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How Do Towns Measure Up?

A Closer Look At Town Finance

The town meeting, where voters set the property tax levy, decide compensation for town offices, and adopt plans for the election of the town board, is one of the few remaining examples of direct democracy in the U.S. As a result, town finances often differ from those of cities and villages. Towns typically spend and borrow less per resident than other municipalities and draw their revenues from a smaller pool of resources.

Wisconsin residents live in one of three municipal types: cities, villages, or towns. While all states have cities or villages, town government is less common.

Brought to Wisconsin by New Englanders in the early 1800s, town government has a long history here. However, Wisconsin is one of only 20 states, mostly in New England and the Midwest, with towns.

As Wisconsin towns incorporate as new cities or villages, or are annexed by them, their numbers decline. Census figures show that Wisconsin had 1,255 towns in 2012, down from 1,265 10 years ago, and from 1,281 in 1950.

Town residents may incorporate to achieve greater home rule, more flexibility to organize and govern as they wish, or to prevent annexation by surrounding municipalities.

But town government has unique benefits that remain appealing. The town meeting, where voters set the property tax levy, decide compensation for town offices, and adopt methods for the election of the town board, is one of the few remaining examples of direct democracy in the U.S. As a result, town finances often differ from those of cities and villages.

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TOWNS ACROSS AMERICA

According to the U.S. Census Bureau, the six New England states continue to have town governments, along with 14 other states, including Wisconsin and three of its neighbors (Illinois, Michigan, and Minnesota).

Comparing towns across states is difficult, as they overlap with other municipalities in some places but not in others. In some states, residents can live in both a city and town. In those cases, the number of towns and their respective populations can be overstated. For instance, roughly 6.5 million Indiana residents (99.6% of the total state population) live in a township. Nearly two-thirds (4.2

Also in this issue:

Table 1: Town Characteristics Across America
By State, 2012

	# of Towns	% of Mun. Gov'ts	Town Population	% Total Pop.	Average Town Size
Maine	466	95.5%	962,828	72.5%	2,066
Mass.	298	84.9	3,216,500	49.1	10,794
N.H.	221	94.4	900,824	68.4	4,076
N.J.	242	42.8	4,631,511	52.7	19,138
N.D.	1,313	78.6	115,615	17.2	88
Penn.	1,546	60.4	7,098,148	55.9	4,591
R.I.	31	79.5	508,047	48.3	16,389
S.D.	907	74.5	131,420	16.1	145
Wis.	1,255	67.8	1,652,710	29.1	1,317
Avg.	**6,279**	**69.9**	**19,217,603**	**49.4**	**6,197**

million) of town residents also reside in another municipality, such as a city or village.

Towns overlap with cities and villages in 11 states: Connecticut, Illinois, Indiana, Kansas, Michigan, Missouri, Minnesota, Nebraska, New York, Ohio, and Vermont. Wisconsin is one of the remaining nine states where towns, cities, and villages do not overlap. For simplicity, only those nine are considered here.

Numbers

Census figures show Wisconsin had 1,255 towns in 2012 (see Table 1). States with the most towns were Pennsylvania (1,546) and North Dakota (1,313).

In total, Wisconsin had 1,851 municipal governments in 2012, of which 68% were towns. That percentage was seventh highest of the nine states with no overlap. The New England states had the largest percentages, with Maine and New Hampshire topping 90%.

By comparison, New Jersey's 242 towns composed only 43% of its municipal governments. Rhode Island had the smallest number of towns (31), but they still accounted for the majority of municipalities there (79.5%).

The number of towns in America is slowly declining. According to the 1992 Census of Governments, the U.S. had 16,656 towns. By 2012, that figure had dropped by 296 to 16,360.

Populations

Towns in Wisconsin tend to be relatively small in population, averaging just 1,317 residents in 2012. Although town populations here can exceed 20,000, 89% of Wisconsin towns had populations under 2,500, and 59% were under 1,000 (see Figure 1 on page 3).

Of the nine states without municipal overlaps, Wisconsin ranked seventh in average town population. The largest average sizes were generally in the Northeast. Massachusetts, New Jersey, and Rhode Island each averaged more than 10,000 people per town. North Dakota and South Dakota averaged just 145 and 88, respectively.

