantly related to a definition of “taxpaying ability.” However, there is no set formula of ability to pay; rather, value judgments made collectively by society must be relied upon to provide a benchmark for judging an individual’s ability to pay taxes or his/her need for relief.

The second major policy question is whether these programs, in their entirety, are efficient. The efficiency of these programs can really only be discussed with respect to their effectiveness at meeting their express or implied objectives. However, this discussion may be complicated by a number of facts. First, as noted before, programs can have multiple objectives. Chances are that the programs will meet some of their objectives better than others; or the programs may not thoroughly accomplish any of their goals. Furthermore, programs or program goals may be in conflict with each other. Secondly, these programs are usually generated through a political process, and even among program proponents there may be varying perceptions of the programs’ primary objectives.

The Commission recognizes that changes in policy with regard to a property tax relief or shared tax program are likely to have a profound impact on both the local taxpayer and the local unit of government in the context of the policy questions we have addressed. We believe, however, that a continued program of providing property tax relief to individual taxpayers, either directly or through their local governments, as well as a program of providing general revenues to local governments through a sharing of taxes, must be continually evaluated from the perspectives of their equity and their efficiency.

**PROPERTY TAX RELIEF**

Presently in Wisconsin, general property tax relief is the major state program for relieving property taxes. The primary goals of this program are to suppress the general level of what is widely believed to be a regressive, undesirable tax and to equalize tax rates. There is evidence to demonstrate that this property tax relief program, as it is presently constituted, has succeeded in accomplishing these goals. In 1975-1976, for example, general property tax relief payments amounted to 11.5% of property taxes raised statewide. The Commission recognizes the ability of this program to achieve the goals for which it exists.
The Commission finds that the problems of equity associated with this program, in the context of the program's corresponding benefits, makes it difficult to recommend either retention of the program as it presently exists, or a radical change in the program's basic structure and goal as a means of achieving equity. Further, we question whether the goal of lowering the general level of property taxation might not be better accomplished by providing alternate revenue sources. Neither the time nor the data is available for the Commission to make an accurate, informed determination of the changes which may be desirable as to the proper balance between the goals of reducing reliance on the property tax and reducing the regressivity of the property tax. Further, neither time nor data allow a full consideration of the various methods by which these two goals might be pursued.

The stated goal of the personal property tax relief program is to reduce substantially the impact of a tax which is both inequitable and extremely difficult to administer. This property tax relief program applies solely to the property tax levied on the "three stocks." To the extent that the state provides a credit in the amount of 80% of the tax liability on these items of property, the personal property tax relief program is able to accomplish its goal fairly well.

The Commission believes, however, that this tax (in spite of the relief provided for it) has numerous problems associated with it which produce greater inequity than those problems which result from property taxes levied on general reality. The first problem is the timing of the assessment of this property for the purposes of determining tax liability. (This problem is dealt with specifically in Chapter 10 on Property Tax Policies). Another problem with the personal property tax is the ability to avoid taxation of items of personal property which might otherwise be taxed by moving inventories prior to the assessment date, thus avoiding the tax. This situation, in turn, increases the total tax burden on other taxpayers. Third, different types of operations require differing levels of inventories at different time periods in the year to carry on the same level of business activity.

The Commission believes that the personal property tax relief program should be expanded to provide full credit to owners of personal property subject to this tax. The revenues which will be necessary to finance this increased should, we believe, be derived from increases in the individual and corporate income taxes. The portion of the funds to finance this increased program which should come from each of these sources should be related to the portion of program benefits received by incorporated and unincorporated businesses and farms. We believe it is also worthwhile to examine the feasibility and potential fiscal impact of eliminating the personal property tax entirely.

The Homestead Credit program, quite unlike the previous two property tax relief programs, provides a means of property tax relief which is directly related to the individual taxpayer's (both property owner and renter) ability to pay the property tax, with special attention given to taxpayers in those areas or units of government where the property tax is particularly burdensome. Of the three property tax relief mechanisms, Homestead Credit is the best equipped to effectively reduce the regressivity of the property tax by targeting relief dollars where they are needed most. In terms of progressivity (ability to pay), the Commission believes this tax credit program performs exceptionally well within the context of the individuals who are eligible for and actually receive the relief it provides.

We believe that the equity and effectiveness attainable in this tax relief program makes it especially attractive as a source which could be expanded to enable a broader range of individuals in low and middle income groups to take advantage of its progressive benefits. We believe there is a legitimate basis for computing an equitable burden of property taxation by relating that tax liability to income. However, we recognize that in order to continue maintaining the equity and effectiveness of this tax relief mechanism while at the same time expanding it to include more property taxpayers, attention should be given to the feasibility of relating credit received to other assess in addition to household income. In any event, the program should continue to limit the amount of credit any one household may receive.

As with the previous two property tax relief programs, however, we believe that detailed consideration should be given to the role this tax relief program plays or should play in determining the state's fiscal policies with regard to local governments and individual taxpayers.

**Commission Recommendations**

1. The Commission recommends that the state credit for farmers' livestock, merchants' stock-in-trade and manufacturers' inventories be increased from 80% to 100%. Funds for the increase in personal property tax relief should be obtained from taxes on the income of the types of business enterprises receiving such personal property tax relief, including without limitation an appropriate increase in the individual and corporate income tax.

2. The Commission recommends that the state expand its present circuit breaker (Homestead Credit) program. In addition to the present appropriation of $50 million, an amount equal to $80 million from the proceeds of state income and sales tax revenues should be used to finance the homestead program expansion to provide substantially increased credits against both property and local sales taxes. Credits under this program should be calculated as equal (up to a specified dollar limit) to property and local sales tax paid in excess of specified percentages of income. If this program is expanded, the concept of applying an "asset test" to all potentially eligible individuals should be considered.  

*Minority statements submitted by Commissioners James Horsmann, Glen McGrath and John Duncan. See pp. MR-12 (Horsmann) and MR-12 to MR-13 (McGrath and Duncan).*
STATE SHARED REVENUES

As noted in the General Introduction to this chapter, the state shares revenues on two basic levels: aids and general aids. Since targeted aids are discussed in other chapters of this report, this section will be primarily concerned with general sharing of state revenues. General sharing of state revenues, (that is, shared taxes), is designed to accomplish two goals. First, state revenues are shared with local units to permit a basic level of services to be financed from revenue sources more progressive than the property tax. Second, since some communities are endowed with more wealthy or burdened with more low-income taxpayers than others, a portion of the state shared taxes is distributed in a manner which seeks to at least partially neutralize disparities in local revenue raising capacity. Substitution of state revenues for property taxes could be argued as a third goal, but this argument can only be made insofar as shared tax revenues replace property tax revenues which would have been used to finance locally determined service levels. We recognize that shared taxes are capable of achieving their goal of supporting basic services specifically through the per capita payments feature in the shared tax formula. Similarly, we recognize that the aidable revenues portion of the formula is capable of providing support for basic levels of services while at the same time equalizing the ability of local units to finance those same services. Given the components of the shared tax program, we acknowledge the fact that the shared tax program is capable of achieving a greater degree of equity between and among municipalities and, by virtue of its structure, is capable of meeting the stated goals.

The Commission believes that the shared tax program has been a desirable part of an ongoing attempt to support minimum services and equalize the ability of local governments to finance services. The goal of local government finance based on more progressive revenue sources (shared taxes) is an admirable one. Further, the shared tax program has been a desirable policy tool to this end at a time when the major portion of property tax relief is not distributed based on ability to pay, nor do local general purpose units have access to viable alternative revenue sources which are progressive in incidence. Within this context, a shared tax program, which seeks to equalize the ability of local governments to finance a basic level of service through the sharing of more progressive state tax revenues, is based on sound policy. The Commission believes that the shared tax program should be revised to more nearly equalize disparities between municipalities in the relationship between their available revenue sources and their financial requirements. We further believe that the formula should also take into account the burdens imposed upon central cities in providing services to commuters.

Commission Recommendations

1. As a matter of general policy, the Commission believes that the state should mandate only essential levels of state-priority services which realize state goals. Where mutual state-local service goals are involved, there should be a sharing of financial responsibility between the state and local units of government.

2. The Commission recommends that the shared tax program be revised to more nearly equalize disparities between municipalities in the relationship between their available revenue sources and their financial requirements. The shared tax formula should take into account the burden imposed upon central cities in providing services to commuters.*


FURTHER STUDY

The Commission does not believe that the state or its local government units should constrain themselves to a perpetual commitment or expectation that the shared taxes program is inalterable. We believe that there may be alternative ways to approach the goals which the shared tax program seeks to meet. We have discussed a possible examination of shared taxes which would consider the relative impact of the program on the accountability changes which we have suggested in other chapters. We believe that any future discussions of the program should consider the program’s ability to reduce taxes or to influence increased expenditures.

The Commission recognizes the necessity and desirability of continuing to examine the present methods of state and local finance to determine whether existing policies are equitable and consistent in principle, and to determine whether alternative revenue sources and methods of financing should be made available to reduce overall reliance on the property tax. At the same time, we believe it is necessary to consider the impact which alternative revenue sources and financing policies will have on individuals, businesses, agriculture and other governmental units. We believe there is a need to establish a mechanism wherein all proposals to use alternative revenue sources and/or shift the emphasis of present financing policies can be examined thoroughly and in detail.

While the Commission has recommended that specific areas of property tax relief and state shared revenues should be retained, strengthened or examined further, we have discussed and believe that three specific concerns related to property tax relief and shared revenues should be considered. First, consideration should be given to the specific dollar shifts or shifts in specific amounts of revenue sources which should occur to realize the goal of substituting progressive revenue sources for the property tax. Further, that consideration should include which program or program goals would most equitably and efficiently accomplish property tax relief or sharing of revenues. Second, some consideration should be given to the role which accountability will play in shifting or
applying those revenue sources or shared revenues. Finally, we suggest that future consideration should include a further definition of essential versus non-essential levels of mandated services as well as the appropriate mechanism for identifying and meeting shared state and local financial relationships. Both items should be considered in the context of the local government units' avowed purpose to provide basic services.

**Commission Recommendations**

1. While the Commission has recommended some changes in the methods of taxation and has recommended some alternative revenue sources to be available to local governments to reduce reliance on the property tax, we believe there are other proposals which merit a more detailed examination than this Commission has given them.*

*Minority statements submitted by Commissioners Norman Gill and Kathryn Morrison. See pp. MR-10 (Gill) and MR-13 to MR-14 (Morrison).

2. This Commission recommends that a special study be commenced to thoroughly examine any proposals as may be deemed to merit consideration, in the context of the goals outlined above.

3. This study group should submit its analysis and findings concerning these proposals to the appropriate appointing body (Governor, Legislature, etc.) by no later than December 31, 1977.
CHAPTER 10

PROPERTY TAX POLICIES

General Introduction

Surveys of taxpayers, both nationwide and in Wisconsin, have revealed unsurprisingly that the property tax is unpopular. A number of well-known reasons are given: the taxation of property is argued to be inequitable and regressive; in terms of revenue yield, the property tax is said by many to have well exceeded a reasonable degree of reliance compared to other potential sources of tax revenue; taxpayers find the system of property taxation to be confusing and, in many cases, poorly administered. In respect to these and other arguments regarding the use and impact of property taxation, one shared state and local government goal is clear: methods must be developed, refined and implemented to reduce reliance on the property tax to finance local government services. Some of these methods for reducing reliance, etc. are discussed in Chapters 8 and 9 of this report.

Total and immediate elimination of a tax on property is impractical. Therefore, it is imperative that steps be taken to ensure not only that the potential regressivity of the property tax is minimized and reliance upon it is reduced wherever possible, but also to ensure that the quality of property tax assessment and administration is continually evaluated and improved. The equitable and judicious use of the property tax is as much dependent upon maintaining a high degree of quality in assessment and administration as it is upon having sound policies and methods for equalizing the burden on taxpayers once the property tax is levied. In addition, particular attention must be given to the policies and laws governing the exemption of various types of property from taxation, since these exemptions may involve shifting a substantial portion of the property tax burden to the remaining taxable property base available to local governments.

Finally, the administration, assessment, levy and taxing of the property tax will ultimately impact on the property taxpayer in one way or another. The financial obligation placed upon the taxpayer entities that individual to know, understand and rely on the integrity of a system which determines his or her financial obligations.

ASSESSMENT QUALITY

The responsibility for the assessment of property for purposes of taxation is carried out by 1,837 separate assessment jurisdictions, including the state, towns, cities, villages and one county, Kenosha, which has a countywide assessment system. The power to tax property is granted in Article VIII of the state Constitution, and the guidance for implementation of property taxation, as prescribed in Article VIII, is that "the rule of taxation shall be uniform..." To ensure that property tax assessment and administration is consistent with the constitutional uniformity clause, the state Legislature is solely responsible for enacting laws regarding the specific methods of property tax assessment and collection. To further promote uniformity of property tax assessment and administration, the state Department of Revenue is granted broad supervisory and regulatory duties in this area.

Uniformity, equity, simplicity

In spite of the statutory requirement that real estate be assessed at the full value which such property would bring at private sale between a willing buyer and seller, the Wisconsin courts have interpreted this requirement, and the uniformity requirement in the state Constitution, to mean that all classes of property within a single assessment jurisdiction must be assessed at a uniform percentage of fair (or full) market value. This uniform percentage could be and often is less than full value.

The establishment of property value for taxation is perhaps the most important step in the entire property assessment procedure. The assessed value, established locally by each assessment jurisdiction, allows the determination of the final mill rate to be applied by all governmental units having the authority to impose a property tax. Unless all property is assessed at 100% of full value, there is less likelihood that the intent of the statutes and Constitution with regard to uniformity of assessment is being met. Furthermore, without uniform full value assessment, property owners living in different taxing districts (for example, different cities, villages or towns) but living within the same school district would have no legitimate basis upon which to compare their tax bills since assessment ratios and, consequently, assessed value mill rates would differ.

The Commission believes that the goals of uniformity, equity and taxpayer understanding of the property tax assessment procedures need to be reasserted. The attainment of these goals, we believe, will require a strengthening and expansion of present statutory property assessment provisions. Neither uniformity, nor equity, nor the taxpayer's ability to understand the system employed to determine his or her property tax liability are well served if assessment ratios between and among assessment jurisdictions are permitted to vary widely, as at present. Along with the need to achieve greater uniformity and equity in assessment procedures practiced by local assessment jurisdictions, we believe that the property owner/taxpayer should be afforded sufficient leverage in exercising his or her right to challenge the assessment of his or her property, to assure fair and equal treatment.

Timing

The Commission has also considered the timing of the assessment process, particularly as the timing affects the assessment of the so-called "three stocks" of personal property. These three stocks (merchants' stock-in-trade,
manufacturers' inventories and farmers' livestock) are assessed for taxation purposes as of their value on May 1 of each year. Under this method, there are some businesses with high inventories at different times during the year which benefit from this assessment date. On the other hand, many businesses have high inventories on the May 1 assessment date. The result is an inequitable treatment in property tax assessment among the businesses whose stocks or inventories are subject to this tax. The Commission believes, in the interests of equitable treatment of property for assessment purposes, that a method should be devised which allows these types of property to be assessed on the same basis, so that no individuals or businesses subject to a tax on personal property are unduly benefitted or penalized by an assessment made on a fixed date.

Assessor certification

Clearly, the accomplishment of the goals of equity and uniformity in property tax assessment will depend in large measure upon the ability of local and state assessors in all assessment jurisdictions to understand, utilize and be subject to the same assessment standards and procedures. The requirement for assessor certification enacted by the Legislature in 1975 (effective on January 1, 1977) is aimed at improving the quality of local assessors. The Commission believes that the required certification of assessors through uniform examinations administered by the state will aid considerably in efforts to achieve uniformity and equity in property assessment. However, we believe it is important that the examination administered to determine certification must be structured in such a manner as to reflect the practical and realistic problems which local assessors are called upon to solve in the performance of their duties. We also believe that the state, since it performs the assessment of manufacturing property, should require of itself the certification of its own assessors.

Finally, the assessment of property is a professional skill. As such, and like most other professions, both the veteran and the novice assessor must be willing to remain knowledgeable and current with the frequent and at times complicated changes in various factors which influence the accurate assessment of property. As property values change, as different types of property are subject to taxation, and as assessment procedures and techniques improve, it becomes important for all assessors to keep abreast of these changes so that the highest quality assessment may be maintained. We believe the state can provide valuable and helpful assistance to local assessors through education and orientation sessions which enable the information to be effectively disseminated to those assessors interested in continually improving their skills and practices.

Commission Recommendations

In the interest of achieving uniformity, equity and improved taxpayer understanding of the property assessment process, the Commission makes the following recommendations:

1. The Commission recommends that the statutes be amended to require assessments to be at 100% of full market value.

2. The Commission recommends that if the assessment level in a district falls below 75% or is above 125% of its equalized value, the taxing district should be directed to reassess all property to a level of full value.

3. The Commission recommends that if the personal property tax is retained in its present form, further study be given to the concept of providing for the assessment of personal property (3 stocks) on an average annual inventory basis to eliminate the inequity among various types of business which results from the present May 1 assessment date.

4. The Commission recommends that certification be required of all state assessors.

5. The Commission recommends that the examination for state and local assessor certification be developed so that the test more closely reflects assessment practices actually used in the field.

6. The Commission recommends that more orientation/education sessions be conducted by the state for local assessors.

PROPERTY TAX ADMINISTRATION

In the previous section, the Commission has examined the issues and made recommendations concerning methods to improve the quality of assessment procedures in Wisconsin. The primary emphasis has been on achieving the goals of uniformity, equity and improved taxpayer understanding of the assessment process, and we believe that the recommendations we have submitted in that respect will aid in accomplishing those goals. However, we also feel that complementary attention should also be given to the system under which the property tax is administered.

Countywide assessment

The state Legislature, in 1969, provided by law for the creation of an optional countywide assessment system as a step toward improving the administration of the property tax. At present, only Kenosha county has adopted this system. The legislation, which contains a state financial assistance incentive of 75% cost reimbursement to counties which implement the system, was created in response to the general belief that uniform assessment within an assessment district is most likely to occur when the district is large enough to provide for the employment of full-time, professional assessors. Within the existing
1,837 assessment jurisdictions in the state, approximately 85% of the assessors are employed part-time. There is reason to believe that the ability of a local assessor to assess property within a given jurisdiction is less dependent upon whether the assessor is elected or appointed than whether he or she is employed full-or part-time. Furthermore, the assessor certification requirement will apply to all assessors, whether elected, appointed, full-time or part-time.

