**Basic Review of Local Government Expenditures**

***Draft: Not yet reviewed by internal and external sources.***

The basic review of local government revenues is one half of the local finance picture. It is important also to look at the trends in local expenditures. Local finance is often very fluid in the face of inflationary costs and increased service demands. For example, community growth requires expansion of infrastructure and services, population changes such as more children or elderly can significantly increase the need for human services. Economic downturns can increase the demand on human services, protective services, and job training programs. Rapid increases in essential resources used by local governments, such as energy and asphalt, and in personnel benefits, such as health insurance, can and do strain most local budgets. These cost pressures are often not supplemented by increased cost reimbursements or aids from the state and federal government. Thus, there is often a good deal of fiscal and service pressure on local governments to provide more with less and to make tough policy decisions on resource allocation.

The data in the GREAT software contains both operating and capital expenditures for the general revenue fund, special revenues and debt funds. Proprietary funds (services set up like a business such utilities and nursing homes), internal service funds (services that are charged internally to other departments within a government, such as information technology), and trust funds (monies that are held in trust for a specific purpose, such as retirement funds or some gifts) are not included in the data. The bar charts below show the change in the proportion of each local government’s expenditures between 1987 and 2006. One can see that service provision varies across governments with county expenditures focusing on health and human services, protective services, and transportation. County transportation revenues and expenditures, however, are often understated for counties as a portion is placed in internal service funds for work done for other departments and in proprietary funds for road work done on behalf of other local governments. County human services expenditures increased from 37% of expenditures in 1987 to 41% in 2006. Protective services went from 13% to 17% during this same period. Protective services for counties include the county jail, emergency management, hazmat and other services. These three services, along with administration, make up roughly 80% of county budgets statewide.



Town expenditures, on the other hand, are concentrated on transportation, debt, protective services and administration. These four service categories make up roughly 85% of town budgets statewide. Transportation decreased from 44% of the budget in 1987 to 37% in 2006. Debt increased from 12% to 20% during this period and protective services increased from 13% to 15%. Protective services for towns usually consist of fire departments and ambulance services, although some towns do have police departments or contract for service for special events.



Cities have more diverse expenditures, but their highest expenditures are for protective services that include police, fire, and ambulance services staffed often by a mixture of part and full-time employees. Transportation, parks and conservation, and debt make up almost equal proportions of expenditures in 2006 at 14-15%. Other expenditures also total roughly 14% and consist of refunds, contributions, interfund transfers, and payments to bond agents. It is likely that general and special revenue funds are used to supplement other governmental activities that are set up as businesses, such as utilities, parking, museums, and mass transit.



Villages have a similarly diverse expenditure picture with protective services, transportation, debt, and other expenditures making up roughly 75% of expenditures. Protective services make up roughly 19% of expenditures and transportation 18%. Debt has increased from 16% of the village expenditures in 1987 to 22% in 2006. Villages often provide utility services and thus initially assume a large debt in proportion to their population. Other expenditures accounted for roughly 15% of expenditures, which could well consist of special and general revenue transfers to support a utility.



With the exception of counties, local government debt expense increased as a relative proportion of budgets between 1987 and 2006. The graph below shows that debt expense increased most for towns and villages by roughly 600% and for cities and counties by about 400% between 1987 and 2006. The next graph depicts the per capita amount of debt expense and thus give a clearer picture of the relative amount of debt. Counties had about $60 of debt expense per capita, towns $70, and cities and villages about $220.





How have human service and health expenditures increased for the major services since 1987? County governments are the primary providers of human services, although some cities have public heath departments. Most of the services provided by towns, villages and cities in this area include cemeteries, animal control, and humane societies, although some municipalities provide assistance for daycare, food pantries, senior centers, and shelters. County services cover a broad range of services and populations, including but not limited to, veterans, the disabled, delinquent youths, the elderly, and the mentally ill. Population increases in any of these populations, such as the elderly and veterans, will result in higher costs to the county. In addition, if cost reimbursement programs are not met with increases by the state and federal government consistent with increases in service provision, the county makes up the difference through general revenues, fee increases and service cuts. The graph below shows that county human service costs increased by 410% between 1987 and 2006. This translated into a per capita cost increase from $87 in 1987 to $410 in 2006.





Especially when examining county human service expenditures, it is important to ask the following questions:

1. What services are provided and how are they delivered?

2. Have state and federal government aids and cost reimbursements kept up with service

 provision costs?

3. What have been the changes in the populations that the county has served?

4. Have there been law changes that affect service demand? Service provision?



All local governments provide some form of protective service, and for cities and counties, this is a major cost in their budgets. The data in the GREAT software is very summary and the expenditures for many related and seemingly unrelated services are grouped together. The graph above includes operating and capital expenditures associated with police and sheriff’s departments as well as for other public safety, such as building inspections, emergency communications, corrections and detentions (jails), fence viewing, and restorations after weather disasters. Unfortunately, the cost of municipal courts and legal counsel are not included as they are folded into general government operations. The graph on the previous page shows that county protective service spending increased 525% between 1987 and 2006 and 428% for villages, 453% for towns, and 272% for cities. The graph below gives a clearer picture of how much is spent per capita on protective service and the dollar increase between 1987 and 2006. County expenditures for protective services went from $31 in 1987 to $177 in 2006, city expenditures went from $56 to $211, village expenditures went from $30 to $132, and town expenditures went from $4 to $17.



