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Some Effects of Suburban Residential Development on Local Finances

By Frederick D. Stocker

Recent population trends have transformed many rural farming communities into residential suburbs. The changing pattern of land use has had important effects on farm land values and on farm property taxes. It has also placed a strain on the financial resources of local government. Especially where local units are small and lack economic diversification, problems of supplying necessary governmental services to a growing population may become severe. This study examines the financial problems brought on by the process of suburbanization in four school districts of Wisconsin. The situation described is similar to that found in the school districts of many other areas where development of suburbs has been rapid and where financial resources are restricted by the small size of local governmental units. In some States, school district consolidation offers a partial solution to the problems such communities face. Other measures to be considered include more effective land use planning and zoning laws, improved property tax administration, possible use of nonproperty forms of local taxation, and perhaps an altered division of financial responsibility between States and their local subdivisions for school financing.

The author acknowledges the contribution of Arthur J. Walrath, of the Farm Economics Research Division, ARS, who supplied, or helped in the collection of, most of the data used in this study, and who gave many valuable comments on an earlier draft of the report.

DURING THE MONTH OF DECEMBER 1954, the first homes were completed in a new residential subdivision on the suburban fringe of Milwaukee, Wis. Throughout the development there were to be in all between 400 and 500 houses. Those that had been completed were neat and attractive, though inexpensive; most sold for less than $10,000. The lots on which they were situated were of fair size and held promise of green lawns, gardens, and shrubbery, but in December the ground was bare and muddy. The curving streets of the subdivision were as yet unpaved and consisted only of graded dirt fill. Gutters and storm sewers remained to be built.

By the first of the year, about 100 homes were occupied, and families began to settle into the routine of daily living in their new community. As part of this process, parents made ready to send their children back to school following the Christmas recess. Apparently not until that moment did many of the residents realize that there was no public school in the district into which they had moved.

This absence of public schools stemmed from a combination of circumstances. Until several months earlier, the area had been farmland. As very few public services had been required, local government existed only in rudimentary form. Besides those services performed by the county government, the town [1] had supplied a modicum

[1] In Wisconsin, as in New England, the town is a rural unit roughly comparable to the township in other States.

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of roads, police protection, and the like. As for public education, the area had been part of a rural district that operated a one-room elementary school.

The coming of suburban residential development had a heavy impact on this rural community. The town government found itself inadequate to the task of supplying municipal services in the urbanized area that had suddenly come into being. Construction of streets and gutters and erection of street lights were among the tasks that had to be postponed.

Perhaps most difficult of all was the school situation. This was complicated by the separation of the existing school district into two parts. One embraced the rural portions outside the subdivision and included the area in which the one-room school building was situated. The remaining area comprised the site of the new subdivision, and covered less than a square mile. So it happened that families, when they moved into this area, found it not only without schools, but without even the organizational structure for supplying this essential service.

At first, it appeared to the children of the area that they were in the utopian situation of being exempt from the necessity of attending school. But pressure from the State Department of Public Instruction, and an emergency grant of funds from the State, soon enabled the community to open school on a makeshift basis under the auspices of a citizens' school committee. An unoccupied home served as a school building for the rest of the school year, and classes were held in two shifts.

Formal organization of a school district and election of officers took place in the summer, but it was not until the summer of 1956 that plans were begun for permanent school facilities. At the start of the 1955–56 school year, three houses were put into use, with a fourth held in reserve. These temporary facilities were still in use at the beginning of the 1956–57 school year.

Purpose and Plan of Study

Although the situation just described may be unusual, it is an outgrowth of circumstances that are common. Throughout the United States, recent years have brought a steady movement of population from urban centers into the less thickly peopled suburban fringe and the rural areas that lie beyond. This migration into regions that until recently have been only sparsely settled has forced many local units to adapt their governmental operations almost overnight to a radically changed situation.

The purpose of this study is to identify some of the problems in local government encountered when a rural community becomes a residential suburb. Our principal concern is with the impact of suburban residential development as reflected in the finances of local units. Less attention is given to the necessary social, political, and administrative adjustments, even though these may also give rise to important and difficult problems.

The discussion that follows is based on a detailed examination of population growth and governmental finances in four local school districts in one Wisconsin county. It is therefore a form of case study. This approach offers several advantages over an analysis of global statistics in studying local finance. Most statistical data on local governments are available only in highly aggregated form. Thus they obscure the situation of the rapidly growing suburban area in a mass of data that covers growing, stable, and declining localities. Suburban residential development, in contrast, is inherently a localized phenomenon that, like lightning, strikes one neighborhood but leaves others nearby untouched.

Moreover, because of the localized nature of suburbanization, it is desirable in examining the process to concentrate attention on the smaller units of local government. The choice of a school district as the appropriate unit in which to observe the effects of residential growth was based largely on the fact that the school district is geographically one of the smallest units of local government. In Wisconsin, the school district is considerably smaller than the county, and smaller even than the town. Its typical size is perhaps 5 or 6 square miles. As a result, the finances of school districts reveal the effects of suburbanization in more pronounced form than do those of larger local units.

A further reason for concentrating attention on the individual local unit is that in most States local governments are given the principal responsibility for dealing with problems caused by movements of population. Within fairly general limitations established by State law, local school dis-

tricts must decide for themselves such matters as whether to construct a new school building or to expand one already standing, how to finance school expansion, and what tax rate to levy. At present, local units in Wisconsin have a great degree of autonomy. As a result, unless and until a larger share of responsibility for such governmental activities as the public schools passes to the State, or perhaps to the Federal Government, measures to cope with problems associated with an expanding population must originate in the local district.

A study of school-district finances is, of course, only part of the larger problem of obtaining a picture of the full range of local government activities as they are affected by population shifts. School districts are concerned only with supplying public education. But other governmental activities such as providing roads, public welfare, and police protection are also influenced by suburban growth.

On the other hand, special attention to schools is warranted by their great fiscal importance. For the nation as a whole, public schools account for more than 40 percent of direct general expenditures of all local governments, and in terms of cost they far overshadow any other function of local government. Moreover, because of the public demand for schools, the educational system may be expected to show the effects of shifting population in their most severe forms.

To a greater extent than is true of other public services, the need for some kind of school system is imperative. The paving of streets in a new development can be postponed for a few years, and sometimes is; police and fire protection may remain inadequate long after an influx of population has taken place; but State laws ordinarily specify that schools must be provided, and they generally go further to set certain minimum standards. As a result, schools rank first on the public agenda in any rapidly growing community. For this reason, they illustrate particularly well the effects of residential development.

