

# REPORT OF COMMITTEE ON HIGHWAY FINANCE

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## TAXATION AND EXPENDITURES IN THE STATE OF WISCONSIN

### SYNOPSIS

This report is a résumé of the first of a series of studies of taxation and expenditures in the various states being made jointly by the U S Bureau of Public Roads and the University of Wisconsin for the purpose of obtaining the true facts from original sources. Data are presented summarizing the amounts of taxes collected on general property and other sources by the state, counties, towns and cities, the amounts spent by the various taxing units and the purposes for which they are expended. Particular attention is given to the sources of funds for highway purposes and the proportionate amounts expended upon the various classes of highways.

The allied subjects of taxation and public expenditures have perhaps been given greater attention during the present period of sub-normal business and shrinkage of values than any others. There has been much statistical information distributed broadcast. A part has been authentic as to facts. Some has been misleading because of inaccuracies or uninformed use of data. Much has been wilfully distorted in planned propaganda to misinform and mislead the public.

The only way possible to bring about real reforms in expenditures or in taxation is through a careful analysis of the workings of our present governmental organization taken as a whole. At the present moment the pendulum of public opinion swings against taxation and against public expenditure, but this attitude does not determine the trend of the times. The future trend probably will be for the public to do more things and to provide more facilities for itself. If this is correct then an understanding of the details of income and outgo and a painstaking readjustment of administrative organizations is the only possible method to achieve intelligent economy.

This report on taxation and expenditures in the State of Wisconsin is briefed from a comprehensive study carried on as a research project between the University of Wisconsin and the Bureau of Public Roads, directed by Dr. Henry R. Trumbower. Mr. A. R. Hirst served as Supervising Engineer and Mr. H. R. Briggs as Tax Consultant. The Wisconsin Highway Commission rendered effective co-

operation and assistance. The Wisconsin Tax Commission, other officials, boards and commissions of the state extended every facility for obtaining the facts regarding the details of public revenues and expenditures.

It is the first of a series of such studies which have been undertaken to obtain the true facts from original sources. Similar studies for Michigan and Illinois are in process of completion.

The primary object of these studies is to reach the exact facts as to highway costs and the impact of these costs upon various classes of property and other sources of public income. It seems probable, however, that certain general conclusions can be drawn that will establish principles which are not now generally known and certainly not applied to this whole problem which has now suddenly become acute.

Certain indications are very evident from the Wisconsin study. Among these the following suggestions are made in a wholly tentative way:

- (1) Any material tax reform can only be brought about after a reduction in the number of taxing agencies.
- (2) The number of administrative organizations under our plan of government was established to serve pioneer conditions before the availability of modern methods of communication and transportation. There are now too many administrative units.
- (3) The matter of high or low taxes is relative and wholly dependent upon other values.

As stated, general conclusions will be drafted after reports from other states are available.

The following schedules present the facts taken from primary sources as to amounts and uses of taxes and imposts upon property, public utilities and public services for the State of Wisconsin.

The primary uses for these data are:

- (a) To determine the facts as to absolute and relative amounts and percentages of the public income devoted to highway improvements.
- (b) To disclose the underlying principles which have produced the present fiscal arrangement and balance sheet.
- (c) To obtain a sound basis for any possible revision of fiscal policies to secure a measure of tax relief or indicated readjustments between the various sources.

A secondary but important purpose is to meet the serious need for fundamental information in view of the widespread public interest and concern as to taxation in general, and to present the uncolored facts as to taxes and public expenditures for highways and streets.

Only a brief review is attempted in this résumé of some of the more important facts and relationships disclosed in the comprehensive report which is the result of a painstaking study and analysis of all authentic sources of information. The full report will be printed and available for distribution at an early date.

TABLE I

## GENERAL PROPERTY TAXES LEVIED AND COLLECTED, 1930

Imposed by	Amount	Per Cent of Total
The State	\$ 4,296,800	3.38
The Counties	33,294,800	26.22
The Towns	20,663,700	16.27
Places 0-2,500	7,415,100	5.84
Places 2,500-15,000	10,941,300	8.62
Places 15,000-75,000	21,807,300	17.17
Milwaukee City	28,579,400	22.50
	<hr/> \$126,998,400	<hr/> 100.00

Property taxes produced \$126,998,400 of the total of \$211,679,900 revenues produced by all taxes and imposts by the state and its units in 1930, or 60 per cent of the total.