TOWNS IN WISCONSIN

Unlike the east coast, where town geography reflects settlement patterns, Wisconsin towns were geographical subdivisions of counties, typically following surveyors' township boundaries. A township was usually a six-mile by six-mile square; the resulting civil entity was called a town.

Town governments in Wisconsin were created by the state constitution (Article IV, Section 23) to provide basic municipal services to residents:

> *The legislature shall establish but one system of town government, which shall be as nearly uniform as practicable . . .*

The state constitution similarly empowers the legislature to "provide for the organization of cities and incorporated villages."

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Chapter 60 of the Wisconsin state statutes is devoted to towns and provides for their organization and finance. Unlike cities and villages, towns may perform only those functions specifically authorized by state law. Cities and villages have "home rule;" that is, they may determine their local affairs and government.

Land Area

Many towns are rural in nature, although five—Grand Chute (21,583), Greenville (10,773), Lisbon (10,202), Menasha (18,582), and Salem (12,036)—had 2012 populations of more than 10,000. By contrast, 11 towns had populations under 100.

In land area, the largest town is Menominee (357.6 square miles), which covers all of Menominee County. The next 17 largest towns are all in the northern part of the state. Among them are Winter (Sawyer County, 279.8 square miles); Stephenson (Marinette, 169.5); Mercer (Iron, 168.3); Sanborn (Ashland, 157.1); Florence (Florence, 153.8); and Gordon (Douglas, 151.2).

Eleven towns span less than 10 square miles. The state's smallest town is Madison (Dane, 1.5), followed by Germantown (Washington, 1.8), Campbell (La Crosse, 3.8), Brookfield (Waukesha, 5.1), Manitowoc (Manitowoc, 6.1), and Blooming Grove (Dane, 6.8). All adjoin larger municipalities.

Town area has been shrinking in recent years. In 2000, Wisconsin towns covered 54,492 square miles. By 2010, that figure had dropped by 2,616 square miles to 51,877.

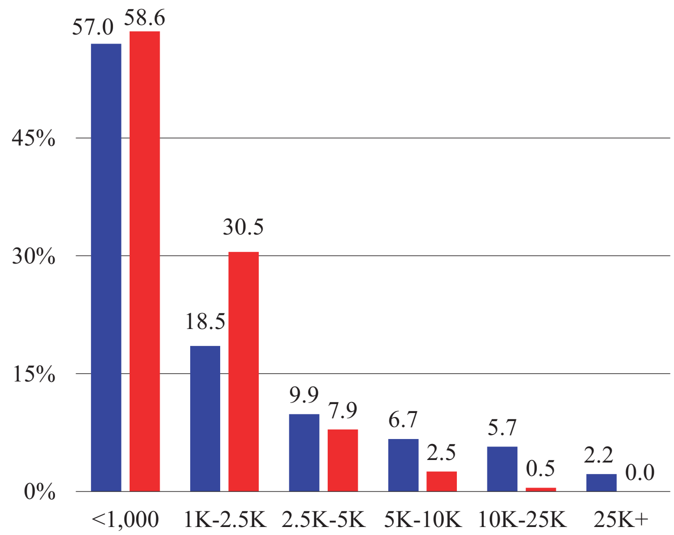
Number

The wide variation in town land area results from creating new cities and villages, and to a smaller degree, annexations of town land by cities and villages. This has also contributed to declining town populations.

State law outlines procedures for incorporation of a town or part of a town, and for annexation of town land. Since 2002, seven towns incorporated as villages: Hobart in Brown County (2002), Bellevue in Brown (2003), Mount Pleasant in Racine (2003), Suamico in Brown (2003), Richfield in Washington (November 2007), Caledonia in Racine (2005), and Summit in Kenosha (2010). Recently, the town of Menasha (Winnebago) filed to incorporate as a village.

Parts of the town of Bristol (Kenosha) were incorporated as a village in 2009. Also, in 2008, the town of Rochester (Racine) voted to consolidate with the village of Rochester. In April of this year, voters approved incorporating a part of the Town of Somers (Kenosha) into a village.