Agriculture in Waukesha County

The four school districts selected for study are part of the suburban fringe area of Milwaukee, Wis. They lie in Waukesha County, which borders Milwaukee on the west. The seat of county government is in the City of Waukesha, which in 1950 had a population of just over 20,000. It is situated near the center of the county, about 15 miles from downtown Milwaukee. All 4 of the districts are close to the City of Waukesha, but their economic ties are primarily with Milwaukee, which in 1950 had about 637,000 inhabitants. Non-agricultural workers living in the 4 districts are employed almost entirely in Milwaukee.

Waukesha County is an established agricultural area, in which dairy farming predominates. The number of farms has decreased in recent years, from 3,049 in 1949 to 2,669 in 1954. During this period, the acreage in farms declined about 5 percent. At the same time, the average size of farm increased from 97.6 to 105.5 acres. Much of the land that went out of farming was developed as residential property, but there has been no increase in the number of part-time or residential farms. The combined total of these types of farms dropped from 700 in 1950 to 650 in 1954. These facts suggest what is borne out by observation, that purchasers of suburban property in this region typically have not engaged in farming as a sideline.

Population Growth and Schools in Waukesha County

Population has increased rapidly in Waukesha County, particularly in the suburban area. In 1940, the population stood at 62,744, of which slightly more than a third was classified as rural nonfarm (table 1). A decade later, total population had grown by 36.9 percent, or to 85,901. The increase in urban population during this period was 11.7 percent, but rural nonfarm population more than doubled. At the same time, the number living on farms decreased by a fifth, or to 13,486.

TABLE 1.—*Urban, rural farm, and rural nonfarm population, Waukesha County, Wisconsin, 1940 and 1950* [1]

	1940	1950	Percentage change
Total	62, 744	85, 901	+36. 9
Urban	23, 804	26, 578	+11. 7
Rural nonfarm	22, 244	45, 837	+106. 1
Rural farm	16, 696	13, 486	−19. 2

[1] Source: U. S. Bureau of the Census. For purposes of comparison, the old urban definition was used.

The net result of these changes was that more than half the population was classified as rural nonfarm in 1950.

The growth of population is revealed also in county statistics on the school census, school enrollment, and number of births (table 2). Since 1944, school enrollment has almost doubled, and the school census, taken annually by the school districts, has shown an expansion of more than 150 percent among children aged 4 through 19. The steady increase in the number of births promises still further rises in school population. The following statistics on enrollment for September 1954 indicate the extent to which children of school age are concentrated in the lower grades:

Grade:	*Number of pupils*
1	1,514
2	1,605
3	1,373
4	1,228
5	1,216
6	1,293
7	1,121
8	953

These figures represent the entire county. Some individual districts have not shared in the general increase in population and school enrollment, and may not show the same concentration in lower grades. Others, however, have experienced proportionate increases and a degree of concentration far greater than those indicated by the county figures.

TABLE 2.—*Number of births, population aged 4–19 years, and school enrollment, Waukesha County, 1944–55* [1]

Year	Number of births	School census (ages 4 through 19)	School enrollment
1944	1,383	10,781	6,613
1945	1,416	10,727	7,182
1946	1,730	11,226	7,178
1947	1,891	11,953	7,636
1948	1,880	12,686	7,364
1949	1,983	13,796	8,565
1950	2,103	14,766	8,895
1951	2,264	16,109	9,350
1952	2,319	17,476	10,314
1953	2,447	19,323	11,537
1954	2,622	27,833	12,599
1955	----------	30,753	14,182

[1] Source: Annual Report, Waukesha County Schools November 1955, p. 7.

In 1952, in all of Wisconsin there were 5,298 school districts, of which 82 were classified as city school systems.[2] Thus, on the average, there were about 76 school districts per county, excluding Milwaukee. In the Waukesha County school system during the school year 1954–55, there were 105 school districts, 6 of which were high school districts. The rest, including 38 one-room rural school districts, were distributed over the rural parts of the county, an area of between 500 and 575 square miles. School districts therefore typically cover between 5 and 6 square miles. In this respect, the 4 districts studied are about average for the county.

School District "A"

The most urbanized of the 4 areas, which may be referred to as District "A," is centered about 8 miles east of the City of Waukesha, astride a highway to Milwaukee. Since subdivision began in the years immediately before World War II, the growth of District A has been steady, and the area is now almost entirely residential. The increase in number of homes has been accompanied by some commercial development—a few stores and a gas station or two along the highway within the boundaries of the district. Full-time commercial farming has virtually disappeared, however, and there is no industrial or public-utility property to speak of in the district.

Table 3 shows the number and assessed value of various categories of improved and unimproved properties in District A. The transformation of this area over a period of 15 years from farmland to a residential suburb is reflected in the rapid increase in the number of improved properties of smaller size. Between 1939 and 1954, the number of improved properties having less than 10 acres increased threefold, while the number of improved lots in recorded subdivisions increased 20 times. The growth in assessed valuation in these categories amounted to 1,400 and 7,000 percent, respectively, while the proportion of assessed valuation attributable to properties having 10 acres or more declined from 41 percent of the total in 1939 to only 7.5 percent in 1954.[3]

[2] LOCAL GOVERNMENT STRUCTURE IN THE UNITED STATES. Bureau of the Census. State and Local Government Special Studies No. 34. 1954. pp. 83–4.

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[3] In this district, as in each of the others, the increase in assessed valuation between 1949 and 1954 is partly a result of a reassessment of property.

TABLE 3.—*Number and assessed value of properties in District A, 1939–54*

	Number of units				Assessed value (Thousand dollars)			
	1939	1944	1949	1954	1939	1944	1949	1954
10 acres or more:								
Without inprovements	13	15	13	8	21. 2	29. 8	21. 4	22. 8
With improvements	26	24	27	31	140. 8	106. 9	127. 0	359. 4
Total	39	39	40	39	162. 0	136. 7	148. 4	382. 2
Less than 10 acres:								
Without improvements	12	13	33	29	4. 7	6. 1	11. 6	16. 4
With improvements	33	48	71	135	71. 2	115. 2	167. 8	1, 084. 6
Total	45	61	104	164	75. 9	121. 3	179. 4	1, 101. 0
Lots in recorded subdivisions:								
Without improvements	1, 127	1, 045	1, 074	777	109. 8	108. 6	148. 4	105. 8
With improvements	22	195	273	449	50. 8	449. 5	687. 8	3, 535. 9
Total	1, 149	1, 240	1, 347	1, 226	160. 6	558. 1	836. 2	3, 641. 7

In 1942, daily attendance at the elementary school in District A averaged 64 pupils. School was held in 2 one-room buildings located side by side at a crossroad near the center of the district. In 1948, average attendance having grown to more than 100, a new building was constructed in a residential section several blocks from the old school. Constant pressure of population, however, rendered the new facilities inadequate almost before they were completed. Attendance has increased steadily since 1948, and new classrooms have been added to the building almost every year.