For these reasons, the Commission believes that, along with the certification of assessors (both state and local), increased emphasis should also be placed upon reducing the number of local assessment jurisdictions so that certified assessors will be able to devote their full energies, efforts and professional skills to assessing property on a full-time basis. We view the county as a logical-sized unit of government to be designated as the local assessment jurisdiction. While we do not believe the county should be mandated to undertake this function, we do feel, however, that the process which permits a county to adopt the county assessment system should be simplified. The present statutory requirement of a 60% vote of the county board membership necessary to adopt the county assessment system is, in the Commission’s opinion, unnecessarily restrictive.

The Commission recognizes that the election or appointment of each town, village and city assessor is both a long-standing and deeply-rooted tradition in which these local units are not likely to abandon easily. Consistent with general principles and recommendations contained elsewhere in this report, we do not recommend mandatory election or appointment of local assessors, nor do we recommend mandatory countywide assessment systems. However, we do believe that the integrity of assessors and the assessment process is of sufficient importance to the taxpayers of this state that the desire for maintaining “local control” must be seriously weighed against the need to make methods available to ensure the maintenance of property assessment and property tax administration. Additionally, it is essential to enable local assessment jurisdictions to perform property assessments in accordance with the standards of equity and uniformity, either a countywide assessment system or a county assessor service agency, with which municipalities would be able to contract for assessment services, would be desirable alternative methods.

Timing of property tax collection

The timing of property tax collections, as an administrative function, also presents problems and difficulties which are worthy of attention. The taxpayer, the general purpose local unit and the school district are particularly affected by the timing of property tax collections.

The property taxpayer receives his or her tax bill from the municipality of assessment usually between mid-December and mid-January. Although, present procedures allow the tax-levying municipality three optional collection schedules, the property taxpayer still must pay the entirety of his or her property tax liability by July 31. Most municipalities use a tax collection schedule which requires the property taxpayer to pay 50% of the total tax liability by January 31, with the remaining amount to be paid by July 31. Whatever existing schedule is used, the taxpayer is usually faced with a large property tax bill which must be paid in lump sums. This places a burden on the taxpayer which may be alleviated somewhat if the tax collections are more evenly spread out during the municipality’s fiscal year. The ability to disperse property tax payment dates more evenly throughout a fiscal year will also prove helpful to municipalities as well, since, by doing so, “cash flow” problems normally associated with infrequent or irregular payment dates can be kept to a minimum.

The tax collection and settlement schedule affects the municipality’s fiscal relationship with other governmental bodies which depend upon the municipality to collect and return the portion of tax collections due them. School districts are a specific case in point. It has been argued that the collection of property tax revenues by municipalities does not coincide with school district fiscal needs. For example, a school district may need to purchase substantial amounts of material and supplies in August, but the first property tax revenues for the corresponding school year (used to pay for the merchandise) will not be available from the municipality until January. School districts in this and similar situations are subsequently forced to rely upon short-term loans, cash “reserves” (if any) or advanced aids from the state.

The Commission believes that the fiscal management of governmental units and the timing schedule of property tax collections should, as much as possible, complement each other. Present statutory requirements regarding the administration and timing of the property tax, we believe, should be made more responsive to these conditions. In any case, as an additional mechanism to enable more effective and efficient administration, we feel that local governments should be afforded the appropriate options to determine property tax collection and settlement schedules which are best suited to local circumstances and needs.

Commission Recommendations

1. The Commission recommends that the present system of both elected and appointed assessors be continued at the discretion of the local government unit.

2. The Commission recommends that the state continue its efforts to encourage local assessment through a countywide system. To increase this possibility, the vote of the county board membership necessary to provide this service should be reduced from 60% to a simple majority.*

3. The Commission recommends that, in areas where a countywide assessment system is not adopted, the county be encouraged to establish a county assessor service agency (based on the principle currently used in CESA districts) with which cities, villages and towns may contract for assessment services. State aids should be provided, but at a lesser rate (25%) than the rate of 75% state aid at present available for full countywide assessment.

4. The Commission recommends that the statutes provide the option, at local discretion, for cities, villages and towns to collect property taxes on a quarterly basis within their fiscal year. City, village or town treasurers should settle all property tax collections made for other taxing authorities on or before the 15th day of the month following collection.

PROPERTY TAX EXEMPTIONS

Since the property tax is primarily a local government revenue source, exemptions of property from taxation affect (sometimes significantly) the available tax base of local government units. Alterations in this available tax base resulting from exemptions also, and perhaps more importantly, impact on the equity of the property tax when it is ultimately levied against the remaining taxable property. When the tax base is reduced, higher tax rates must be imposed on the remaining taxpayers so as to raise the same level of necessary revenues for governmental operations. To the extent that claims of the regressivity of the property tax are valid, the exemption of property and resultant higher tax rates compound the regressivity. Further, exemptions, by reducing the local property tax base, likewise reduce the amount of debt which such units may constitutionally incur.

Many property tax exemptions which, for whatever reason, were appropriate in an earlier era still exist by law today, having never undergone reconsideration to determine whether the property should remain exempt. Furthermore, uniformity in the standards for determining whether property should be exempt from taxation is virtually non-existent. The result is a haphazard treatment of exemptions, through which numerous organizations are granted exemptions in varying, often illogical, amounts. For example, benevolent institutions are entitled to 10 acres exemption; bible camps 30 acres; Lion’s camps 40 acres; church property used for religious purposes 10 acres; church property used for educational purposes 30 acres; private colleges 80 acres; etc.

Because land once exempt from taxation is therefore not assessed for tax purposes, there is little if any information available to the affected municipality regarding the price or value of such exempt real estate. This information, were it available, could be used by the municipality to calculate the approximate amount of tax base lost to the exemption and to determine what portion of that lost tax base has resulted in an increased tax burden on remaining property owners/taxpayers. Additionally, the circumstances which qualify a parcel of property for an exemption may change over time. Since the local assessor may often be aware of such changed circumstances before the state is, local units should have the authority to challenge the property tax exempt status of these parcels.

Still another issue involved with property tax exemptions is that these exempt properties continue to receive services provided by the municipalities in which they are located. However, statutory provisions restrict municipalities as to the portion of service costs which municipalities may recover from user fees.

We are well aware of the reasons for which the granting of a property tax exemption may be desirable; but we are also cognizant of the potential inequities which may result for other remaining property taxpayers when a property tax exemption is granted. These potential inequities cannot be removed from a determination as to whether an exemption should be granted. As a matter of principle, the Commission believes it is appropriate to recognize that the state should have the sole authority to grant or repeal property tax exemptions. Clearly, if each local government unit were given this discretion, uniformity in property tax base could not possibly be preserved. At the same time, we believe the state has the obligation to review and carefully consider the exemptions which it has granted or may consider granting in terms of the ultimate impact these exemptions have on the municipality and the local property taxpayer.

Commission Recommendations

1. The Commission recommends that the Legislature adopt a “sunset” provision which would require review and positive legislative action to reenact property tax exemptions. All present exemptions should expire by 1980 unless the Legislature takes positive action to retain them. Thereafter, the manner in which legislative review occurs should ensure that each exemption is reviewed at least once every 10 years.

2. The Commission recommends that criteria be developed and applied in a manner which treats all exemptions uniformly.

3. The Commission recommends that the authority to enact or repeal property tax exemptions remain at the state level. Since such exemptions impact primarily on local government revenue sources, the state should make payments to local governments and school districts for any lost revenues.

4. The Commission recommends that annually the state specifically reimburse local governments for the tax revenue they lose because machinery and equipment was made exempt from property taxes by the state law adopted in 1973. The Commission recognizes this exemption as a sound state policy for stimulating business and creating jobs. Furthermore, whenever the state exempts other property from
local taxation as a matter of policy, it should make specific reimbursement to the local governments to prevent a rise in property taxes.

5. The Commission recommends that all local assessors be required to assess all exempt property and report the value of such property to the 1979 Legislature.

6. The Commission recommends that all local general purpose governments be permitted to assess a user fee against all tax exempt property commensurate with the cost of services provided to such property, where such fees are not prohibited by federal law or otherwise aided through special payments.

7. The Commission recommends that any general purpose unit of government be permitted to challenge the tax exempt status of any parcel of property. To this extent, provisions should be made to permit local government access to the necessary tax records of exempt organizations.
CHAPTER 11
STATE-LOCAL COMMUNICATIONS: A NEED FOR IMPROVEMENT

General Introduction

Throughout the ten preceding chapters of this report, the Commission has revealed its judgment about the present condition of state and local affairs in a number of functional areas. These judgments could not have been made accurately and reasonably without the benefit of the information that has been referred to as "input" from individuals at all levels of government, from active and involved interest groups, from private citizens and public officials. Information and opinions relating to the issues we have examined have also been obtained through numerous technical and analytical research reports, policy papers, presentations, tables, charts, graphs, and other documents of every description.

The intense, serious interest which has been demonstrated in the Commission's work by the many individuals who have recognized the value and importance of this study makes it fitting that we conclude this report of our findings and recommendations with a statement about intergovernmental communications. In the context of the numerous other critical issues and problems addressed in this report, some may find a discussion of intergovernmental communications to be, shall we say, anticlimactic. While we are not prepared to argue that the very integrity of our recommendations hinges on what we say about intergovernmental communications, we hasten to point out that—in the last analysis—it was precisely communication, both individual and intergovernmental, which created, shaped and refined this report. As such, a discussion of this topic represents an integral element of this report and, we believe, therefore warrants appropriate consideration.

Consistently throughout this Commission's study, considerable emphasis has been placed on the need to ease tensions between the state and local governments through improving the channels of communication and promoting an increased awareness and understanding of the functions, responsibilities, difficulties and capabilities of governmental units at all levels. This emphasis on improved communications highlights one of the basic themes which emerges in virtually every chapter of this report: that state and local governments in Wisconsin exist and function, for better or worse, in a partnership capacity. When viewed as a partnership, the importance of intergovernmental communication becomes all the more obvious.

STATE-LOCAL INTERGOVERNMENTAL RELATIONS

Improved intergovernmental communications both fosters and is fostered by the ability of governmental units at all levels to realistically examine, evaluate, review and understand their functions, responsibilities, capacities and limitations, and the manner in which each unit relates to all others. Traditional perceptions and concepts of the roles of various types of governmental units are changing in an era of expanded governmental responsibilities. It is becoming increasingly clear that no single level of government is or should be responsible for providing all governmental services even though the provision of specific services may be isolated to particular governmental units. As a result, it is important that those services involving a shared responsibility among different levels of government be provided through a relationship which encourages meaningful opportunities to communicate the interests and concerns of the responsible governmental units. This relationship, the Commission believes, must also provide the mechanisms which will translate those expressed interests and concerns into practical application.

Commission discussions and testimony received at public hearings frequently suggested that one possible means of providing for improved, effective and meaningful intergovernmental relations was to establish a permanent policy body to, in short, perform the same task assigned this Commission on a continuing, regular basis. Other suggestions placed the emphasis on reducing the unnecessary friction and breakdowns in communication between state agencies and local governments in common program areas where both levels of government have existing functional responsibilities. To alleviate the frequently expressed fears that local government interests and concerns "fall on deaf ears" at the state level, some suggested that local governments might receive stronger supportive representation at the state level through a commission whose primary responsibility would be to keep those interests and concerns before the state's policy and lawmakers.

Commission Recommendations

The Commission, in recognition of the need to provide an ongoing evaluation of state, areawide and local government functions, recommends the following:

1. The present Advisory Council on Local Affairs to the Department of Local Affairs and Development (DLAD) should be reconstituted as the Wisconsin Commission on Intergovernmental Relations (WCIR).

2. Membership on the WCIR should consist of:
   a. Four members of the Legislature, two from each house, appointed as are standing committees.
   b. Four secretaries of state agencies appointed by the Governor.
c. Eight local officials, representing towns, villages, cities, counties and education districts, appointed by the Governor for staggered terms.
d. Eight citizen members appointed by the Governor for staggered terms.
e. Ex-officio, nonvoting, members from statewide organizations may be appointed by the WCIR to serve in an advisory capacity.

3. The WCIR should be empowered to study problems and relationships of governmental structures, financing policies, program performance and points of conflict at the local, area-wide and state government levels.

4. The WCIR should be required by statute to communicate its findings to the Governor, Legislature and other affected parties.

5. The WCIR should select its staff on an independent basis, but be attached to DLAD for administrative purposes.

ADMINISTRATIVE REGULATIONS

A second major issue causing tension in state-local communications was found to be administrative regulations promulgated by state agencies to implement services or programs enacted by the state Legislature but provided by local units of government. In many instances the legislative intent of a service or program must first be translated into administrable language, usually accomplished by clarification or definition of specific statutory terms or phrases through the administrative rule-making process. Such definitions can have a significant impact on program scope and implementation, as well as on the financial relationship between various levels of government providing the service.

We recognize even the most precise statutory definition or administrative rule may be subject to further interpretation before it can be applied. When the Legislature grants administrative responsibility to a particular agency, that agency is in effect empowered to interpret the statutes. The Legislature may formally authorize an agency’s interpretive capacity by authorizing it to establish administrative rules; however, this appears not to be a standard procedure. We note that at times the Legislature may preempt the administrative rule process by providing its own specific or definitive statutory language; but less explicit statutes may still be subject to interpretation through administrative rules. In effect, administrative rules carry the impact of law and, like statutes, are subject to further interpretation.

Unclear statutory or administrative rule language impedes the state-local relationship both directly and indirectly. Failure to clearly define administrative relationships at the state level complicates the relationship between state and local administrators. A good example of this problem exists in section 115.84 (2), Wisconsin Statutes, which describes the placement process for children with exceptional educational needs (EEN). The first priority placement is with the school district, county or CESA district in which the EEN child resides; however, if no program is “locally” available, the child must be placed either in the nearest program operated by a public agency in Wisconsin, or in a private special education program in Wisconsin or a public program in another state, or 3) “if the child is unable to attend school,” in a special education program at the child’s place of residence. The placement of a child in an EEN program outside of his or her school district requires that the school district contract for services provided to the child. Neither the statutes nor the administrative rules address the problems associated with administering those contracts, and responsibility for financing such contracts is not well specified. Consequently, it is unclear whether the costs of such contracts are reimbursable to the school districts.

To aggravate an already confusing situation, different state and/or federal agencies with administrative responsibility for distinct programs often encounter jurisdictional difficulties because of inadequate definitions or identifications of service recipients. When the administrative jurisdiction of an agency is unclear, that agency will most often lack the ability to adequately enforce local compliance with administrative rules.

When an administrative rule involving local administration is being designed by the state, it would seem natural to assume that the affected and involved local units of government should have some input. However, we find there is no consistent state effort to involve local governments in the design of administrative rules being promulgated.

The Commission has found that a further cause of tension in state-local communications is generated when administrative rules allow little or no lead time for the local administering units to organize, plan and work the rules requirement into the local budgetary and administrative cycle. Without adequate time to plan for implementation, even the most noble rule adopted may be poorly administered.

One of the exacerbating problems caused by insufficient local input was the lack of lead time allowed before implementation of the levy limit law. Levy limits were enacted as part of Chapter 39, Laws of 1975. The limitations became effective August 1, 1975, were amended as of October 1, 1975, and applied to the 1975 levies (taxes payable in 1976) to be established in December, 1975. Many counties, cities, villages and towns had already begun budget deliberations before the levy limit law became effective, and thus, they may have been forced to change policies and programs. This problem was especially significant for the City of Milwaukee, which is required by law to file departmental budget estimates with the city Board of Estimates by August 1, and for Milwaukee County, which is required by law to submit budget estimates to the county auditor by July 15.

Other state policies enacted do allow sufficient lead time for proper implementation. For example, the assessor certification program became effective on August 1, 1975, also as part of Chapter 39, Laws of 1975. However, local
governments have until January 1, 1977, to meet assessor certification standards. Thus, it is clear that with respect to lead time for program implementation, there is no consistent state policy.

Statutory provisions and administrative rules designed to achieve uniform local administration of state mandated programs often are construed as reflecting minimal consideration of local needs, preferences or ability to deliver services. Many local officials cited the Department of Natural Resources’ (DNR) solid waste disposal standards as an example. The DNR has published 25 pages of administrative rules relating to solid waste management. The rules are being applied uniformly across the state and carry the force of law. As a result of the DNR implementation of these administrative rules, many municipal landfill sites have been declared out of compliance with the regulations and ordered to close.

There are three types of DNR sanitary landfill standards. First, there are general locational standards which limit the location of a landfill in relation to flood plains, rivers, ponds, lakes and federal and state highways. Secondly, a municipal landfill site must meet certain technical engineering and geological specifications. To determine the feasibility of proposed landfill sites, a locality must contract with an engineering firm to have these technical aspects of the site reviewed. This represents an unreimbursed, unaided cost to the municipality. Finally, all landfills are subject to operational requirements that restrict open burning and require an attendant to be on duty whenever the site is open.

The DNR landfill site rules are but one example of administrative rules not being flexible. If administrative rules are perceived as problems for local government, the problems are intensified because there is often little or no local input in the development of the rules. We recognize the need for the Legislature to delegate certain responsibilities concerning the implementation of programs to the appropriate agencies of state government. However, we believe that the importance of the administrative rulemaking process, particularly in terms of its impact on local government units responsible for compliance with those rules, requires that measures be taken to strengthen the controls on and mechanisms for governmental input into the administrative rulemaking process.

Commission Recommendations

The Commission finds the following recommendations to be desirable as a means of improving the administrative rulemaking process which we believe will be to the benefit of both the state and local government units.

1. A study should be done on the existing exclusions from the rulemaking process (listed in section 227.01 (5) of the Wisconsin Statutes) for the purpose of determining the exclusions to be repealed or amended. Specific attention should be given to the exclusion for standardized accounting procedures.

2. All rules should be subject to public notice and hearing.

3. The process for drafting rules should be strengthened by increasing the role of the Legislative Reference Bureau and/or Revisor of Statutes to assure that rules use easily interpreted legal language and are presented in standardized form similar to legislative bills.

4. Rules, prior to adoption, should be subject to legal analysis, citing specific statutory authorization as well as being subject to legal review for clarity and applicability of language.

5. Public notice should include a clear reference to the rules, the department’s statutory authority for adopting the particular rules, and a reasonable analysis of the rules’ impact.

6. All administrative rules, when proposed or being revised, should include from the outset an analysis of the rules’ direct and indirect fiscal effects on the state and its political subdivisions.

7. A procedure should be developed which would more clearly identify and analyze rules and regulations associated with federal assistance programs. The procedure should result in consideration of short- and long-range impact on state and local budgetary and fiscal matters, as well as current and reasonably anticipated federal rules and regulations which would accompany those federal programs.