Figure 1: Towns In Wisconsin Smaller Than Elsewhere
Share of Towns, By Population, WI (Red) vs. U.S. (Blue), 2012



The decline in town numbers has also reduced the percentage of Wisconsin's population living in towns. As of 2014, Wisconsin's 1,255 towns were home to 1.7 million, or 29%, of the state's 5.7 million residents. In 1983, more than 32% of the state's population lived in towns.

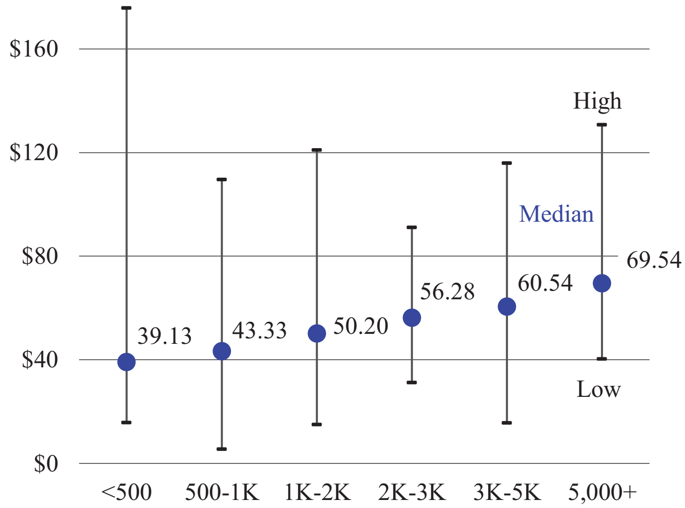
INCOME

One key to understanding town finance is the income of residents. While per capita income is helpful, a more useful measure is income per tax return. Income in Wisconsin towns in 2013 averaged $55,837 per tax return, ranging from $5,420 per return in Komensky (Jackson) to $175,810 in Cranmoor (Wood). Other high-income towns are Bear Bluff (Jackson, $137,570); Delafield (Waukesha, $130,710); Middleton (Dane, $121,450); and Knowlton (Marathon, $120,910).

Grouping towns by relative population shows that income per return is related to town population. Median income is higher in more populous towns (see Figure 2 on page 4). However, smaller towns tend to have a broader range of incomes than populous ones.

In towns with over 5,000 people, median income was $69,540, compared to $39,130 in the smallest towns (under 500). However, in towns with fewer than 500 residents, income ranged from $15,680 in Courderay (Sawyer) to $175,810 in Cranmoor. The

Figure 2: Town Income Rises With Population
Income Per Tax Return, $ Thousands, By Population, 2013



range among large towns was smaller, spanning from $40,250 in Madison to $130,710 in Delafield.

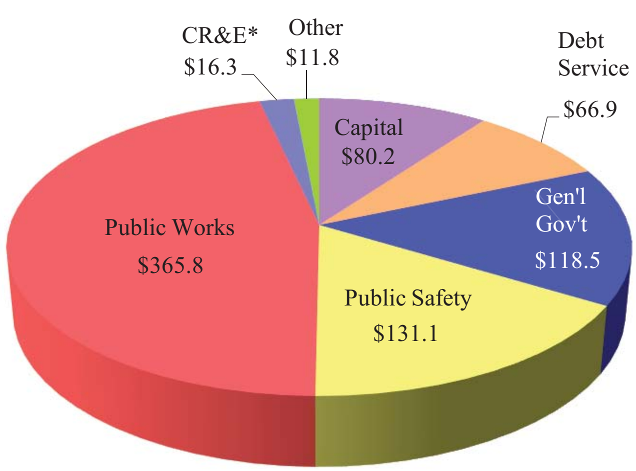
Compared to other municipalities, town income per return was less than in villages ($59,211) but higher than in cities ($48,272).

SPENDING

Wisconsin towns tend to have fewer expenses than other municipalities. The majority of town revenues go to building and maintaining roads and, to a lesser extent, to public safety. Towns usually spend little on health, conservation, or development.

Total Spending. Towns spent $790.6 million from their general funds in 2013. About 10% ($80.2 million) was for capital items (e.g. building projects) and another 8.5% ($66.9 million) was for debt service.

Figure 3: Towns Spend Most on Public Works
Town Spending by Category, $ Millions, 2013



*CR&E=Culture, Recreation, and Education

That left $643.5 million for other expenditures. Town spending averaged $479 per capita. Excluding capital spending and debt service, expenditures were $390 per capita.

