**Fiscal Facts: Lagging state aids increase municipalities’ reliance on property taxes**

State aid to local governments has stagnated over time, which has increased the reliance of local governments on the property tax. From 1975 to 1997, state aid provided a larger share of municipal revenues in Wisconsin than property taxes. Since then the situation has reversed, with property taxes accounting for 42.2% of municipal revenues in 2015 and state aid comprising 19.4%.

State aid to municipalities also has declined as a share of the state’s overall spending from its general fund, or main account. Three of the most significant forms of general aid to local governments: shared revenue to municipalities and counties, expenditure restraint (state aid that rewards municipalities for limiting spending increases), and payments for municipal services (state payments to defray the cost of local services for and around state properties) have generally not kept pace with inflation.

Data from the nonpartisan Legislative Fiscal Bureau show that after adjusting for inflation these state aids to local governments fell 40.9% between 1998 and 2018. The share of the state’s general fund devoted to these local aids also dropped from 8.5% to 4.5%.

While this is due to a number of factors, several state decisions stand out. First, in the 1996-97 school year, the state committed to funding two-thirds of the overall state and local cost for K-12 schools. Next, the state has enlarged the prison system, made a series of tax cuts, and expanded Medicaid health programs. As a result, any new state revenue generated from year to year has been largely spoken for before it reaches local governments.

*This information is a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at wispolicyforum.org.*