## IMPOSTS, RECEIPTS AND COLLECTIONS OTHER THAN PROPERTY TAXES

TABLE II

## TAXES AND IMPOSTS OTHER THAN GENERAL PROPERTY TAX IMPOSED BY THE STATE GOVERNMENT, 1930

Types of Taxes and Imposts	Amount	Per Cent
Total	\$65,641,600	100.0
Income Tax	21,454,400	32.7
Income from Special Motor Vehicle Imposts	21,297,800	32.5
Inheritance Tax	2,645,700	4.0
Public Utility Taxes, Statewide	6,908,700	10.5
Public Utility Taxes, Local	7,392,500	11.3
Insurance Co. Taxes, Life	1,555,600	2.3
Insurance Co. Taxes Other than Life	845,300	1.3
General Taxes	504,300	0.8
Local Taxes	913,100	1.4
Miscellaneous Fees	2,124,200	3.2

TABLE III

RECEIPTS AND COLLECTIONS FROM SOURCES OTHER THAN THE GENERAL PROPERTY TAX BY UNITS OF GOVERNMENT OTHER THAN THE STATE, 1930

By Units of Government	Amount	Per Cent
Total	\$19,039,900	100 0
Counties	10,436,700	54 8
Towns	337,800	1 8
Class I Places under 2,500 Population	605,800	3 2
Class II Places 2,500-15,000 Population	1,167,800	6 1
Class III Places 15,000-75,000 Population	3,066,500	16 1
City of Milwaukee	3,425,300	18 0

The total of the two above sources of income, \$84,681,500, is approximately 40 per cent of all income received by all units of government. Thus, 60 per cent of the public income in 1930 was derived from taxes on general property, and 40 per cent from the other sources listed in this section.

#### RATE OF TAX

The actual average total tax rates to produce the funds actually raised by levies upon property were as follows:

	Per \$100 of Valuation
In the Towns	\$1 67
Places 0 to 2,500	2 50
Places 2,500 to 15,000	2 57
Places 15,000 to 75,000	2 24
Milwaukee City	2 46
Average for the State	\$2 13

If all state, county, and local taxation and imposts had been levied as a direct tax upon the true valuation of all taxable property, the approximate average tax rates would have been as follows.

	Per \$100 of Valuation
In the Towns	\$2 72
Places 0 to 2,500	4 12
Places 2,500 to 15,000	4 23
Places 15,000 to 75,000	3 91
Milwaukee City	4 08
Average for the State	\$3 54

Property taxes were therefore the following percentages of all taxes and imposts paid by residents of these groups of local governmental units:

	Per Cent
In the Towns	61 4
Places 0 to 2,500	60 7
Places 2,500 to 15,000	60 8
Places 15,000 to 75,000	57 3
Milwaukee City	60 3
	<hr/>
Average for the State	60.2

#### BONDED INDEBTEDNESS

##### OUTSTANDING INDEBTEDNESS, DECEMBER 31, 1930

Unit of Government	Amount	Per Cent
State	\$ 1,363,700	0 9
Counties	49,752,800	32.2
Towns	1,735,300	1 1
Places, Class I	6,984,000	4 5
Places, Class II	12,421,000	8 1
Places, Class III	37,090,800	24 0
Places, Class V	45,030,800	29.2
	<hr/>	<hr/>
Total	\$154,378,400	100 0

##### PURPOSES OF OUTSTANDING INDEBTEDNESS, DECEMBER 31, 1930

Incurring for	Amount	Per Cent
Highways	\$ 59,879,200	38.8
Education	29,208,600	18 9
Public Benefit	47,961,100	31 1
Government	17,329,500	11.2
	<hr/>	<hr/>
Total	\$154,378,400	100 0

At the end of 1930 the total bonded indebtedness of all units of government in Wisconsin amounted to \$154,378,400

With the exception of an old Civil War debt the state itself has no bonds outstanding. It will be noted that more than one-half of the outstanding bonded indebtedness lies against the cities in the two classes above 15,000.

