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Redistributing Resources: Henry Maier, the Wisconsin Alliance of Cities, and the Movement to Modify Wisconsin's State Shared Revenues

Samantha J. Fleischman
University of Wisconsin-Milwaukee

REDISTRIBUTING RESOURCES: HENRY MAIER, THE WISCONSIN ALLIANCE OF CITIES, AND THE MOVEMENT TO MODIFY WISCONSIN'S STATE SHARED REVENUES

by

Samantha Fleischman

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ABSTRACT

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Samantha Fleischman

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During the 1960s, the City of Milwaukee was enduring fiscal distress. Mayor of Milwaukee, Henry Maier, turned to the State of Wisconsin to modify the state shared revenues formula as a method to increase funding for central cities. Maier created the Wisconsin Alliance of Cities, which was comprised of mayors throughout the state, in order to gain the support needed to pass formula changes through legislation. This thesis examines how the Alliance of Cities was able to modify the state shared revenues formula. Although the Alliance faced rejection from the state legislature, two factors enabled a reform. First, the Alliance created a coalition between urban and rural municipalities as well as civic organizations throughout the state. Second, changes in political leadership and a new governor, Patrick Lucey, allowed for the formula changes to be added to the 1971 state budget.

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Chapter 1: Introduction

On March 10, 1969, Milwaukee Mayor Henry Maier gave a speech titled "Reflections on Our Urban Future—A Mayor's View." In this speech, Maier stated, "When I look at the future of our city, I can see either a city of greatness or a city of decline. It all depends on whether or not we can obtain the financial resources which will make the difference."[1] The City of Milwaukee was enduring fiscal distress and was seeking additional assistance from the state in the form of shared revenues.

The primary method of meeting city expenditures was through an increasing property tax. However, as the property tax increased, it placed an additional burden on homeowners in the City of Milwaukee. Initial solutions to the rising property tax included annexation, incorporation, and consolidation of neighboring land. These expansions would offer more residents and land for industry, which would in turn offer larger returns on property and income taxes. The expansion of urban boundaries helped the City of Milwaukee somewhat maintain its population during a period of suburbanization; however, it also caused political fragmentation and created a hostile relationship between the city and its surrounding suburbs. In fear of being consumed by the City of Milwaukee, beginning in the 1950s many neighboring municipalities hurried to incorporate and hinder Milwaukee's ability to physically expand. When boundary expansions were no longer feasible, city leaders turned to the State of Wisconsin for financial assistance.

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[1] Henry Maier Speech, Reflections on our Urban Future—A Mayor's View, 10 March 1967, box 194, folder 25, Records of the Henry W. Maier Administration, Milwaukee Series 44, University of Wisconsin-Milwaukee Libraries, Archives Department (hereafter cited as Records of the Maier Administration).

Henry Maier used this opportunity to create the Wisconsin Alliance of Cities in 1967, an organization that was comprised of Wisconsin mayors. These city leaders were interested in modifying the shared revenues formula so their municipalities would receive a more equitable portion of the state's income and utility taxes. The revenues formula that was intact during the 1960s distributed income and utility taxes to state, county, and local areas of collection; however, it did leave central cities at a disadvantage as revenues were returned to their locality of origin and were not dispersed based on need or as a method to alleviate the property tax burden. The Alliance worked towards modifying the distribution formula from 1967 to 1971.

As a result of seeking greater state aids, the Alliance experienced opposition from suburban municipalities and the Tax Sense Committee. Suburban municipalities were not interested in sharing their tax dollars with the City of Milwaukee and wanted to remain fiscally autonomous. Additionally, the Republican-dominated and fiscally conservative state legislature also inhibited the passage of legislation that would redirect tax dollars from suburban municipalities towards central cities.

This thesis examines how the Alliance of Cities was able to modify the state shared revenues formula. Although the Alliance of Cities faced rejection from the state legislature, two factors arose that enabled a victory for the Alliance and the eventual redistribution of shared revenues in 1971. First, the Alliance of Cities created a coalition between urban and rural municipalities throughout the state of Wisconsin. It also successfully gained support from a host of civic organizations such as the League of Women Voters and the Wisconsin Farmer's Union. Second, Wisconsin experienced changes in the political makeup of the state legislature and the

1970 gubernatorial election brought a new, Democratic Governor, Patrick Lucey, to lead state government. The ability for the Alliance to create coalitions and changes in the political leadership allowed for the modification of state shared revenues.

The issue of urban fiscal distress was reinterpreted as a problem felt beyond the boundaries of Milwaukee. Many other municipalities also experienced fiscal hardships. By showing how adjusting the revenues formula would impact other urban and rural municipalities, these areas came together to work politically against the suburbs. This caused Maier to gain the support he needed to fuel legislative recommendations. Second, while the Alliance was being stonewalled by the Republican legislature, new Democratic leadership allowed a funding shift towards municipal equity. This thesis explores the causes of fiscal distress in Milwaukee, the creation of the Alliance of Cities, their movement for modifying state shared revenues, and how the revenues formula overcame political opposition and was adjusted in 1971.