8. The Legislature, when empowering state agencies to make rules impacting directly on local governments, should set clearer standards to guide agency rulemaking.

9. Each house of the Legislature should, at the beginning of every new legislative session, clearly define the standing legislative committees responsible for reviewing proposed rules of particular agencies.

10. Emergency rules should continue to be exempted from the public notice and hearing requirements. However, when emergency rules are adopted, a factual listing of what constitutes the emergency, the department’s statutory authority for using the emergency rulemaking process, and the statutory authority for adopting the particular rules should be given. The duration of time in which an emergency rule may remain in effect should be extended from 60 to 120 days, or until a permanent rule on the same subject is acted upon, whichever occurs first.
11. Administrative rules emanating from the federal government and mandated upon the state should be subject to a review process which would allow such rules to be implemented at the state level in a shorter period of time than is presently possible under the regular state administrative rulemaking process.

Forms, Reporting and Paperwork

The Commission recommends that every branch of state government should initiate efforts to achieve an effective reduction in, and continuing control over, the amount of reporting and volume of paperwork required from local government units, private individuals and corporations, with the participation of consumers in the review process.
ACKNOWLEDGMENTS

As an integral part of our consideration of state-local relations and financing policy, several individuals assisted the Commission in identifying issues, problems and possible alternative solutions. We wish to express our appreciation to the following individuals who shared valuable information and insight with us during our deliberations.

Wayne Anderson, Executive Director, Advisory Commission on Intergovernmental Relations, Washington, D.C.
Morris Andrews, Executive Secretary, Wisconsin Education Association Council.
Clifford Christiansen, Program Director, Brown County Unified Board, on behalf of the Wisconsin Association of 5142/437 Board Members.
Ira Cutler, Director, Barron County Department of Social Services, on behalf of the Wisconsin Association of Social Service Board Members and Directors.
Jack DeYoung, Acting Administrator, Division of Income, Sales, Inheritance and Excise Taxes, Wisconsin Department of Revenue.
Werner Doering, Chief of the Utility and Special Taxes Section, Wisconsin Department of Revenue.
Gil Fairholm, Administrator, Division of State and Local Finance, Wisconsin Department of Revenue.
Robert Foote, Chairman, Governor's Council of Economic Advisors.
Darrell Franke, Supervisor, General Purpose Government Unit, Wisconsin Department of Revenue.
Dr. Leonard Ganser, Administrator, Division of Mental Hygiene, Wisconsin Department of Health and Social Services.
Lawrence Gilson, Director of Policy Implementation, Advisory Commission on Intergovernmental Relations, Washington, D.C.
John Goergen, Director, Executive Services, Wisconsin Department of Administration.
Robert Gurien, Wisconsin Federation of Teachers.
David Gustafson, Professor, University of Wisconsin, Madison.
Glenn Holm, Director, Bureau of Property and Utility Taxes, Wisconsin Department of Revenue.
Ed Johnson, Executive Director, League of Wisconsin Municipalities.
Alan Kingston, Deputy State Superintendent, Division of Financial Aids Services, Wisconsin Department of Public Instruction.
George Kupier, President, Wisconsin Public Health Association.
Eugene Lehmann, Executive Director, Wisconsin State Board of Vocational, Technical and Adult Education.
Michael Ley, Former Director, Bureau of Program and Policy Support, Wisconsin Department of Local Affairs and Development.
Myron Lotto, Legislative Coordinator, Wisconsin Towns Association.
Wayne McCown, Deputy Secretary, Wisconsin Department of Transportation.
Robert Mortensen, Executive Director, Wisconsin County Boards Association.
Dr. Richard Netzer, Dean, Graduate School of Public Administration, New York University.
Frank Newgent, Administrator, Division of Family Services, Wisconsin Department of Health and Social Services.
Stephen S. Olsen, Mayor of Racine, President, Wisconsin Alliance of Cities.
Dr. Richard Pegnetter, Associate Professor, Department of Business Administration and Industrial Relations, University of Iowa.
Dr. William Ramsey, Administrator, Milwaukee Vocational Technical and Adult Education District Board, on behalf of the Wisconsin VTAE District Boards and Administrators Association.
Additionally, a number of public interest groups and state agencies were invited by the Commission to submit their comments regarding issues identified in the agendas for Commission meetings held during the months of August through November. Their responses were distributed to Commission members prior to each meeting. Letters received by the Commission from interested citizens, interest groups and public officials relating to issues addressed by the Commission were also reproduced and distributed to the members on a monthly basis.

COMMISSION PUBLICATIONS

Minutes of Commission and Steering Committee Meetings, October, 1975 - December, 1976.
Subcommittee Reports, June, 1976.

Background Papers

Commission on State-Local Relations and Financing Policy
1. Policy Paper on State-Local Relations
2. Policy Paper on State-Local Relations

Working Papers

1. The Functions of State and Local Governments in Wisconsin
2. Summary of Prior Commission Recommendations and Actions
3. An Overview of Wisconsin Shared Taxes, State Aids and Property Tax Relief
4. Wisconsin Local Government
5. Issues Facing State and Local Governments in Wisconsin
6. A General Overview of State and Local Revenues and Expenditures
7. Wisconsin School District Maps and Selected Statistics
8. Wisconsin School District Operations, Organization and Structure
9. A Description of Wisconsin General School Aids for Elementary and Secondary Education
10. An Explanation of School District Cost Controls
12. Full Equalization of Wisconsin General School Aids
13. The Thirteen Minimum Educational Standards for Wisconsin Elementary and Secondary Education
14. Wisconsin Categorical Aids for Elementary and Secondary Education
15. A General Overview of Wisconsin Vocational, Technical and Adult Education
16. An Overview of Wisconsin Correctional Programs

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17. An Overview of Wisconsin Vocational Rehabilitation Programs  
18. An Overview of Wisconsin Social Services  
19. An Overview of Wisconsin Programs for the Aged  
20. An Overview of Wisconsin Public Health Services  
21. An Overview of Mental Hygiene Programs in Wisconsin  
22. An Overview of Family and Individual Income Maintenance Programs  
- General Appendix to Commission Working Papers #16, #17, #19, #20 and #21  
23. Wisconsin Towns, Villages, Cities and Counties: A Summary of Organization, Duties, Responsibilities and Functions  
24. An Overview of Local Assessment Procedures in Wisconsin  
25. An Overview of State Equalization Procedures for Property Values in Wisconsin  
26. A Summary of Property Tax Exemptions  
27. The Levy Process of Wisconsin Local Governments  
28. An Overview of Wisconsin Municipal and County Property Tax Levy Limitations  
29. A Summary of Local Government Revenues and Expenditures  
30. Wisconsin's Homestead Tax Credit Program: An Overview  
31. An Overview of Utility Taxes in Wisconsin  
32. An Overview of Wisconsin's Individual Income Tax  
33. An Overview of Wisconsin's Corporate Franchise and Income Tax  
34. An Overview of Wisconsin’s Principal Excise Taxes and Fees  
35. An Overview of General Sales and Use Taxes in Wisconsin  
36. An Overview of Wisconsin's General and Personal Property Tax Relief Programs  
37. An Overview of Wisconsin’s Municipal and County Shared Tax Account  
38. An Overview of Miscellaneous Revenue Sources of Wisconsin's Local Governments  
39. A Summary of Wisconsin's General Tax and Revenue Information  
40. A Summary of the History and Distribution of Wisconsin Motor Vehicle Revenue and Highway Aids  
41. A Summary of Wisconsin State and Local Revenues and Expenditures for the Financial Period 1974-1975  
42. An Overview of Collective Bargaining by Local Government Employees in Wisconsin  

Issue Papers  
1. A Topical Summary of Prior Commission Recommendations on Education and Related Topics  
2A. Full Equalization School Aids  
2B. SCHOOL FINANCE: Declining Enrollments  
2C. SCHOOL FINANCE: Cash Flow  
2D. SCHOOL FINANCE: Accountability and Efficiency  
2E. SCHOOL FINANCE: Categorical Aids  
2F. SCHOOL FINANCE: Total Educational Costs  
3. The Relationship of Property Tax Administration and School Districts  
4. A Procedural Analysis of Two Examples of State Mandated Programs  
5. Organizational Structure of Elementary and Secondary School Districts  
6. Governance of Vocational Education  
7. Vocational Education Finance  
8. Enrollment Patterns for Vocational Education  
9. Health and Social Service Issues Affecting State-Local Relations  

App. 1-3
10. Governmental Services: Level of Provision
11. Local Government Organization: Overlapping Responsibilities
12. Quality of Local Property Tax Administration
13. State Mandated Programs: Policy Considerations
15A. Local Government Revenue Sources: Tax Incidence
15B. Local Government Revenue Sources: Alternative Revenue Sources
16. State Aid to Local Government: Policy Considerations
17. Issues in Utility Taxation
18. Issues in Business Taxation and Tax Relief
19. Tax Relief to Individuals: Policy Considerations

**Alternative Papers**

1. Criteria for Determining Service Responsibility
2. Which Levels of Government Are Best Equipped to Provide Particular Services?
3. Should There Be Prerequisite Steps for Mandating Services?
4. Administrative Regulations
5. How Can Communications Be Improved Between State and Local Governments?
6. How Can Local Governments Improve Their Capacity to Deliver Services?
7. Types of Units and Size
8. Powers and Duties of General and Special Purpose Governments
9. Methods for Boundary Change
   - Methods for Boundary Change - Supplement
10. State and Local Sources of Funds: Part I
    - State and Local Sources of Funds: Part II
11. State Aid to Municipalities: Part I
    - K-12 School Aids: Part II
12. Financial Role of Property Taxes
13. Property Tax Relief
14. Property Tax Administration
    - Commission Member Proposals

**Miscellaneous Papers**

Schematic Model Relating to Local Government Organization and Structure Issues for Discussion at September 21 Commission Meeting
Schematic Model and Appendix A and B Relating to Financing Issues for Discussion at November 17 and 18 Commission Meetings
Supplemental Papers Relating to Unresolved Issues from the August and September Commission Meetings
Supplemental Papers Relating to Unresolved Issues from the October Commission Meeting

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Special Reports

Service Responsibility by Level of Local Government
Sales Tax Credit for Elimination of Food Exemption
Selected County Expenditure Characteristics (1974)
Selected State Aids Paid During 1974-1975
Estimated Cost of Proposed Local Tax Relief Program

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Governance of Vocational Education in Wisconsin and Appendix, Wisconsin State Board of Vocational, Technical and Adult Education.

School Funding Equalization in Wisconsin, Wisconsin Department of Public Instruction, October, 1975.

State and District Governance of Vocational Education in Wisconsin, Wisconsin State Board of Vocational, Technical and Adult Education, December, 1975.

The Role of the Department of Public Instruction, Wisconsin Department of Public Instruction, December, 1975.

Wisconsin's Department of Health and Social Services, Wisconsin Department of Health and Social Services, January, 1976.


Municipal Services Which Counties Presently Are Authorized to Perform, Wisconsin Legislative Council, September, 1972.


Inventory of Local Assistance Programs, Wisconsin Department of Administration, February, 1976.


The Task Force Study Related to Issues in Education at the Elementary and Secondary Levels, Wisconsin Department of Public Instruction, April, 1976.

The Organization, Governance and Financing of K-12 Education in Wisconsin, Wisconsin Education Association Council, April, 1976.

Presentation to the Governor’s Commission on State-Local Relations and Financing Policy, Wisconsin Association of School Boards, Inc., April, 1976.


Appearance Before the Commission on State-Local Relations and Financing Policy, Wisconsin Association of Social Service Board Members and Directors, May, 1976.

Delivery to the Commission on State-Local Relations and Financing Policy, Wisconsin Association of Community Human Services, May, 1976.


Presentation Before the Commission on State-Local Relations and Financing Policy, Wisconsin County Boards Association, June, 1976.


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Presentation to the Chairman and Members of the Commission on State-Local Relations and Financing Policy, Wisconsin Towns Association, June, 1976.


Public Sector Bargaining at the Local Level: An Outline, Industrial Relations Institute, University of Iowa, July, 1976.


The Status of Education in Wisconsin, Wisconsin Department of Public Instruction, October, 1976.

School Enrollments, Wisconsin Department of Public Instruction, October, 1976.

A Brief Overview of Educational Quality Relationships, Wisconsin Department of Public Instruction, October, 1976.


Toward Excellence in Education, Wisconsin Department of Public Instruction.

Cooperative Educational Service Agencies in Wisconsin, Research Report #5, Wisconsin Public Expenditure Survey.

Patterns of Government for Wisconsin School Districts, Wisconsin Department of Public Instruction.

White Paper, Wisconsin Department of Revenue.

COMMISSION MEETING DATES

October 22, 1975
November 24, 1975
December 17, 1975
January 19, 1976
February 23, 1976
March 22, 1976
April 24, 1976
May 24, 1976
June 21, 1976
July 19, 1976
August 24, 1976
September 21, 1976
October 18, 1976
November 17-18, 1976
December 8-9, 1976

SUBCOMMITTEES

A total of eight subcommittees of the Commission were appointed in April, 1976, by Chairman Harry Wallace. The subcommittees met in May, 1976 to identify issues and concerns for the Commission with respect to the following subjects: economic development, health and social services, local government economy, local government structure, major issues and innovations, property taxes, school district organization and structure, and tax structure/stimulation of employment and business.

PUBLIC HEARINGS

Public Hearings were conducted throughout the state by the Commission in May, 1976. The purpose of the hearings was to ensure that all significant issues were identified and to gain the perspective of local officials and leaders and the public on issues concerning state-local relations and financing policy. Approximately 200 persons presented oral or written testimony during the 54 hours of hearings. The hearings were held in the following cities: Milwaukee, Janesville, Green Bay, LaCrosse, Superior, Eau Claire, Wausau and Platteville.

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REGIONAL MEETINGS

In an attempt to provide more time for general discussion of issues and development of possible alternatives, the Commission, for convenience purposes, divided into four regional groups. These groups met in the months of June, July and August in the following areas: Region 1 - Milwaukee; Region 2 - Appleton; Region 3 - Rice Lake; Region 4 - Madison. The objective of the regional meetings was not only to have Commission members share their collective expertise, but also to provide an opportunity for interested persons to listen to Commission discussions and follow the progress of Commission deliberations.
APPENDIX 2
FINANCING PROPOSALS
FOR FURTHER STUDY
APPENDIX 2
FINANCING PROPOSALS FOR FURTHER STUDY

During the course of the Commission's study, several very interesting financing proposals were discussed which suggest innovative, provocative and broad-ranging alternatives for restructuring the state-local financing system. While we have had neither the time nor the data available to give the depth of consideration which these proposals warrant, we believe it is worthwhile to provide interested readers with their specific components.

The first proposal suggests an approach which abolishes the regressive property tax, and in its place adds a percentage of property value into an annual gross income computation for the purpose of placing both in a progressive tax structure. Such a system would reduce present inequities and eliminate the need for homestead tax credits and similar programs. The proposal is thus based upon the concept of equity as ability to pay, although provision for a "piggyback" tax at local option would also make it sensitive to the benefit principle of equity as well. The proposal consists of three parts.

PROPOSAL 1

PART 1

The state income tax would be based on total net income plus a percentage value of property at 100% valuation. Local property taxes would be abolished. The actual percentage value of property to be used would have to be determined after collection and analysis of further data, but for the sake of this presentation only, it will be assumed to be 20%. The tax liability of a person would then be determined on the basis of total income plus 20% of property as shown for four cases in the following table.

<table>
<thead>
<tr>
<th>EXAMPLE</th>
<th>Property Value</th>
<th>A 20% of Property Value</th>
<th>B Income</th>
<th>Gross Taxable Income (A+B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example I</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low income, low property</td>
<td>0</td>
<td>0</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Example II</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low income, high property</td>
<td>50,000</td>
<td>10,000</td>
<td>5,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Example III</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High income, low property</td>
<td>0</td>
<td>0</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Example IV</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High income, high property</td>
<td>50,000</td>
<td>10,000</td>
<td>50,000</td>
<td>60,000</td>
</tr>
</tbody>
</table>

The combination of income and property value in one person's tax structure would have the following advantages:

1. Persons with the same income and property value anywhere in the state would pay the same tax.

2. The system would be progressive because persons with higher income would pay more taxes based on their property than would persons with lower incomes and the same property value.

3. The system would be simplified. No credits or other devices to achieve equity would be required.

App. 2-1
PART 2

The state would return shared taxes to certain general purpose units of government, and support to local school districts, on a per capita formula or some other equitable basis which would permit a determined level of services to be offered. This would guarantee all citizens minimal service levels without excessive or inequitable tax burden, and without regard for the income levels or property values in a specific geographic area.

PART 3

These certain general purpose units of government, and school districts, would have the local option to piggyback on the state tax to support programs and services over and above the minimal level which the citizens of that governmental unit wished to enjoy. This option would permit the final tax rate to be locally controlled, and the state would serve only as a conduit for these funds.

This three-part proposal has several advantages:

1. It combines some of the advantages of both the “ability to pay” criterion for equity which argues that taxes should be based on what each individual can afford, with the “benefits received” criterion which argues that taxes should be based on the value of services received.

2. It would tend to be less arbitrary, more understandable and more convenient than the present system and would probably be cost-efficient and economical to administer.

3. By changing the tax rate at various gross income levels, the progressivity of the total tax structure could be easily adjusted as desired without the inhibiting effect of the present regressive property tax structure. It thus promotes both horizontal and vertical equity.

4. It has the state assume a more dominant role in collection and redistribution of taxes, and reduces the reliance on local property taxes.

PROPOSAL 2

The second proposal suggests a practical and equitable means to completely eliminate all property taxes, real and personal, without damaging Wisconsin’s relative position compared to other states. Since every citizen, all of agriculture, every profession, service activity, and every business uses real estate, the substitute tax could therefore logically be called a “space tax” or “living quarters tax.”

This proposal suggests a tax based on gross earnings (for individuals) or gross revenue (for all commercial, service, professional, industrial and agriculture). Keeping this tax on gross rather than net income would identify its purpose and avoid the complicated problems caused by exemptions, credits and deductions.

Administration of such a tax would be simple. The state revenue department would collect the tax at the same time as, and from returns filed for, the income tax. Local governmental units would be reimbursed based on legislation and all collections would be returned to the local units except for actual collection costs. Local control could be built in by a provision for flexibility in rate setting to meet local budget conditions. Local services provided by sewer systems and garbage removal could be financed by user fees billed directly to users.

