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Contact: Jason Stein, Research Director
(608) 338-8241 or jstein@wispolicyforum.org

Wisconsin Town Budgets Relying More on Local Property Taxes, Borrowing *Smaller share of town budgets now going to road maintenance and construction*

Wisconsin towns have leaned more heavily on property tax revenues to fund local services over the past three decades as state aid has grown more slowly and town borrowing has risen to record levels, according to a new report from the Wisconsin Policy Forum.

The heightened reliance on property taxes comes as challenges have arisen to towns' traditional workforce of local volunteers and relatively low-paid workers – especially in areas such as fire and EMS services. And increased borrowing levels come despite the fact that towns are putting a smaller share of their overall spending into their traditional core priority: road maintenance and construction.

In recent decades, [Wisconsin cities and villages faced mounting financial pressures](#) as state aid has stagnated and the state tightened limits on local property taxes. The Forum documented those trends in a series of reports, and this report finds towns have been buffeted by these same headwinds.

Direct democracy

Wisconsin is one of 20 states with town governments, a legacy of the state's 19th-century European settlement by New Englanders. In one of the nation's few examples of direct democracy, town residents in Wisconsin can vote at an annual town meeting on their property tax levy, the pay for town officers, and the method for electing the town board.

Towns in Wisconsin differ from other municipalities in that only cities and villages have broad powers under the state Constitution to provide a wide range of services. Towns can perform only certain functions such as road maintenance and construction as provided by state law. There are 1,248 towns in Wisconsin, and in 2020, about 1.6 million people lived in them – or 27.8% of the state's population.

Key findings about town finances include:

- In 1990, property taxes made up 36.8% of general revenues for Wisconsin towns while state aid accounted for 45.1%. By 2020, property taxes made up 48.2% of general revenues for towns and state aid only 30.3%. Federal aid is typically a minor part of town revenues, though it has risen during the pandemic.
- The **debt backed by towns' full taxing power rose** by 44.7% between 2014 and 2020 to \$472.3 million. After adjusting for both population and inflation, town debt now stands at record levels.

- In 1990, towns received \$76.2 million in shared revenue payments from the state. Adjusted for inflation, that equates to \$150.9 million in 2020 dollars. By 2020, that amount dropped to \$55.8 million.
- A major bright spot for towns is that state aid for roads and infrastructure increased by a larger amount than shared revenue fell. **State road aids have become the most important form of state aid** to towns, rising from \$56.2 million in 1990 (\$111.3 million in 2020 dollars) to \$184.7 million in 2020. State aid overall has kept pace with the rise in overall consumer prices due to inflation over the past 30 years, though certain key costs for towns such as those for road construction have risen more quickly.
- In 1990, towns across Wisconsin devoted 47.8% of their operating and capital spending to road maintenance and construction. By 2020, the percentage had dropped to 43%.
- Towns have reduced the share of their spending going to road maintenance, from 36.7% in 1990 to 29.7% in 2020. The share going to road construction rose over those years from 11.1% to 13.4% but not enough to make up for the drop in maintenance spending.
- Towns have **increased the share of their budgets going to fire and emergency medical services** from 10.9% in 1990 to 13.1% in 2020. That may reflect, at least in part, [trends we have highlighted](#) in previous reports: an aging population leading to more medical emergencies as well as challenges in finding firefighters and EMS workers.
- **Wisconsin towns spend less than many of their counterparts** that offer more services and are located in more densely populated New England states. In 2017, Wisconsin towns had \$502 in direct general expenditures per capita while a nine-state group with at least somewhat similar towns averaged \$1,457 per capita.

The report concludes that Wisconsin's towns represent a small-scale version of local government that is close to community residents but can lack economies of scale. Though most towns count only a small number of residents, their challenges still ripple across Wisconsin.

Towns' increased reliance on the property tax has caused them to be more exposed to the impact of state limits on local property tax increases. Those impacts are even greater for towns given their lower levels of net new construction – the metric used to set the state caps on increases to a community's tax levy. Meanwhile, sizable increases in both borrowing and debt payments for towns now pose a potential threat moving forward as interest rates begin to rise.

For now, federal pandemic aid will provide some one-time support for towns. Going forward, policymakers may wish to consider options to help ensure towns can meet community needs despite their financial and workforce challenges. Potential solutions include help for towns as they seek to share or consolidate services with other local governments, find new sources of revenues, or experiment with other ways to gain greater efficiencies.

[Click here to read the full report: "Budgets Get Tighter for Wisconsin Towns."](#)

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