By Category

Public Works. Public works expenditures accounted for nearly half of all spending (Figure 3), more than any other category. Towns spent $222 per person on public works in 2013.

Most public works spending is transportation related; however, it also includes sewage, garbage, recycling, and sanitation. Over 80% of this spending ($181 per capita) was for road construction and maintenance.

Public Safety. The second largest town expenditure was public safety, which includes law enforcement, fire protection, and ambulance services. However, the nearly $80 per capita spent on public safety was only about a third of what towns spent on public works.

Most towns do not have their own police or fire departments. Some are part of a joint fire department with neighboring towns, villages, or cities. Others contract with nearby fire departments for services.

General Government. Towns spent $72 per person on general government operations. Most of this was for general administration, including town board expenses.

Culture, Recreation, and Education. Town governments spent another $10 per person for culture, recreation, and education activities, mostly for libraries ($3) and parks ($3).

Although some towns have parks, most do not have cultural or recreation programs. Rather, town residents often take advantage of programs in neighboring villages or cities. Town residents sometimes pay a higher fee than village or city residents to use these services.

Variations

While non-capital/debt spending in towns averaged $390 per person, 75 towns spent more than $1,000 per resident. La Pointe in Ashland County spent the most at $7,655 per capita (see Table 2 on page 5). Its non-capital spending was more than $2,000 per person higher than the next highest-spending town—Washington ($5,423) in Door County. Both are islands in tourist areas.

Towns that spent the most per capita tended to have small populations and were in the north. Of the

50 highest-spending towns, 38 had populations under 500. Small towns cannot achieve scale economies and thus tend to spend more per capita.

Only 14 towns spent less than $150 per resident on non-capital items. The Town of Plymouth (Sheboygan) spent the least ($98). When capital expenditures and debt service are added, only seven towns spent less than $150.

By Population

A closer look at town spending shows that it varies with population. Total spending tends to be higher in more populous places: towns with fewer than 500 residents spent an average of $270,600 in 2013, while towns with over 5,000 residents spent an average of $4.5 million.

However, small towns (under 500) tend to spend the most per capita. These 266 towns spent $854 per capita (see Figure 4 on page 6). By comparison, towns in the 500-to-1,000 range spent $546 per person, and those in the 1,000 to 2,000 range spent $413. The largest towns (5,000 residents or more) spent $559 per capita.

The range is even greater when capital and debt service expenditures are excluded. Wisconsin's smallest towns spent $724 per person, nearly twice that of towns over 5,000 ($388), and nearly 2.5 times that of towns with 3,000-5,000 and 2,000-3,000 residents ($304 and $305 per capita, respectively).

Public Works. Per capita spending on public works tends to decrease as towns get larger. Towns under 500 spent $475 per person, most of which ($425) was for local road maintenance and construction. Towns with 500 to 1,000 residents ($282) spent $143 per capita less. The pattern continues as town size increases; towns with over 5,000 residents spent $83 per capita.

Public Safety. Per capita public safety spending was relatively low, except in the largest towns. Towns with populations over 5,000 spent $152 per person on public safety, more than twice what towns between 3,000 and 5,000 spent ($72). Towns in smaller population categories spent between $58 and $85 per capita.

The largest differences were for law enforcement. Towns with populations over 5,000 spent $70 per person, more than three times what towns with 3,000 to 5,000 residents spent. Towns under 500 spent only $4 per capita. Large towns are more likely to have their own police departments, while small towns often rely on the county sheriff or contract with surrounding municipalities.

Table 2: Highest and Lowest Spending Towns
Per Capita Spending, Sorted by Non-capital Spending, 2013

