

EXECUTIVE SUMMARY

DOLLAR FOR DOLLAR

*Where Does Wisconsin Rank in
Local Government Spending?*



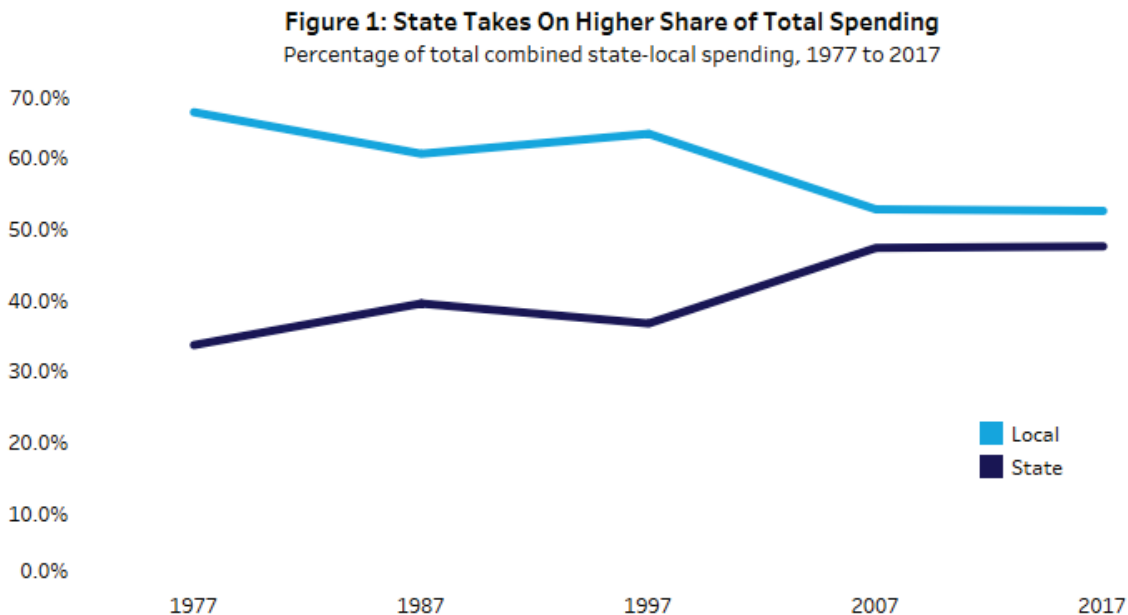
WISCONSIN
POLICY FORUM

Over the past generation, government spending in Wisconsin has undergone a slow but profound shift, with the gap between the local and state government shares of the total almost eliminated and the amounts in both cases now below national averages. This trend carries with it profound consequences for the state, both in terms of the cost borne by taxpayers as well as the public services that can be provided to citizens. The current pandemic only amplifies its importance given the financial challenges facing workers and businesses and the expanded demand for services such as public health and welfare.

In this report, we take a comprehensive look at how state and local government spending in Wisconsin has changed over time and how it currently compares to other states around the nation. In doing so, we add to the body of knowledge conveyed in our 2019 report, “Dollars and Sense,” which explored revenue trends and challenges for the state’s cities and villages and how Wisconsin’s approach to financing municipal governments compares to other states.

Trends in state and local spending

Our analysis begins with an examination of how municipal, county, school district, and special district spending has changed over time, with a particular emphasis on services that tend to be delivered by cities and villages. We find that while the state accounted for only 37.0% of combined state and local spending in 1977, it was responsible for nearly half (47.5%) by 2017 (see Figure 1). This trend likely reflects a variety of factors, including lagging state aid to local governments; state limits on school district revenues and on property tax levies by municipalities, counties, and technical colleges; greater growth in state revenues such as the income tax; and upward pressure on state spending in areas such as health care for the needy.



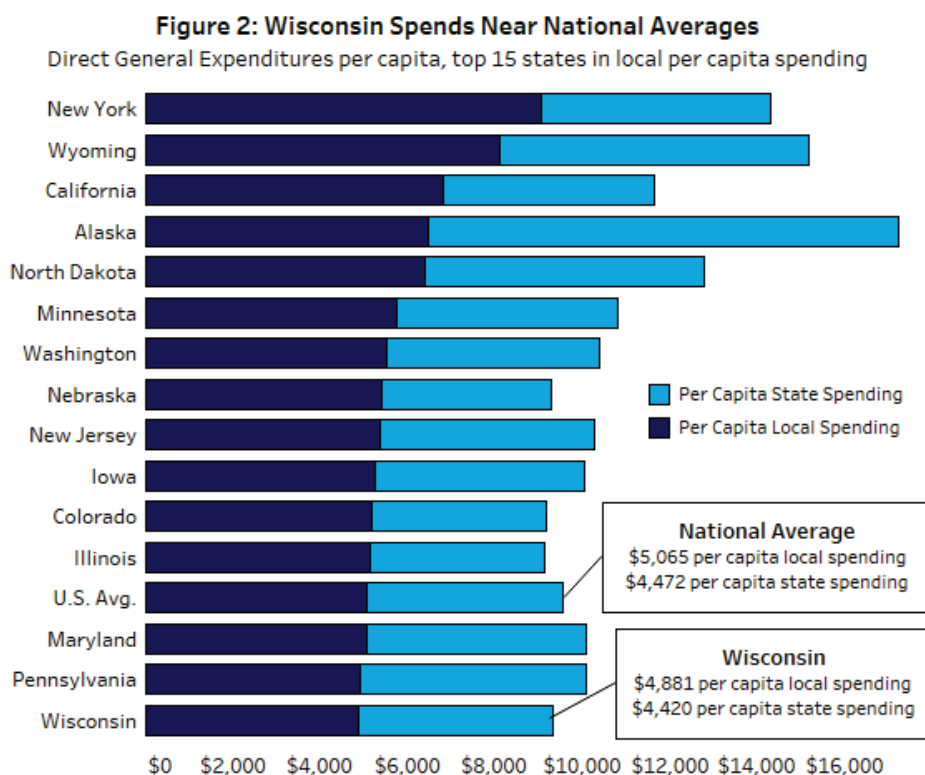
Another factor in Wisconsin’s local spending picture is the relative abundance of government in the state. As of 2017, Wisconsin had 3,096 local governments, the 11th-highest in the country. Though this is in large part due to the way in which the state was established and settled in the mid-to-late 19th century, the state has also seen an increase in special districts in recent decades and only modest (though growing) efforts to share and consolidate services.