What benefits might result from using such a substitute tax? The following are some likely results:

1. Moderation of rents for all types of property;

2. Automatic incentives for new construction by elimination of the need to include a tax cost in maintenance or repayment of mortgage calculations;

3. Removal of increased assessment penalties for additions to or remodeling of older properties;

4. Elimination of all need for continual assessment and reassessment resulting in substantial savings of personnel and administrative costs for all units of government;

App. 2-2
5. Removal of a major obstacle faced by retired citizens who wish to keep their homesteads;

6. Significant savings in tax collection costs;

7. Elementary and secondary education as well as VTAE would not be dependent on the present regressive financing system;

8. The entire system of homestead tax credits would become superfluous;

9. Reduced property rentals by property tax elimination would result in lower welfare costs to house welfare recipients;

10. Without a real estate tax, the administrative costs of dealing with tax exempt property would be eliminated;

11. The entire cost of operating local review boards might be saved;

12. During inflationary periods, a stable tax rate would automatically bring increased revenue as a result of higher gross earnings throughout the economy;

13. Individuals without sufficient income to file a tax return would have no liability under this proposal;

14. Establishment of new business would be eased by eliminating the immediate fixed costs of real estate and inventory taxes;

15. The system would make Wisconsin much more attractive to outside industry; and

16. This substitute tax could reduce and possibly even eliminate the present levy limits and cost controls.

Some questions, of course, must be answered:

1. How much is the total gross earnings reported in Wisconsin annually and how much does each taxing unit of government have access to?

2. Can a workup be made available of total gross earnings of individuals, partnerships and corporations, and can these figures be broken down by taxing units?

3. Would there be a need to have a separate tax assessed on unused real estate?

4. Could the tax rate be applied uniformly to all earnings or would it be necessary to tax earnings from salaries at a different rate than for earnings from service or from product sales?
APPENDIX 3

SELECTED STATISTICS
COMMISSION ON STATE-LOCAL RELATIONS
AND FINANCING POLICY

Gross Estimated Effects of Alternative Financing Recommendations
(In Millions)

<table>
<thead>
<tr>
<th>Revenue Source - Purpose</th>
<th>Local Property Tax Relief for Municipalities</th>
<th>Property and Sales Tax Relief for Taxpayers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Sources</td>
<td>Local Sources</td>
</tr>
<tr>
<td>County Sales Tax</td>
<td>$</td>
<td>$158.2*</td>
</tr>
<tr>
<td>Sales Tax on Motor Fuels - increase transportation aids</td>
<td>54.8</td>
<td>13.7</td>
</tr>
<tr>
<td>Local Motor Vehicle Wheel Tax</td>
<td></td>
<td>21.0*</td>
</tr>
<tr>
<td>Increased Vehicle Fees &amp; Transportation Aids</td>
<td>28.0</td>
<td></td>
</tr>
<tr>
<td>Increase Personal Property Tax Relief from 80% to 100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase Funding for Circuit-Breaker</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTALS</td>
<td>$82.8</td>
<td>$192.9</td>
</tr>
</tbody>
</table>

Total Estimated Alternative Revenues to Property Taxes = $395.7 million.

December, 1976
DL

* Estimated amounts assume that all local units would implement these alternative revenue policies.
## Comparison of Estimated Relative Reliance on State and Local Revenue Sources (In Millions)

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Present Revenue Reliance</th>
<th>Proposed Revenue Reliance</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimated 1976-77 % of Total</td>
<td>Estimated 1976-77 % of Total</td>
<td>Amount</td>
</tr>
<tr>
<td>Net Property Tax*</td>
<td>$1,320.0 33.7%</td>
<td>$924.3 23.6%</td>
<td>$-395.7</td>
</tr>
<tr>
<td>Individual Income Tax**</td>
<td>1,129.7 28.9</td>
<td>1,180.9 30.2</td>
<td>51.2</td>
</tr>
<tr>
<td>Sales &amp; Use Tax**</td>
<td>632.9 16.2</td>
<td>888.4 22.7</td>
<td>255.5</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>215.8 5.5</td>
<td>245.8 6.3</td>
<td>30.0</td>
</tr>
<tr>
<td>Motor Fuel Tax</td>
<td>166.8 4.3</td>
<td>166.8 4.3</td>
<td>-0-</td>
</tr>
<tr>
<td>Motor Vehicle Fees</td>
<td>101.2 2.5</td>
<td>150.2 3.8</td>
<td>49.0</td>
</tr>
<tr>
<td>All Other</td>
<td>348.6 8.9</td>
<td>358.6 9.1</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$3,915.0 100.0%</td>
<td>$3,915.0 100.0%</td>
<td></td>
</tr>
</tbody>
</table>

* Net of general property, personal property, homestead tax and local individual tax credits.

** Figures reflect the Commission's recommendation to increase the circuit-breaker program by $80 million from increased income and sales taxes. The $80 million is apportioned between sales and income taxes using their percentages of the yields currently obtained by the state.

December, 1976

DL

App. 3-2
COMMISSION ON STATE-LOCAL RELATIONS
AND FINANCING POLICY

Funds Available for Expanded Circuit-Breaker
Program to Provide Credits for Local Sales and Property Taxes
(In Millions)

Present Homestead Property Tax Credits $50.0
Commission recommended increase 80.0
TOTAL $130.0

December, 1976
DL

App. 3-3
### Revenues for Elementary and Secondary Education, by Source

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$636,966,907</td>
<td>$696,030,701</td>
<td>$727,749,472</td>
<td>$674,959,842</td>
<td>$790,641,000</td>
</tr>
<tr>
<td>Locally Raised Revenues</td>
<td>40,735,461</td>
<td>43,631,337</td>
<td>47,458,203</td>
<td>58,197,705</td>
<td>65,033,000</td>
</tr>
<tr>
<td>State Raised Revenues*</td>
<td>291,197,990</td>
<td>315,646,366</td>
<td>339,031,026</td>
<td>461,687,849</td>
<td>504,715,000</td>
</tr>
<tr>
<td>Federal Revenues</td>
<td>33,006,373</td>
<td>43,471,925</td>
<td>50,060,281</td>
<td>45,301,118</td>
<td>40,131,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$1,001,906,731</td>
<td>$1,098,780,329</td>
<td>$1,164,298,982</td>
<td>$1,240,146,514</td>
<td>$1,408,520,000</td>
</tr>
</tbody>
</table>

### Percentage of Total Expenditures

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>63.6%</td>
<td>63.3%</td>
<td>62.5%</td>
<td>54.4%</td>
<td>56.2%</td>
</tr>
<tr>
<td>Locally Raised Revenues</td>
<td>4.0</td>
<td>4.0</td>
<td>4.1</td>
<td>4.7</td>
<td>4.6</td>
</tr>
<tr>
<td>State Raised Revenues*</td>
<td>29.1</td>
<td>28.7</td>
<td>29.1</td>
<td>37.2</td>
<td>35.8</td>
</tr>
<tr>
<td>Federal Revenues</td>
<td>3.3</td>
<td>4.0</td>
<td>4.3</td>
<td>3.7</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

*Does not include aids paid to CESA Districts and Counties

**SOURCE:** Department of Public Instruction. **November, 1975**
### WISCONSIN CATEGORICAL ASSISTANCE PROGRAMS

#### FOR ELEMENTARY AND SECONDARY EDUCATION*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Handicapped</td>
<td>$29,490,200</td>
<td>$36,953,700</td>
<td>$47,373,200</td>
<td>$59,236,200</td>
</tr>
<tr>
<td>Transportation</td>
<td>14,035,100</td>
<td>14,580,400</td>
<td>14,619,700</td>
<td>14,746,100</td>
</tr>
<tr>
<td>Tuition Payments</td>
<td>3,112,600</td>
<td>4,778,700</td>
<td>4,012,400</td>
<td>922,900</td>
</tr>
<tr>
<td>Special Educational Needs</td>
<td>213,000</td>
<td>3,112,900</td>
<td>1,500,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Preschool Education Project</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>200,000</td>
</tr>
<tr>
<td>School Lunch Aids</td>
<td>1,322,100</td>
<td>910,200</td>
<td>1,300,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Direct Aids for Handicapped</td>
<td>48,700</td>
<td>73,100</td>
<td>31,500</td>
<td>31,500</td>
</tr>
<tr>
<td>Elderly Nutrition Aids</td>
<td>-0-</td>
<td>-0-</td>
<td>18,100</td>
<td>56,600</td>
</tr>
<tr>
<td>Milwaukee Language Skills Center**</td>
<td>2,112,600</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Screening Aids**</td>
<td>-0-</td>
<td>300,500</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Drivers Education</td>
<td>2,332,700</td>
<td>2,393,900</td>
<td>3,440,000</td>
<td>3,520,000</td>
</tr>
<tr>
<td>Common School Fund</td>
<td>1,692,400</td>
<td>1,690,000</td>
<td>2,116,800</td>
<td>2,370,800</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$54,359,400</td>
<td>$64,992,900</td>
<td>$74,411,700</td>
<td>$81,084,100</td>
</tr>
</tbody>
</table>

*Source: Legislative Fiscal Bureau Documents Chapter 39, Laws of 1975*

*The actual and budgeted figures may include funds necessary to make adjustments to reimbursements and payments from prior years. The adjustments result from audits conducted by the Department of Public Instruction.*

**Discontinued funds added into another categorical assistance program.
## Analysis of VTEC Operational Cost
### 1975-76 Projected

<table>
<thead>
<tr>
<th>District</th>
<th>Instruction</th>
<th>Instruction Resources</th>
<th>Student Services</th>
<th>Research</th>
<th>Admin.</th>
<th>General Inst.</th>
<th>Physical Plant</th>
<th>Total Oper. Cost</th>
<th>Statwide Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>84,401,929</td>
<td>$350,001</td>
<td>$333,736</td>
<td>$16,538</td>
<td>$716,569</td>
<td>$222,708</td>
<td>$724,874</td>
<td>$6,293,355</td>
<td>5.35%</td>
</tr>
<tr>
<td>2</td>
<td>6,070,619</td>
<td>157,763</td>
<td>357,807</td>
<td>65,517</td>
<td>363,083</td>
<td>363,209</td>
<td>357,625</td>
<td>7,246,516</td>
<td>6.3%</td>
</tr>
<tr>
<td>3</td>
<td>3,813,604</td>
<td>102,603</td>
<td>235,940</td>
<td>63,599</td>
<td>113,157</td>
<td>156,902</td>
<td>327,500</td>
<td>3,400,375</td>
<td>2.91%</td>
</tr>
<tr>
<td>4</td>
<td>7,207,791</td>
<td>418,529</td>
<td>549,555</td>
<td>60</td>
<td>218,351</td>
<td>638,912</td>
<td>688,011</td>
<td>10,625,150</td>
<td>9.12%</td>
</tr>
<tr>
<td>5</td>
<td>5,498,024</td>
<td>97,802</td>
<td>193,035</td>
<td>51,151</td>
<td>225,045</td>
<td>261,078</td>
<td>352,047</td>
<td>3,441,262</td>
<td>2.98%</td>
</tr>
<tr>
<td>6</td>
<td>6,294,246</td>
<td>117,190</td>
<td>806,188</td>
<td>217,608</td>
<td>412,698</td>
<td>458,794</td>
<td>795,375</td>
<td>3,501,107</td>
<td>8.14%</td>
</tr>
<tr>
<td>7</td>
<td>5,135,477</td>
<td>216,056</td>
<td>532,856</td>
<td>64,622</td>
<td>269,131</td>
<td>789,127</td>
<td>625,675</td>
<td>2,650,875</td>
<td>6.5%</td>
</tr>
<tr>
<td>8</td>
<td>10,160,635</td>
<td>624,381</td>
<td>2,167,824</td>
<td>129,252</td>
<td>1,188,589</td>
<td>3,182,205</td>
<td>3,562,165</td>
<td>26,362,178</td>
<td>21.13%</td>
</tr>
<tr>
<td>10</td>
<td>3,520,548</td>
<td>294,024</td>
<td>35,856</td>
<td>104,088</td>
<td>296,786</td>
<td>43,300</td>
<td>505,284</td>
<td>5,207,832</td>
<td>4.55%</td>
</tr>
<tr>
<td>11</td>
<td>3,157,525</td>
<td>235,042</td>
<td>230,277</td>
<td>36,093</td>
<td>199,159</td>
<td>138,873</td>
<td>475,009</td>
<td>4,481,628</td>
<td>3.74%</td>
</tr>
<tr>
<td>12</td>
<td>5,313,062</td>
<td>293,216</td>
<td>426,512</td>
<td>194,292</td>
<td>175,046</td>
<td>462,377</td>
<td>642,958</td>
<td>7,458,331</td>
<td>6.31%</td>
</tr>
<tr>
<td>13</td>
<td>4,543,573</td>
<td>355,095</td>
<td>526,987</td>
<td>55,790</td>
<td>191,071</td>
<td>87,816</td>
<td>693,303</td>
<td>5,854,556</td>
<td>5.02%</td>
</tr>
<tr>
<td>14</td>
<td>2,229,947</td>
<td>137,312</td>
<td>301,306</td>
<td>35,810</td>
<td>115,900</td>
<td>65,060</td>
<td>277,914</td>
<td>2,605,249</td>
<td>2.71%</td>
</tr>
<tr>
<td>15</td>
<td>3,565,366</td>
<td>311,056</td>
<td>271,708</td>
<td>216,466</td>
<td>163,491</td>
<td>121,310</td>
<td>435,197</td>
<td>3,102,847</td>
<td>4.77%</td>
</tr>
<tr>
<td>16</td>
<td>1,068,718</td>
<td>150,825</td>
<td>108,326</td>
<td>40</td>
<td>118,209</td>
<td>77,173</td>
<td>277,694</td>
<td>2,476,002</td>
<td>2.12%</td>
</tr>
<tr>
<td>17</td>
<td>3,708,353</td>
<td>561,591</td>
<td>189,878</td>
<td>37,171</td>
<td>290,895</td>
<td>195,177</td>
<td>589,925</td>
<td>5,165,290</td>
<td>4.45%</td>
</tr>
</tbody>
</table>

**Statewide**

|$79,785,755$ | $8,265,299$ | $7,350,958$ | $4,450,863$ | $7,102,740$ | $11,475,513$ | $116,676,278$ | 100.0% |

**Percent of State**

<table>
<thead>
<tr>
<th>Instruction</th>
<th>Instruction Resources</th>
<th>Student Services</th>
<th>Research</th>
<th>Admin.</th>
<th>General Inst.</th>
<th>Physical Plant</th>
<th>Total Oper. Cost</th>
<th>Statwide Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>66.4%</td>
<td>4.5%</td>
<td>6.2%</td>
<td>1.2%</td>
<td>3.8%</td>
<td>6.1%</td>
<td>9.8%</td>
<td>100.0%</td>
<td>4.45%</td>
</tr>
</tbody>
</table>
DISTRIBUTION OF MOTOR VEHICLE REVENUES 1974-75

Motor Fuel Tax Collections $156,115,677 (63.6%)
Motor Vehicle Registration Fees $92,018,216 (33.4%)
Motor Carrier Fees $807,996 (0.4%)
Operators' & Chauffeurs' License Fees $7,806,991 (2.7%)
Accounting Adjustment $3,150 (-)

Revenues

Gross State Motor Vehicle Revenues $247,732,096

Expenditures

Statutory First Charges $32,906,615 (13.3%)
State Trunk Highways $100,613,590 (40.6%)
Returned to Local Units $80,505,487 (32.5%)
General Program Operations & Miscellaneous $21,146,400 (8.5%)

Department of Transportation - General Program Operations 79.8%
Other 9.3%
Program Planning 10.9%

Maintenance, Traffic Service & Snow Removal 39.7%
Statewide Services 22.7%
Vehicle Registration 9.8%
Connecting System, Rez. Location 7.9%
Debt Services 2.5%
Vehicle Apportionment 2.3%
Debt Retirement 1.2%
Other 1.5%

Source: Distribution of Total Motor Vehicle Revenues, Fiscal Year ending June 30, 1975, Department of Transportation.