In examining protective service costs, it is important to find out: (1) what is included in the services and how they are delivered and paid for (sometimes local governments may contract with another local government for a service), (2) what costs have increased for service provision, and (3) whether there have been any law changes to affect the cost or service demand. For example, a majority of counties have expanded their jails or built new facilities since the mid to late 1990’s in response to overcrowding in state prisons, longer sentences and the enactment of the Truth in Sentencing law.

All municipal governments – towns, cities, and villages - must provide fire protection to their residents under law. This can be done through a variety of means by having one’s own municipal department, establishing a joint fire department with one or more municipal governments, or contracting with a private fire company. The first graph on page 7 shows that fire protection costs have increased most rapidly for towns with an increase of 467% between 1987 and 2006. Villages followed closely behind with an increase of 439% and cities had an increase of 214%. The following graph shows the relative amounts of per capita expenditures for fire protection and the dollar increase between 1987 and 2006. Towns spent $10 per person for fire protection in 1987 and this rose to $47 per person. Villages spent $24 per person in 1987 and $103 in 2006, while cities spent $30 and $98 respectively. The lower cost for towns reflects their predominant use of volunteer fire departments, while most cities and some villages employ paid personnel either on a part-time and/or full-time basis. In examining fire service, look at how the service is provided and what services are included.





Transportation expenditures are a major local government expenditure. Services include the maintenance and clearance of roadways and right-of-ways and road construction. There are 19,881 miles of county roads, 13,471 miles of city streets, 5,555 miles of village streets, and 62,066 miles of town roads. Because of the dispersed population in Wisconsin as well as the thriving rural and urban industries that require clear routes, there are far more road miles here than in other states. Add in winter weather and spring thaws and the cost of road maintenance and repair goes up substantially. The graph on page 8 shows that village transportation expenditures went up 396% between 1987 and 2006, county expenditures 260%, town expenditures 272%, and city expenditures by 207%. Again, county transportation expenditures are not all accounted for in the data as some of the monies are placed in internal service funds. The next graph shows what these expenditures are on a per capita basis and how this has changed between 1987 and 2006. Counties spent $36 in 1987 and $120 in 2006, towns went from $79 to $262, cities went from $82 to $279, and villages went from $60 to $258 per person.





In reviewing transportation expenditures, it is important to take into account the following questions:

1. Does the municipality use PASER rating and evaluation of roads?
2. Is the municipality able to maintain its repair and construction schedule?
3. How does particularly harsh winters affect transportation expenditures?
4. Does the municipality make use of weight limits?
5. How does the cost of materials, energy and personnel affect planned repair and construction schedules?

Counties and municipalities spend money to create a desirable community and to enhance the quality of life for their citizens. These activities are grouped under three categories in GREAT: parks, conservation, culture and education. Expenditures for culture and education include libraries, museums, civic centers, theaters and cultural activities. Expenditures for parks and recreation include recreation programs (baseball and swimming lessons), summer picnics, parades, holiday decorations, and recreation facilities such as ice arenas, baseball diamonds, soccer fields, tennis courts, pools. Conservation and development include public housing, economic development, forestry and other conservation, zoning and planning administration. The bar graphs on pages 1 and 2 show that total expenditures in this summary category decreased for counties as a percent of their general fund budget from 11% to 9% between 1987 and 2006. Municipalities, however, all increased their proportion of general fund spending for these activities: towns increased from roughly 5% in 1987 to 7% in 2006, villages from 9% to 12%, and cities from 13% to 14%.



The graph above shows that most expenditures for cultural centers and activities are made by cities and villages. The graph below shows a similar pattern for parks and recreation, as does the graph on the page 10 showing outlays for conservation and development. However, county per capita expenditures are higher in this area due to their involvement in public housing, soil conservation, economic development, zoning and planning. Taking these categories together, counties increased their per capita spending from $21 in 1987 to $90 in 2006, towns from $10 to $38, cities from $54 to $263, and village from $55 to $205.





In examining expenditures in this area of the budget, it is helpful to remember that these relatively small outlays enrich the community for all of its citizens. Many government services are fortunately not directly used by a large number of citizens: jail, a number of social service programs, courts, etc. However, many of the activities in these categories are enjoyed by a broad range of citizens and make your communities desirable places to live and relocate.

**Summary**

Using the GREAT software to examine expenditures across local governments provides general trend information that requires further investigation. Because the data includes operating and capital budgets, summary expenditure categories, and does not indicate financing sources for specific expenditures (i.e., utility financed with property tax dollars as opposed to just fees), it is difficult to draw conclusions without surveying other comparable governments in detail. Still, the data indicates activities that receive the highest outlays and greatest increases. In reviewing these trends, there are some common sense questions that can be asked, which are not limited to:

1. How is this service delivered? What other options exist?
2. What is the level of service that is provided?
3. Are there laws that regulate the level of service and service delivery?
4. How do other local governments finance this service?
5. What costs may be increasing rapidly that would result in higher expenditures (energy, materials, healthcare, etc.)? Are these short-term trends or long-term trends?
6. What population factors may increase or otherwise affect service demand in the future?
7. What can we do to mitigate cost increases?

Reviewing trends is but a first step in a public dialogue about the cost of government and what services should be provided. And, hopefully, it will extend that inquiry with other local governments to look at alternative delivery of services, cooperative purchasing, and financing options.