This continuous program of expansion has resulted in elementary school facilities that are attractive in design and modern in all respects, but it has brought comparatively heavy school taxes. In recent years, local tax collections have averaged more than $10 per $1,000 of equalized assessed value (table 4). In part, these taxes have been necessitated by a low ratio of equalized valuation to the number of pupils in average daily attendance. The low ratio in turn is attributable to the predominance of residential over commercial, industrial, and farm property within the district. A study of this ratio in the 63 multiple-

TABLE 4.—*Summary of finances of school district A, 1944–55*

	Equalized value	Intergovernmental revenue	Local taxes collected	Local general revenue	Total general expenditures	Unpaid debt, June 30	Local tax collections per $1,000 equalized value	General expenditure per pupil in average daily attendance	Equalized value per pupil in average daily attendance[1]
	1,000 dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
1944	1, 372	1, 013	5, 031	6, 244	5, 962	-------	4. 20	66	13, 311
1945	1, 483	1, 536	9, 009	10, 870	6, 728	-------	6. 57	62	12, 587
1946	1, 638	1, 800	9, 003	10, 843	8, 441	-------	6. 07	100	17, 655
1947	1, 884	1, 792	16, 002	18, 920	13, 054	-------	9. 77	147	18, 404
1948	2, 429	1, 678	32, 002	33, 901	16, 682	44, 500	16. 99	162	18, 291
1949	3, 180	1, 322	35, 638	37, 898	25, 860	54, 877	14. 67	167	15, 671
1950	3, 901	5, 850	34, 006	43, 295	33, 403	39, 797	10. 69	191	18, 171
1951	5, 174	6, 825	49, 008	60, 952	42, 076	55, 856	12. 56	180	16, 671
1952	6, 266	10, 213	45, 528	62, 442	52, 072	141, 539	8. 80	204	20, 290
1953	7, 447	10, 691	60, 158	73, 931	65, 254	133, 780	9. 60	232	22, 299
1954	7, 958	10, 782	85, 106	91, 620	77, 656	197, 180	11. 43	238	22, 844
1955	-------	14, 743	90, 003	109, 986	90, 417	188, 262	11. 31	215	18, 926

[1] Calculated on basis of previous year's assessment.

room elementary schools in Waukesha County reveals that, in 1955, District A was fourth from the lowest, with an equalized assessed value of $18,926 per pupil in average daily attendance. The corresponding figure for the median district was $30,238.

When account is taken of the rise in the general price level, it is evident that equalized assessed valuation per pupil in average daily attendance was actually lower in 1955 than it was 12 years earlier. Average valuation in 1955 was 42 percent greater than that of 1943, but the increase in prices as measured by the wholesale price index for all nonagricultural commodities amounted to 65 percent.

Besides relatively heavy property taxes for school purposes, considerable borrowing has been resorted to for expansion of school facilities in District A. At the close of the 1955 fiscal year, the district carried a debt of $188,000, or 2.4 percent of the equalized assessed value. Eight years earlier it had no debt. During the same period, capital outlays amounted to more than $300,000.

In summary, District A may be pictured as an area of rapid and extensive residential growth, but one in which there has been a vigorous effort on the part of residents to keep school facilities abreast of the demand. That this effort has been successful is evidenced by the fact that the elementary school in District A is reported to be among the best in Waukesha County. Because of its limited assessment base, however, and more particularly because of the virtual absence of nonresidential property from the tax rolls, the district has been able to supply good schooling only by imposing heavy tax rates and relying extensively on borrowing.

School District "B"

District B lies immediately to the west of District A and is adjacent to the City of Waukesha. Until recently, residential growth in this area has been slow. For the most part, it has taken the form of an increase in the number of homes built on roadside tracts carved from farm properties, the rest of which, in most instances, was still under cultivation in 1955. In that year, several dozen full-time farms remained in operation within the district.

In the last few years, however, the pace of residential building has accelerated. From 1941 to 1950, the school census showed an increase of only 25 percent in the number of children from 5 to 19 years old, but since 1950 the number in that age group has more than doubled. Moreover, the existence of several large tracts suitable for subdivision into building lots suggests that the greatest spurt of residential development is yet to come.

As of 1954, lots in recorded subdivisions accounted for a far smaller proportion of assessed valuations in District B than in District A (table 5). Such lots represented 13 percent of the 1954 tax base in B, as compared with 71 percent in A. Five years earlier, in 1949, only 2 percent of the value of property on the tax rolls in District B was composed of lots (improved or unimproved) in recorded subdivisions. On the other hand, properties not in recorded subdivisions and having less than 10 acres are of greater proportional importance in B than in A. In 1954, such properties accounted for 61 percent of total assessed valuations in District B, compared with 21 percent in the neighboring jurisdiction.

The property tax base in District B is more diversified than that of District A. Whereas A is almost entirely residential, B has a scattering of full-time farms and some industrial and commercial property. Among the latter are a commercial greenhouse, a small factory that produces church furniture, at least one gas station, and three small plants that manufacture cement blocks. Neither district has any sizable amount of public utility property on its tax rolls.

Average daily attendance at the elementary school in District B changed very little between 1941 and 1952. Since 1952, however, the trend has been steadily upward. The number of teachers remained constant at two from 1941 to 1950. In the school years ended in 1951 and 1952, a third person was employed on a half-time basis. Three full-time teachers were employed in 1953 and 1954, and another was added in 1955. A one-room schoolhouse supplemented by a temporary barracks-type building sufficed until the 1951–52 school year, and in 1952 a new four-room school was built.

