

The Wisconsin Taxpayer

A monthly review of Wisconsin government, taxes, and public finance

Also
in this issue:
**Property Taxes
2011**
(page 7)



Forgotten? Challenges Facing Rural Schools

Viewed through a sepia-tinted lens of nostalgia, rural and small-town Wisconsin offers a comforting image of our parents' farm, the family's main-street five-and-dime, and our grandparents' one-room school. The reality of rural Wisconsin today, however, too often offers a different picture, one of vacant barns, shrinking populations, poverty, and limited economic opportunity.

Over the last 10 years, 17 counties, nearly all rural, had population declines, with Florence, Iron, and Price counties falling more than 10%. In many of these counties, the median age tops 45, or about seven years higher than the state average. In rural Wisconsin, job opportunities are about 10% less than elsewhere; wages are more than 25% less.

It is against this stark backdrop of black and white that rural schools, educators, and students face challenges of which much of the state's people and politicians—living in a dozen or so populous, growing, and generally prosperous counties—are largely unaware. These forgotten or unfamiliar challenges include shrinking enrollments, limited academic offerings and opportunities, long and costly bus rides, staff retention, and inadequate access to the latest technology.

GEOGRAPHY AND ENROLLMENTS

Of 366 Wisconsin K-12 districts studied, 220 (60%) were rural. Rural districts are widespread, but are most predominant in the north (nearly 45% of the total) and southwest (21%). Looked at differently, among the 130 K-12 districts in the northern half of the state, 75% were rural. In the southwest, more than 80% of districts (47 of 57) were.

Large in Land Area

In general, the state's rural districts are larger in land area than other K-12s but have fewer students. The average rural district covers nearly 170 square miles (see Table 1), or 46% more than nonrural ones (116 square miles). The median (half larger, half smaller) rural district covers 134 square miles, compared to 91 for other districts.

The largest rural districts are Chequamegon (741 square miles), Drummond (673), Winter (660), Hayward (613), and

IN BRIEF

More than one in five Wisconsin public school students attends a rural school. These schools face many challenges.

- Of Wisconsin's 220 rural districts, 182 (82.7%) had enrollment declines in 2000-10. Over half had declines of at least 10%, and nearly one-quarter saw enrollment fall more than 20%.

- Seven rural districts had smaller revenue limits in 2010 than in 2001. Another 20 had their limits rise less than 1% per year during this period.

- The average rural district offered three Advanced Placement classes, compared to nine elsewhere in the state.

- In rural districts, nearly 40% of students were eligible for free or reduced lunch, compared to 31% elsewhere.

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Detailing 2010-11 Property Taxes • Getting Old
• A Tax Windfall? • Benchmarking Performance •
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Phillips (595). All are in northern Wisconsin, and each is larger in land area than 25 of the state's 72 counties.

Few Students

While much larger in land area, rural districts have significantly fewer students than other districts. In 2010, Wisconsin's rural districts averaged 824 students (median 689), compared to more than 3,800 (median 2,621) for others. Among the 220 rural districts, 163 (74%) had fewer than 1,000 students, and more than half (124, or 56%) had fewer than 750.

Not only do rural districts generally have few students, but Wisconsin's least populous districts are primarily rural. In 2010, Wisconsin had 176 K-12 districts with fewer than 1,000 students, of which 93% were rural. Moreover, of the 130 districts with fewer than 750 students, 95% were rural.

Sparsity

When land area and enrollment are combined, a major hurdle for rural districts becomes clear: few students per square mile. While Wisconsin's nonrural districts averaged 100 students per square mile in 2010, rural districts averaged fewer than eight. Though Milwaukee Public Schools skews the nonrural average, medians tell a similar story: 30.9 students per square mile for nonrural districts compared to only 4.8 for rural ones.

Among the state's rural districts, 30 had fewer than two students per square mile and eight had less than one: Butternut, Drummond, Goodman-Armstrong, Laona, Mercer, Northwood, South Shore, and Winter.

The combination of large land area and few students can lead to significantly higher transportation costs. Moreover, the small student counts typically raise per student costs above those of larger districts due to lack of scale economies (the per student savings that come with higher enrollment).

Declining Enrollment

Not only are rural student counts small, they are generally declining. Enrollment plays a major role in determining how much revenue a district can collect (revenue limits) and how much state general aid it receives. Declining enrollment can have a negative effect on both.

WHAT IS A RURAL SCHOOL?

According to the U.S. Department of Education, "few issues bedevil analysts and planners concerned with rural education more than the question of what actually constitutes rural." Here, "locale codes" are used to identify rural districts. These codes were developed by the U.S. Census Bureau's National Center for Education Statistics and are based on proximity to metropolitan areas, population size, and population density.

Table 1: Rural District Geography
District Land Area and Enrollment, K-12 Districts,
Median and Average of Districts, 2010

Dist. Type	Sq. Miles		Students/Sq. Mile
		Enroll.	
<i>District Averages</i>			
All K-12	148.4	2,242	47.0
Non-rural	116.4	3,804	100.0
Rural	169.9	824	7.9
<i>District Medians</i>			
All K-12	113.3	1,040	8.2
Non-rural	91.0	2,621	30.9
Rural	133.9	689	4.8

More than 80% of a typical district's revenues are capped through state-imposed revenue limits. Since these limits are tied to district enrollment, districts with falling student counts experience stagnating or even declining revenues over time.

Meanwhile, some district costs are not directly tied to student numbers. As enrollments fall, costs for administration and utilities, for example, do not necessarily decline proportionately. To balance budgets, these districts must cut costs or pass referenda allowing them to exceed their state-imposed limits.

In 2010, Wisconsin's rural districts had more than 14,500 fewer students than they had in 2000. The 7.5% decline was in sharp contrast to the 3.3% increase in other K-12 districts.