Although the distribution formula was modified in 1971, the City of Milwaukee did not initially have drastic gains from state shared revenues. This was partially due to the elimination of the machinery and equipment tax in 1973. However, from 1975 to 1981, municipalities received payments from the state to compensate for the repeal of this tax. While cities sought to modify the revenues formula to solve fiscal issues, its contribution was minimal for the first few years after enactment.

Literature

The issue of redistributing resources was emphasized by political fragmentation. Additionally, perceptions of which municipalities are more deserving of aid and funding were also based on geographical location. Primary scholarly concepts that focus on municipal fragmentation and redistributive resources are public choice theory and regionalism. Public choice theory and suburban preference to function autonomously aligns with suburban opposition to modifying state shared revenues. In contrast, regionalism supports the City of Milwaukee's perspective in attempting to redistribute government funding to create greater equity between municipalities.

Public choice theory promotes the idea of public goods and services as consumer choice through an intergovernmental marketplace.[2] Charles Tiebout described public choice in his 1956 essay, "A Pure Theory of Local Expenditures," where consumer-voters "vote with their feet" by choosing to reside in a municipality that offers public goods which best fits the consumer's preferences.[3] This theory emphasized that greater fragmentation between localities increases competition between municipalities to attract residents.[4]

Not only are municipalities fragmented to create a competitive marketplace, they are also fragmented on the type of community: urban, suburban, or rural. The distinction between localities and their levels of urbanization contribute to perceptions that residents have about

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[2] Peter Dreier, John Mollenkopf, and Todd Swanstrom, *Place Matters: Metropolitics for the Twenty-first Century* (Lawrence, Kansas: University Press of Kansas, 2014), 107.
[3] Charles M. Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64, no. 5 (October 1956): 418.
[4] Edward J. Huck, "Tiebout or Samuelson: The 21st Century Deserves More" *Marquette Law Review* 88, no. 1 (2004): 185.

the redistribution of resources. Phillip Langdon discusses the segregated patterns of development between urban and suburban municipalities, noting, “Barriers between one residential area and another foster a breakdown of the larger community. It becomes harder to create towns, cities, and metropolitan areas that pull together, focusing on common interests and shared goals,” and enhances an “us against them” mentality.[5]

Juliet Gainsborough examines Americans’ movement to the suburbs and political preferences in relationship to geographical location. Gainsborough notes that certain types of people move from the city to the suburbs, and once they are there their behaviors and political preferences are reinforced.[6] Gainsborough finds that in comparison to their urban counterparts, suburbanites are more likely to identify as Republican and less likely to support redistributive programs from the federal government.[7] Additionally, suburban residents will support the policies and candidates that will keep their tax dollars inside the suburbs, not those that offer their resources as a solution to problems located primarily within cities.[8] This argument depicts the suburban desire to remain fiscally fragmented from urban localities.

Katherine J. Cramer examines the significance of the rural versus urban divide, the idea of “rural consciousness,” and how geographical location influences resentment towards the other. According to Cramer, rural consciousness contains three elements: 1) Rural areas are ignored by policy makers. 2) Rural residents hold the perception that rural areas do not receive

[5] Phillip Langdon, *A Better Place to Live: Reshaping the American Suburb* (Amherst: University of Massachusetts Press, 1994), 74.
[6] Juliet F. Gainsborough, *Fenced Off: The Suburbanization of American Politics* (Washington D.C.: Georgetown Press, 2001), 77.
[7] Gainsborough, *Fenced Off*, 136.
[8] Gainsborough, *Fenced Off*, 138.

their fair share of resources. 3) The perception that rural residents have fundamentally distinct values and lifestyles that are misunderstood and disrespected by urban residents.[9] Cramer notes that public spending is often a zero-sum game, since funds are limited. Thus, when rural residents feel like they are not receiving their fair share, and others are but are undeserving, the result is resentment.[10] Cramer explains, "People understand their circumstances as the fault of guilty and less deserving social groups, not as a product of broad social, economic, and political forces."[11] However, when Cramer examines the amount of aid received by counties depending on their percentage of rural localities, rural counties paid slightly less in taxes and received similar amounts of money per capita as their urban counterparts.[12] While funding is seen to be comparable between urban and rural localities, rural areas are noted to have higher poverty rates, lower wages, and higher rates of unemployment. Cramer attributes this to less efficient economies of scale, as some services are more expensive in rural areas because they are funded by smaller populations.[13]

Both Gainsborough and Cramer focus on fiscal fragmentation between various types of municipalities and reinforced the idea of "us versus them," enhancing the separation of places. Gainsborough finds that suburban areas preferred to stay fiscally fragmented from urban areas with an unwillingness to assist in funding urban programs. This offers insight into resistance from the Iron Ring. During the Alliance's attempts to modify the state shared revenues formula,

[9] Katherine J. Cramer*, The Politics of Resentment: Rural Consciousness in Wisconsin and the Rise of Scott Walker* (Chicago: The University of Chicago Press, 2016), 12.
[10] Cramer*, The Politics of Resentment*, 8-9.
[11] Cramer*, The Politics of Resentment*, 9.
[12] Cramer*, The Politics of Resentment*, 93.
[13] Cramer*, The Politics of Resentment*, 93-94.

the Iron Ring opposed redistributing suburban resources to help with the urban fiscal crisis. Cramer investigated the perspectives of rural residents whose preferences for revenue distribution were base on which municipality was most deserving of aid and the rural resentment of "Have" municipalities. Cramer's argument offers insight into what influenced rural communities in Wisconsin to support the Alliance and modifying the distribution of state shared revenues.