Construction of the new school building was financed by a loan of $80,000 (table 6). By the close of the 1955 fiscal year, the debt outstanding had been reduced to $60,000. In 1955, property

TABLE 5.—*Number and assessed value of properties in District B, 1939–54*

	Number of units				Assessed value (thousand dollars)			
	1939	1944	1949	1954	1939	1944	1949	1954
10 acres or more:								
Without improvements	7	6	7	6	27.4	29.1	29.7	33.3
With improvements	27	28	24	28	177.7	178.1	178.6	470.9
Total	34	34	31	34	205.1	207.2	208.3	504.2
Less than 10 acres:								
Without improvements	21	20	28	34	4.2	4.3	6.8	15.3
With improvements	67	80	99	144	209.5	262.9	386.1	1,190.7
Total	88	100	127	178	213.7	267.2	392.9	1,206.0
Lots in recorded subdivisions:								
Without improvements	25	58	56	91	1.3	4.5	4.3	31.0
With improvements	5	5	7	40	4.5	4.4	9.0	234.4
Total	30	63	63	131	5.8	8.9	13.3	265.4

taxes for school purposes amounted to $6.59 per $1,000 of equalized assessed value compared with $5.06 in 1950. In 1955, a ranking of districts according to their ability to pay for public education, as measured by the equalized valuation per pupil in average daily attendance, put District B 17th among the 63 districts. Its average equalized valuation was $38,154, compared with $30,238 for the median district.

To judge from appearances, the elementary school operated by District B is far less elaborate than that of District A. In size, style, and quality of construction, the building in the latter appears to be superior to that of the former. Moreover, District A probably enjoys a better-rounded academic program and more extracurricular activities. These are usually characteristic of a more populous community and larger scale operation.

District B, however, carries a smaller financial burden. In relation to equalized valuations, local taxes for school purposes have been well below those of District A. Debt, too, was less in District B, where it represented only 1.6 percent of equalized assessment valuations in 1955, compared with 2.4 percent in District A. The lower financial burden in District B may be attributed largely to the fact that within its borders there is a moderate amount of nonresidential property to contribute to the support of public schools.

TABLE 6.—*Summary of finances of School District B, 1941 and 1950–55*

	Equalized value	Intergovernmental revenue	Local taxes collected	Local general revenue	Total general expenditures	Unpaid debt, June 30	Local tax collections per $1,000 equalized value	General expenditure per pupil in average daily attendance	Equalized value per pupil in average daily attendance [1]
	1,000 dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
1941	(2)	1,040	2,500	3,737	3,287	----	(2)	68	(2)
1950	2,106	1,950	8,399	11,573	9,482	----	5.06	153	26,758
1951	2,602	1,950	12,702	17,036	12,142	----	6.03	202	43,366
1952	3,008	1,869	15,438	21,333	13,720	80,000	5.93	233	44,102
1953	3,304	2,606	16,510	26,624	18,653	72,000	5.49	259	41,778
1954	3,706	2,736	19,225	24,173	17,811	68,000	5.82	220	40,790
1955	----	1,164	24,437	27,642	23,977	60,000	6.59	247	38,154

[1] Calculated on basis on previous year's assessment.
[2] Not available.

TABLE 7.—*Number and assessed value of properties in District C, 1939–54*

	Number of units				Assessed value (Thousand dollars)			
	1939	1944	1949	1954	1939	1944	1949	1954
10 acres or more:								
Without improvements	6	4	5	5	13. 5	4. 6	4. 3	10. 3
With improvements	17	16	18	20	138. 2	135. 4	136. 0	445. 6
Total	23	20	23	25	151. 7	140. 0	140. 3	455. 9
Less than 10 acres:								
Without improvements	6	8	17	20	1. 5	2. 8	3. 5	5. 2
With improvements	3	14	24	39	7. 6	19. 8	35. 7	356. 9
Total	9	22	41	59	9. 1	22. 6	39. 2	362. 1
Lots in recorded subdivision:								
Without improvements	0	49	106	85	0	5. 8	16. 9	57. 2
With improvements	0	13	24	46	0	37. 9	50. 6	566. 4
Total	0	62	130	131	0	43. 7	67. 5	623. 6

School District C

Northwest of the City of Waukesha, and centered about 5 miles from the corporate limits, lies School District C. Although it is on the far side of Waukesha from Milwaukee, quick and easy access to the metropolitan area is provided by a through highway that bypasses the urban area of Waukesha. By 1955, this highway was bordered by rural residences throughout its length in the district. There are three subdivisions with a total of about 130 lots. The homes, unlike those in many other residential developments, are not of uniform construction and style, but have been built to order, one or two at a time, over a period of a decade or more.

Residential growth throughout this district, as in District A, dates from the days immediately before World War II. There has been a fairly steady rise since 1939 in the number of improved properties having less than 10 acres and in lots with improvements (table 7). Unlike A, but similar to B, District C continues to have a number of fulltime farms still in operation. Thus, despite the fact that commercial, industrial, and utility property is virtually nonexistent within the district, the tax base includes some property other than private residences.

To judge from equalized assessed valuations, improved properties in the subdivided area of District C are more valuable on the average than those of either A or B. In 1954, the average equalized valuation of such properties in District C amounted to $14,480, compared with $12,143 in A, and only $9,710 in B. Unimproved lots in recorded subdivisions had an average equalized valuation of $792 in C, as compared with $210 in A, and $565 in B.

In District C, suburban development has brought almost a doubling in 12 years in the ratio of local tax collections to equalized assessed values (table 8). Still, the ratio is not as high as that found in District A, although it is slightly greater than the ratio of B.

In its ability to pay for public education, measured by the relation of equalized valuations to average daily attendance, District C ranks above A, but below B, and well below the median of $30,238. With an average equalized valuation of $25,603 in 1955, it placed 43rd among the 63 multiple-room elementary schools in the county.

The elementary school operated by District C occupies a modern two-room building that was constructed in 1953. The building is so designed that additional classrooms can be added to the basic unit as the need arises. In 1955, daily attendance averaged 71. This was an increase of 16 students over the average number in attendance the year before, and it was more than double that of 1949, when one teacher taught 32 students in a one-room building.

In constructing its new elementary school, District C went into debt by about $55,000. Since 1953, additional debt has been incurred. At the close of fiscal 1955, debt outstanding amounted to 2.8 percent of the equalized assessed value, a proportion greater than that of either District A or B.

Since construction of the new building in 1953, school facilities in District C have been adequate and modern. Population growth has proceeded comparatively slowly, and the district has experienced no particular difficulty in keeping abreast of school needs. But it is unlikely that the rate of growth will slacken in the years immediately ahead; indeed, it may accelerate. Many unimproved lots remain in subdivisions already laid out. And there remains much land still in agricultural use that is clearly suitable for residential development. Expanded school facilities will almost certainly be needed, and in turn they will necessitate further borrowing. As a result, the future appears likely to bring not only a larger population but also heavier debt and higher tax rates to the inhabitants of District C.

School District D

The most rural of the districts studied lies west of Waukesha, its center about 3 miles from the city limits. No direct and convenient route provides access to Milwaukee. Commuters who live in District D and are employed in Milwaukee apparently must drive through Waukesha to get to work. Therefore, residential development thus far has been slow.