Of Wisconsin's 220 rural districts, 182 (82.7%) had declines over the 10 years studied (see Figure 1). More

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troubling, 123 (55.9%) had declines of at least 10%, and 51 (23.2%) fell more than 20%. Five districts had enrollments fall more than 35%: Florence, Goodman-Armstrong, Mercer, Washington, and Weyerhaeuser.

Future population prospects for Wisconsin's rural districts are not promising. Population projections show continuing declines in much of rural Wisconsin for the next 15 years. The result will be districts with even fewer students and fewer students per square mile, and further pressure on district budgets.

DISTRICT BUDGETS

As mentioned, the combination of declining enrollment and state revenue limits can create revenue challenges for districts. On the expenditure side of the ledger, low enrollments and sparse districts raise per student costs.

Revenue Limits

From 2001 through 2010, the average rural district's revenue limit rose 26.4%, or 2.6% per year. Revenue growth in rural areas was significantly slower than in nonrural districts, which were up 39.0%, or 3.7% per year. However, even this gap masks some of the real challenges facing many rural districts with declining enrollment.

Among the 220 rural districts, seven had a lower revenue limit in 2010 than in 2001. Another 20 had their limits rise less than 1% per year. Each of these 27 had enrollment declines of at least 15% during these years.

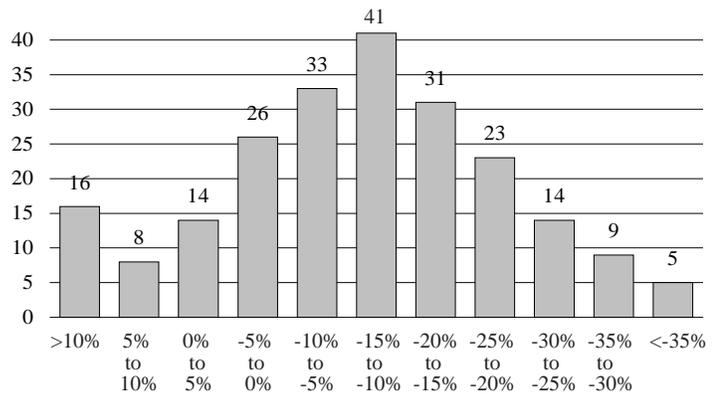
While districts with many students often deal with slow revenue growth by consolidating classes or closing schools, small districts usually do not have these options. Among these 27 districts, median 2010 enrollment was 480 students, or fewer than 40 students per grade. For these districts, staffing is often near a minimum, making cuts more difficult. These districts often operate only one or two schools, meaning closing one is not an option to save money.

Over the last 10 years, small modifications to the revenue limit formula have provided these districts with some relief. But their small size and enrollment outlook mean revenue growth will continue to be slow (or even negative) into the foreseeable future.

State Aids and Taxes

While declining enrollment and its impact on state-imposed revenue limits is a big chal-

Figure 1: Rural Declining Enrollment
Number of Rural Districts by % Change in Enrollment, 2000-10



lenge for rural schools, some argue the state's general aid formula treats rural districts unfairly, particularly those with large amounts of high-value vacation property.

Wisconsin's complex aid formula distributes state dollars to school districts based on per student spending and property values. Districts with higher values per student get less aid. The goal of the aid formula is to equalize property tax rates for districts with similar spending.

When the values of vacation properties appreciate, as they did over the last 20 years, aid to districts with this type of real estate tends to fall. It could be that in districts with a disproportionate share of low-income residents, these aid reductions raise property taxes above what is affordable.

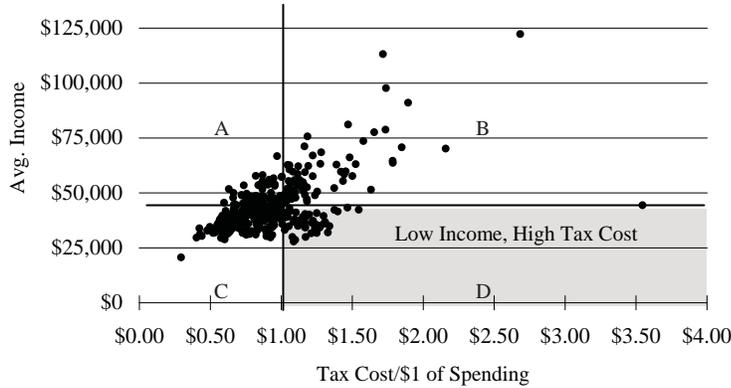
One way to think about this issue is to consider the "tax cost" of school spending, or the amount of total taxes paid for every dollar spent on schools. To support local schools, residents pay property taxes directly to their district. They also pay income and sales taxes to the state, a portion of which is then redistributed as state aid to school districts. A district's tax cost is the sum of its taxes paid divided by its spending.

The state's general aid formula is generally "progressive" in that high-income districts typically have a tax cost of more than one—they pay more than a dollar in state and local taxes for each dollar of spending on schools. Meanwhile, low-income districts generally have a tax cost of less than one.

Figure 2 displays this relationship in 2010. Districts in the top, right quadrant (B) have above-average incomes and high tax costs of

In 2010, Wisconsin's rural districts had more than 14,500 fewer students than they had in 2000.

Figure 2: Tax Cost of School Spending
Income and Property Taxes Paid Per \$1 of Spending, by District, 2010



spending (more than \$1). These districts generally have high per student property values, and thus receive little state aid. The combined amount of state and local taxes paid is high relative to the district's spending (i.e., their tax cost is high).

The bottom, left quadrant (C) shows districts with lower incomes and low tax costs. These districts have low per student property values, and thus receive more state aid.

The area of interest (D) is the shaded bottom, right: districts with below-average incomes and high tax costs (i.e., they pay more for education than would be expected given their incomes). These are districts with low average incomes but high property values, often due to the abundance of vacation properties in the area.