Geographical fragmentation enhanced the difficulties Henry Maier and the Wisconsin Alliance of Cities endured while attempting to modify Wisconsin's shared revenues formula. Suburban municipalities actively resisted their urban counterparts, releasing propaganda to dissuade other localities from allowing a change in tax distribution. In contrast, rural localities who viewed themselves as not receiving their fair share, were able to be persuaded by the Alliance of Cities to join the crusade for resources to receive a greater share of revenues.

The alternative to maintaining fragmentation between municipalities is new regionalism. Todd Swanstrom calls new regionalism the "school of thought that advocates addressing urban problems either through new regional governments or through greater collaboration between existing governments."[14] Mayor Maier viewed the urban fiscal crisis as a metropolitan problem and sought out solutions that expanded beyond the City of Milwaukee's borders. The following authors offer methods of solving fiscal issues and creating greater regional equity.

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[14] Todd Swanstrom, "What We Argue about When We Argue about Regionalism," *Journal of Urban Affairs* 23, no. 5 (December 2001): 479.

David Rusk advocated for regionalism as a method to create racial and economic equity by analyzing cities based on their "elasticity," or ability to expand physical boundaries. Findings suggest that cities that are inelastic have greater income gaps with their suburban counterparts and are also more segregated than those deemed "elastic." Milwaukee was considered an inelastic city because annexation was no longer feasible after 1955 and borders could not be expanded. To resolve these issues, Rusk promoted metropolitan governance and revenue sharing, noting that creating elasticity would promote more "united and effective responses to economic challenges."[15]

Myron Orfield also discussed problems of concentrated poverty, sprawl, and inequitable distribution of resources. Orfield emphasized that regionalism offers communities incentive to cooperate because it will reduce taxes, improve services, and decrease the competition between municipalities for economic development.[16] Orfield analyzed various types of suburbs and how their fiscal issues relate to the central city. In promoting regionalism and tax-base sharing, Orfield noted that at-risk and outer-ring suburbs are enduring similar fiscal instabilities as the city, and overall, most types of communities can benefit from regional governance.[17] Orfield states, "When regionalism becomes a suburban issue, it becomes possible. As long as regionalism is portrayed as a conflict between city and suburbs, the debate is over before it starts."[18]

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[15] David Rusk, *Cities without Suburbs: A Census 2010 Perspective* (Washington D.C.: Woodrow Wilson Center Press, 2013), 63.
[16] Myron Orfield, *American Metropolitics: The New Suburban Reality* (Washington D.C.: The Brookings Institution, 2002), 85.
[17] Myron Orfield, *American Metropolitics,* 163, 168, 171-172, 182.
[18] Myron Orfield, *American Metropolitics,* 182.

Orfield's quote emphasizes the political fragmentation between urban and suburban communities. Although redistribution of state revenues could potentially benefit suburban municipalities as well as urban and rural, as long as it is viewed as *urban* policy, it will perpetually be rejected by the suburbs. This is evident in the Alliance of Cities' work towards modifying the shared revenues formula. Although suburbs such as West Allis and Wauwatosa would have received greater amounts of state aid through redistribution in the 1970s, they maintained their suburban alliances and worked counteractively against modifications that were perceived to be urban policy, or merely solve the "Milwaukee Problem."

Preferences between maintaining fragmented boundaries and creating regional and political cohesion beyond boundaries were based on geographic location. The locality where one lives often impacts one's perception of others in varying geographic locations and reinforces one's political and personal beliefs. However, fragmentation between municipalities exacerbates ideas of "us versus them" and causes residents to question who is most deserving of resources.

Another aspect to consider is the cause of fiscal distress within a city. Martin Shefter and Ester Fuchs inspect fiscal efficiency and the political events that have led cities towards insolvency. Shefter focuses on how New York City's political and fiscal mismanagement caused the 1975 fiscal crisis, while Fuchs does a comparative analysis between Chicago and New York during this period.[19]

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[19] Ester R. Fuchs, *Mayors and Money: Fiscal Policy in New York and Chicago* (Chicago: The University of Chicago Press, 1992).