Except for a few rural residences bordering the highway, the district consists largely of active farms. The number of properties having 10 acres or more has remained almost constant over the last 15 years (table 9). A steady increase, however, has occurred in the number of improved properties having less than 10 acres. These include, for the most part, tracts of a few acres each that have been sold as residential lots from the edges of farms. Even more striking than the increase in numbers is the growth in assessed valuation of properties having less than 10 acres.[4] These constituted less than 4 percent of the total valuation in the district in 1939. In 1944, this proportion stood at 7 percent, and by 1949 it had grown to 11 percent. In 1954, 30 percent of the assessed valuation of the district consisted of properties having 10 acres or less. No subdivision had occurred before 1954.

When the 33 one-room elementary schools of Waukesha County were ranked according to their ratios of equalized assessed valuation to average daily attendance in 1955, District D stood 21st. Despite this low position, however, its average valuation amounted to $33,124 (table 10)—a figure larger than that of Districts A and C, and above the median for all districts operating multiple-room elementary schools.

[4] This increase may be attributed partly to a reassessment of property, which increased the valuation placed on properties in the less-than-10-acres category more than that of other properties.

TABLE 8.—*Summary of finances of School District C, 1943–55*

Year	Equalized value	Intergovernmental revenue	Local taxes collected	Local general revenue	Total general expenditure	Unpaid debt, June 30	Local tax collections per $1,000 equalized value	General expenditure per pupil in average daily attendance	Equalized value per pupil in average daily attendance [1]
	1,000 dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
1943	312	518	1,477	2,045	1,881	--------	4.89	125	20,133
1944	376	507	1,392	1,899	1,737	--------	4.46	116	20,800
1947	465	500	3,288	3,907	2,402	--------	7.37	109	20,273
1948	618	500	3,000	3,502	2,702	--------	6.45	93	16,034
1949	737	500	4,295	4,796	3,990	--------	6.95	125	19,313
1950	898	975	5,050	6,030	3,934	--------	6.85	98	18,425
1951	1,268	975	5,916	6,916	5,249	--------	6.59	122	20,883
1952	1,406	1,705	6,507	8,312	5,572	--------	5.13	133	30,190
1953	1,659	1,820	12,256	18,334	10,097	55,730	8.71	198	27,569
1954	1,806	1,871	13,450	15,383	10,515	52,617	8.11	191	30,164
1955	--------	2,107	15,442	18,151	13,803	50,117	8.55	194	25,603

[1] Calculated on basis of previous year's assessment.

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TABLE 9.—*Number and assessed value of properties in District D, 1939–54*

	Number of units				Assessed value (Thousand dollars)			
	1939	1944	1949	1954	1939	1944	1949	1954
10 acres or more:								
Without improvements	3	3	2	5	13. 2	4. 8	4. 8	16. 8
With improvements	16	16	16	16	139. 8	145. 6	141. 1	292. 4
Total	19	19	18	21	153. 0	150. 4	145. 9	309. 2
Less than 10 acres:								
Without improvements	0	1	3	0	0	0. 1	0. 6	0
With improvements	5	7	10	14	6. 0	10. 7	17. 1	134. 8
Total	5	8	13	14	6. 0	10. 8	17. 1	138. 8
Lots in recorded subdivisions:								
Without improvements	0	0	0	0	0	0	0	0
With improvements	0	0	0	0	0	0	0	0
Total								

District D appears now to be in about the same stage of development that was attained a decade ago by District C, and perhaps 15 years ago by District A. The sale in 1955 of a large property for subdivision suggests that District D stands on the threshold of a sizable increase in population. The one-room school that is now adequate for 21 students can perhaps accommodate a dozen more. A larger increase than this probably would cause the district to rely on some temporary makeshift, such as a quonset hut or a barracks-type building. This is an expedient that often is used in rapidly growing areas. But it appears evident that within a few years the one-room school in District D will have to be replaced with a larger permanent structure.

Effects of Suburbanization on Local Finance

The experience of the four school districts illustrates several effects of population growth. Upward pressure on taxes is evident in all these local governments, except in District D, where no great population increase has yet occurred. Local taxes, as a proportion of equalized assessed value, have risen highest in District A, where suburbanization has been most extensive.

District B, where more commercial and industrial properties and some farmland are found, had a greater equalized assessed valuation per pupil in average daily attendance in 1955 than any of the other three districts studied. Also local taxes in District B remained relatively low, despite the rapid increase in population since 1950.

District C contains a number of farm properties, but practically no business properties of any other kind. It has experienced a steady growth in population, but the pace has been slower than in District A. Local taxes, in relation to equalized valuations, were lower in 1955 in District C than in A, but greater than in either of the other two areas.

Debt

Local governmental debt also shows a tendency to increase in districts where new facilities are required to accommodate a growing school population. None of the four districts was in debt in the days before residential development began, but in 1955 District D alone remained debt free. Of the other three, District A ranked lowest in debt per pupil in average daily attendance, with $448 in 1955. District B had, in contrast, $619, and C, $706. As a proportion of equalized valuations, however, B ranked lowest with 1.6 percent, compared with 2.4 percent in A. By this measure also, District C ranks highest, showing a debt ratio of 2.8 percent.

But the significance of the amount of local debt should not be exaggerated. To be sure, it imposes a fixed charge in the form of interest charges and payments on principal. But few would argue that a program of capital expansion in a governmental unit as small as a school district could, or even should, be financed on a pay-as-you-go basis. The cost of constructing a new school building is properly regarded as a charge not only against present taxpayers, but also against those who in future years may move to the district and benefit from the use of the schools.

TABLE 10.—*Summary of finances of School District D, 1944–55*

Year	Equalized value	Intergovernmental revenue	Local taxes collected	Local general revenue	Total general expenditure	Local tax collections per $1,000 equalized value	General expenditure per pupil in average daily attendance	Equalized value per pupil in average daily attendance [1]
	1,000 dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
1944	301	256	994	1, 266	1, 289	3. 90	322	63, 750
1949	487	430	2, 725	3, 175	3, 569	6. 08	400	50, 000
1950	585	625	3, 215	4, 328	3, 313	6. 60	370	54, 000
1951	619	600	4, 051	4, 651	3, 650	6. 92	400	65, 000
1952	644	513	3, 001	3, 561	3, 004	4. 85	334	68, 778
1953	684	586	3, 003	3, 590	2, 773	4. 66	198	46, 000
1954	697	678	3, 501	4, 183	4, 709	5. 12	294	42, 750
1955	-------	772	4, 003	4, 776	3, 822	5. 74	182	33, 124

[1] Calculated on basis of previous year's assessment.