Of the 56 districts that fall within quadrant D, 42 (75%) are rural. Among those with the lowest incomes (least ability to pay) were Beecher (income of \$27,920, tax cost of \$1.09), Winter (\$28,642, \$1.10), Wausaukee (\$29,927, \$1.17), Weyerhaeuser (\$29,966, \$1.08), Wabeno (\$31,585, \$1.21), and Suring (\$31,741, \$1.25).

Costs

While adequate revenues are a continuing challenge for rural districts, above-average per student costs are also problematic.

Instruction. Nearly 60% of a typical district's expenditures are for instruction. In 2010, rural districts spent \$7,506 per student on instruction (see Table 2), or \$496 (7.0%) more than what the average nonrural district spent (\$7,010).

In many ways, the spending difference is due to district enrollment. Because rural dis-

tricts tend to have fewer students, they often find it difficult to maintain efficient class sizes, especially in middle and high schools, where course variation is highest. Although actual class size figures are not available, overall student/teacher ratios shed light on the issue. Rural districts had average student/teacher ratios of 13.1, or 10% below the ratio for other districts (14.6). That is, they tended to have more teachers teaching fewer students.

One rural school official put it succinctly. A district with 250 students may need a high school math teacher at only 60% of full-time. However, it is hard to keep a teacher at less than full-time, so she is hired full-time.

For a district with 500 students, the difference in student/teacher ratios means it employs four additional teachers compared to what it would hire had it staffed at the nonrural average. A 750-student district would have six additional teachers. For rural districts, teacher compensation (salaries plus benefits) averaged \$71,500 in 2010. Thus, the difference in student/teacher ratios costs a 500-student district about \$286,000 per year and a 750-student district nearly \$430,000.

Transportation. Large land area also creates several challenges for many rural districts. First, bus rides for students are long, sometimes more than an hour each way. Second, winter roads in northern Wisconsin can be treacherous. And finally, high transportation costs take a significant bite out of tight school budgets.

Rural districts spent an average of \$665 per student on transportation in 2010, or more than 50% above what other districts spent. These high costs are attributable to the large areas and small student populations of these districts.

State transportation aids paid to schools alleviate some of the gap, but only a little. These

Table 2: Rural District Spend More
Avg. and Median Per Pupil Spending, Total 2010

	Per Student Spending				
	Total	Inst.	% of Total	% of Trans.	% of Total
<i>District Averages</i>					
All K-12	\$12,629	\$7,311	57.9%	\$573	4.5%
Non-rural	12,030	7,010	58.3	433	3.6
Rural	13,017	7,506	57.7	665	5.1
<i>District Medians</i>					
All K-12	12,254	7,145	58.3	540	4.4
Non-rural	11,967	6,934	57.9	425	3.6
Rural	12,554	7,337	58.4	639	5.1

Transportation costs in rural districts are more than 50% higher than in other districts.

aids (per student) are distributed based on the distance from the student's home to school along the most commonly travelled route. They range from \$15 per student per year for the shortest trips to \$220 for distances of more than 12 miles.

On average, nonrural districts received \$26 per student (based on total students, not just those riding the bus). Rural districts averaged just over \$44 per student. Transportation aids averaged just over 7.5% of costs for rural districts, compared to under 6% for nonrural ones.

Many rural districts also receive "sparsity" aid to help offset high transportation and other costs. When these aids are added to the transportation aids, per student assistance for rural districts climbed to an average of \$71 per student, compared to \$27 for other districts.

While this state aid is helpful, the transportation cost gap remains wide. Rural districts spent a net of \$593 per student, or nearly 50% more than other districts (\$405).

Spending Ratios. The impact of high transportation costs on instruction is readily seen when a ratio of the two is examined. This ratio might suggest the degree to which instructional dollars are "lost" due to high transportation costs. If a school district has a relatively fixed pot of money to spend—which is the case with state-imposed revenue limits—then a high ratio indicates money is being used for transportation that might otherwise be used for instruction.

For all districts, the average transportation/instruction ratio was 7.82, that is, \$7.82 spent on transportation for each \$100 spent on instruction. The ratio was 8.87 for rural districts and 6.21 for remaining districts. The gap between rural and nonrural districts was 2.66, meaning that for each \$100 of instructional costs, rural districts spent an additional \$2.66 on transportation. For a 500-student district spending \$7,000 per student on instruction, this is an additional \$186 per student.

The highest ratio was in Hurley (17.49), a northern district covering 480 square miles with fewer than 650 students. In 2010, it had fewer than 1.6 students per square mile. Other districts with high ratios include Durand, Drummond Area, Gilman, Lake Holcombe, Maple, Norwalk-Ontario, South Shore, and Winter.

INSTRUCTION

With relatively few students, rural districts are often at a disadvantage in offering a varied curriculum, particularly in advanced courses.

Advanced Placement

One area where rural schools trail their counterparts elsewhere is in the offering of Advanced Placement (AP) courses, college-level courses designed by the College Board, the same national organization responsible for the Scholastic Aptitude Test (SAT).

AP courses span 31 areas, from art history to calculus, from biology to Chinese. Upon completing a course, students can pay to take a College Board exam covering course content. Many colleges and universities grant college credit or course exemption for passing these tests.

Rural schools can have difficulty filling classes, particularly advanced ones taken by relatively few students. So many rural districts do not offer the range of AP classes that districts with more students can.

In 2010, the average nonrural district offered nearly nine AP class sections, compared to only three in rural districts. And the discrepancy is larger than figures show. In rural Wisconsin, 83 districts offered fewer than two AP classes; in nonrural districts, only nine offered as few. Indeed, 44 (20%) rural districts offered no AP classes, compared to only three nonrural districts.

That said, some rural districts do offer a relatively large number of AP classes. For example, Alma Center, Elkhart Lake, Fall River, Gibraltar, Granton, and Randolph each have fewer than 600 students, yet offer at least seven AP classes.

College Entrance Exams

A second area where rural districts lag others is in college entrance tests, particularly the ACT. The test is taken by juniors and seniors looking to attend college after high school.