The 1930 debt service on county highway bonds alone was \$5,027,500, divided between \$3,028,100 payments on principal, and \$1,999,400 interest. Of this amount, \$3,830,800, or 76 per cent, was contributed through county property taxes, and \$1,196,700, or 24 per cent, came from motor vehicle imposts turned over to the counties in the form of state aid.

While the State of Wisconsin may not bond for road purposes, special taxes levied on the motor vehicle by the state and turned to the counties may be used to pay principal and interest on county bonds issued for highway purposes

## RAILROAD TAXES

All railroad properties are assessed on an ad valorem basis by the Wisconsin Tax Commission, and the tax rate is fixed by the findings of the commission as to the average ad valorem rate on other real property in the state

In 1930 the commission fixed the railroad valuation at \$359,943,000, and the tax rate at \$ 020,449,676 per \$1 00 The tax on this basis amounted to \$7,360,717

No part of the rail tax goes into the county or local treasuries except certain amounts on terminals in certain places Otherwise, the tax goes into the state general fund None of this amount is used for highways since the state's contribution is limited by statute to the amount collected in special taxes from motor vehicle owners The amount of the railroad tax is 3 5 per cent of all taxes and imposts collected by the state in 1930

## HIGHWAY TAXES AND IMPOSTS

## ALL TAXATION SPECIFICALLY IMPOSED FOR HIGHWAY PURPOSES—1930

	Amount	Per Cent
Taxes Imposed on General Property		
County	\$14,557,800	27 4
Local	12,629,700	23 8
Special Assessments	4,700,700	8 8
Total	\$31,888,200	60 0
Imposts upon Motor Vehicles and their Owners and Operators		
Vehicle and Drivers' License fees	12,976,300	24 4
Bus and Truck Permits	47,100	0 1
Ton-Mile Tax	91,000	0 2
Motor Fuel Tax	7,947,200	14 9
Gasoline Inspection	236,200	0 4
Total	\$21,297,800	40 0
Grand Total	\$53,186,000	100 0

TABLE IV

SHOWING THE FUNDS EXPENDED ON THE SEVERAL HIGHWAY SYSTEMS OF WISCONSIN IN 1930, AND THE APPROXIMATE AMOUNT AND PERCENTAGE OF THESE FUNDS PROVIDED BY THE VARIOUS KINDS OF TAXES AND IMPOSTS

Highway System	Total Amount Expended	Kind of Tax or Impost							
		Taxation on Property		Imposts on Motor Vehicles		From Bond Issues or Loans*		From Federal Imposts	
		Amount	%	Amount	%	Amount	%	Amount	%
Federal Aid	\$17,121,500	\$1,442,800	8.4	\$10,129,000	59.2	\$2,500,000	14.6	\$3,049,700	17.8
State Trunk	7,797,200	1,488,700	19.1	4,665,500	59.8	1,643,000	21.1		
County Trunk	9,449,100	5,649,100	59.8	3,100,000	32.8	700,000	7.4		
Town Local	13,910,900	9,999,400	71.9	1,460,200	10.5	140,000	1.0		
Village Local	1,590,000	812,900	51.1	38,900	2.5	411,000	25.8	\$2,311,300	16.6
City Local	11,411,700	2,301,700	20.2	632,200	5.5	4,068,200	35.6	327,200	20.6
All Highways	61,280,400	21,694,600	35.4	20,025,800	32.7	9,462,200	15.4	3,049,700	5.0
								7,048,100	11.5

\* Includes special assessments on owners of abutting property in villages and cities

† Includes payments made from income tax and other taxes, not dedicated to highways, miscellaneous receipts and net reduction in balances