More than the burden of carrying debt, an aspect of school-district borrowing that deserves attention concerns the procedural decisions that must be made in borrowing. These may easily be more troublesome than the financial problem of servicing and repaying debt. Before a district can borrow money, many technical matters must be settled. For example, the legal aspects of borrowing must be examined, including any debt limit to which the district is subject. Terms of the loan and the repayment schedule must be decided. If a bond issue is involved, legal approval must be obtained, the issue advertised, bids received and analyzed, and the issue awarded. And perhaps most difficult of all are those problems that arise when public opinion divides sharply on the question of local borrowing and the spending policies that the borrowed funds are intended to implement.

As there is no evidence that any of the four districts studied has encountered great perplexity in this connection, the present report gives no further attention to the matter beyond suggesting that the administrative and political aspects of local borrowing may occasionally be more critical than the economic aspect.

Assessed Value

In all four districts, a steady increase was noted in the equalized value of property on the tax rolls. Part of this rise may be attributed to the general upward trend in values of existing properties. Nevertheless, as would be expected, the increase has been most pronounced in those districts that have had the largest growth in population. Between 1942 and 1954, an increase of 650 percent occurred in valuation of property in District A. This compares with an increase of 500 percent in C and 185 percent in D. For District B, data were obtained only for the period since 1948; during that time equalized valuations grew by 185 percent.

An important question concerns the extent to which residential subdivisions pay their own way in meeting the costs of public schools. Barring for the moment any changes in tax rates, the answer depends on the assessed value at which new homes are placed on the rolls, and on the number of additional school-age children. If equalized valuation per pupil in average daily attendance is used as a measure of a district's ability to finance public schools, it follows that a residential development that adds at least this average amount to the tax rolls for each new school pupil would pay its own way. Less than this amount would tend to raise tax rates, unless it can be shown that school costs per pupil decline with larger enrollments.[5]

Table 11 shows the equalized valuation per pupil in average daily attendance, local taxes collected per $1,000 of equalized valuation, and, as the product of these, the local taxes collected per pupil

[5] State-aid payments on an equalized basis modify, but do not invalidate, this relationship. This is true also of payments based on average daily attendance. Aid formulas of both types are used in Wisconsin.

in average daily attendance.[6] The last may be taken as a measure of the local district's share of the annual cost of educating a child in the public schools.

Table 12 shows the extent to which residential subdivisions measure up to this average in the amount they contribute to the district's tax revenue. As may be seen in column 4, the average tax contribution of improved properties in recorded subdivisions varies from $64 in District B to $137 in A. The question remains as to the increment in school attendance associated with the average new residence. This is estimated in column 5.

Columns 6 and 7 show, respectively, the estimated tax contribution per school pupil brought in by residential subdivision, and the percentage this represents of the average cost borne by the local district in educating a school pupil.

It is evident that in Districts A, B, and C, the cost of educating these additional pupils, estimated on the basis of present tax rates and existing average costs per pupil, far exceeds the revenue to be derived from these same properties.

It is not necessary, however, to draw the conclusion that residential subdivisions should be excluded from rural areas. Such a policy is clearly futile. Instead, the essential problem again may be traced to the very small size of school districts. Residential development usually encourages a concomitant growth of commercial property. Where stores, gas stations, restaurants, and even large shopping centers accompany the increase in residential property, the entire tax load does not fall on homeowners. But in districts of small geographic size, like those found in Wisconsin, there is little chance that a diversified property-tax base will grow up in any one district.

More commonly, one district is built up heavily with low-cost homes and has all the school children, while a neighboring jurisdiction with few school-age children enjoys a tax base composed in part

[6] The significance of the assumption "at existing average cost per pupil" should be noted. Public education may be subject to decreasing cost, in the sense that the cost of teaching additional students may be less than the average cost. This situation probably exists in the one-room school that has excess capacity. But once a school has grown to have two, three, or more rooms, economies of larger scale operation are probably negligible. The quality of education may continue to improve with further expansion, but average costs per pupil are unlikely to continue to fall.

TABLE 11.—*Contribution of local property taxes to cost of education, 1955*

District	Equalized valuation per pupil in average daily attendance [1]	Local taxes collected per $1,000 of equalized valuation [2]	Local taxes collected per pupil in average daily attendance
	Dollars	*Dollars*	*Dollars*
A	18, 926	11. 31	214
B	38, 154	6. 59	252
C	25, 603	8. 55	217
D	33, 124	5. 74	190

[1] Annual Report, Waukesha County Schools, November 1955, pages 9 and 10.
[2] From tables 4, 6, 8, and 10.

of the commercial establishments that service the residential area. If school districts were larger, a balanced growth in various classes of property would be more probable.

Certain other problems not revealed in available statistics come out in conversations with school district officials and others who are familiar with particular local situations. One example cited is the need for technical advice of all kinds to ease the administrative adjustments that must be made by the rural district that is suddenly struck by suburbanization.

Supervision of a one-room rural school district is likely to be a routine and unexacting duty. So long as population remains small, the administrative functions can be performed on a part-time basis by farmers and other local inhabitants, and no special skill or knowledge is necessary.

The coming of suburbanization changes all this. Almost overnight the district official becomes an agent for borrowing, taxing, and spending on a scale far larger than that to which he had been accustomed.

The political and economic difficulties of increasing taxes are self-evident, and the problems of borrowing have been noted. But perhaps equally difficult are the decisions involved in spending public money wisely. Often new property must be bought, in the process of which due regard must be given to location and the possible need for further expansion later on.

If construction is contemplated, building plans and specifications must be drawn up, bids received, and contracts awarded. At every step, decisions

TABLE 12.—*Proportion of locally financed cost of schooling covered by average tax contribution of improved residential properties, 1955*

District	Average equalized value of improved properties in recorded subdivisions[1]	Local taxes collected per $1,000 of equalized valuation [2]	Average tax contribution of improved properties [3]	Estimated increase in school population per additional improved property [4]	Estimated tax contribution per new school pupil [5]	Average tax contribution of residential properties, as proportion of average local cost of schooling [6]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Dollars	*Dollars*	*Dollars*		*Dollars*	*Percent*
A	12, 143	11. 31	137	1. 00	137	64
B	9, 710	6. 59	64	. 43	149	59
C	14, 480	8. 55	124	. 79	157	72
D		5. 74				

[1] Average assessed value from tables 3, 5, and 7, multiplied by ratio of equalized to assessed valuation.
[2] Table 11.
[3] Column 2 times column 3.
[4] Ratio of increase from 1950 to 1955 in number of pupils in average daily attendance to increase from 1949 to 1954 in number of improved properties.
[5] Column 4 divided by column 5.
[6] Column 6 as a percentage of the last column of table 11.

are necessary on matters that require not only a high degree of business acumen, but also some knowledge of the law. The officers of a small rural school district, who often have little experience in such matters, would benefit from the counsel of some trained State or county official.