How Wisconsin's spending compares to others

We next look at how Wisconsin compares to the rest of the country in terms of per capita spending across various services. Wisconsin ranked 20th in the country at \$9,301 per capita in combined state-local spending in 2017 under a measure known as direct general expenditures. That was 2.5% below the nationwide average of \$9,537 per capita. This metric is the most comprehensive way to measure state and local spending because it includes government at every level.

When we isolate state-level spending, Wisconsin's \$4,420 per capita ranked 31st in the country - 1.2% below the national average of \$4,472 (see Figure 2). Local spending, at \$4,881 per capita here, ranked 15th but fell below the national average of \$5,065 by a greater percentage (3.6%). That likely reflects the fact that spending by some large local governments such as New York City can pull the national average upward.



In 2017, Wisconsin was one of 24 states where more was spent directly at the local level than at the state level. It is important to note, however, that these amounts reflect the duties and responsibilities that local governments in Wisconsin and other states are assigned, not merely how efficient they are.

While overall spending by both state and local governments in Wisconsin is below the national average, Wisconsin ranks highly in per capita spending on several individual categories. When looking at individual categories, except for highways, this report looks only at operating spending. As Table 1 shows, the state is in the top 10 nationally in local operating spending on Public Welfare (a category that includes programs such as Medicaid and other social services; 2nd), Sewerage (4th), Highways (4th; includes capital spending), Libraries (6th), and Health (6th). As is the case with overall spending, in many individual categories state spending ranks relatively low, while local government spending ranks somewhat higher, equating to a middle-of-the-pack ranking overall. For example, while Wisconsin's local governments rank 12th highest in the country for spending on police, state-level spending is dead last, and the state ranks 23rd when the two are combined.



Table 1: Wisconsin's Per Capita Ranks, Selected Spending Categories

Spending Category (Operating unless otherwise noted)	Local Spending Rank	State Spending Rank	Overall Spending Rank
Sewerage	4	7	4
Highways (Combined Operating and Capital)	4	10	7
Libraries	6	N/A	7
Central Staff	19	6	8
Corrections	14	14	13
Public Welfare	2	26	18
Natural Resources	14	24	19
Health	6	48	22
K-12 Schools	22	N/A	23
Police	12	50	23
Parks and Recreation	21	49	27
Fire	31	N/A	31
Judicial and Legal	17	32	34
Housing & Community Development	43	47	48
Direct General Spending	15	31	20

What this means

With a new state budget debate approaching, this is an opportune time for elected officials at every level of government in Wisconsin to reflect on how municipal and county services are funded, how vital services can be sustained (or even expanded), and how service efficiency and effectiveness might be improved. In some areas such as highways, relatively high spending may be due in significant part to the state's cold climate and large road network and to that degree it may be difficult to change. In other areas, particularly those that require substantial capital investments (like fire and public safety dispatch), state and local officials might be able to save money or improve services by promoting collaboration across local governments.

If Wisconsin officials believe that substantial change is warranted in the local spending and taxing framework, then they could consider a number of policy options:

1. The state government could take on more responsibilities, especially in areas in which it ranks among the lowest in the country in per capita spending such as parks, health, police protection, and housing.
2. Though it may be difficult during the pandemic, state and local lawmakers could re-think local finance by increasing state aid for local governments or providing local leaders with an expanded set of revenue options, such as a municipal sales tax.
3. Local governments could collaborate more with one another, either directly or through the creation of larger regional entities. That might produce efficiencies and higher levels of service at a lower cost than individual local governments could achieve by acting alone.
4. The state could provide local governments more tools or flexibility for lowering costs such as reducing mandates.
5. Government leaders could choose to stick with the status quo. That would likely result in a continuation of current trends, including a greater reliance on the property tax by local governments and pressure on local services such as police, libraries, and streets.



The crisis brought on by the pandemic has threatened local services and also highlighted the ongoing need for them. State and local leaders should use these challenges as an impetus to consider whether the existing local government financial framework is optimal and sustainable; or whether, conversely, there is a need for reform that will allow the state's citizens to receive the local services they desire at a cost that is both affordable and borne by the appropriate level of government.