Shefter noted that the middle-class movement to the suburbs and increase in lower-income residents moving to the urban core during deindustrialization caused an increase in unemployment and social spending while tax revenues were also tapering off.[20] Additionally, expenditure-demanding interest groups heighted spending on noncommon functions. Noncommon functions are functions not performed directly by the city, such as education, hospitals and healthcare, welfare and subsidized housing. In contrast, common functions are functions provided by the city such as police, fire, sanitation, and other basic services.[21] Through this spending, the mayor of New York, John Lindsay, was able to ensure votes to win reelection.[22]

While New York City's budget came close to being balanced during Mayor Lindsay's first few years in office, he was able to do so by raising taxes and supplementing revenues with state and federal aid, instead of reducing expenditures. When intergovernmental aid slowed, and recession hit the economy between 1969-1975, the spending reductions that were made were not drastic enough to balance the budget.[23] Due to the economic decline, it was difficult for local officials to increase tax revenues. Instead they opted for financing debt and operating expenditures through bonds and notes. However, when notes were due, they were paid by selling additional notes; thus, debts were not backed by revenues or aids collected by the government and the floating and increasing deficit led New York to a fiscal crisis.[24]

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[20] Martin Shefter, *Political Crisis/ Fiscal Crisis: The Collapse and Revival of New York City* (New York: Basic Books, Inc., 1985), 107.
[21] Shefter, *Political Crisis/ Fiscal Crisis*, 119-120.
[22] Shefter, *Political Crisis/ Fiscal Crisis*, 120-123.
[23] Shefter, *Political Crisis/ Fiscal Crisis*, 232.
[24] Shefter, *Political Crisis/ Fiscal Crisis*, 106-108, 232.

Throughout Shefter's analysis of New York's fiscal crisis, he emphasizes the important role interest groups and expenditure-demanders played in the city's insolvency. At the time, party fragmentation made it necessary for mayors to increase noncommon expenditures to appease these groups in order to gain votes for reelection.

Fuchs also analyzed fiscal efficiency through a comparison of New York City and Chicago during the 1970s fiscal crisis and attributes a city's efficiency to the political processes it has endured. Fuchs argued that the socioeconomic trends that were seen as the cause of urban fiscal stress are only linked to the political process by how they affected the local tax base and loss of revenues. However, according to Fuchs, many cities were able to avoid insolvency by adopting fiscal policies and practices to ensure fiscal stability during periods of urban decline.[25]

In the case of Chicago versus New York, Fuchs asserted that the structure of politics is the key element for understanding the fiscal crisis.[26] Fuchs noted that Chicago was able to avoid large increases in noncommon expenditures because there was a strong political machine, in comparison to New York, where parties were fragmented and relied on interest group spending for votes.[27] In addition, Chicago was able to compartmentalize funds and decrease spending by joining neighboring jurisdictions in creating public authorities to decrease noncommon function expenditures in order to distribute the fiscal burden.[28] In contrast to Shefter, Fuchs noted that the reasoning for New York's fiscal crisis was not political corruption, but an "inability to cut

[25] Ester R. Fuchs, *Mayors and Money: Fiscal Policy in New York and Chicago* (Chicago: The University of Chicago Press, 1992), 12-13.
[26] Fuchs, *Mayors and Money*, x.
[27] Fuchs, *Mayors and Money*, 232.
[28] Fuchs, *Mayors and Money*, 227.

spending when periods of economic growth are followed by recession and a decline in city revenue."[29]

Another contributing factor to the urban crisis is the success of municipal employee unions. Shefter notes that between 1961 and 1975 New York City's labor costs per employee nearly tripled while the municipal workforce grew by nearly 50 percent. This growth is in relation to the increased spending on noncommon functions and also due to unionization—causing wages and benefits to increase at a quicker rate than inflation.[30] Bahl and Vogt also state that increased wage levels due to unionization and revenues that did not match inflation contributed to the fiscal crisis.[31]

Shefter and Fuchs offer insight into the events that caused insolvency in central cities. Milwaukee endured fiscal issues which related both to Fuchs's argument of declining revenues and increased funding through bonding, as well as Shefter's argument of increased spending for interest groups and political appeasement. While Maier attributed much of Milwaukee's fiscal crisis to the social and economic movement to the suburbs,[32] he also noted that bonded indebtedness contributed as well. However, instead of viewing bonded indebtedness as a cause of Milwaukee's fiscal crisis, Maier described it as a temporary solution to fill the tax gaps left from suburbanization and deindustrialization. Subsequently, as debt increased, so did the

[29] Fuchs, *Mayors and Money*, 177.
[30] Shefter, *Political Crisis/ Fiscal Crisis*, 117.
[31] Roy W. Bahl and Walter Vogt, *Fiscal Centralization and Tax Burdens: State and Regional Financing of City Services* (Cambridge, Mass: Ballinger Publishing Company, 1975), 7, 127.
[32] Henry W. Maier, "Conflict in Metropolitan Areas," In *The Annals of the American Academy of Political and Social Science* 416 (November 1973): 149. See also Henry Maier Speech, "Reflections on our Urban Future—A Mayors View," 10 March 1967, box 194 folder 25, Records of the Maier Administration.

amount of money required for debt servicing, which added to Milwaukee's financial burden.[33] Interest groups also influenced the amount of debt the City of Milwaukee accumulated during this period. While Milwaukee had minimal debt in the 1940s, interest groups did call for greater spending and increased debt in order to revitalize the downtown to become more economically appealing to businesses. Debts and spending increased in Milwaukee, which caused the city to increase property tax rates and place a greater fiscal burden on its residents.