App: 3-9
## General Expenditures (per capita) for Highways 1973-74

<table>
<thead>
<tr>
<th>State</th>
<th>Total</th>
<th>Capital City</th>
<th>Other than Capital City</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNITED STATES AVERAGE</td>
<td>54.26</td>
<td>57.98</td>
<td>36.87</td>
</tr>
<tr>
<td>MEDIAN STATE.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALABAMA</td>
<td>42.35</td>
<td>58.47</td>
<td>33.68</td>
</tr>
<tr>
<td>ALASKA</td>
<td>344.09</td>
<td>370.37</td>
<td>76.92</td>
</tr>
<tr>
<td>ARIZONA</td>
<td>95.46</td>
<td>67.24</td>
<td>52.19</td>
</tr>
<tr>
<td>ARKANSAS</td>
<td>85.56</td>
<td>60.65</td>
<td>34.82</td>
</tr>
<tr>
<td>CALIFORNIA</td>
<td>72.58</td>
<td>44.08</td>
<td>27.50</td>
</tr>
<tr>
<td>COLORADO</td>
<td>89.16</td>
<td>52.85</td>
<td>36.29</td>
</tr>
<tr>
<td>CONNECTICUT</td>
<td>91.27</td>
<td>50.17</td>
<td>41.10</td>
</tr>
<tr>
<td>DELAWARE</td>
<td>150.10</td>
<td>92.45</td>
<td>37.15</td>
</tr>
<tr>
<td>DISTRICT OF COLUMBIA</td>
<td>83.25</td>
<td>20.72</td>
<td>29.53</td>
</tr>
<tr>
<td>FLORIDA</td>
<td>181.01</td>
<td>66.26</td>
<td>25.75</td>
</tr>
<tr>
<td>GEORGIA</td>
<td>88.26</td>
<td>52.93</td>
<td>31.69</td>
</tr>
<tr>
<td>HAWAII</td>
<td>127.69</td>
<td>87.96</td>
<td>39.03</td>
</tr>
<tr>
<td>IDAHO</td>
<td>192.92</td>
<td>98.52</td>
<td>94.99</td>
</tr>
<tr>
<td>ILLINOIS</td>
<td>90.16</td>
<td>53.77</td>
<td>36.37</td>
</tr>
<tr>
<td>INDIANA</td>
<td>75.59</td>
<td>45.00</td>
<td>30.59</td>
</tr>
<tr>
<td>IOWA</td>
<td>142.99</td>
<td>70.01</td>
<td>63.98</td>
</tr>
<tr>
<td>KANSAS</td>
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<td>51.16</td>
<td>28.07</td>
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<tr>
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<td>89.20</td>
<td>31.04</td>
<td>37.16</td>
</tr>
<tr>
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<td>31.07</td>
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<tr>
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<td>34.75</td>
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<td>50.25</td>
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<td>99.25</td>
<td>37.56</td>
<td>61.68</td>
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<tr>
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<td>34.90</td>
<td>48.77</td>
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<td>101.98</td>
<td>73.09</td>
<td>29.89</td>
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<tr>
<td>VERMONT</td>
<td>167.87</td>
<td>85.68</td>
<td>80.99</td>
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<td>120.00</td>
<td>59.69</td>
<td>60.39</td>
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<td>118.06</td>
<td>70.33</td>
<td>47.82</td>
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<tr>
<td>WYOMING</td>
<td>200.47</td>
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<td>99.98</td>
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App. 3-9
<table>
<thead>
<tr>
<th>Population of Wisconsin Towns</th>
<th>Population of Wisconsin Villages</th>
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</thead>
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<tr>
<td><strong>Population Range</strong></td>
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<tr>
<td>0-99</td>
<td>23</td>
</tr>
<tr>
<td>100-199</td>
<td>80</td>
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<tr>
<td>200-299</td>
<td>97</td>
</tr>
<tr>
<td>300-399</td>
<td>127</td>
</tr>
<tr>
<td>400-499</td>
<td>124</td>
</tr>
<tr>
<td>500-999</td>
<td>513</td>
</tr>
<tr>
<td>1,000-1,499</td>
<td>175</td>
</tr>
<tr>
<td>1,500-2,499</td>
<td>77</td>
</tr>
<tr>
<td>2,500-4,999</td>
<td>35</td>
</tr>
<tr>
<td>5,000-9,999</td>
<td>5</td>
</tr>
<tr>
<td>10,000-14,999</td>
<td>4</td>
</tr>
<tr>
<td>15,000-24,999</td>
<td>0</td>
</tr>
<tr>
<td>25,000-49,999</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Population of Wisconsin Cities</th>
<th>Population of Wisconsin Municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population Range</strong></td>
<td><strong>Number 1966</strong></td>
</tr>
<tr>
<td>500-999</td>
<td>6</td>
</tr>
<tr>
<td>1,000-1,499</td>
<td>24</td>
</tr>
<tr>
<td>1,500-2,499</td>
<td>37</td>
</tr>
<tr>
<td>2,500-4,999</td>
<td>37</td>
</tr>
<tr>
<td>5,000-9,999</td>
<td>33</td>
</tr>
<tr>
<td>10,000-14,999</td>
<td>18</td>
</tr>
<tr>
<td>15,000-24,999</td>
<td>9</td>
</tr>
<tr>
<td>25,000-49,999</td>
<td>9</td>
</tr>
<tr>
<td>50,000-99,999</td>
<td>7</td>
</tr>
<tr>
<td>100,000-499,999</td>
<td>2</td>
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<tr>
<td>500,000-Over</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>184</td>
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</tbody>
</table>

| Population of Wisconsin Counties |  |
|-------------------------------|  |
| (1966 Estimates - 1975 Estimates) |  |
| **Population Range** | **Number 1966** | **Number 1975** | **% 1966** | **% 1975** |
| 2,500-4,999 | 2 | 2 | 2.8% | 2.8% |
| 5,000-9,999 | 9 | 4 | 12.5% | 5.6% |
| 10,000-14,999 | 6 | 8 | 8.3% | 11.1% |
| 15,000-24,999 | 18 | 17 | 25.0% | 23.6% |
| 25,000-49,999 | 17 | 19 | 23.6% | 26.4% |
| 50,000-99,999 | 13 | 13 | 15.3% | 18.0% |
| 100,000-499,999 | 8 | 8 | 11.1% | 11.1% |
| 500,000-Over | 1 | 1 | 1.4% | 1.4% |
| Total | 73 | 72 | 100.0% | 100.0% |

**Source:** First Task Force Report (Wisconsin Department of Revenue: Supplement to Taxes, Aids and Shared Taxes (1966))
Wisconsin Department of Administration Census Projections.

App. 3-10
### Total Tax Collections in Wisconsin

**Fiscal Years 1970-71 through 1974-75**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total All Tax Collections</th>
<th>Total State Local Tax Collections</th>
<th>Percent Change in State-Local Taxes as Percent of Total All</th>
<th>Total State Local Taxes as Percent of Total All</th>
<th>Total Federal Taxes</th>
<th>Percent Change in Federal Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-75</td>
<td>$2,019,114,895</td>
<td>$1,452,097,257</td>
<td>10.44%</td>
<td>$1,124,998,487</td>
<td>10.36%</td>
<td></td>
</tr>
<tr>
<td>1973-74</td>
<td>1,915,977,985</td>
<td>1,314,799,274</td>
<td>-29</td>
<td>1,013,088,183</td>
<td>6.65</td>
<td></td>
</tr>
<tr>
<td>1972-73</td>
<td>1,757,323,310</td>
<td>1,118,637,965</td>
<td>-93</td>
<td>1,086,092,107</td>
<td>2.99</td>
<td></td>
</tr>
<tr>
<td>1971-72</td>
<td>1,525,434,676</td>
<td>952,668,780</td>
<td>10.37</td>
<td>1,119,549,010</td>
<td>8.43</td>
<td></td>
</tr>
<tr>
<td>1970-71</td>
<td>1,326,540,208</td>
<td>1,172,115,020</td>
<td>--</td>
<td>1,032,533,789</td>
<td>--</td>
<td></td>
</tr>
</tbody>
</table>

* Figures not yet available for 1974-75.

1. Total all Federal tax collections less refunds. State tax collections are net of refunds and do not include segregated fees or program revenues.

**Sources:**
- U.S. Treasury Department, Internal Revenue Annual Reports;
- State of Wisconsin, Annual Fiscal Reports;
- Wisconsin Department of Revenue, Town, Village, & City Tax Bulletins.

**Diagram:**
- Federal (60.42%)
- State (25.68%)
- Local (13.70%)

November, 1975
LITZ
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Estimate</td>
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<tr>
<td>Individual Income Tax</td>
<td>$546,340,000</td>
<td>148,596,000</td>
<td>218,858,000</td>
<td>191,543,000</td>
<td>141,727,000</td>
<td>118,754,000</td>
<td>115,436,000</td>
</tr>
<tr>
<td>Corporation and Franchise Tax</td>
<td>$139,856,000</td>
<td>320,239,000</td>
<td>302,216,000</td>
<td>247,836,000</td>
<td>195,397,000</td>
<td>186,295,000</td>
<td>178,318,000</td>
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<tr>
<td>Sales and Use Tax</td>
<td>363,345,800</td>
<td>437,467,400</td>
<td>477,550,000</td>
<td>510,376,900</td>
<td>572,284,300</td>
<td>623,355,000</td>
<td>635,860,000</td>
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<tr>
<td>Property Taxes</td>
<td>117,789,000</td>
<td>118,889,000</td>
<td>124,340,000</td>
<td>139,600,000</td>
<td>125,600,000</td>
<td>129,600,000</td>
<td>134,600,000</td>
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<tr>
<td>Inheritance and Gift Taxes</td>
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<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Miscellaneous Taxes</td>
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<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Total State Collected Taxes</td>
<td>$1,371,140,000</td>
<td>$1,660,790,300</td>
<td>$2,032,012,000</td>
<td>$1,884,223,500</td>
<td>$2,084,377,400</td>
<td>$2,264,663,800</td>
<td>$2,459,400,000</td>
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**State & Property Tax Relief**

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<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Taxes Shared with Localities</td>
<td>$355,065,400</td>
<td>$258,598,100</td>
<td>$387,682,200</td>
<td>$303,127,600</td>
<td>$282,126,000</td>
<td>$299,674,000</td>
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<tr>
<td>State Share of General Property Tax Relief</td>
<td>65,072,000</td>
<td>81,571,000</td>
<td>99,071,000</td>
<td>115,071,000</td>
<td>135,071,000</td>
<td>155,071,000</td>
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<tr>
<td>Total Shared Taxes &amp; Credits</td>
<td>$440,137,400</td>
<td>$340,169,100</td>
<td>$486,753,300</td>
<td>$418,198,600</td>
<td>$424,197,000</td>
<td>$454,745,000</td>
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**Total GGR Available for Approp
### Total Expenditures by Functional Area and Type of Government1 1974-1975

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<thead>
<tr>
<th>FUNCTION</th>
<th>STATE</th>
<th>TOWNS</th>
<th>VILLAGES</th>
<th>CITIES</th>
<th>COUNTY</th>
<th>SCHOOL DISTRICT</th>
<th>TOTAL</th>
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<td>Commerce-Amount</td>
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<td>$-0-</td>
<td>$-0-</td>
<td>$-0-</td>
<td>$-0-</td>
<td>$-0-</td>
<td>$25,943,600</td>
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<tr>
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<td></td>
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<td></td>
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<tr>
<td>Education-Amount</td>
<td>684,276,800</td>
<td>86,755,400</td>
<td>50,331,200</td>
<td>408,290,200</td>
<td>237,892,100</td>
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<td>2,236,548,100</td>
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<td>30.6%</td>
<td>8.1%</td>
<td>4.7%</td>
<td>47.9%</td>
<td>32.1%</td>
<td>-0-</td>
<td>100.0%</td>
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<tr>
<td>Environmental Resources-Amount</td>
<td>292,989,400</td>
<td>529,800</td>
<td>689,400</td>
<td>24,444,700</td>
<td>475,770,300</td>
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<td>1,175,369,700</td>
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<td>57.3%</td>
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<td>2.0%</td>
<td>40.5%</td>
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<tr>
<td>Human Resources-Amount</td>
<td>673,815,500</td>
<td>9,577,800</td>
<td>5,450,800</td>
<td>37,727,200</td>
<td>33,092,100</td>
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<td>505,559,600</td>
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<tr>
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<td>83.0%</td>
<td>1.3%</td>
<td>1.1%</td>
<td>5.7%</td>
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<td>100.0%</td>
</tr>
<tr>
<td>General Executive-Amount</td>
<td>419,711,500</td>
<td>47,600</td>
<td>105,100</td>
<td>934,400</td>
<td>23,979,500</td>
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<td>320,220,500</td>
</tr>
<tr>
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<td>17.4%</td>
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<td>0.2%</td>
<td>2.2%</td>
<td>7.8%</td>
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<td>100.0%</td>
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<td>Judicial-Amount</td>
<td>5,261,900</td>
<td>2,943,600</td>
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<td>5,307,700</td>
<td>5,059,500</td>
<td>-0-</td>
<td>54,500,100</td>
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<tr>
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<td>17.4%</td>
<td>5.4%</td>
<td>2.2%</td>
<td>9.7%</td>
<td>9.2%</td>
<td>-0-</td>
<td>100.0%</td>
</tr>
<tr>
<td>Legislative-Amount</td>
<td>39,981,100</td>
<td>18,389,200</td>
<td>36,917,700</td>
<td>285,733,000</td>
<td>53,702,100</td>
<td>-0-</td>
<td>461,655,300</td>
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<td>73.4%</td>
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<td>8.0%</td>
<td>11.6%</td>
<td>11.6%</td>
<td>-0-</td>
<td>100.0%</td>
</tr>
<tr>
<td>General Appropriations-Amount</td>
<td>66,913,800</td>
<td>20,716,300</td>
<td>12,005,300</td>
<td>119,157,000</td>
<td>56,372,100</td>
<td>102,557,000</td>
<td>408,962,900</td>
</tr>
<tr>
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<td>5.1%</td>
<td>2.9%</td>
<td>13.8%</td>
<td>25.1%</td>
<td>-0-</td>
<td>100.0%</td>
</tr>
<tr>
<td>Building Program-Amount</td>
<td>98,155,100</td>
<td>20,716,300</td>
<td>12,005,300</td>
<td>119,157,000</td>
<td>56,372,100</td>
<td>102,557,000</td>
<td>408,962,900</td>
</tr>
<tr>
<td>% of Function Total</td>
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<td>5.1%</td>
<td>2.9%</td>
<td>13.8%</td>
<td>25.1%</td>
<td>-0-</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total</td>
<td>$2,307,048,700</td>
<td>$138,959,700</td>
<td>$106,199,200</td>
<td>$481,494,200</td>
<td>$901,887,300</td>
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<td>$5,975,007,200</td>
</tr>
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<td>% of Total</td>
<td>38.6%</td>
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<td>1.8%</td>
<td>14.6%</td>
<td>15.1%</td>
<td>27.4%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

1 The state VTAE districts and most school districts are on a July 1 to June 30 fiscal year; the town fiscal year runs from April through March. Figures shown for cities, villages and counties refer to calendar year 1974.
2 Expenditure figures show net of local assistance. State aids for local government assistance are included in local government expenditures. July 1976
3 Includes VTAE district expenditures.
4 Includes small amount of annual capital outlay from VTAE districts.
5 Less than 0.05.
6 Source: Data provided by the Department of Revenue and the Department of Administration.
### Summary: Local Government Revenues

Calendar Year 1974 for Villages, Cities, & Counties  
Fiscal Year 1975 for Towns

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Towns</th>
<th>Villages</th>
<th>Cities</th>
<th>Counties</th>
<th>State Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent of</td>
<td>Percent of</td>
<td>Percent of</td>
<td>Percent of</td>
<td>Percent of</td>
</tr>
<tr>
<td></td>
<td>General Revenue</td>
<td>Total Revenue</td>
<td>General Revenue</td>
<td>Total Revenue</td>
<td>General Revenue</td>
</tr>
<tr>
<td>Total Gross Taxes</td>
<td>16.0%</td>
<td>14.9%</td>
<td>32.1%</td>
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<td>Percent of Expenditures</td>
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<td>3.0%</td>
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<td>2.2%</td>
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<td>1.7%</td>
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<tr>
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<tr>
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<td>0.6%</td>
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<td>Percent of Total Expenditures</td>
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<td>3.0%</td>
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<tr>
<td>General Expend.</td>
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App. 3-15
Estimated Yield of a 1% County Sales Tax  
With  
Distribution to Municipalities  
(1976)

<table>
<thead>
<tr>
<th>County</th>
<th>Estimated Total 1% Sales Tax Yield (000)</th>
<th>County Share 50% (000)</th>
<th>Estimated County Share As a Percent of 1975-76 County Levy</th>
<th>Estimated Municipal Share (50%) (000)</th>
<th>Estimated Municipal Share As a Percent of 1975-76 Municipal Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adams</td>
<td>$ 309</td>
<td>$ 154.5</td>
<td>14.4%</td>
<td>$ 154.5</td>
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<td>236.5</td>
<td>49.6</td>
<td>236.5</td>
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</table>

(continued)

App. 3-16
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<th>1% Sales Tax</th>
<th>County Share (000)</th>
<th>Estimated County Share As a Percent of 1975-76 County Levy</th>
<th>Municipal Share (50%)</th>
<th>Estimated Municipal Share As a Percent of 1975-76 Municipal Levy</th>
</tr>
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<tbody>
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<td>36.6</td>
<td>618.5</td>
<td>35.5</td>
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<td>Menominee</td>
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<td>11.3</td>
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<td>STATE</td>
<td>$158,230</td>
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<td>32.8</td>
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<td>21.4%</td>
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SOURCE: Staff compilation based on Department of Revenue data.
<table>
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<tr>
<th>Property Tax Year of Collection</th>
<th>Total General Property Taxes Levied</th>
<th>Personal Property Tax Relief as a % of Total General Property Taxes Levied</th>
<th>Real Property Tax Relief Payments¹</th>
<th>Real Property Tax Relief as a % of Total Property Tax Levies</th>
</tr>
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<tbody>
<tr>
<td>1963</td>
<td>$ 556,732,858</td>
<td>$ 30,064,776</td>
<td>5.40%</td>
<td>$50,375,174</td>
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<td>1964</td>
<td>582,280,220</td>
<td>31,531,091</td>
<td>5.42</td>
<td>50,468,030</td>
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<tr>
<td>1965</td>
<td>620,418,828</td>
<td>33,028,952</td>
<td>5.32</td>
<td>45,708,374</td>
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<tr>
<td>1966</td>
<td>664,145,248</td>
<td>39,319,102</td>
<td>5.92</td>
<td>48,565,597</td>
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<tr>
<td>1967</td>
<td>721,341,476</td>
<td>48,990,917</td>
<td>6.79</td>
<td>48,539,688</td>
</tr>
<tr>
<td>1968</td>
<td>830,546,982</td>
<td>57,728,172</td>
<td>6.95</td>
<td>51,617,085</td>
</tr>
<tr>
<td>1969</td>
<td>957,574,631</td>
<td>65,380,494</td>
<td>6.83</td>
<td>51,709,409</td>
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<tr>
<td>1970</td>
<td>1,055,563,010</td>
<td>70,484,148</td>
<td>6.68</td>
<td>59,623,503</td>
</tr>
<tr>
<td>1971</td>
<td>1,178,975,199</td>
<td>80,081,911</td>
<td>6.79</td>
<td>59,510,186</td>
</tr>
<tr>
<td>1972</td>
<td>1,301,043,414</td>
<td>85,622,027</td>
<td>6.58</td>
<td>88,497,769</td>
</tr>
<tr>
<td>1973</td>
<td>1,326,681,029</td>
<td>92,087,142</td>
<td>6.94</td>
<td>140,441,157</td>
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<tr>
<td>1974</td>
<td>1,323,785,467</td>
<td>116,689,525</td>
<td>8.81</td>
<td>184,221,591</td>
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<tr>
<td>1975</td>
<td>1,462,290,295</td>
<td>147,012,371</td>
<td>10.11</td>
<td>179,286,470</td>
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¹. Exclusive of real property tax relief payments made to utility companies.
<table>
<thead>
<tr>
<th>Property Tax Year of Collection</th>
<th>Personal Property Tax on Three Stocks</th>
<th>Personal Prop. Tax Relief Payments on Stocks</th>
<th>Tax Relief as a % of Personal Property Taxes</th>
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<td>1963</td>
<td>$ 61,865,505</td>
<td>$ 30,064,776</td>
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<tr>
<td>1964</td>
<td>64,765,197</td>
<td>31,531,091</td>
<td>48.69</td>
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<td>1965</td>
<td>67,395,841</td>
<td>33,028,952</td>
<td>49.01</td>
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<td>1966</td>
<td>72,457,913</td>
<td>39,319,102</td>
<td>54.26</td>
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<td>1967</td>
<td>82,045,817</td>
<td>48,990,917</td>
<td>59.71</td>
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<tr>
<td>1968</td>
<td>97,358,092</td>
<td>57,728,172</td>
<td>59.29</td>
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<tr>
<td>1969</td>
<td>110,527,454</td>
<td>65,380,494</td>
<td>59.15</td>
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<tr>
<td>1970</td>
<td>118,999,614</td>
<td>70,484,148</td>
<td>59.23</td>
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<td>1971</td>
<td>134,823,326</td>
<td>80,081,911</td>
<td>59.40</td>
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<td>144,044,393</td>
<td>85,622,027</td>
<td>59.44</td>
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<td>143,223,446</td>
<td>92,087,142</td>
<td>64.30</td>
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<td>1974</td>
<td>147,509,660</td>
<td>116,689,525</td>
<td>79.11</td>
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<tr>
<td>1975</td>
<td>186,878,104</td>
<td>147,812,371</td>
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March, 1976
DL, LTZ
Wisconsin Homestead Tax Credits
Fiscal Years 1964-65 through 1976-77

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<tr>
<th>Fiscal Year (Major Changes)</th>
<th>Homestead Tax Relief Payments</th>
<th>Claims Allowed</th>
<th>Average Relief</th>
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<tr>
<td>1964-65</td>
<td>$ 1,829,426</td>
<td>30,715</td>
<td>$ 59.56</td>
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<td>1965-66</td>
<td>2,090,133</td>
<td>33,046</td>
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<td>1966-67</td>
<td>5,201,929</td>
<td>58,716</td>
<td>88.59</td>
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<tr>
<td>1967-68</td>
<td>6,141,800</td>
<td>66,786</td>
<td>91.96</td>
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<tr>
<td>1968-69</td>
<td>6,129,168</td>
<td>67,401</td>
<td>90.94</td>
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<tr>
<td>1969-70</td>
<td>7,223,589</td>
<td>73,680</td>
<td>98.04</td>
</tr>
<tr>
<td>1970-71</td>
<td>6,739,784</td>
<td>70,404</td>
<td>95.73</td>
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<tr>
<td>1971-72 (Age 62+; 60 for disabled)</td>
<td>10,025,753</td>
<td>78,684</td>
<td>127.42</td>
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<tr>
<td>1972-73</td>
<td>9,178,374</td>
<td>80,786</td>
<td>113.61</td>
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<tr>
<td>1973-74 (Age 18+; homestead size increased to 80 A)</td>
<td>35,410,804</td>
<td>189,521</td>
<td>186.84</td>
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<tr>
<td>1974-75</td>
<td>41,613,714</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>1975-76 (homestead size increased to 120 A)</td>
<td>44,700,000 (budgeted)</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>1976-77</td>
<td>42,500,000 (budgeted)</td>
<td>**</td>
<td>**</td>
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* not yet available
** no available estimate

SOURCE: Wisconsin Department of Revenue.