TABLE VI

COMPARISON OF HIGHWAY TAXES AND EXPENDITURES, 1930, SHOWING THE INCIDENCE  
BY GROUPS OF COUNTIES AND BY PLACES

Places	Highway Taxes Paid	Highway Expenditures	Ratio of Expenditures to Taxes Per Cent
Total	\$53,186,000	\$61,280,400	115 2
Towns	23,035,200	45,452,900	197 3
Municipalities as follows	30,150,800	15,827,500	52 4
Class I—Places under 2,500 pop	4,806,800	3,545,400	73 7
Class II—Places 2,500–15,000 pop	5,660,700	2,805,200	49 5
Class III—Places 15,000–75,000 pop	10,650,800	5,165,000	48 4
Class V—Places over 300,000 pop	9,032,500	4,311,900	47 7

TABLE VII

TAXATION UPON COMMON CARRIER MOTOR BUSES AND MOTOR TRUCKS IN  
WISCONSIN IN 1930

	Motor Buses	Motor Trucks	Total
Number licensed	447	569	1,016
All Wisconsin Taxes	\$616,758	\$121,892	\$738,650
On the Motor Vehicle—			
Vehicle Licenses	\$321,442	\$ 45,801	\$367,243
Fuel Taxes	158,030	24,998	183,028
Ton Mile	67,522	23,484	91,006
Regulatory Fees	25,336	17,700	43,036
Total	\$572,330	\$111,983	\$684,313 92 6%
Other Taxes and Imposts—			
Property Taxes	\$ 44,160	\$ 7,846	\$ 52,006
State Income	268	2,063	2,331
Total	\$ 44,428	\$ 9,909	\$ 54,337 7 4%

MILEAGES TRAVELED

	Buses	Trucks	Total
Urban	10,211,957	1,330,713	11,542,670
Rural	7,999,593	4,279,138	12,278,731
Total	18,211,550	5,609,851	23,821,401

TABLE VIII  
EXPENDITURES MADE IN THE STATE IN 1930 BY PURPOSES AND BY UNITS OF GOVERNMENT

	Amt %	(1) Total Expenditures for All Purposes in the State, 1930		(2) Expenditures by the State		(3) Expenditures by the Counties		(4) Expenditures by the Towns	
		Amount	%	Amount	%	Amount	%	Amount	%
Total		\$202,376,952 100 0	100 0	\$35,886,701 17 7	100 0	\$43,032,597 21 2	100 0	\$29,918,350 14 8	100 0
Highways		61,280,380 100 0	30 3	17,676,699 28 8	49 3	20,310,764 33 3	47 2	10,387,300 16 9	34 7
Education		65,927,476 100 0	32 6	7,541,571 11 5	21 0	1,208,970 1 8	2 8	16,808,951 25 6	56 2
Public Benefit		62,658,060 100 0	31 0	9,045,608 14 4	25 2	17,625,676 28 2	41 0	945,305 1 5	3 2
Government		12,511,036 100 0	6 1	1,622,823 13 0	4 5	3,915,187 31 2	9 0	1,776,794 14 2	5 9

TABLE VIII—CONTINUED

	Amt %	(5) Expenditures by Places under 2,500 Population		(6) Expenditures by Places Population 2,500 to 15,000		(7) Expenditures by Places Population 15,000 to 75,000		(8) Expenditures by the City of Milwaukee	
		Amount	%	Amount	%	Amount	%	Amount	%
Total		\$9,350,607 4 6	100 0	\$15,200,392 7 5	100 0	\$33,959,292 16 8	100 0	\$35,001,013 17 4	100 0
Highways		1,823,973 3 0	19 5	2,089,720 3 3	13 7	4,680,038 7 7	13 8	4,311,886 7 0	12 3
Education		4,615,194 7 0	49 4	6,969,306 10 6	45 9	16,381,877 24 9	48 2	12,401,607 18 6	35 5
Public Benefit		1,980,237 3 2	21 2	4,969,342 7 9	32 7	11,074,234 17 6	32 6	17,017,658 27 2	48 6
Government		931,203 7 5	9 9	1,172,024 9 4	7 7	1,823,143 14 6	5 4	1,269,862 10 1	3 6

## APPENDIX

## STATE OF WISCONSIN

Wisconsin is representative of the large States of the Mississippi Valley whose highway development has taken place largely within the last two decades. It has a land area of 55,256 square miles. In 1930 the population was 2,939,006. It has an assessed (true) valuation of taxable property, exclusive of railroads and some other public service property, of \$5,896,513,000. It ranks 24th in area and 13th in population. From 1920 to 1930 the State's population increased 11.7 per cent. In 1930 the population was divided into 37.1 per cent rural and 62.9 per cent urban.