Political Changes

Political changes also influenced the ability to modify the state shared revenues formula. Prior to 1970, the Wisconsin governor held a two-year term, causing governors to fear immediate reelection challenges because of policy modifications.[34] The governor's term was extended from two to four years in 1970, allowing them to pursue more controversial legislation. Additionally, legislative control changed from Republican to Democratic, as Democrats held 67 out of 100 assembly seats in 1970. This was only the second time in 85 years where Democrats held over 60 assembly seats.[35]

While the Alliance of Cities and urban leaders emphasized that modifying shared revenues was a bipartisan issue and had support from both parties, Republican leadership in the 1960s held reservations about redistribution and how passage would impact their constituencies. In response to these reservations, Governor Warren Knowles created the Tarr

[33] Alliance of Cities, *Bonded Indebtedness – Summary and Statement*, January-February 1967, box 194, folder 24, Records of the Maier Administration.
[34] Peter J. Dykman, "Summary of Significant Legislative Action, 1971 Wisconsin Legislature," *The State of Wisconsin Blue Book 1973* (Madison, WI, Department of Administration, 1974), 249.
[35] Dykman, "Summary of Significant Legislative Action," 249.

Task Force to analyze the distribution formula and offer recommendations. However, even with a study that advocated for redistribution, bills calling for resource redistribution were unable to pass through legislation.

After the 1970 election, changes in the shared revenues formula were introduced into the state's budget. However, Republican Senators, who, like the governor, were newly elected to four-year terms instead of two, maintained resistance to passing the budget and enabling tax redistribution.[36] After eight months of deliberation, the budget was passed with changes to the state shared revenues distribution formula. While changes in political representation were crucial to modifying the revenues formula, resistance persisted until the passage of the budget on October 27, 1971, the day prior to legislative adjournment.[37]

Political and geographic divides were drawn between the suburban Haves and urban and rural Have-nots. The Alliance was able to identify Have-nots in rural areas and was able to form a coalition based on the idea that neither was receiving their fair share of resources. By tapping into the idea of rural consciousness, Maier and the Alliance were able to gain a greater base of advocates for tax reform. Additionally, although the Alliance of Cities and the Tarr Task Force submitted Senate bills to modify the distribution of state shared revenues, they were unable to get their proposals passed until the political climate would allow them to.

[36] Dykman, "Summary of Significant Legislative Action," 250.
[37] Dykman, "Summary of Significant Legislative Action," 250.

Chapter 2: The Milwaukee Problem

During the 1950s, Milwaukee experienced population and industrial shifts from the city towards suburbia. While suburbs did exist prior to the post-war period, the city's geographical expansion continued at a rapid pace during this period, which influenced the burden of the property tax. A primary method used to decrease this burden between 1947 and 1955 was annexation. By annexing new lands and expanding urban boundaries, Milwaukee was able to somewhat maintain its population and industrial base during a time of rapid decline. However, as new laws made it nearly impossible for the city to continue its expansion, city leaders looked towards the state and the shared revenues formula to fix its financial crisis.

Property tax rates continued to increase annually to support the fiscal needs of the City of Milwaukee. A key factor influencing the property tax was the rates at which properties in the city were assessed. As properties were being evaluated at a fraction of the price of sale values, property tax rates increased to compensate for low assessments. Milwaukee was not the only municipality that had inconsistencies with assessments; all localities assessed property differently, which caused for statewide disparities.

This chapter explores the growth of suburbia, annexations and consolidations of new land into the city, issues with the property tax levy, and a brief history of Wisconsin's State Shared Revenues formula. Highlighting the issues that occurred in the City of Milwaukee during the 1950s explains why urban officials turned to state assistance to fix the financial crisis.

Revenues Formula

The Wisconsin State Shared Revenues Program was created in 1911. At its passage, this program levied income and utility taxes throughout the state and was meant to distribute them back primarily to their place of origin. The formula kept 10 percent of revenues at the state level, distributed 20 percent to the county, and sent the remaining 70 percent back to its locality of origin.[1]

The distribution formula was modified in 1925 and remained the same until 1961, with 40 percent of revenues going to the state, 10 percent directed to the county, and 50 percent returned to the municipality where it was derived.[2]

The formula was modified two more times in 1961 and 1962, which changed the percentages distributed from personal and corporate income taxes. Personal income taxes that were collected between July 1, 1961 and September 30, 1962 were distributed with 31 percent to local government, of which five-sixths went to the municipality and one-sixth to county government. This amount increased to 33 percent in 1962. Thus, the state received 67 percent and 69 percent, respectively of the personal income tax. Corporate income taxes were distributed with 49 percent going to the local municipality with one-sixth of this amount being directed to the county and 51 percent collected by the state.[3]