Lag in Growth of Property-Tax Revenue From New Developments

Although local governments in Wisconsin, as in other States, receive some financial assistance from the State, the local property tax remains the principal source of revenue for most units. In 1953, Wisconsin school districts received 33 percent of their general revenue from the State, compared with 62 percent from the local property tax.[7] For the four districts included in this study, the average ratio of local tax collections to total general revenue was 75 percent in 1953 and 83 percent in 1955.

Efficient administration of the general property tax is important for all local governments, but in a rapidly growing suburb it takes on special significance. The revenue requirements of such a community, it has been noted, tend to increase more rapidly than the tax base, causing upward pressure on tax rates. To minimize these increases, as well as in the interest of equity, the assessor of property must do his best to bring newly created values into the tax base. Not only should new construction be reflected promptly on assessment rolls, but frequent adjustments are necessary in assessments of existing properties as the press of population causes changing property values.

Where population growth is sudden, an acute problem may arise as a result of the time lag that is often a part of property tax administration. Between the time new improvements are constructed and the initial tax payment is made, as much as a year and a half may elapse. Under Wisconsin law, for example, property is assessed as of May 1. School taxes are levied on this assessment later, usually in July. These taxes become payable during the fall and winter, and are regarded as delinquent if not paid by February 28 of the following year.[8]

Wisconsin law also provides that a building that is not completed on May 1 may be assessed at the value in place on that date. With modern building methods, however, it is not impossible for hundreds of homes to stand completed and occupied at the start of the school year, on a site that

[7] U. S. BUREAU OF THE CENSUS. STATE AND LOCAL GOVERNMENT REVENUE IN 1953. State and Local Government Special Studies, Number 37. Washington, D. C. 1954. P. 26.

[8] If paid in instalments, the first is due by January 31, with the balance payable before July 31.

on May 1 had been only an open field. Hundreds of children might be ready to enter school. But under the law, the owners would have no property-tax liabilities against the improvements during their first year in their new homes. On May 1 of the following year, these homes presumably would be added to the assessment rolls; taxes on them would be levied in the summer and would be payable, at least in part, by February 28. Meanwhile, children of these families would have been in attendance at school almost 2 full years.

Perhaps some revision in property-tax administration is needed to reduce the time that elapses between the assessment of property and the payment of taxes. As a further step in this direction, collections might be put more nearly on a current-payment basis. Instead of the single payment, or two-instalment, system now used in Wisconsin and many other States, quarterly or even monthly billing might be instituted to regularize the flow of revenue from existing properties as well as to speed the flow of revenue from newly constructed properties.

Relief from this situation might also be found in the use of local nonproperty taxes. A deed transfer tax on the order of that used by many municipalities and school districts in Pennsylvania would be particularly well suited to the needs of a rapidly expanding suburb. This tax, which in Pennsylvania usually is imposed at the rate of 1 percent, applies to the value of real property transferred; it has proved a valuable source of revenue during the period before new homes start to produce property-tax revenues. The administration of such a tax is well within the capability of even a small local unit, and the deterrent economic effects of the tax, in comparison with those attributable to the property tax itself, are negligible.

Lack of Diversity in Property-Tax Base

The lack of diversity in the types of property subject to taxation presents a severe problem in some school districts. Many districts have no commercial, industrial, or public-utility property in their tax base, and must support their functions by comparatively heavy taxation of residential or farm property. Indeed, districts exist where residential property alone comprises the entire tax base. These districts are deprived of any benefit that might be obtained from nonresidential property within their borders.

Zoning ordinances often serve to discourage residential building in areas that would provide valuable industrial or commercial sites. But the effectiveness of zoning in small areas is limited. A school district, for example, that covers only 5 or 6 square miles, may have no property that is suitable for business use or even for large and more valuable residences. Thus, development throughout an entire school district may be confined wholly to low-value residential property, which adds but little to the tax base.

Moreover, the usual form of zoning, based on a town (township) or county, actually tends to aggravate imbalance in the development of individual districts. Division of the larger area into segments that are suitable for residences, or for industrial or commercial development, may easily produce the result that one school district is predominantly residential, another heavily industrial, and a third built up with stores and other business establishments. As a consequence, zoning ordinances offer little hope, and may even constitute a threat, to balanced growth of the property-tax base in areas as small as the school districts studied here.

Finally, a difficulty that in individual districts may be more fundamental than any mentioned earlier results mainly from the inability or unwillingness of responsible officials and established residents to recognize the coming of suburbanization and to anticipate its effects. Occasionally, those in control of local government refuse to take the steps necessary to supply school facilities for the children of newcomers to the district. Opposition arises to proposed increases in property taxes, and such a question as a school-bond referendum may become explosive.

In the face of a persistent growth in population, resistance of this kind can be little more than a delaying action. The usual result is that within a few years the older residents lose control to the newcomers, who must then attempt to accomplish at an accelerated pace that which should have been done gradually in earlier years.

Far more auspicious is the situation in which residents of long standing cooperate with newcomers to meet their common problems. A rural

community that, in time of suburban growth, is fortunate enough to have leaders who can look ahead and map the moves necessary to cope with a rapidly expanding population may avoid many pitfalls.

Conclusions

As indicated at the outset, the purpose of this study did not include developing a program by which local government can cope with suburban expansion. One general conclusion, however, cannot be overlooked: The four districts studied, and by inference others like them, are handicapped by their small size in making adjustments forced on them by suburbanization.

Small school districts have often been favored, from the farmer's viewpoint, as a means of preventing the urban population from shifting part of the cost of education to the owners of a farm property. So long as residential development can be kept out, this policy may actually hold taxes down. But when population begins to move into formerly rural areas, the balkanization of local government, pursued originally as a defense measure, becomes itself the source of many problems.

A school district of 5 or 6 square miles is likely to encounter two major difficulties. One is the educational problem of providing a well-rounded school program. Unless the district includes much residential property, the school population is too small to warrant facilities more elaborate than a one-room school—an institution that perhaps has had much historical and social importance, but which is surely out of date by modern standards of education.