## GOVERNMENT

The State of Wisconsin was admitted to the Union in 1848. It was originally a part of the Northwest Territory, later a part of Ohio and then of Michigan. It has the usual form of State Government. There are certain important features in which the State administration differs from many of the other States. One of these of particular and important interest is the wide authority vested in, and exercised by, the State Tax Commission.

There are 71 counties, each governed by a Board of Supervisors. Counties are subdivided into 1,280 towns which correspond to the township unit of government in most of the other States. Townships are governed by a board consisting of a chairman and two other members.

There are 359 incorporated villages and 144 incorporated cities, each with its own set of officers. There are 18 other cities having a population of over 15,000, but Milwaukee City and County constitute the only metropolitan area. The City of Milwaukee has a population of 578,249.

In addition to the officials who head the various units of government, there are school boards in charge of the common schools, graded, high, vocational and continuation. These school boards are elected by their districts or appointed by a governing body of the unit in which they exist and have the power to determine the levy for public school purposes.

## AGRICULTURE AND MANUFACTURING

Wisconsin is thought of as primarily an agricultural State. It has a highly developed dairy industry. It also produces live stock and feeds. It has a large canning industry especially of peas, corn and beans. Tobacco is raised in quantity and fruit culture is extensive in some small sections. The estimate of the U. S. Department of Agriculture of the value of agricultural products for 1927 was \$430,979,800. The products of manufacturing however are greater in value. These interests are largely concentrated in the City of Milwaukee. The value of these products for 1927 was estimated by the U. S. Department of Commerce at \$1,975,653,000. Of this amount \$828,325,000 was the added value due to manufacturing processes carried on within the State.

Originally there was a large stand of virgin timber which has now been largely cut, although there are many wood working and wood products plants still in operation, especially paper mills.

## DISCUSSION ON FINANCE

## ABSTRACTED

MR M W TORKELSON, *Acting State Highway Engineer, Wisconsin* Owing to a constitutional limitation Wisconsin cannot issue state bonds for highway purposes The use of county allotments for state road construction to retire bonds issued by the counties for state road construction has always been optional. Recent legislation in the interests of tax reduction on general property provided increases in motor vehicle fees and gasoline taxes, made the use of county allotments for bond retirement compulsory, exempted motor vehicles from personal property tax, but provided for return of an amount equal to that formerly collected from the license fees; increased the amount returned for the use on local roads and streets from \$2,000,000 to \$4,000,000 annually; increased the amounts returned for county trunk highways to \$3,000,000 the increase being about \$700,000 and relieved the counties of all responsibility for maintenance of state highways

MR BERT MYERS, *Engineer of Materials and Tests, Iowa Highway Commission* The state of Iowa has done away with the township as a unit of road administration The township roads are now administered by the county supervisors, with the advice of the township trustees and subject to the approval of the State Highway Commission

PROFESSOR R L MORRISON, *University of Michigan* In Michigan starting this year the township roads are being taken over by the counties at the rate of 20 per cent each year As these roads are taken over they are financed by appropriations from the motor vehicle tax funds

DOCTOR J G. MCKAY, *Director, Cleveland Highway Research Bureau* In Ohio a powerful organization of some 4,200 township trustees succeeded in diverting about \$1,500,000 of the license fee and gasoline tax money to the improvement of the township system. Doctor McKay pointed out the great wastefulness inherent in the expenditure of large sums in this way on scattered projects without central control With respect to the growing demand from the metropolitan areas for larger shares of the returns from license fees and fuel taxes, he stated that he believed a better trend would be toward the extension of the state highways through those areas, in which case the money would be spent on specific projects under central control