The shared revenue formula did not ameliorate existing fiscal inequalities. State distributions returned residential income taxes based on where an individual lived, not where a

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[1] Clark G. Radatz*, A Legislative History of Shared Revenue in Wisconsin* (The State of Wisconsin Legislative Reference Bureau: 1985), 2-3.
[2] Radatz, *A Legislative History of Shared Revenue in Wisconsin*, 5-7.
[3] Radatz, *A Legislative History of Shared Revenue in Wisconsin*, 8.

person was employed. Thus, communities that housed wealthy residents received hefty payments from shared revenues in comparison to localities that housed low-income residents. Utility payments were also distributed back to the municipality that contained utility plants, not towards the municipalities that used these utilities. Revenue payments enhanced the competition between municipalities to obtain wealthy residents, industry, and utility plants as a method to increase local revenues. Localities did levy property taxes from their residents; however, a 1947 statute enacted by the Wisconsin Legislature forbade municipalities from independently collecting any local income tax within the state.[4]

The system of distributing revenues to municipalities to use in any manner they choose is a progressive method of state to local funding. However, in 1967, Milwaukee mayor Henry Maier considered the formula to be antiquated and unable to evolve to meet the needs of the changing urban environment.[5] In 1911, at the time of the revenue program's inception, Wisconsin was a primarily rural state. But as cities expanded throughout the state and urban areas grew, the tax structure was not modified to better suit current financial issues. Milwaukee County also paid a larger share of state income taxes in comparison to other regions throughout the state. Milwaukee County paid 42 percent of the total state income tax collected, but only accounted for 26 percent of the state's population.[6]

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[4] Donald J. Curran, *Metropolitan Financing: The Milwaukee Experience, 1920-1970* (Madison: University of Wisconsin Press, 1973), 37.

[5] Henry Maier Speech, 5 February 1967, box 194, folder 24, Records of the Henry W. Maier Administration, Milwaukee Series 44, University of Wisconsin-Milwaukee Libraries, Archives Department (hereafter cited as Records of the Maier Administration).

[6] The Metropolitan Study Commission, *1958 Annual Report to the Governor of the State of Wisconsin* (Milwaukee: Metropolitan Study Commission, 1958), 20, http://www.localgovinstitute.org/Portals/0/Documents/Library/reform/wisconsin-local-government-reform-initiatives/1958-report-to-governor-metropolitan-study-commission.pdf?ver=2016-11-17-125109-297

Many municipalities became specialized by type of community and the taxes they primarily benefited from, such as residential, industrial, and utility-based municipalities. Residential municipalities, or those consisting primarily of homes and little employment, benefited from the income taxes of residents. Municipalities favored high-income residents in order to increase the income tax returns via state shared revenues. Residential municipalities also preferred homes with high property values, allowing for greater returns on property taxes while maintaining lower property tax rates. Milwaukee-area North Shore suburbs such as Shorewood, Whitefish Bay, and Fox Point were almost exclusively middle- and high-income bedroom communities with little to no industry. Thus, these communities relied heavily on income and property taxes from their residents to sustain their municipal funding. [7]

In contrast, working-class, industrial municipalities such as West Milwaukee and West Allis relied on industrial income taxes for municipal revenues. These cities were tax havens to industries that decided to locate within their borders, levying little to no property taxes because the industrial income tax was enough to cover government funding.[8] Locales with utility plants, such as the Town of Lake, benefited directly from utility taxes. Corporate income tax collection from utility plants also reduced the burden of the property tax, allowing municipalities to meet their funding needs with lower property tax rates.

The City of Milwaukee suffered various fiscal inequalities due to the heavy reliance on the property tax and state shared aids derived from income and utility taxes. Because aids were distributed back to their place of origin, residential communities with high-income households

[7] John M. McCarthy, *Making Milwaukee Mightier* (DeKalb, IL: Northern Illinois University Press, 2009), 169-170.
[8] McCarthy, *Making Milwaukee Mightier*, 170-171.

received a greater portion of state aids that did not accurately correspond to the needs and resources of the specific municipality.[9] As industry and upper- and middle- income residents left the city for suburbia, their income taxes were also diverted. Thus, Milwaukee's state aids did not amass to the per capita amounts that many other suburbs in the area received.

Table 2.1 depicts per capita dollar amounts of shared revenues for municipalities in Milwaukee County between 1960 and 1970. While some municipalities, like Franklin, Greendale, and St. Francis consistently received lesser amounts of state aids, the wealthy northern suburbs of Milwaukee, such as Fox Point, Bayside, and River Hills received excessive amounts of aid. Although industrial municipalities reaped large tax benefits, the high-income residential communities surpassed industrial funding. Donald Curran noted this large gap between industrial and residential communities could potentially derive from the post-war slowdown of manufacturing and the globalization of industry. [10] The City of Milwaukee consistently received less state aids in comparison to the suburban and county averages. There were a few municipalities that received less per capita aid than Milwaukee, such as St. Francis, Franklin, and Greenfield. Although St. Francis received less income taxes in comparison to Milwaukee, they did benefit from utility taxes from the Lakeside Power Plant.