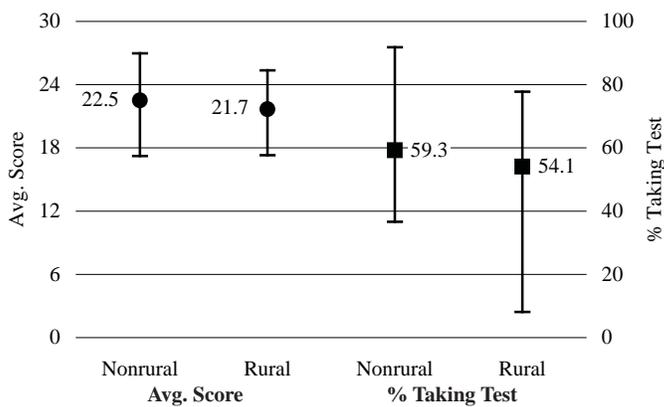
Test Scores. Average ACT scores differ little between rural and nonrural districts. Rural districts averaged 21.7 out of 36, while their counterparts averaged 22.5 (see Figure 3). Some rural districts were high performers; for example, Elcho (25.4), Gibraltar (24.7), Green Lake (24.7), and Highland (24.1) were among the 20 highest scoring of all districts. However, rural districts accounted for 36 of the lowest 40 average scores, and 62 of the lowest 75.

Test-Takers. Fewer rural students (54.1%) take the ACT than students elsewhere (59.3%), as Figure 3 shows. But more troubling is that districts with the lowest share of students taking the ACT were predominantly rural: 18 of the lowest 20, and 38 of the lowest 50.

The average nonrural district offered nearly nine AP classes compared to only three in rural districts.

Fewer rural students take the ACT than students elsewhere, but average scores are similar in the two district types.

Figure 3:
ACT Scores (left), Test-Takers (right) Lower in Rural Districts
 District Avg., Min. and Max., 2010



What drives the gap in ACT scores and participation is unclear. Lack of AP or other advanced classes could play a role. Also, less need or inclination to attend college could play a role.

RURAL ECONOMIES

Educational challenges in rural areas also are complicated by less economic opportunity and more poverty.

Jobs and Wages

In 2009, there were 57 full and part-time jobs per 100 residents in rural Wisconsin, compared to 62 per 100 in the rest of the state. The gap was even wider in wage and salary jobs (42 per 100 vs. 52).

Along with fewer employment opportunities, average pay was significantly lower. The average wage in rural Wisconsin in 2009 was \$34,552, 26% less than in the rest of the state (\$46,844).

Income measures, which include sources other than wages, show similar gaps. Adjusted gross income (AGI) in rural districts averaged just over \$41,000, or about 20% less than incomes elsewhere (\$52,000). The 24 districts with the lowest AGIs were all rural. Menominee Indian, Gilmanston, River Ridge, Beecher, and Goodman-Armstrong were all districts with 2009 AGI under \$31,000.

Student Poverty

Below-average incomes translate into more poverty in rural Wisconsin. One indicator is the percent of students eligible for free or reduced-price lunch. On average, 39.3% of rural students were eligible for this program, compared to 31.3% (or 25% fewer) elsewhere. Eligible students come from families with incomes less than 185% of poverty (\$40,793 for a family of four).

Rural districts dominated the list of districts with high participation in subsidized lunch programs. Of the 25 districts with the highest participation rates, 21 were rural. Thirteen rural districts had participation rates above 60%, and three were above 70%: Bayfield, Menominee Indian, and Webster.

Internet Access

High-speed internet access is increasingly important to both economic growth and educational opportunity. Isolated firms and employees can remain competitive in a global economy via the Internet. Yet a recent report from the Federal Communications Commission shows between 20% and 30% of Wisconsin's rural population lacks access to high-speed Internet, compared to about 4% elsewhere.

By using the Internet for distance learning, in-school research, and staff training, among others, rural districts, too, can remain competitive. With private service often limited or expensive, most (167 of 220) of these districts get high-speed Internet through WisNet, an organization that provides affordable high-speed Internet to schools, libraries, and other public entities.

Already at a disadvantage in terms of curricular offerings, rural districts end up even further behind urban and suburban counterparts if they lack access to technology. And outside of school, homework that involves the Internet further complicates the lives of rural students. Even in areas with high-speed access, low family incomes can make access unaffordable.

POLITICAL INFLUENCE

Many rural school advocates cite the lack of political influence as another obstacle facing them. Wisconsin's rural population is about one-third of the state's total. So it will always have a minority voice. However, further analysis shows that the political clout of rural schools is even smaller than it might be.

The Wisconsin legislature has 33 senators, some from urban areas, some from rural, and many who represent a combination of rural and urban interests. Overlaying state senate districts on school district boundaries clearly shows the paucity of rural representation.

Of 33 senate districts, only six (18%) are primarily rural. Remaining districts represent urban and suburban areas, or have a significant concentration of urban/suburban school districts along with some rural ones. Moreover, one of

the six senate districts classified as rural contains three of the state's largest school districts (Stevens Point, Wisconsin Rapids, and Marshfield).

A similar pattern is found in the lower house. Of 99 assembly districts, only 19 (19%) are primarily rural.

These figures reinforce why rural schools are often forgotten. The majority (60%) of Wisconsin's school districts are rural, and they educate one in four students. Yet 19% of state assembly representatives represent areas with predominantly rural schools. Arguably, the figure is even lower (15%) for the senate.

For most state citizens, rural schools are out of sight and out of mind. And for the vast majority of their lawmakers, there is little or no reason to advocate for rural schools other than out of nostalgia or empathy.

CHALLENGES MOVING FORWARD

Given many of the gaps between rural and urban schools in Wisconsin, how will Wisconsin's rural districts maintain program quality for students at an affordable cost to taxpayers? While there is no silver bullet, some creative approaches could narrow the gap.

Long bus rides can exact a toll on students, and the associated high costs mean fewer dollars for instruction. Increases in state transportation or sparsity aids could alleviate some of the gap, but with precarious state finances, where does the money come from?