November, 1975
LTZ

App.3-20
<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>General Property Taxes Levied</th>
<th>Percent Change</th>
<th>Percent Change</th>
<th>Percent Change</th>
<th>Percent Change</th>
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<td>1954</td>
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<td>0.2%</td>
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<tr>
<td>1955</td>
<td>723,832,358</td>
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</tr>
<tr>
<td>1956</td>
<td>732,383,786</td>
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</tr>
<tr>
<td>1957</td>
<td>893,554,882</td>
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</tr>
<tr>
<td>1958</td>
<td>1,057,837,019</td>
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</tr>
<tr>
<td>1959</td>
<td>1,202,384,444</td>
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<td>-1.2%</td>
<td>1.3%</td>
<td>10.4%</td>
</tr>
<tr>
<td>1960</td>
<td>1,266,683,799</td>
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</tr>
<tr>
<td>1961</td>
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</tr>
<tr>
<td>1962</td>
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<tr>
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<tr>
<td>1964</td>
<td>1,536,269,729</td>
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<tr>
<td>1965</td>
<td>1,607,733,169</td>
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<td>-1.2%</td>
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<tr>
<td>1966</td>
<td>1,671,387,263</td>
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<tr>
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<tr>
<td>1973</td>
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<tr>
<td>1974</td>
<td>2,281,185,874</td>
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* Amounts indicated are gross levies before credits.
### Shared Taxes by Type of Payment and Level of Government

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<td>Actual</td>
<td>Per Capita</td>
<td>Percent of</td>
<td>Utility*</td>
<td>Guarantee</td>
<td>Total</td>
<td>Percent of Total</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Levies</td>
<td>(Special and Old Law)</td>
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<tr>
<td>Towns</td>
<td>$ 40,672,853</td>
<td>$ 17,917,955</td>
<td>$ 6,636,970</td>
<td>$ 488,534</td>
<td>$ 65,716,312</td>
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<td>9,810,525</td>
<td>374,811</td>
<td>321,042</td>
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<td>Cities</td>
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<td>68,577,763</td>
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<td>153,594,787</td>
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<td>52,924,424</td>
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<tr>
<td>Percent of</td>
<td>54.1%</td>
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<td>6.8%</td>
<td>0.3%</td>
<td>100.0%</td>
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</tr>
<tr>
<td>Total</td>
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<td>Calendar 1975</td>
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<td>Actual</td>
<td>Per Capita</td>
<td>Percent of</td>
<td>Utility*</td>
<td>Guarantee</td>
<td>Total</td>
<td>Percent of Total</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Levies</td>
<td>(Special and Old Law)</td>
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<tr>
<td>Towns</td>
<td>$ 39,628,191</td>
<td>$ 15,825,363</td>
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<td>254,672</td>
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<tr>
<td>Cities</td>
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<td>61,360,510</td>
<td>3,227,609</td>
<td>792,375</td>
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<td>51,296,574</td>
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<tr>
<td>Percent of</td>
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<td>36.5%</td>
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<td>1.1%</td>
<td>100.0%</td>
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<tr>
<td>Total</td>
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<td>Total</td>
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<td>Revenues**</td>
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</tr>
<tr>
<td>Towns</td>
<td>$ 45,743,145</td>
<td>$ 4,208,056</td>
<td>$ 3,457,219</td>
<td>$ 7,541,696</td>
<td>$ 60,950,116</td>
<td>20.8%</td>
</tr>
<tr>
<td>Villages</td>
<td>16,447,897</td>
<td>5,964,379</td>
<td>244,703</td>
<td>2,238,281</td>
<td>24,895,260</td>
<td>8.5%</td>
</tr>
<tr>
<td>Cities</td>
<td>92,625,490</td>
<td>62,815,650</td>
<td>2,926,133</td>
<td>-2,835,585</td>
<td>155,531,668</td>
<td>53.1%</td>
</tr>
<tr>
<td>Counties</td>
<td>30,939,029</td>
<td>15,510,385</td>
<td>4,210,966</td>
<td>944,172</td>
<td>51,704,552</td>
<td>17.6%</td>
</tr>
<tr>
<td>Total</td>
<td>$184,855,561</td>
<td>$ 88,498,470</td>
<td>$10,839,021</td>
<td>$7,888,564</td>
<td>$293,081,616</td>
<td>100.0%</td>
</tr>
<tr>
<td>Percent of</td>
<td>63.1%</td>
<td>30.2%</td>
<td>3.7%</td>
<td>2.7%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Figures shown are gross of any sharing of utility payments with school districts.
** New Program created by Chapter 39, Laws of 1975.
*** Maximum, minimum, and residual payments replace guarantee makeup payments.

Source: Bureau of Local Fiscal Information and Analysis, Wisconsin Department of Revenue.
### Wisconsin State Full Value Assessments

by Class and Type for Towns, Villages & Cities

<table>
<thead>
<tr>
<th>Class and Type</th>
<th>Town</th>
<th>Village</th>
<th>City</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real Estate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>$8,109,707.1</td>
<td>$3,917,567.2</td>
<td>$17,162,128.2</td>
<td>$29,189,402.5</td>
</tr>
<tr>
<td>Mercantile</td>
<td>1,209,540.2</td>
<td>817,716.0</td>
<td>6,203,428.1</td>
<td>8,230,684.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>342,549.5</td>
<td>381,561.3</td>
<td>2,304,919.4</td>
<td>3,029,030.2</td>
</tr>
<tr>
<td>Agricultural</td>
<td>7,884,804.5</td>
<td>131,513.9</td>
<td>188,790.3</td>
<td>8,205,108.7</td>
</tr>
<tr>
<td>Swamp &amp; Waste</td>
<td>44,394.0</td>
<td>.1</td>
<td>4.4</td>
<td>44,398.5</td>
</tr>
<tr>
<td>Forest (FL)</td>
<td>835,105.9</td>
<td>3:1:6</td>
<td>143.8</td>
<td>835,631.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18,426,101.2</td>
<td>5,248,740.1</td>
<td>25,859,414.2</td>
<td>49,534,255.5</td>
</tr>
<tr>
<td><strong>Personal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cattle</td>
<td>$1,019,568.2</td>
<td>$8,232.0</td>
<td>$4,430.7</td>
<td>$1,032,230.9</td>
</tr>
<tr>
<td>Sheep</td>
<td>1,256.5</td>
<td>16.8</td>
<td>8.9</td>
<td>1,282.2</td>
</tr>
<tr>
<td>Swine</td>
<td>33,323.4</td>
<td>255.4</td>
<td>186.5</td>
<td>33,765.4</td>
</tr>
<tr>
<td>Other Livestock</td>
<td>7,869.2</td>
<td>291.0</td>
<td>189.6</td>
<td>8,449.9</td>
</tr>
<tr>
<td>Merchants' Stock</td>
<td>229,373.0</td>
<td>195,474.7</td>
<td>1,385,570.3</td>
<td>1,810,418.1</td>
</tr>
<tr>
<td>Manufacturers' Stock</td>
<td>443,445.7</td>
<td>437,454.9</td>
<td>3,074,630.2</td>
<td>3,955,530.8</td>
</tr>
<tr>
<td>Leaf Tobacco</td>
<td>5.8</td>
<td>-</td>
<td>-</td>
<td>5.8</td>
</tr>
<tr>
<td>Logs, Timber, Lumber</td>
<td>410.8</td>
<td>11.2</td>
<td>3.4</td>
<td>425.4</td>
</tr>
<tr>
<td>Watercraft</td>
<td>6,790.3</td>
<td>449.8</td>
<td>2,942.6</td>
<td>10,182.8</td>
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<tr>
<td>Public Utilities</td>
<td>858.0</td>
<td>84.9</td>
<td>230.0</td>
<td>1,172.9</td>
</tr>
<tr>
<td>Machinery, Tools, Patterns</td>
<td>124,720.5</td>
<td>80,811.7</td>
<td>483,572.9</td>
<td>689,105.1</td>
</tr>
<tr>
<td>Furniture, Fixtures, Equipment</td>
<td>100,526.3</td>
<td>97,522.9</td>
<td>871,024.5</td>
<td>1,069,103.7</td>
</tr>
<tr>
<td>All Other</td>
<td>185,864.5</td>
<td>23,594.3</td>
<td>194,602.9</td>
<td>404,061.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,154,012.2</td>
<td>844,229.7</td>
<td>6,017,392.7</td>
<td>9,015,634.6</td>
</tr>
</tbody>
</table>

**State Grand Total**  
$20,580,113.4  $6,092,969.8  $31,876,806.9  $58,549,890.1

Source: Wisconsin Department of Revenue

*Figures may not add correctly due to rounding.*
<table>
<thead>
<tr>
<th>Number of Local Assessors</th>
<th>1,837</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Office Held</strong></td>
<td></td>
</tr>
<tr>
<td>1. Part-time</td>
<td></td>
</tr>
<tr>
<td>a. Appointed</td>
<td>481</td>
</tr>
<tr>
<td>b. Elected</td>
<td>1,089</td>
</tr>
<tr>
<td>2. Full-time</td>
<td></td>
</tr>
<tr>
<td>a. Appointed</td>
<td>93</td>
</tr>
<tr>
<td>b. Elected</td>
<td>67</td>
</tr>
<tr>
<td>3. No response</td>
<td>107</td>
</tr>
<tr>
<td><strong>Compensation</strong></td>
<td></td>
</tr>
<tr>
<td>1. 0 to $450/year</td>
<td>207</td>
</tr>
<tr>
<td>2. $451 to $800/year</td>
<td>521</td>
</tr>
<tr>
<td>3. $801 to $1,350/year</td>
<td>449</td>
</tr>
<tr>
<td>4. $1,351/year and over</td>
<td>403</td>
</tr>
<tr>
<td>5. No response</td>
<td>257</td>
</tr>
<tr>
<td><strong>Experience</strong></td>
<td></td>
</tr>
<tr>
<td>1. 1 or less years experience</td>
<td>436</td>
</tr>
<tr>
<td>2. 2 to 4 years experience</td>
<td>379</td>
</tr>
<tr>
<td>3. 5 to 10 years experience</td>
<td>469</td>
</tr>
<tr>
<td>4. 11 or more years experience</td>
<td>442</td>
</tr>
<tr>
<td>5. No response</td>
<td>111</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
</tr>
<tr>
<td>1. 0 to 8 years</td>
<td>360</td>
</tr>
<tr>
<td>2. 9 to 12 years</td>
<td>812</td>
</tr>
<tr>
<td>3. 13 to 16 years</td>
<td>486</td>
</tr>
<tr>
<td>4. 17 years and over</td>
<td>62</td>
</tr>
<tr>
<td>5. No response</td>
<td>117</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
</tr>
<tr>
<td>1. 0 to 40 years</td>
<td>328</td>
</tr>
<tr>
<td>2. 41 to 52 years</td>
<td>442</td>
</tr>
<tr>
<td>3. 53 to 62 years</td>
<td>458</td>
</tr>
<tr>
<td>4. 63 years and over</td>
<td>488</td>
</tr>
<tr>
<td>5. No response</td>
<td>121</td>
</tr>
</tbody>
</table>

Source: Property Tax Administration: Assessment and Equalization, Wisconsin Department of Revenue, 1976.
MINORITY REPORTS
Minority Report on Study of Revenue Sources

Three basic approaches exist to solve the difficult problem of equalizing access to essential government services. The Commission evidenced no inclination to transfer services to the state, thereby narrowing the options to two: (1) increased reliance on state revenue sources, and correspondingly increased redistribution of state aids, or (2) provision of alternative local revenue sources and targeting state aids to major state objectives, including in particular equalization of access to services.

When and to the extent that the state’s objectives can be achieved under either option, I strongly oppose increased reliance on state revenues. There is no surer way to destroy local accountability and control (and ultimately local government itself) than to decrease the financial resources and responsibilities of local governments. The case is stated succinctly by former Secretary of Revenue and Commission member David Adamany:

“I think it is not a responsible system of government for the state Legislature to be put under enormous pressure in every session by the officials of local government to raise state taxes so we can pass more money through to local government in state aids.”

The principal objections to the proposal for a local income tax (half based on residence and half on employment) could be met in at least two different ways: (1) limiting the authority to the fourteen cities with a population in excess of 40,000 (or perhaps the 23 cities and villages with a population in excess of 30,000), or (2) granting the authority to counties, and requiring the counties to pass along 50% of the proceeds to the underlying municipalities on a per capita basis (similar to the procedure recommended by the Commission for a county sales tax). Either alternative would constitute a form of income tax base sharing on an areawide basis, and would provide an appropriate mechanism for requiring suburbanites to share in the costs of the central cities upon which many of them are dependent for their livelihood.

The City of Milwaukee would fare far better under either system for a local income tax than under an increased statewide income tax redistributed on a per capita basis. Estimates based on 1974 figures indicate that Milwaukee would gain about $1,000,000 from the suburbs for each 10% of net suburban income subject to a Milwaukee commuter tax of 10%, and that Milwaukee would gain about $2,300,000 from such a county income tax, contrasted with a small loss from a state income tax redistributed per capita.

Harry L. Wallace

Minority Report to the
Commission on State-Local Relations
and Financing Policy

Our report deals not with specific proposals, but with what we feel are omissions of key points in the “Introduction” of the final report. We feel the introduction fails to emphasize the philosophy of a large number of Commission members as translated into many of the specific proposals included in the final report, which we agree to. In our opinion the financial problems which arise between state and local government are generated, for the most part, by the wide disparity among local governments in their capacity to raise revenue and by the need for governmental services by their citizens.

Three philosophical approaches to solving these problems were evaluated by the Commission:

1. State take-over of services, thus removing the financial problem or literally transferring the financing directly to state government;

2. Increasing local governments’ taxing abilities in order to allow local governments to “solve their own financial problems,” and

3. Redistributing money between levels of government, state to local, and among units of local government, wealthy to poor.

We believe, after a great deal of education and soul searching, that the third method has been definitely embraced by the Wallace Commission; therefore it should be clearly stated in the introduction.
PREMISE

In the introduction three methodologies for the solution of local governments’ financial problems were discussed. The Wallace Commission rejected the first two because they didn’t work practically and to some extent, are abhorrent philosophically. The first solution, take-over by larger units of government, leads to diseconomies of scale, inefficiency, and undermines the democratic principle by moving government and bureaucrats further away from the people. In recent history, centralization both at the federal and state level has occurred and was a direct result of the Great Depression as well as global war. But since World War II a reaction to the idea that bigger government is better government has set in and the citizens of Wisconsin as well as the members of the Wallace Commission have rejected this approach unless state or federal power is necessary to deal with the problem. An example of such a problem is pollution control, which in recent years has moved toward higher levels of government.

A second approach which was given more serious attention by the Commission, but was finally rejected, at least to a great degree, was to increase the ability of local units of government to “solve their own problems” through the enactment of new local taxes. Although the Commission agreed to expanding this ability for counties, which are to some degree larger units of government, no important proposals (such as a local income income tax) were embraced for the small general units of government (towns, villages and cities). The reason this attractive solution was rejected was because it is contradictory in nature. The overwhelming financial problem of local government is that those general local governments with little ability to pay are by their very nature the same units of local government with great financial need. Therefore, allowing this type of local government more power to tax its citizens is in reality no solution at all, since these are the very same type of citizens who lack the financial ability whether the tax is a property tax or an income tax. It is akin to attempting to solve the welfare problem by placing a tax on the poor in order to raise sufficient money to take care of the poor. Such an attempt, while attractive since it absolves other individuals and other levels of government of their financial responsibility, is doomed to failure and again the majority of the members of the Wallace Commission understood this paradox and rejected the local income tax.

We therefore, come to the third solution to local governments’ financial problems, that of redistributing money from higher to lower levels of government, state to local, and among local units of government, wealthy to poor. This conclusion is not surprising. It was the conclusion of both the Doyle and Tarr Commissions. It seems to us that it should be stated.