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[9] Henry J. Schmandt, John C. Goldbach, and Donald B. Vogel*, Milwaukee: A Contemporary Urban Profile* (New York, NY: Praeger Publishers, 1971), 127-128.
[10] Donald J. Curran, *Metropolitan Financing: The Milwaukee Experience, 1920-1970* (Madison, WI: University of Wisconsin Press, 1973), 59-60.

Table 2.1 Per Capita Shared Income Taxes, 1960-1970, in Dollars

Per Capita Shared Income Tax for Municipalities of Milwaukee County in Dollars, 1960-1970						
Municipality	**1960**	**1962**	**1964**	**1966**	**1968**	**1970**
Milwaukee	22.24	22.81	28.42	34.54	36.75	39.73
Bayside	69.59	86.27	66.29	96.54	110.91	112.37
Brown Deer	19.44	15.30	19.86	22.02	27.13	40.80
Cudahy	34.43	25.85	29.44	35.13	44.92	38.30
Fox Point	93.42	116.31	89.61	117.13	153.33	133.45
Franklin	13.48	10.49	14.90	19.53	23.33	28.19
Glendale	57.70	65.89	71.17	82.11	91.45	80.10
Greendale	11.40	15.27	19.28	21.56	26.72	32.84
Greenfield	10.77	11.85	14.90	18.84	26.50	31.74
Hales Corners	21.03	25.42	31.77	33.19	41.35	45.29
Oak Creek	21.58	38.09	66.33	77.26	58.08	60.06
River Hills	213.00	263.80	184.18	188.37	248.79	233.03
St. Francis	14.09	13.51	19.87	26.19	26.70	30.51
Shorewood	48.14	49.68	48.44	64.74	66.69	78.13
S. Milwaukee	20.56	15.24	25.85	39.95	37.86	40.90
Wauwatosa	37.15	36.56	41.02	49.36	55.68	63.74
W. Allis	19.94	15.13	24.32	32.83	37.37	41.49
W. Milwaukee	130.35	89.25	93.25	142.88	126.90	104.22
Whitefish Bay	64.34	62.23	55.55	69.40	75.19	76.76
Suburbs Only	**34.58**	**32.43**	**36.67**	**45.15**	**51.04**	**53.87**
Entire County	**25.56**	**25.61**	**30.90**	**37.79**	**41.22**	**44.25**
Source: Curran, *Metropolitan Financing* , 58-59.						

For Milwaukee, the primary source of municipal and school funding came from the property tax. Schmandt et al. note that between 1966-1971, when adjusted for change in value, the city property tax increased 23 percent while the equalized property valuation increased only 5 percent.[11] This means that the increase in property taxes grew rapidly in comparison to

[11] Schmandt et al., *Milwaukee*, 126.

the growth in valuations of property, which would be an increase in property values as well as new properties that would be able to add to the value of the city. Property tax rates, or mill rates, were increasing in order to meet the fiscal needs of Milwaukee.

Table 2.2 City of Milwaukee General Funds by Source

City of Milwaukee General Funds by Revenue Source, 1958-1965 (In Percent)								
Source of Revenue	**1958**	**1959**	**1960**	**1961**	**1962**	**1963**	**1964**	**1965**
Property Taxes	43.25	45.75	43.62	45.78	45.65	47.2	47.26	46.45
State Aids & Shared Taxes	36	32.96	34.25	33.18	32.56	32.01	31.53	31.47
Combined Total	**79.25**	**78.71**	**77.87**	**78.96**	**78.21**	**79.21**	**78.89**	**77.92**

Source: Milwaukee (Wis.) Office of the City Comptroller, *Financial Summary*, 1958-1965.

The City of Milwaukee also had a greater reliance on the property tax in comparison to other municipalities in the metropolitan area. During this period, property tax revenues consistently made up around 45 percent of the general fund and state aids and shared taxes represented roughly 30 percent. In 1970, Milwaukee received 46.5 percent of its budget from the property tax and 28.3 from state aids. At the same time, suburban units as a whole derived 13 percent of their general municipal costs from the property tax and 16 out of 18 suburban communities received 44 percent of their funds via shared revenues.[12] As costs of government, services, and amenities increased, the primary method of paying for additional costs came from increasing an already burdensome property tax.