A rethinking of district organization might be part of a solution. Should the state reconsider the use of smaller K-8 districts—where travel times could be shorter—that feed into larger regional or perhaps residential high schools? Could this type of high school be partnered with some of the 13 UW colleges or 16 technical colleges?

Might districts be allowed to go even further down this path, returning to local, one-room "schools," which could be in local churches, VFW halls, or other underused facilities. Students in these schools could be taught through a combination of circuit teachers—who travel the district teaching in these schools—and e-learning. Districts would need to get an exemption from many state mandates to make this work.

Technology clearly needs to be part of the solution. Advances in Internet technology mean more opportunities for districts to work together to provide more classes, particularly advanced ones, via e-learning. At the same time, technology can be expensive, and rural districts can find it difficult to fund the needed infrastructure.

One of the biggest challenges for rural schools—declining enrollment—is something over which school or state officials have little control. Stronger economic growth and higher-paying jobs in rural areas can attract young families. But would that growth be enough to counteract the power of current demography in these areas?

The challenges rural educators face are daunting. Economic and demographic trends are powerful. Solutions to rural school problems require creativity from policymakers, empathy from urban and suburban lawmakers, and awareness from the state's nonrural population. The question is: Are any of them up to it? □

Rural districts have little political clout as less than 20% of state lawmakers represent predominantly rural areas.

DATA SOURCES:

Rural School and Community Trust; U.S. Census Bureau; U.S. Federal Communications Commission; Wisconsin Departments of Public Instruction and Revenue; Wisconsin Rural Schools Alliance; WISTAX calculations.

Detailing 2010-11 Property Taxes

Like a monthly phone or cable bill, people generally pay little attention to the "fine print," or details, of their property tax bill. The typical property owner finds the total owed and writes a check for the appropriate amount. While common, this approach ignores variations among taxing units, and often leads to misconceptions about local government spending. To properly assess a tax bill, taxpayers should note levies—and levy changes—for individual taxing units (e.g., school districts, municipalities, counties).

The following sections provide an overview of 2010-11 property taxes, both statewide and by taxing district. This year's property taxes are also reviewed in the context of property tax limits. A case study of four communities where variation exists among taxing districts follows.

OVERVIEW

Total

Gross property taxes include school, municipal, county, technical college, state, tax incremental financing (TIF), and special district

levies. In 2011 (taxes levied in December 2010, collected in 2011), gross levies totalled \$10.36 billion. After subtracting \$1.03 billion in tax credits (\$747.7 million school credit, \$131.1 million lottery credit, \$149.7 million first dollar credit), net property taxes levied were \$9.34 billion, 2.6% higher than in 2010.

One way to understand the stress property taxes put on the state is to compare them to personal income—a broad measure of state income that includes interest, dividends, and other items in addition to wages and salaries. In 2011, net property taxes claimed 4.4% of personal income, nearly unchanged from the prior year (see Figure 1). Since 1970, net property taxes ranged from 6.0% of personal income in 1972 to 3.9% in 2001.

Net property tax levies rose 2.6% from 2010 to 2011.

School

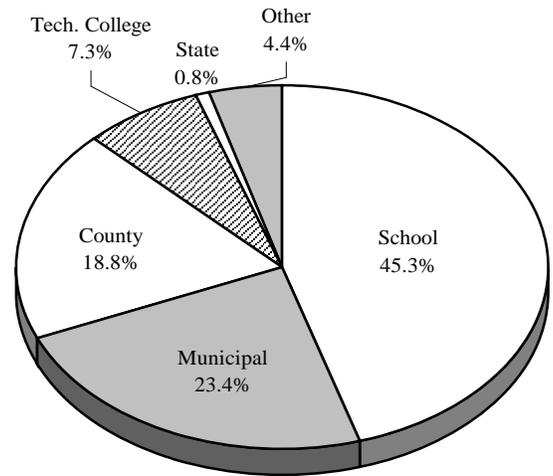
Because statewide school district spending exceeds municipal, county, or technical college spending, school levies account for the largest share of statewide property taxes. In 2011, school taxes were 45.3% of the gross total, nearly double the next-largest category (see Figure 2).

Since 1993-94, school revenue limits have tied allowable property tax increases to inflation, enrollment, and state aid. The more state aid increases, the less schools can increase their levy.

In 2011, school levies totalled \$4.69 billion, an increase of 3.4% from the prior year. Although school levy increases were greater than those of municipalities, counties, and technical colleges, this year's increase was considerably less than the 6.0% jump from 2009 to 2010. Since 2001, levy changes have ranged from -0.5% in 2006 to 7.4% in 2008. The 2006 drop reflected a 7.7% increase in general school aids.

Property tax credits totalled \$1.03 billion in 2011.

Figure 2:
2010-11 Property Taxes
By Taxing Unit, \$10.36 Billion Total

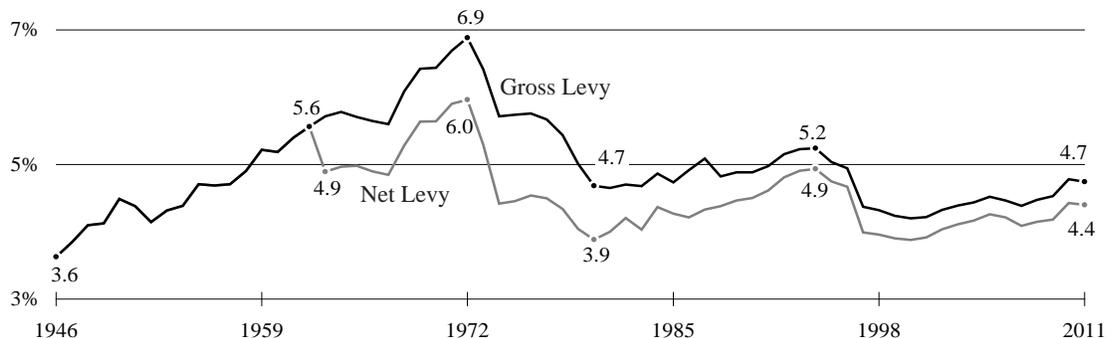


Among individual districts, the largest one-year levy increases were in Sharon J11 (34.7%), Ladysmith (26.2%), Trevor-Wilmot (24.0%), and Bowler (23.8%). Seventy-one districts reduced their levy from 2010 to 2011, with the largest declines occurring in Black Hawk (-27.4%), Rosholt (-21.0%), Dover #1 (-20.7%), and Wauzeka-Steuben (-17.9%). Large levy increases or decreases are often due to referenda being passed or recently expiring. In other cases, significant levy changes can be partly due to changes in state aid. In Ladysmith, for example, general state aid declined 6.5% in 2011.