REASON FOR OMISSION

At this point, one may raise the question that if this is a practical solution and if the majority of the members of the Commission have, by their specific proposals, embraced this point of view, why then has this solution not been identified in the introduction? We feel that certain myths or false premises which have been fostered for years in some quarters, are responsible for the omissions and we believe that they should be laid to rest.

One argument against this type of solution runs like this. The government that provides a service and spends public money should be responsible for raising the revenue. The argument is that if this premise is not accepted, the government spending the money will act irresponsibly since it does not have the burden of raising the money. This analogy was fostered hundreds of years ago by comparing government expenditure and revenue with that of a private individual. If an individual were asked to buy a commodity with another individual’s money, there would be a strong tendency for him to be a spendthrift. The analogy, however, falls to the ground when speaking of governments since governments do not rely upon other units of governments except in an indirect manner, but in reality rely on the individual taxpayer who may or may not be a recipient of a particular service. For example, you may live in a county that spends money for a county park system. You may never go to a county park and on the other hand people outside the county who do not pay for it may on occasion visit the park. However, if the person living within the county paid less taxes, it may be the sheriff’s department and/or some other county service which would be cut back rather than the park system. You cannot identify the drops of revenue running into the rain barrel of government with the particular drop of water which runs out of the rain barrel to provide a particular government service. This argument should have been appreciated in a democracy such as ours and should have been laid to rest over a hundred years ago when the states in their wisdom granted voting rights to individuals who did not own property. In many of the colonies and in many European countries, the right to vote was granted only to people who owned a certain amount of property. The argument was that if you extended the right to vote to non-property owners, they would either do away with private property since they had nothing to lose or would spend the governments into bankruptcy. The extending of the voting franchise, of course, did not bring about the results feared by the critics. And redistribution of income from one segment of the populace to another or from some higher level of government to a lower level of government will not have and has not had the adverse effects that these self-same reactionaries feared and still fear.

To still adhere to this point of view would mean that the Commission would have voted to do away with all formulas which give rise to intergovernmental transfers such as general school aids, shared taxes, general property tax relief, personal property tax relief, etc. To do away with these programs today would not only be impractical, it would be disastrous and bring local government in Wisconsin to a complete halt.

MR-2
What must be done and what has been advocated by the Commission is an increase in these programs, not necessarily in new programs, but studying the effect of these programs and more importantly, increasing the financing of these self-same programs.

A second argument, idea or myth utilized by opponents to this type of solution in Wisconsin is the argument that Wisconsin has already, by its formulas and amounts solved, or solved to the degree possible, the financial problems of local government by redistributing tremendous amounts of state money to general local units of government (towns, villages, cities and counties). A close inspection, however, shows that this is not the case. If the amounts of money distributed to individuals rather than to local units of government are revenues distributed by the state to local government and if services such as welfare are considered a state expenditure utilizing local government as the administrator of money given directly to individuals under federal formulas, then the amount of money distributed by the state to local governments approaches zero. An attached table points this out.

CONCLUSION

Because of the above arguments, we feel that it is important that it be stated in the introduction to the Wallace Commission report that the only practical solution for general units of government, particularly those with greater need and less ability than others, is a larger amount of financial responsibility on the part of larger units of government coupled with strengthening the formulas of redistribution and studying any new methods which would further this redistribution. We feel that the only possible way to lower local property and/or any other type of local government tax burden is for the state to share to an increasing degree its more favorable tax base.

Sr. Thomas More Bertels
Kenneth Germanson
Herbert Grover
Dorothy Larson

James A. McCann
Raymond Nass
Donald Sykes
<table>
<thead>
<tr>
<th></th>
<th>REVENUES</th>
<th>PERCENT OF STATE-LOCAL TOTAL</th>
<th>EXPENDITURES</th>
<th>PERCENT OF STATE-LOCAL TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Government</strong>¹</td>
<td>$3,190</td>
<td></td>
<td>$4,073</td>
<td>94.1%</td>
</tr>
<tr>
<td>Less: Payments to Local³</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State Total</strong></td>
<td>$3,190</td>
<td>52.9%</td>
<td>$3,132</td>
<td>52.1%</td>
</tr>
<tr>
<td><strong>Local Property Tax</strong>³</td>
<td>$1,324</td>
<td></td>
<td>$2,875</td>
<td>47.9%</td>
</tr>
<tr>
<td>Remaining Revenues⁴</td>
<td>716</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Local Total</strong>³</td>
<td>$2,040</td>
<td>33.9%</td>
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<td></td>
</tr>
<tr>
<td><strong>Federal</strong>¹</td>
<td></td>
<td></td>
<td>$797</td>
<td>13.2%</td>
</tr>
<tr>
<td><strong>Federal Total</strong></td>
<td>$797</td>
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<tr>
<td><strong>Grand Total</strong></td>
<td>$6,027</td>
<td>100.0%</td>
<td>$6,007</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>VTAE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State</strong>¹</td>
<td>$41</td>
<td></td>
<td>$105</td>
<td></td>
</tr>
<tr>
<td><strong>Local</strong></td>
<td>56</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Federal</strong>¹</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$105</td>
<td></td>
<td>$105</td>
<td></td>
</tr>
<tr>
<td><strong>Includes VTAE</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total State</strong></td>
<td>$3,231</td>
<td>52.7%</td>
<td>$3,237</td>
<td>53.0%</td>
</tr>
<tr>
<td><strong>Total Local</strong></td>
<td>2,096</td>
<td>34.2%</td>
<td>2,875</td>
<td>47.0%</td>
</tr>
<tr>
<td><strong>Total Federal</strong></td>
<td>805</td>
<td>13.1%</td>
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</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$6,132</td>
<td>100.0%</td>
<td>$6,112</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

¹ Table excludes and includes VTAE.
² Excludes state property tax relief payments which are made for direct benefit of individuals and which do not increase property tax collections by the local unit; and the welfare payments which are considered of direct benefit to individuals and is of statewide concern. Counties are only considered the administrative unit of the state in this case.
³ State of Wisconsin Annual Fiscal Report (FY 1975) by DOA.
⁴ Town, Village and City Taxes - 1973 (Collectable 1974) by DOR.
⁵ Municipal Resources Provided and Expended (Calendar 1974) by DOR (Excludes enterprises).
⁶ Wisconsin Taxpayer December 1975 (Excludes community services, debt service and capital outlay); and Municipal Resources Provided and Expended (Calendar 1974) by DOR (Excludes enterprises).
Minority Report on City School Districts

In 41 school districts in the State known as "city school districts" a unique reliance upon another body of elected officials for budget approval exists. In all of the other 394 districts the public has direct control over school expenses either by an annual budget meeting or through the electoral process. Those 394 districts also require the voters' direct approval for capital expenditures.

In city school districts, Fiscal Control Boards made up of the elected members of the affected municipalities have the ultimate veto power over a school budget without having had any input into that budget-making process through the committee structure, or without full knowledge of the statutory requirements placed on school districts. This fiscal board also has the power to approve a building program without referendum. These are part-time municipal officials who are asked each year to evaluate a budget in one or two meetings that took school board members many months to formulate. While school board members are elected to evaluate educational programs, formulate policy and carry out state requirements in the education field, the primary and ultimate concern of fiscal board members is the tax levy.

In the final analysis, the taxpayer is the loser in a system where he cannot place direct accountability on one governing body. If he feels he is not getting the school services he desires, the school board officials can blame the tight controls of a fiscal control board. If a citizen feels the school budget is excessive he must vote out two sets of elected officials, the school and the municipal. In the event of a building program, he may not even have a chance to vote approval or disapproval. The "political gamesmanship" that often occurs when a school budget is cut by fiscal control boards is further proof of a system that is detrimental to community relations. The taxpayer in all school districts should have equal accessibility to its school officials. We recommend that city districts reorganize into either unified or common school districts.

Rita Crooks
John Norquist
Herbert Grover
Kermit Valleen
Anthony Earl
Robert Birnbaum
Donald Bina
Charles Dow
Gary Johnson

Minority Report on Financing of Elementary and Secondary Education

During Commission discussions, my belief in full equalization was well known. My belief in full equalization combined with the recent Supreme Court decision was my primary reason for proposing a 2.5 mill statewide property tax. The Commission has made two highly positive recommendations for state general school aids. First, the Commission has endorsed the concept of full equalization. Second, the Commission has recommended raising the level of state general school aids from 48% to 50%. At the time these decisions were made, I could foresee, in the first instance, actual implementation of full equalization. In the second instance, I agreed with the gradual shift to greater state support and the use of more progressive revenue sources as one means of accomplishing full equalization.

The recent Wisconsin Supreme Court case (Buse, et al. versus Smith, et al.) has, however, changed the relationship between the general aid formula and the level of funding. Unfortunately, the Court has overruled that portion of the formula which directly addresses existing inequities in property tax bases. The net impact of the decision is that if equalization is to occur it must occur directly through the formula. The Court's decision will, in the short run, perpetuate existing fiscal disparities and, in the long run, make fiscal disparities more difficult to resolve. Through the use of a statewide property tax, the goal of full equalization is immediately possible within the constraints established by the Court.

The Commission has expressed a belief that school districts which spend at the same level should tax at the same rate. The general aid formula is intended to eliminate the influence on school funding of the ability to pay taxes and instead rely upon willingness to pay taxes as the sole determinant of school spending. Whether the district is Goodman, Green Bay, Siren or Madison, the general aid formula provides a standard tax base to support a locally determined educational program. My practical experience indicates that there is not a dollar for dollar relationship between increased expenditures and educational quality. On the other hand, the state cannot ignore the differences in educational programs and property tax burden between property-poor districts (such as Goodman) and property-rich districts (such as Glendale-Nicolet). Under the present level of funding for general school aids, and given the Supreme Court's decision, the state cannot accomplish property tax base equalization and the positive effects on property tax burden and educational programs which accompany full equalization.

MR-5
A statewide property tax of 2.5 mills, combined with the other changes suggested by the Commission, is capable of accomplishing the goal of full equalization. Under the suggested changes, the primary guaranteed valuation would increase from $102,700 to $129,800 in 1976-77. All but six school districts would be fully equalized; and even those six remaining districts are very close to equalization. The Commission has recognized the fiscal disparities which do exist and, when comparing the extremes, the Commission certainly has not ignored the educational and property tax inequities between districts. The Commission has spoken with greater equalization by increasing the aid level but has failed to recognize the existing educational inequities which are perpetuated unless the financing mechanism is available to move towards full equalization. I believe the Commission should have been willing to go the necessary one step further by recommending the most effective available mechanism for accomplishing full equalization (within the constraints recently established by the Wisconsin Supreme Court) : a 2.5 mill statewide property tax.

Herbert J. Grover

A Minority Report on Cost Controls for School Districts

One of the more inconsistent decisions made by the Commission on State-Local Relations and Financing Policy (hereinafter referred to as the Commission) was the recommendation to eliminate levy limits and retain cost controls. Cost controls are no more consistent with the recommendations of the Commission than are levy limits.

A major thrust of the Commission's recommendations is to provide local government with the opportunity to use local initiative to solve local problems. Cost controls will only work against this objective by not allowing school districts to spend the funds needed to solve their problems.

In an attempt to reduce pressure on the property tax, the Commission recommended that local governments be allowed alternative tax sources. Cost controls would provide little incentive for shifting the tax burden and no assurance that increased costs would be shifted to some other tax.

The Commission also recommended improving the delivery of education in Wisconsin by encouraging the reorganization of some school districts, increasing the state's share of educational costs from 40% to 50%, and allowing low-spending districts to increase their costs by more than 5.5%. While these items would help to improve the quality of education in Wisconsin, there cannot be a substantial improvement as long as costs are controlled. Cost controls will only encourage a gravitation toward mediocrity.

The Commission has rightly observed that levy limits have created an intolerable situation for local municipalities confronted with implementing state-mandated programs and with inflation. Cost controls have the same effect and are equally unjustified.

Finally, it is important to remember the public policy goal of labor peace. Such a policy goal cannot be accomplished if, because of cost controls, school employees are, or believe they will be, relegated to long-term deprivation rather than short-term economic sacrifice. This will be true if other public employees are not being asked to make the same sacrifice.

Kermit Välleen

Minority Report for a Statewide VTAE System

The current fragmented VTAE system operates in 16 district boards appointed through a complicated formula and have taxing powers without direct accountability. They are supervised by a Governor-appointed board on the state level which sets overall policy and has power of approval over programs and building projects. Among the growing pains of this system have been a series of territorial boundary disputes.

This statewide proposal avoids all of the patchwork remedies and, except for avoiding direct involvement with the UW system, is parallel to the recommendation of the Governor's Commission on Education - March 1970. It is, therefore, recommended that the Legislature create a VTAE board of regents to be responsible for the administration of a statewide system of state financed two-year technical colleges emphasizing education for employment with the authorities and responsibilities of the existing state board of VTAE and to be responsible for cooperation with the UW system on a statewide basis. The existing district boards shall be continued on an advisory basis. Advisory occupational committees shall be continued or created as approved by the district boards. Members of the board of regents of VTAE shall be appointed by the Governor with senate approval for a term of five years with a two-year limitation. The board shall have the authority to employ a full time staff responsible directly to the board.
The rationale for this proposal is summarized by our Commission staff as follows: the change to a state system would mean elimination of district boundaries. Operation would be campus-by-campus with local advisory boards. Building would be a state debt and any new building would be a responsibility of the State Building Commission. General policies, such as enrollment, staffing, planning, etc., would become a function of the state board.

The state system offers the advantage of more specific attention to vocational campuses and operations. Specifically, the State Building Commission would approve the types, locations and size of vocational facilities (it is noted that the State Building Commission also approves university development). The state system would solve most if not all of the nonresident tuition problems and state residents would be able to select the institution they wish to attend, on a space-available basis. The state assumption of VTAE costs would probably mean about $80 million in property tax relief as well as more uniformity of treatment for individual campuses. Some persons have suggested that the state system would put VTAE on an equivalent level with the university system, would recognize the trend of individual districts to get into more and more specialized areas and would recognize that the present system of state building and program approval is already essentially a state system. This system would probably retain and promote the same mission, but would respond more specifically to 16- to 18-year-olds as well as to similarities between VTAE and the university system courses.

Russell Knetzger
Milton E. Schneider
Donald Sykes
Toni Wile

Minority Report on Recommendation to Increase VTAE Tuition

We feel the Commissioners acted with insufficient information in voting to boost tuition in the Vocational, Technical and Adult Education system to 25% of instructional costs. This is the same level as the University system.

We oppose this recommendation since it will reap greatest hardship among those who can least afford it. Particular hardship will be placed upon those in associate degree (2-year) courses, such as those covering basic clerical, accounting and various practical nursing skills (mainly practical nursing); those in various vocational diploma and certificate courses, such as for welding and auto mechanic and those taking apprenticeships; and short course students seeking to learn a single basic skill, usually to permit them to improve their particular talents in their work or to qualify for higher-level positions.

These individuals currently pay in Milwaukee $6.80 a credit ($204 for a 30-credit full-time student); to upgrade them to the 25%-of-cost formula would mean boosting their tuition by two and one-half times.

The majority of the VTAE students are part-timers, often employed elsewhere and seeking to upgrade their work level. These students would not be eligible for students aids and loans, as suggested in the Commission’s recommendation, and the net effect of the Commission’s action may be to prompt these potential students to decide against seeking further instruction because of the costs.

A significant number of students are of minority races or otherwise classified as disadvantaged. The Commission’s action may be further dooming them to the bottom of the nation’s economic ladder.

It must also be noted that VTAE charges significantly higher materials fees than does the university system, and these are not covered by the 9.5%-of-cost formula currently in effect.

Our comments here do not cover those courses that may be purely of a “vanity or hobby” nature; these courses are not aided by the state, and their charges are based on district decisions. The fees for these should be at a higher level.

To set the record straight, the VTAE system already charges its junior college students $15.35 per credit, or about $400 for a full term. This is equal to the 25% ratio, and involves about 10% or less of the students.

Otherwise we feel there is good reason to keep tuition fees lower than in the University system.

Kenneth Germanson
Kenneth Schricker

Earl Schmidt
Sr. Thomas More Bertels

Minority Report on Urban Town Government

Commission research has showed that urbanizing towns near large cities have tended to adopt “village powers” in order to better cope with the greater range of services they must perform compared with the strictly rural towns of the state.
The Commission, however, has voted to remove the ability of such towns to adopt village powers, saying only that they "...should use alternative means to provide necessary services to their residents other than through adopting village powers" without specifying what the Commission meant by "alternate means."

Presumably the Commission majority is assuming that implementation of its county boundary review proposal will solve the large urban town problem by having such towns either be annexed into the adjacent municipalities or by allowing such towns to incorporate.

In some cases that may happen, but there is more likely to be a status quo. Wisconsin's revised shared tax legislation is causing cities to rethink their past aggressive annexation policies. While cities are not soon likely to acquiesce to incorporation of adjacent towns, they seem to be adopting a "live and let live" attitude. In would be unwise for the state to now step in and force the issue by stripping urban towns of their village powers.

Russell Knetzger

Minority Report on Local Governments in Rural Areas of the State

Recommendation Concerning State Shared Revenues

We do not believe it is equitable to the rural areas of the State that State shared tax payments emphasize the aidable revenue portion of the formula to the detriment of the per capita payment portion. This, in essence, rewards big spenders and penalizes those municipalities which have been efficient or even frugal.

It is somewhat confusing to be presented with statistics indicating that municipal costs per capita in rural municipalities are higher than in urban municipalities and at the same time be presented with statistics showing that the former many times meet their governmental costs completely with only the per capita payment portion of the shared tax formula. Both rural and urban municipalities receive the same per capita payments, but it is exclusively the former which are thrifty enough to require no further State monies under the aidable revenue portion of the formula.

We hasten to add that many services in rural areas, e.g., sewage, water and garbage, are handled by the individual and require little, if any, public expenditures. Nonetheless these persons are entitled to State shared tax payments inasmuch as they are also a point source of the revenue collected by the State income and sales tax.

If the rural areas are to lose their per capita payments, at the very least those monies should go to expand substantially the Homestead Tax Credit program rather than be consumed by those municipalities which benefit greatly from the aidable revenue portion of the formula.

Recommendation Concerning Land Use Section of Local Growth and Development

We believe land use planning will require a great deal of local participation to be practicable and probable. Accordingly all local units of government should be permitted the opportunity to plan. If no desire is shown, then the planning function should pass to the next highest unit, i.e., the county.

We make the same comment with regard to the zoning power. No unit of government should be denied these powers if it is doing an adequate job.