Town	County	Pop.	Non Capital	Capital & Debt	Total
	Highest Spending Towns				
La Pointe	Ashland	268	$7,655	$4,396	$12,052
Washington	Door	714	5,423	394	5,817
Anderson	Iron	57	5,045	0	5,045
Foster	Clark	96	2,348	0	2,348
Gordon	Douglas	638	2,341	261	2,602
Popple River	Forest	42	2,309	0	2,309
Bell	Bayfield	267	2,292	374	2,666
Port Wing	Bayfield	375	2,112	62	2,174
Clover	Bayfield	220	2,096	399	2,495
Dovre	Barron	849	2,069	8	2,077
	Lowest Spending Towns				
Farmington	Washington	4,023	$140	$64	$204
Bartelme	Shawano	811	134	0	134
Birch	Lincoln	965	133	0	133
Sumpter	Sauk	1,187	131	52	183
Mukwa	Waupaca	2,951	129	14	142
Greenbush	Sheboygan	2,560	122	16	138
Angelo	Monroe	1,299	121	0	121
Lima	Sheboygan	2,984	119	91	210
Durand	Pepin	746	116	0	116
Plymouth	Sheboygan	3,197	98	53	151

Per capita spending on fire protection was highest in the smallest and largest towns but lower in the middle ranges. Towns with 3,000 to 5,000 people spent $36 per capita. The smallest and largest towns spent $61 and $60 per capita, respectively.

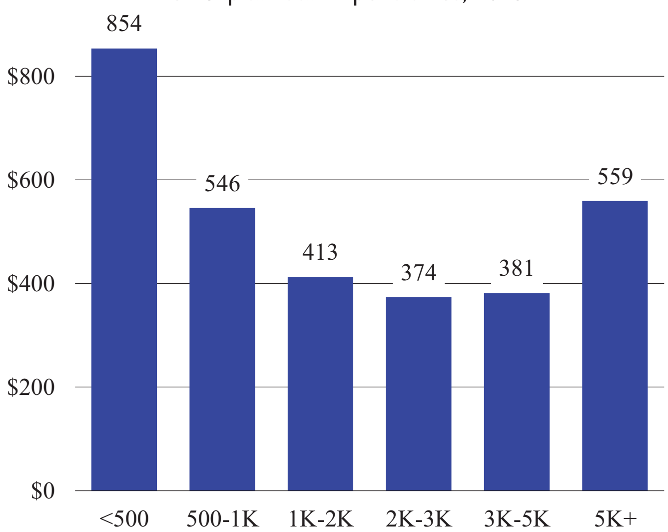
General Government. General government spending was highest in small towns. Those under 500 spent $144 per capita, while spending in more populous towns ranged from $55 to $83 per person.

Towns vs. Cities and Villages

To provide perspective, towns are compared with cities and villages. In 2013, towns spent 60.2% less per capita than villages ($1,204) and 70.1% less than cities ($1,604).

Public Works. Public works represented just 14.6% of village, and 12.3% of city spending, but 46.3% of town spending. The largest differences were for road construction and maintenance. While towns spent $144 per capita, villages ($91) and cit-

Figure 4: Town Spending by Population
Per Capita Total Expenditures, 2013



ies ($82) spent much less. Towns ($37) spent more than six times what cities ($6) or villages ($5) did on building roads.

However, public works also includes spending on sidewalks, sewers, mass transit, and garbage collection. These latter expenditures are more often found in cities and villages. Cities ($56) and villages ($55) spent nearly twice per capita what towns ($32) spent in these areas.

Public Safety. While towns spend most on public works, cities and villages spend the largest portion of their revenues on public safety—police and fire protection. Villages spent nearly four times ($299) as much as towns on public safety; cities six times as much ($495).

Most towns do not have police departments. While cities with 4,000 or more people and villages of 5,000 or more must by law provide police protection, towns are under no such requirement. If a town does not have its own police force, protection is provided by the county sheriff. Of Wisconsin's 1,255 towns, 1,005, or more than four in five, had no law enforcement expenditures. Towns spent much less per capita on law enforcement ($19) than villages ($176) and cities ($297).

Most towns also do not have their own fire departments. In 2013, towns spent $46 per capita on fire protection. Villages ($92) and cities ($148) spent more. However, some of these village and city expenditures are reimbursed through contracts with towns.

Debt Service. Table 3 shows that towns spent significantly less on debt service ($41 per capita) than villages ($291) and cities ($411). This is largely due to the fact that towns have significantly less debt.

Capital. The discrepancy in debt is partly explained by the tendency for towns to spend little on capital building projects, which usually require borrowing. Towns spent $49 per person on such projects, compared to $198 for villages, and $214 for cities.