Municipal

Municipal (city, village, town) property taxes totalled \$2.42 billion in 2011, up 2.1% from the prior year (\$2.37 billion). More so than other taxing units, municipal levies tend to vary widely

Figure 1:
Property Taxes Fluctuate Relative to Income
Gross and Net Property Taxes Relative to Personal Income, 1946-2011



due to the degree of services offered by cities, villages, and towns. For example, most towns provide fewer services than cities or villages.

Property tax levies in Wisconsin cities rose 2.0% in 2011, from \$1.61 billion to \$1.64 billion. Village (\$398.3 million to \$407.7 million) and town (\$364.3 million to \$373.0 million) levies both rose 2.4%. Since 2001, village levies have increased an average of 5.7% per year, faster than both towns (3.4%) and cities (4.0%). Table 1 shows municipal and total net levies for the state's 15 most populous municipalities.

County

Counties levied \$1.95 billion in 2011, up 1.9% from \$1.91 billion in 2010. Of Wisconsin's 72 counties, 11 decreased their levy from 2010, 24 increased their levy by 2.0% or less, and eight increased their levy by 5.0% or more.

The largest levy reductions occurred in Brown (-2.2%), Columbia (-1.4%), Marathon (-1.0%), and Pepin (-0.9%) counties. Counties with the largest increases included Marquette (10.2%), Door (8.9%), Langlade (7.2%), and Rusk (6.9%).

Technical College

Home to the nation's first technical college system, Wisconsin now has 16 technical college districts. The colleges are funded primarily through property taxes, which account for about 45% of their total revenues.

Technical college taxes rose from \$742.6 million in 2010 to \$757.2 million in 2011. This year's 2.0% increase followed increases of 5.0% and 3.9% in 2009 and 2010, respectively.

Among individual districts, levy changes ranged from -4.1% in Blackhawk to 8.8% in Madison. In addition to Blackhawk, two other districts also dropped their levies: Milwaukee Area (-4.0%) and Southwest Wisconsin (-1.3%). Levy increases were largest in Madison, Mid-State (4.5%), and Chippewa Valley (3.9%).

Although technical college taxes rose faster over the past 10 years than school, municipal, and county levies, the increase was partly due to enrollment growth of the past decade and stagnant state aid. From 2001 to 2011, statewide technical college levies rose 62.4%, while enrollment increased 36.3%. Per student technical college levies rose 19.1% during that time.

Table 1:
Property Taxes in Wisconsin's 15 Largest Municipalities
Municipal Purpose and Net Levies

Municipality	Pop.	Municipal Levy			Net Levy		
		\$ Mil.	% Chg.	Rate	\$ Mil.	% Chg.	Rate
Milwaukee	580,500	\$234.2	0.1%	\$8.23	\$745.4	-0.9%	\$25.25
Madison	228,200	179.7	3.4	8.26	484.1	4.5	21.79
Green Bay	104,000	51.6	1.1	8.80	139.3	1.1	23.15
Kenosha	96,400	56.4	3.2	9.54	156.4	5.8	24.42
Racine	80,100	45.9	1.8	12.21	95.5	1.3	24.23
Appleton	72,563	37.0	1.8	7.88	107.4	5.2	22.13
Waukesha	69,100	51.4	0.0	8.97	119.4	0.9	20.22
Eau Claire	66,149	34.0	4.8	8.17	93.2	3.4	22.07
Oshkosh	66,080	29.5	2.5	8.45	88.8	4.7	23.51
Janesville	63,600	28.6	2.1	7.39	92.4	1.7	23.15
West Allis	60,600	38.1	2.5	9.53	106.5	1.3	25.91
La Crosse	51,900	34.0	-0.1	11.81	87.9	3.7	28.13
Sheboygan	50,400	21.2	1.6	8.42	67.6	1.1	24.96
Wauwatosa	45,800	36.6	2.0	7.02	121.0	2.9	22.16
Fond du Lac	43,800	20.3	3.4	7.59	60.3	4.3	22.37

LIMITS

Governors and legislators of both parties have attempted to limit local property tax growth. This has occasionally been done by increasing tax credits, but primarily by state-imposed property tax limits.

As mentioned, school districts have been under state-imposed revenue limits since 1993-94. Municipal and county tax levies have also been subject to limits—known as levy limits—since 2006. Unlike revenue limits, which allow schools to increase taxes when state aid is reduced, levy limits cap county and municipal tax increases to a specified percentage, regardless of changes in state aid. Counties are also subject to a rate limit. The state imposes a \$1.50 tax rate limit on technical colleges. School, municipal, county, and technical college property tax limits can be exceeded by voter approval at referendum.

Revenue Limits

Revenue limits have slowed school property tax increases in years when state aids rise. For example, aids rose 7.2% in 2006 while school taxes dropped 0.5%. However, state budget problems and small aid increases resulted in school levies rising 5% or more in four of the last five years (see Table 2). In 2010, general school aids were down 2.9%. In an effort to cap school tax increases in the face of declining

County tax levies rose 1.9% from 2010 to 2011.