We are further distressed that the Commission saw fit to recommend that urban municipalities be given zoning powers to expediently violate their own accepted plan, adopted in conjunction with all other municipalities in a county, while the rural areas are permitted no such latitude. This kind of double standard will not permit comprehensive planning and/or zoning to prevail.

Recommendation Concerning General Purpose Local Government

We particularly disagree with the fact that rural municipalities, when their needs so require, should not be able to adopt home rule powers (commonly known as village powers) presently granted to villages and cities. This does not take into consideration the fact that many rural municipalities have extremely large populations and have all the responsibilities of providing police and fire protection, sanitary sewers, water systems, etc., to their constituents. They cannot do this without village powers and to say that they should then incorporate begs the question because there has been very limited success in town incorporation proceedings.

MR-8
Recommendation Concerning Police and Fire Service Under General Purpose Local Government

We believe all municipalities should be included in the statement that cities and villages should be allowed to merge police and fire departments in a joint public safety department. Heavily populated rural municipalities also have police and fire departments and may find it advisable at some point in time to merge them.

Recommendation Concerning Solid Waste Collection and Landfill Operations Under General Purpose Local Government

We believe it is not in the best interests of all areas of the State that counties be responsible for all sanitary landfill site operations. This moves a little further away from local people determining what is best for a local area.

Recommendation Concerning Organization and Governance Structure Under General Purpose Local Government

We believe that when we discuss elected county executives or appointed county administrators, this is a decision that each county should make on its own, rather than requiring that every county have one or the other. We do not agree that all county elections should be required only for the executive, board members, sheriff and district attorney. To eliminate these other elected offices takes government one more step away from the people. The same is true of town officers. We feel the Town Clerk, Town Assessor and the Town Treasurer should be elected at a regular election. Otherwise the people have no voice in their selection.

Recommendation Concerning Property Tax Policies

We do not believe the State should encourage the countywide assessment system by reducing to a simple majority the county board vote to instigate such a system. In the only county (Kenosha) which has gone to this system, it has resulted in greatly increased costs.

Walter Hollander
Kenneth Schricker

Laurence Day
Earl Schmidt

Minority Report on
Levy Limits and Cost Controls

Although the concept of state mandated levy limits and cost controls on local government has been well received by many taxpayers, I feel that this program has seriously impaired state-local governmental relationships. Therefore, I would support continuation of these mandated limits and controls only if an effective cost control ceiling is placed on state government.

I recommend that a program relative to state spending control be adopted prior to the continuation of local limits.

James D. Horstmann

Minority Report Supporting
Local Property Tax Levy Limits

We wish to go on record as supporting the property tax increase limitation enacted by the 1975 Legislature. This limitation permitted a basic increase of more than 12 percent for municipal levies set in the fall of 1976 for 1977 purposes. In addition, there are special situations under which the limits could be increased further, including these specific items set out in the statutes: population growth, functions transferred from other units, debt service cost, state shared tax changes, decrease in surpluses applied, loss in federal revenue sharing, court judgments, government orders, and natural disasters. Beyond this, the limit can be increased through a referendum appeal to the voters in the municipality.
We consider, therefore, that the limits are reasonable and desirable, a protection for taxpayers and an encouragement for cooperation between taxpayers and elective officials in understanding and working out public problems. It should be noted that limits of some type are common in most states.

Glen McGrath
Sen James Flynn
Donald Bina
Rep. Gary Johnson
Manuel Carballo
Sen. Gerald Kleczka

Dennis Conta
Harold Lochner
Charles Dow
Raymond Nass
John Duncan
Rep. John Norquist

Robert Dunn
Howard Packard
Anthony Earl
Milt Schneider
Donald Sykes

Toni Wile
Terry Willkom

Minority Reports on Shared Tax Formula, Property Tax Levy Limits and General Property Tax Relief

Shared Tax Formula

I concur in the Commission's recommendation to make the shared tax formula more equitable, but the Commission should have strengthened that recommendation by indicating the manner in which that formula should be revised, as follows:

1. Eliminate all the complicated formulae for determining the percentages of various taxes allocated to the shared tax fund, and establish a general state aid program for municipalities, comparable to state aids for schools, with an appropriation from general state funds.

2. Eliminate the per capita portion of the program and combine it with the aidable revenues program.

3. Allocate a specific portion of the fund to counties, and the balance to cities, villages and towns.

4. Distribute the funds on the basis of a formula which more nearly equalizes disparities between municipalities in the relationship between their available revenue sources and their financial requirements.

Local Property Tax Levy Limits

The present property tax levy limitations should be continued until the Legislature enacts alternative local revenue sources to reduce the reliance on property taxes. When alternative local revenue sources are enacted, the Legislature should repeal property tax levy limitations, and impose cost control limitations, similar to those imposed at present on school districts. Such cost controls would encourage the use of alternative revenue sources to the property tax, and would insure that revenues raised from such sources would be used as replacement revenues to the property tax.

Continuation of General Property Tax Relief Without Further Study

Three principal objectives of the Commission were (1) to equalize the individual's ability to pay, (2) to equalize the community capacity to provide services, and (3) to encourage economy and efficiency. General property tax relief funds are distributed to municipalities on the basis of a formula which measures "need" in proportion to the tax rate in each community.

Property owners within a municipality receive a tax credit based upon the assessed value of their property in relation to all property in the municipality. This formula does not achieve the purpose of equalizing each individual's tax burden as well as the circuit-breaker program. Moreover, measuring need by the tax rate not only provides an inaccurate measure of need but also may encourage spending.

Below are the per capita general property tax payments in Milwaukee area communities for 1976 purposes based on January 1, 1976 state population estimates (see following page):
1. River Hills $171.15  
2. West Milwaukee 133.52  
3. Fox Point 101.47  
4. Bayside 99.34  
5. Shorewood 83.25  
6. Oak Creek 80.77  
7. Whitefish Bay 79.65  
8. Franklin 78.91  
9. Glendale 78.63  
10. Greendale $73.62  
11. Brown Deer 67.41  
12. Wauwatosa 67.27  
13. MILWAUKEE 66.50  
14. Hales Corners 57.96  
15. Greenfield 53.71  
16. West Allis 53.14  
17. Cudahy 51.06  
18. St. Francis 48.88  
19. South Milwaukee 42.47

Many of the communities whose residents receive the highest payments under this program are the same communities which receive little or no school aids. Thus, this program and the school aid program appear to have conflicting and offsetting consequences. I would eliminate this program and allocate the funds between the shared tax fund and the circuit-breaker program of relief for individual taxpayers, in whatever proportions appear best calculated to achieve the dual objectives of equalizing the individual ability to pay and the community capacity to provide services.

Norman Gill

Minority Report on Land Use Policy

By failing to require that cities and villages should continue to zone in consistency with the adopted development plan, we feel that the Commission’s recommendation on land use planning and zoning has been weakened to the point of becoming ineffective.

We feel the Commission took a major step forward in its plan to set up development plans that must take into account the needs of neighboring communities and of broad state policies. But, the plans will be largely empty exercises for the drawing board as long as communities within the planning area are free to zone as they please.

We feel the compromise proposal — which this Commissioner successfully offered as a late-hour attempt to put some meaning into our actions — has possibilities to somewhat remedy the situation, if appropriate hearings are held and notification is made to the County Planning Agency whenever a deviation is made in the development plan.

Nonetheless, we reiterate our feeling that zoning be required to be consistent with the development plans. Our proposal is not designed to require every zoning change to be approved by the County, but merely those which deviate from the general overall plan. We feel such a system can work, preserving for the localities virtually free powers to zone — and rezone, if necessary — as long as their actions fit into the board’s general framework of the plan.

Thus, local autonomy and the area needs can both be met.

Kenneth Germanson

Minority Report on Land Use and Zoning Policy

The “Wahner Committee” report on regional planning, to which this Commission gave endorsement in principle, wisely recognizes that “planning” should take on a different character in different regions of the state based upon varying regional needs and desires.

Our own recommendations on the structural content and procedures that local planning should take henceforth are too rigid, detailed, and costly. It would be beneficial if the legislative and executive branches, in reviewing this area of the Commission’s work, would apply the more flexible approach to local planning and regulation which the Wahner committee recommends for regional planning, since local areas have even greater variation in the amount and kind of planning and regulation which they require and which they will support.

Another aspect of the Wahner report we should have addressed relates to the membership of regional and county planning commissions. Presently they consist of a mixture of appointed citizens and elected officials. The Wahner report recommends eliminating all appointed citizen participation so that only elected county officials would serve as commissioners.

We debated the same kind of issue with respect to appointed VTAE boards, and the majority voted to retain them so long as their property tax levying power is placed under county fiscal control boards. While I don’t feel VTAE should be run
differently than other forms of State higher education, this Commission provided a useful model worth applying to the planning commission issue.

If we had addressed the desirable make-up of planning commissions, I believe we would have endorsed retaining at least a portion of regional and county planning commissioners being appointed citizens. One reason would be the demonstrated service such citizens have already rendered, such as in my area of the state. Another would be the modifying influence such citizens can provide when all-elected bodies dealing with large areas tend to logroll and go with the “local wishes” instead of exercising independent judgement.

Russell Knetzger

Minority Report on Alternative Revenue Sources to Finance Property Tax Relief

It is recognized that important recommendations of this Commission relate to a reduced reliance on the property tax and to a more balanced system of state-local revenue diversification. I concur in the decision to attain this balance by providing up to $80,000,000 in property tax relief to lower income taxpayers. Such property tax relief must come from reductions in spending or increases in other revenue sources.

The Commission’s recommendation to fund this additional relief through the income tax would increase reliance on this tax to 30.2% compared to 23.6% for property tax and 22.7% for sales tax. To increase income tax reliance to this extent would be questionable policy and contrary to the present administration’s stated objective not to increase taxes. It should also be noted that Wisconsin’s individual income tax is already the third highest of the fifty states.

Although it is not politically popular course to consider (for either the Legislature or the Commission), I feel we must look to a sales tax on presently exempt food as a potential replacement revenue source. We would be joining 26 states which have such a tax, but we would offset its regressive effect by providing an appropriate credit through the circuit-breaker program. This program could produce approximately $130,000,000 and, after deducting $40,000,000 for the sales tax credit relief to low-income taxpayers, it would provide an additional $90,000,000 to finance the proposed property tax relief to low income taxpayers.

Sales and property taxes are not necessarily regressive when combined with appropriate relief through circuit-breaker programs. Although income taxes are generally accepted as progressive and based on ability to pay, it is questionable whether this is a valid assumption as a greater reliance is placed on revenues directly related to income at all levels.

James D. Horstmann

Minority Report on Financing of Proposed Additional State Expenditures

There is long-term merit in the majority of the recommendations of the Governor’s Commission on State-Local Relations and Financing Policy, particularly in encouraging local units of government to provide services jointly over a broader area. The Commission made specific suggestions for legislative changes that would facilitate approaches toward effective and efficient services to the taxpayer.

However, we are concerned over the fiscal implications of some of the Commission’s recommendations that could reverse some of the progress that has been made since 1961 in improving Wisconsin’s economic attractiveness. While Wisconsin continues to be a high tax state, its ranking has improved considerably in recent years partly due to stronger controls over state and local spending and tax relief programs aimed at improving the state’s tax climate. Yet the Commission di recommend some changes that could entail substantially higher state expenditures but did not indicate in sufficient detail where the money is to come from. Fitting the missing pieces into the fiscal picture must be done carefully to avoid a negative impact on the state’s economy.

The recommendation that the Homestead Credit program, sometimes referred to as a “circuit breaker”, be provided with an additional $80 million would liberalize still more of what already has become a generous area of assistance. When the program was set up in 1964 at a cost of $1.8 million a year it was intended to help the aged who had a low fixed income. At that time it provided assistance to those over 65 with a household income of $3,000 or less and owning no more than one acre of farmland. This 1975-77 biennium, the program will cost $87 million, eligibility extends down to the age of 18, beneficiaries can have a household income of $7,500 or less, and own up to 120 acres of land.

MR-12
In the expansion recommendation there is a clear suggestion for still higher state taxes. Further, if the program is liberalized still more it moves toward redistribution of wealth rather than a homestead relief or circuit breaker program.

The recommendation that the inventory tax relief be extended from 80 to 100 percent is commendable but it is questionable whether higher state income taxes are a suitable financing device when the stimulus to business growth that results from tax relief should broaden the overall tax base to provide necessary financing. Similarly, school aids would be increased to an average of around 50 percent of costs as compared to the present near 40 percent, but again with no specification as to how the increase would be financed. It must be remembered that at the suggested 50 percent overall aid level, numerous districts would be receiving 70 or 80 percent and more of their financing from the state, according to the aid distribution formula. When state aids pick up such a large portion of the costs incentives for economical operation are blunted.

The increased expenditures inherent in many of the Commission recommendations without the necessary revenue sources being specified stress the need for care in implementation of these proposals. Wisconsin has worked hard to improve the state’s economy, and in the process enacted a number of tax relief programs for individuals and business. Some of the recommended added expenditures would be damaging if it were decided, as has been suggested in some quarters, the money come from current tax relief programs.

Unless the expenditure increases proposed by the Commission are scaled back, money would be taken from tax relief funds or dependence on one of the major sources of income—the property tax, the corporate and individual income taxes, or the sales tax—would be increased. We are not going to find new major tax sources or new taxpayers. Money comes from generally the same taxpayers and how it is taken makes little difference if tax base growth is inhibited. Recommendations of the Commission involving spending and taxes need to be considered in this light.

Glen McGrath
John Duncan

Minority Report on Study of
Schematic Model on Financing Policies

At the November Commission meeting the Commission discussed a schematic model on financing policies prepared by the staff (see attached Chart). While this proposal has many facets, the main features are twofold: 1) provide local governments with alternative local revenue sources—counties with a usable sales tax, and cities, villages and towns with an income tax on both residents and commuters; 2) eliminate the shared tax and general property tax relief programs and use those funds to expand and modify the existing Homestead Credit program to cover low and middle income families.

While the proposal is both thoughtful and thought provoking, I concur with the Commission finding that an in-depth study of these proposals must precede more serious consideration. For this reason the Commission also recommended that a special study be commenced to evaluate “other proposals which merit a more detailed examination than this Commission has given them.” I also concur with this recommendation; however I feel it does not go far enough. Specifically, I am of the opinion that the schematic model, particularly its main components outlined above, deserves a special study. To my mind the wording “other proposals” does not convey this intent. Second, the recommendation adopted by the Commission is silent as to the basis upon which proposals are to be evaluated. I suggest that the schematic model be evaluated relative to the following policy concerns: 1) reduced reliance on the property tax; 2) reduced disparities in the fiscal ability of local units to support an adequate level of basic public services; 3) potential impact on agriculture and business activity and employment; 4) reduced regressivity of the overall state-local tax system; 5) state and local fiscal accountability.

Kathryn Morrison

MR-13
GROSS FISCAL EFFECT ON SCHEMATIC MODEL
(In Millions)

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<tr>
<td><strong>NET CHANGE</strong></td>
<td><strong>$ 133.0</strong></td>
<td><strong>$ 233.6</strong></td>
<td><strong>$ 269.0</strong></td>
</tr>
</tbody>
</table>

*Special utility payments ($20 million) and the Highway Privilege Tax Payments ($14.1 million) would continue under other provisions.

ESTIMATED RELATIVE RELIANCE ON STATE AND LOCAL REVENUE SOURCES
(In Millions)

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Present Estimated</th>
<th>Schematic Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1976-77 % of Total</td>
<td>1976-77 % of Total</td>
</tr>
<tr>
<td>Net property tax*</td>
<td>$1,320.0 33.7%</td>
<td>$817.4 20.2%</td>
</tr>
<tr>
<td>Individual income tax</td>
<td>1,129.7 28.9%</td>
<td>1,355.6 33.5%</td>
</tr>
<tr>
<td>Sales and use tax</td>
<td>632.9 16.2%</td>
<td>953.6 23.6%</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>215.8 5.5%</td>
<td>255.8 6.3%</td>
</tr>
<tr>
<td>Motor fuel tax</td>
<td>166.8 4.3%</td>
<td>166.8 4.1%</td>
</tr>
<tr>
<td>Motor vehicle fees</td>
<td>101.2 2.5%</td>
<td>150.2 3.7%</td>
</tr>
<tr>
<td>All other</td>
<td>348.6 8.9%</td>
<td>348.6 8.6%</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$3,915.0 100.0%</strong></td>
<td><strong>$4,048.0 100.0%</strong></td>
</tr>
</tbody>
</table>

*Net of general property, personal property, homestead tax or local individual tax credit payments.

MR-14
Minority Report on Individual Income Tax

The evidence indicates that of the various types of municipalities, those with the greatest financial needs and problems are the cities, particularly the larger cities which are increasingly the heart and lifeblood of the economy and well-being of most of the state’s residents. The preference of policymakers to increase reliance on the income tax, and particularly the state income tax, tends to aggravate this problem because the per capita income of city residents exceeds the statewide average. In substantial part, the higher incomes of city residents are not a reflection of greater ability to pay, but of the higher costs of urban living (such as streets, parking and sewage treatment) to maintain a quality of life comparable to that in the country. The bulk of the state’s wage earners and taxpayers (in the $10,000 - $20,000 income class), caught between inflation and spiraling costs of government, are not blessed with an abundance of ability to pay. Moreover, to a considerable extent, property (wealth) is an appropriate measure of ability to pay, and the inequitable impact of a property tax on those with low incomes can be offset by an appropriate homestead tax credit program.

By contrast to a state income tax, the effect of a general property tax is to redistribute income from rural areas and the suburbs to the cities. Based on 1974 figures, the City of Milwaukee would receive about $1,000,000 more from a one-mill statewide property tax redistributed to state residents on a per capita basis than the property taxes payable on Milwaukee property, while it would receive about $17,000 less than it paid in taxes if the same amount were raised from the state income tax. Similarly, Wisconsin cities as a whole would gain over $1,700,000 from a one-mill statewide property tax redistributed per capita, and would lose almost $1,800,000 if the same amount were raised from the income tax, a difference to the cities of more than $3,500,000.

Of course, the amount received by cities can be increased under a formula which redistributes more to them than their per capita share. Nevertheless, these figures indicate that the question of the most appropriate revenue sources to achieve the state’s objectives requires thoughtful study and evaluation. While I share the widespread desire for fairness and simplicity, complex problems do not necessarily lend themselves to simple solutions, and the optimum achievement of the state’s objectives requires a careful combination of diverse revenue sources and state aid programs.

Harry L. Wallace