Other. Towns spending was much lower than cities and villages in other categories. Town spending per capita on general government ($72) was roughly two-thirds of what it was in cities ($105) or villages ($114). Similarly, towns ($10) spent significantly less on culture, recreation, and education than cities ($106) and villages ($72).

Table 3: Town, Village, City Spending
Per Capita Spending, By Municipality Type, 2013

	Total Gen'l Exp.	Non capital/ Debt	Capital	Debt Service
Towns	$479	$390	$49	$41
Villages	$1,204	$715	$198	$291
Cities	$1,604	$979	$214	$411

REVENUES

In 2013, general fund revenues (excluding proceeds from bond issues and transfers from other funds) in towns totalled $754.7 million, or $457 per capita.

Property Taxes. Property taxes are the largest sources of town revenue, totalling $382.3 million and 50.6% of total revenue in 2013. The average town rate was $2.22 per $1,000 of property value. Property taxes represent 95.9% of town tax revenue; an assortment of other taxes make up the remainder.

State Aids. The second largest revenue source for towns is state aid. These include shared revenues, transportation aids, and fire protection aids. State aids to towns totalled $223.4 million, or $135 per capita (see Table 4 on page 7).

General transportations aids totalling $132.9 million accounted for nearly 60% of all state aid to towns. Shared revenues ($52.5 million, or $32 per capita) were the second-largest state aid for towns.

Other. In addition to taxes and state aid, towns derive revenue from a number of other sources. Towns collected $55.1 million ($33 per capita, 7.3% of total revenue) in public charges, nearly half ($25.6 million) of which was for garbage collection.

Another $22.6 million was collected in fees for permits, licensing, and fines, $15.3 million of which was for business licenses and building permits. Fees totalled $14 per capita.

The remainder of town revenue ($39.1 million) came from federal aid ($2.7 million), intergovernmental charges ($5.8 million), and an assortment of miscellaneous sources ($30.6 million).

Towns vs. Cities and Villages

Not surprisingly, towns collect less revenue from taxes, fees, state aids, and federal funds than cities and villages. At $457 per capita, town revenues were less than half of those in villages ($1,005), and cities ($1,241).

Property Taxes. Like towns, property taxes are the largest revenue source for cities (42.8%) and villages (47.5%). However, towns ($232) collected less than half the per capita amount collected in cities ($531) and villages ($477).

Municipal property tax rates are generally lower in towns than in villages and cities. In 2014-15, the average town rate was $2.22 compared to $5.45 in villages and $8.11 in cities.

As a result, overall property tax rates, which include property taxes for schools, counties, technical colleges, and the state, are lower in towns than other municipalities as well. These other property taxes are levied based on equalized, or fair market, property value. Thus, town and city residents in the same school district pay the same rate for these entities.

An important exception is the county library tax. If a municipality has a local library and levies taxes to support it at a rate equal to or higher than the county library tax rate, it is exempt from the county tax. Since towns generally do not have libraries, town residents pay a slightly higher county rate than city or village residents.

Overall, the average net property tax rate in towns was $16.19 per $1,000 of property value, compared to $19.98 in villages and $23.40 in cities.

State Aids. On a per capita basis, towns ($135) collected less state aid than villages ($156) or cities ($276). Although towns ($81) received more general transportation aid than cities ($42) or villages ($47), villages ($83) and cities ($188) received more per capita shared revenues than towns ($32).

Table 4: Municipal Revenue by Source
Per Capita Revenue, by Category, 2013

	Taxes	State Aid	Public Charges	Lic/ Permits/ Fines	Federal Aid	Intergov't Charges
Towns	$242	$135	$33	$14	$2	$4
Villages	$635	$156	$71	$44	$5	$28
Cities	$667	$276	$109	$45	$33	$36

Other. Villages collected roughly twice as much in public services charges per capita ($71) than towns; and cities more than three times ($109). Villages ($44) and cities ($45) also collected more per capita in permits, licenses, and fees than towns ($14).

PROPERTY TAX BASE

Property tax base is the total amount of taxable property in a municipality. It is grouped by type; e.g., residential, commercial, manufacturing, agricultural, etc. Generally, towns have little commercial (5.7% of the total) or manufacturing (1.0%) property. By comparison, commercial property was 19.8% of the tax base in villages and 29.7% in cities, while manufacturing was just under 4% in both.