Table 2:
Property Tax Increases Slow Following Levy Limits
Property Tax Levies, by Taxing Unit, \$ Millions

Year	Gross		Net*		Municipal		County		Tech. College		School	
	Levies	Chg.	Levies	Chg.	Levies	Chg.	Levies	Chg.	Levies	Chg.	Levies	Chg.
2000	\$6,190.9		\$5,505.4		\$1,485.5		\$1,217.7		\$430.1		\$2,795.2	
2001	6,604.5	6.7%	6,044.6	9.8%	1,607.1	8.2%	1,316.1	8.1%	466.3	8.4%	2,927.8	4.7%
2002	7,043.7	6.6	6,469.4	7.0	1,713.4	6.6	1,420.0	7.9	511.6	9.7	3,071.8	4.9
2003	7,363.6	4.5	6,788.1	4.9	1,796.0	4.8	1,490.5	5.0	541.9	5.9	3,192.0	3.9
2004	7,687.3	4.4	7,099.8	4.6	1,852.7	3.2	1,544.8	3.6	565.3	4.3	3,367.6	5.5
2005	8,150.8	6.0	7,549.5	6.3	1,949.2	5.2	1,615.2	4.6	590.8	4.5	3,610.7	7.2
Avg.		5.7		6.5		5.6		5.8		6.6		5.3
2006	8,326.7	2.2	7,737.5	2.5	2,028.6	4.1	1,671.1	3.5	622.0	5.3	3,592.3	-0.5
2007	8,706.4	4.6	7,968.7	3.0	2,099.9	3.5	1,723.9	3.2	650.6	4.6	3,787.8	5.4
2008	9,250.3	6.2	8,446.4	6.0	2,201.7	4.8	1,800.8	4.5	680.6	4.6	4,066.6	7.4
2009	9,667.1	4.5	8,728.9	3.3	2,299.0	4.4	1,856.1	3.1	714.6	5.0	4,279.0	5.2
2010	10,105.6	4.5	9,103.0	4.3	2,372.5	3.2	1,914.6	3.2	742.6	3.9	4,537.6	6.0
2011	10,364.3	2.6	9,336.1	2.6	2,422.2	2.1	1,951.4	1.9	757.2	2.0	4,692.9	3.4
Avg.		4.5		3.8		3.6		3.2		4.0		5.5

*Calculated by subtracting school, lottery, and first dollar credits from gross.

Note: Technical colleges and schools are subject to property tax limits, but not levy limits like counties and municipalities.

aids, the legislature further restricted revenue limit growth—a new way to limit property tax increases.

Levy Limits

As Table 2 shows, levy limits have slowed the rate of tax increases among municipalities and counties. From 2000 through 2005, average annual levy increases were 5.6% in municipalities and 5.8% in counties. After limits were imposed in 2006, municipal levy growth slowed to 3.6%; county levies rose 3.2% on average. In 2011, municipal and county levy increases were limited to the lesser of 3% above the prior year's levy or the percentage growth in new construction.

Though levy limits have slowed property tax increases, many local governments have adopted or increased user fees to compensate for lost revenue. In fact, local fees statewide have

increased faster than all other revenue sources since 2000 (see January 2010 *The Wisconsin Taxpayer* titled, "Municipal Fees and Charges"). Some argue greater reliance on municipal fees has been an unintended consequence of levy limit restrictions.

Rate Limit

Technical college tax levies (excluding debt service) are subject to a rate limit of \$1.50 per \$1,000 of equalized (estimated fair-market) value. Unlike municipal and county levies, technical college levies have not been directly limited assuming the tax rate does not exceed \$1.50. Because the rate is calculated by dividing the tax levy by property value, growth or decline in values can affect whether technical college levies rise or fall.

This year's below-average 2.0% increase is partly due to declining property values. A

Levy limits have slowed county and municipal property tax increases.

Table 3:
Differentiating Property Taxes By Local Govt.
Select City Property Taxes

Cities	Net* (190)		School (426)		City (190)		County (72)		Tech. College (16)	
	Rate	Rk.	Rate	Rk.	Rate	Rk.	Rate	Rk.	Rate	Rk.
Ladysmith	\$26.78	15	\$14.71	5	\$7.71	92	\$5.12	37	\$1.14	15
Hurley	\$27.42	11	\$9.56	220	\$13.72	1	\$4.31	51	\$1.14	15
Medford	\$23.10	87	\$7.70	358	\$6.79	134	\$7.51	2	\$1.98	3
Monona	\$20.60	153	\$12.94	17	\$5.14	169	\$2.77	67	\$1.47	11

*Note: County tax rates can vary by municipality due to public library taxes. The county tax rate shown is the actual county rate for the individual municipality, while the ranking is based on the average tax rate for the county.

number of districts had to drop their levy from the prior year in order to stay under the rate limit. In 2011, three colleges reduced their levies from 2010, while only one cut its levy in the preceding four years.

CASE STUDIES

Evaluating statewide property taxes is useful in providing a general sense of Wisconsin property tax trends. However, taxpayers should still differentiate local governments on their individual property tax bills. To further illustrate how taxes vary among local governments, Table 3 details property taxes in select cities. The cities were selected because of variations that exist among taxing units.

“High Rates”

Ladysmith. Among the state’s 190 cities, Ladysmith had a net (total) tax rate of \$26.78 per \$1,000 of property value. Ladysmith’s net tax rate was 15th highest among Wisconsin cities and would likely lead some to consider Ladysmith a “high tax” community. However, a closer look at the community’s property tax shows differences among taxing units.

Ladysmith’s tax ranking is largely driven by its school tax levy. In 2011, the school tax rate was \$14.71, fifth highest among the state’s 426 districts (see Table 3). However, the municipal rate was near the middle of all Wisconsin cities, while the technical college rate was second-lowest in the state.

Hurley. The city of Hurley had a net (total) tax rate of \$28.13 in 2011, 11th highest among Wisconsin cities. Hurley’s municipal tax rate was \$13.72, highest of any Wisconsin city and the primary driver of the net levy.