The second problem, and one of more immediate concern, pertains to finances. Not only are very small districts handicapped in supplying adequate school facilities and programs, but they often have a financial disadvantage. The problem is most critical where a rapid increase in population forces school expansion; but the disadvantage exists even where the school situation is not complicated by population growth.

Small-scale purchasing, for example, is almost certain to be uneconomic. Small-scale borrowing, too, is likely to be on terms less favorable to the school district than are those that apply on loans or bond issues of larger jurisdictions. The cost of legal proceedings and of legal advice is still another charge that weighs relatively more heavily on a very small district than it does on a larger jurisdiction that may be able to use the services of a lawyer on a retainer basis, and whose officers may also be versed in legal matters.

A large school district possesses an advantage in budgeting outlays that a small district does not have. A county school district, for example, may budget a certain amount of capital outlay each year, so that continuous expansion can be accomplished more nearly on a pay-as-you-go basis. But a small district often goes along for years with little or no capital outlay, and then suddenly is required to undertake an expansion program that, though small by most standards, may nevertheless stagger the small district. The transition from a one-room to a two-room school presents such a problem. A similar budgetary jolt may occur when current expenses rise suddenly to a new level, as when it becomes necessary to employ a second teacher.

Still other problems face the small school district and handicap it in meeting the problems that usually accompany rapid residential development. Probably the strongest financial asset a local unit has for meeting demands created by suburbanization is a diversified and adequate tax base. A balanced rate of growth must be maintained among the various forms of property, so that the increase in residential property is accompanied by new industrial, commercial, and utility construction. But the limited possibilities for diversification in the tax base of the small district have been noted. The likelihood is strong that one district may have considerable agricultural, industrial, or utility property, but few residences, and consequently little demand for school revenue. An adjacent unit may be solidly residential and have little property that is suitable or that is reserved for business purposes.

The implications are obvious. Growth of population, unaccompanied by growth in assessed values of business, industrial, or utility property, throws a heavy burden of taxation on residential property and on the remaining farm property. In a large district, say a county, the cost of rapid expansion of schools in one part may be partly absorbed by taxes on property in the unaffected portion of the district. The transition from a rural to an urbanized area is thereby facilitated. Although the development in particular sectors

may be rapid, for the district as a whole it is more gradual.

But in small districts, such as those in Wisconsin, residential building is likely to blanket all or most of the area. Established properties may not have enough assessed valuation to support a rapid growth of local services. The community must raise itself by its bootstraps, as it were, from a very low level of local services associated with its former rural state to a community with highly developed suburban government.

Wisconsin is not alone in having a large number of small school districts. New York, for example, had an average of more than 50 separate and independent school districts per county in 1952. But this multiplicity of school districts is most common among the States of the North Central region. In 1952, Nebraska, with 93 counties, had 6,392 school districts, an average of more than 60 per county. Minnesota, in the same year, had 6,227 districts, an average of more than 70 in each of its 87 counties. Michigan and South Dakota each had an average of more than 50 districts per county.

Apart from the recommendation that school districts be consolidated, several other suggestions grow out of this study. Like the basic conclusion regarding creation of larger school districts, these recommendations are not translated here into a specific program for action. Rather, they are intended to indicate possible areas for further and more detailed study.

Earlier we mentioned the use of a deed-transfer tax as a source of revenue to the local unit during the period before heavier reliance can be placed upon property-tax revenue. In most States, legislative action perhaps would be required to make such taxes available to local units, and safeguards would be required to avoid misuse. But the experience of rapidly growing suburbs in Pennsylvania, many of them small, indicates the potential advantages in the use of such a revenue measure.

Study may appropriately be given also to the possibility of improving local controls over land use. At present, zoning is an ineffective and perhaps a perverse instrument for controlling land use, so far as the small school district is concerned. If larger governmental units cannot be achieved through consolidation, attention might be devoted to methods of applying zoning controls to encourage a balanced growth within small districts. Other techniques also may prove useful in controlling suburban development.

In Wisconsin, proposed plans for residential subdivisions now require approval by the town, the county, the State and, if one is involved, by the city or village. These approvals, however, at present are largely perfunctory and provide little or no safeguard against the creation of difficult local finance situations. Stricter control at this stage might do much to avoid some of the more troublesome problems of school finance.

There are special problems of property assessment in rapidly growing areas that merit study. More refined techniques might be developed to assist local assessors in keeping abreast of new construction and in adjusting assessments of existing properties to reflect changing values. In the rural-urban fringe, valuation of farm property presents a particularly difficult assessment problem. Basically, the question is whether such property should be assessed at values comparable with other agricultural property, or whether its potential for residential development should be recognized in the assessment. This question, though not new, is becoming more critical as population presses farther into rural regions.

So long as school financing is conducted separately in small districts, questions will continue to arise concerning the application of local taxation to public-utility property. Many States have recognized the capricious effects of local taxation of utility property, and have replaced the property tax with some form of State taxation. Others continue to apply local tax rates to the State-assessed value of utility property in each jurisdiction. The frequent result of this practice is that a school district with a railroad, pipeline, or power-transmission station may have more revenue than it needs, while a neighboring district with no utility property starves. More equitable distribution of tax revenues from public-utility property would help to relieve the burden of property taxation in heavily residential localities.

The effects of the present Wisconsin system of taxing public-utility property were illustrated by Frederick W. Haberman, of the University of Wisconsin. In a recent address before the Wisconsin Conference on Education he stated:

"On the Wisconsin River 30 miles to the north of Joint District #1 are two attractive villages, Prairie du Sac and Sauk City. Sac has 1,400 population and $3.3 million of full value residential property. Sauk has 1,700 people and $3.4 million of property. The residents of both villages catch blue channel cats in the river, use electric power generated by the Wisconsin Power and Light Company, and look at the high tension towers of that utility plant when they go for constitutionals. But there is a difference. That hydroelectric plant is located in the Sac school district. Sac, therefore, gets $14,350 as its share of the utility tax for its school treasury; Sauk gets $100 because it has a few poles hither and yon; Joint District #1 gets none."

A final suggestion for further study concerns the sharing of financial responsibility between the State and its local subdivisions. In view of the joint interest that State and local governments have in public education the question arises as to the proportion of school revenue that should be supplied by the State and the proportion left to be raised by the localities. A further question concerns the State's responsibility for schools in the districts where rapid growth of population renders present facilities hopelessly inadequate.

This report makes no attempt to define these areas of responsibility or to propose formulas for sharing school costs. But evidence suggests strongly that shifting populations alter the role of local units in public education. If this is true, it follows that in many States existing arrangements for financing public schools need to be reexamined.

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