Thus, a greater share of town taxes is borne by owners of residential properties (78%) or agricultural, undeveloped, or forest land (15%). Moreover, because agricultural land is now assessed based on its use rather than the real estate market, the property tax burden is increasingly shifted to homeowners.

DEBT

Towns spend much less on debt service than cities or villages. As mentioned, the main reason for this is that towns borrow significantly less. In 2013, general obligation debt totalled $196 per person in towns, a fraction of that in villages ($1,670) and cities (1,466). Of the 1,255 towns, 688, or more than half, had no long-term general obligation debt in 2013.

Towns with the most debt were generally the most populous. Towns with populations under 5,000 all averaged between $81 to $203 debt per capita. Towns over 5,000 averaged nearly triple that ($604). ☐

DATA SOURCES:

Census Bureau; Wisconsin Department of Revenue; Wisconsin State Statutes; WISTAX Calculations.

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WISTAX NOTES

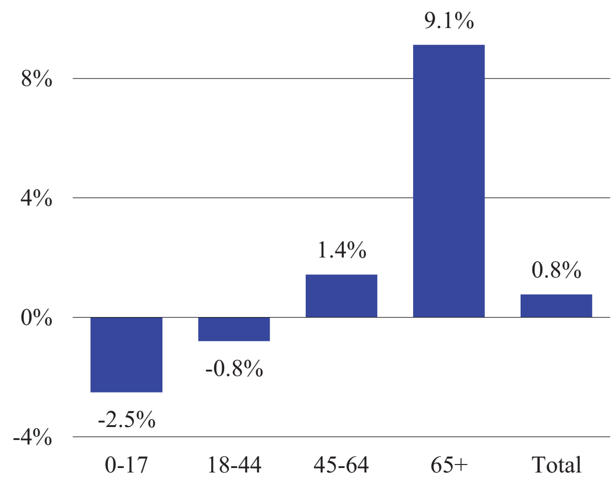
■ **State Tax and Spending Committees.** States with separate legislative committees for taxing and spending spend less than states with one committee handling both, according to the Mercatus Center. Analyzing 40 years of state spending, the study found that the separation of taxing and spending committees resulted in states spending $300 to $400 less per resident, or $790 to $1200 less per household. The effect was not uniform across all categories of spending. The difference was most notable in health care and local aid spending, but not significant for spending on highways and other infrastructure.

■ **Population Estimates.** Recent estimates show that while the population of Wisconsin residents 65 years old and up has increased 9.1% since 2010, most other age groups have stagnated or declined, according to the Wisconsin Department of Health Services. During 2010-13, the number of Wisconsinites between 45 and 64 increased 1.4%, while those between 18 and 44 fell 1% (see chart). The number of residents under the age of 18 fell 2.5%. The total Wisconsin population increased 0.8% to 5.73 million.

■ **State Tax Collections.** According the U.S. Census Bureau's 2014 Annual Survey of State Government Tax Collections, Wisconsin collected $2,850 per capita ($16.4 billion total) in state taxes in 2014, 18th highest of the 50 states. Per capita collections fell roughly 1% from $2,877 in 2013, but Wisconsin's rank was unchanged. Nationally, total state government tax revenue increased 2.2%, from $847.1 billion in fiscal year 2013 to $865.8 billion in 2014. Of surrounding states, Minnesota (6th) and Illinois (14th) ranked higher and did not move in the ranking from last year. Both Iowa (23rd) and Michigan (31st) ranked lower, dropping three and four spots, respectively.

Retirement-Age Population Grows Rapidly

Population Change by Age Group, % Chg., 2010-13



■ **Eminent Domain.** Eminent domain is the right of a government to expropriate private property for public use, with compensation, resulting in the displacement of residences and businesses. A total of 69 displacements, including 54 residences and 15 businesses, occurred as a result of non-transportation related public projects in Wisconsin in 2013-14, up from 38 in 2012-13 (24 residences and 14 businesses). ☐

In FOCUS . . . recently in our biweekly newsletter

- Local property taxpayers pushing back against state fiscal mandates? (#8-15)
- Lawmakers finishing fixes to governor's budget (if economy cooperates) (#9-15)