By contrast, Hurley’s school rate ranked 220 highest out of 426, the county tax rate was in the bottom third of all counties, and the technical college rate was the second lowest statewide.

Misconceptions about local government taxing and spending could easily occur if taxpayers in Ladysmith and Hurley only looked at their net tax rate and ignored differences among individual taxing units. Although both communities were among the state’s highest taxed cities, the reason for each municipality’s relatively high tax rate were different. In Ladysmith, the prime driver of the levy was the school district, while Hurley’s school rate was below average. Hurley, however, had a significantly higher municipal rate than Ladysmith.

“Moderate Rates”

Medford. Unlike Ladysmith or Hurley, two of the higher taxed cities in the state, the city of Medford had the 87th highest net tax rate in 2011, placing the city “middle of the pack.” However, not all underlying local units of government had similar tax rankings.

Medford’s school and municipal tax rates were both low compared to other cities. School taxes ranked 358th out of 426, while the municipal rate was in the bottom third of all cities.

However, the county and technical college rates were among the state’s highest. At \$7.75, the county rate was second highest among Wisconsin’s 72 counties. The technical college rate—admittedly a relatively small share of the total tax levy—was third highest statewide.

Monona. Monona’s net rate was \$20.60 in 2011, 153rd highest among 190 cities. But again, not all taxing units in Monona had below-average tax rates.

In 2011, Monona’s municipal tax rate was \$5.14, lower than all but 20 cities. The county tax rate also ranked among the state’s lowest, with only five counties having a lower rate. The technical college rate (\$1.47) was also in the bottom half statewide. However, at \$12.95, the school tax rate was 17th highest in the state.

Medford and Monona illustrate that variation in taxing units exists not only in communities with above-average taxes, but also among moderate taxed municipalities. In some cases, local units of government may benefit from high or low net tax rates. For example, the Monona school district may receive less scrutiny for its above-average tax rate because the community’s net rate is relatively low. The reverse may be true for the Hurley school district. Although the district had below-average taxes, the district may be associated with the community’s relatively high net tax rate if taxpayers ignored variation among taxing units.

Note: For complete 2010-11 property tax detail, visit us online at www.wistax.org/facts. Property tax data for prior years is also available. □

DATA SOURCES:

Wisconsin Department of Administration, Department of Revenue, Town, Village, and City Taxes; WISTAX calculations.

Technical college property taxes are subject to a \$1.50 rate limit.

Tax levies often vary among local units of government.



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WISTAX NOTES

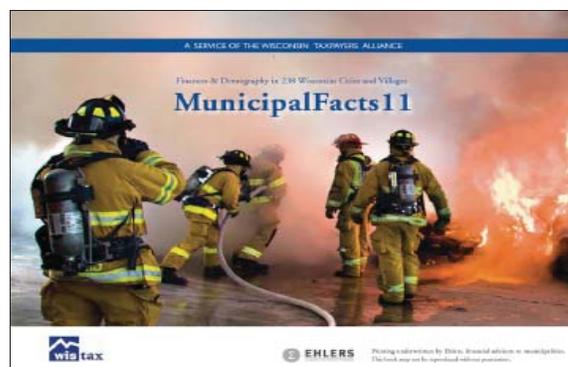
■ **Getting Old.** The median age of Wisconsin residents is now 38.5, 16th highest nationally. According to figures just released from the 2010 census, 23.6% of the Badger State’s population was under 18, making it 28th highest among the 50 states. With a median age of 29.2, Utah had the youngest population, followed by Texas (33.6) and Alaska (33.8). Maine (42.7), Vermont (41.5), and West Virginia (41.3) had the highest median ages.

WISTAX FOCUS

■ **A Tax Windfall?** In May, state lawmakers learned that the state could realize a \$636 million tax windfall during 2011-13. As in the past, ideas for committing the funds quickly appeared. “The \$636 million fork in the road” (*Focus #7-11*) reviews the new revenue estimates and what they mean for the 2011-13 state budget.

A close read of the new estimates shows the extra revenues are spread over three years (\$233 million this year, \$204 million next year, and \$199 million in 2012-13). When the amounts are compared to annual tax collections, the tax windfall is relatively modest—1.4% to 1.8% of general fund tax collections. The new revenue estimates also send mixed signals about the Wisconsin economy. While individual income tax estimates were raised, sales and corporate income tax estimates were reduced.

■ **Benchmarking Performance.** How is Wisconsin performing compared to neighboring states and the nation? “Report-card time for state, too” (*Focus #8-11*) answers that question using new data published in Wisconsin’s only report card, “Measuring Success: Benchmarks for a Competitive Wisconsin.” Published by WISTAX annually, the report reviews Wisconsin’s competitive position using 34 measures in six broad areas. The report card is available for \$3 plus tax and can be purchased online at www.wistax.org or by phone at 608.241.9789. □



NEW MUNICIPAL SPENDING REPORT!

MunicipalFacts is Wisconsin’s most comprehensive source of financial and demographic information on Wisconsin’s major cities and villages. It includes facts on municipal spending, property taxes, debt, shared revenues, income, and population. Five years of data allow tracking of trends, and easy-to-understand charts and tables make for simple comparisons.

For the first time, WISTAX is also offering custom reports prepared specifically for *MunicipalFacts* purchasers. These reports gather information for 10 municipalities of choice (limited to communities included in the study) and present it in an easy-to-use format. Along with the data are 12 graphs showing important tax, spending, and income indicators. Order your custom report today at an introductory price of \$9.95.

MunicipalFacts11 has information on 238 cities and villages in Wisconsin with populations ranging from 2,000 to 150,000. The 112-page book is available at a reduced cost of \$15.95, its 2006 price! To find out if your municipality is included, or for more details, visit www.wistax.org, e-mail wistax@wistax.org, or call 608.241.9789. □

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