The property tax was not levied solely for city purposes; portions of this tax were also distributed for school purposes, to the county, and a small portion to the state of Wisconsin. The taxes levied in 1947 were used in 1948, in which the property tax rate was $40.87 in the City of Milwaukee. This means that $40.87 was paid for every $1,000 of property value. Of this

[12] Schmandt et al., *Milwaukee*, 132.

amount, only $15.34 was designated for city purposes, $13.66 went to school purposes, $11.62 went to the county and $0.25 went to the state. During this time, the amount of revenue designated to schools consistently remained around 30 percent of the property tax.[13]

Table 2.3 Statement of Assessed Valuations, Rates, and Levies in the City of Milwaukee, 1931-1960

Statement of Assessed Valuations, Rates, and Total Levies for City, State and County Purposes, 1931-1960			
Year	**City Tax Rate ($)**	**State & County Tax Rate ($)**	**Total Tax Rate ($)**
1931	25.96	7.70	33.66
1932	22.40	10.57	32.97
1933	23.33	9.51	32.84
1934	23.24	9.66	32.90
1935	23.91	7.44	31.35
1936	23.75	9.64	33.39
1937	24.45	12.13	36.58
1938	25.39	12.46	37.85
1939	25.33	12.48	37.81
1940	25.03	13.20	38.23
1941	25.00	13.39	38.39
1942	23.29	11.58	34.87
1943	21.26	9.75	31.01
1944	21.26	9.74	31.00
1945	25.08	10.82	35.90
1946	27.21	11.97	39.18
1947	29.00	11.87	40.87
1948	30.38	12.75	43.13
1949	30.33	13.54	43.87
1950	30.83	14.11	44.94
1951	30.50	13.62	44.12
1952	31.98	13.55	45.53
1953	33.39	14.12	47.51
1954	34.36	15.49	49.85
1955	35.07	16.22	51.29
1956	37.12	16.16	53.28
1957	39.33	15.93	55.26
1958	42.45	16.92	59.37
1959	41.11	17.09	58.20
1960	43.37	17.41	60.78
Source: Office of the Tax Commissioner, *Assessments and Taxes* (Milwaukee, WI: City of Milwaukee, 1960).			

[13] Bruno V. Bitker, J. Martin Klotsche, Walter E. Rilling, George C. Saffran, and William L. Slayton, *Report of the Commission on the Economic Study of Milwaukee* (Milwaukee, WI: City of Milwaukee, 1948), 119.

Table 2.3 shows the rate at which properties were taxed between 1931 and 1960 in the City of Milwaukee. The tax rate was applied to every thousand dollars of home value via assessment. State and county taxes did cause dramatic increases to the property tax rate. Tax rates continued to grow during this period, with 1960 having a total property tax rate of $60.78. This number is also skewed because properties were being assessed much lower than their sale values. This is seen in table 2.4.

Table 2.4 Statement of Assessed Valuations, Rates, and Levies in the City of Milwaukee, 1959-1980

Statement of Assessed Valuations, Rates, and Total Levies for City, State and County Purposes, 1959-1980									
Year	Assessed Value	City Tax Rate	State & County Tax Rate	Grosss Tax Rate	State Credit	Net Rate	Ratio of Assmt to Full Value	Equalized Gross	Tax Rate Net
1959	1,922,395,960	41.110	17.090	58.200			52.93	30.81	
1960	1,974,345,250	43.370	17.410	60.780			52.41	31.85	
1961	1,985,697,065	45.730	17.950	63.680			52.74	33.58	
1962	2,057,813,720	48.490	18.130	66.620	8.080	58.540	53.28	35.50	31.19
1963	2,073,509,317	50.040	18.530	68.568	7.947	60.621	53.59	36.75	32.49
1964	2,123,569,525	52.120	19.500	71.622	7.062	64.560	54.26	38.86	35.03
1965	2,185,001,551	53.420	19.100	72.512	7.369	65.143	54.16	39.28	35.28
1966	2,251,927,986	55.510	19.050	74.565	7.040	67.525	54.43	40.59	36.75
1967	2,349,061,871	61.800	19.169	80.969	7.176	73.793	53.90	43.64	39.77
1968	2,389,677,909	66.811	22.158	88.969	6.776	82.193	53.20	47.33	43.73
1969	2,531,843,700	66.267	21.873	88.140	6.965	81.175	54.23	47.80	44.02
1970	2,598,604,240	69.947	23.546	93.493	6.545	86.948	51.69	48.33	44.94
1971	2,639,425,200	72.234	23.428	95.662	9.578	86.084	51.87	49.62	44.65
1972	2,690,339,830	76.383	21.521	97.904	13.988	83.916	51.15	50.08	42.92
1973	2,793,280,730	74.957	16.828	91.785	17.669	74.116	49.11	45.08	36.40
1974	6,173,995,380	38.035	7.568	45.603	7.896	37.707	99.08	45.18	37.36
1975	6,213,594,060	38.796	7.548	46.344	8.083	38.261	90.06	41.74	34.46
1976	6,095,760,540	43.172	7.864	51.036	8.127	42.909	83.64	42.69	35.89
1977	5,860,569,932	46.585	8.111	54.696	8.772	45.924	75.52	41.31	34.68
1978	8,332,978,712	30.938	5.104	36.042	6.608	29.434	98.41	35.47	28.97
1979	7,789,445,760	30.648	4.901	35.549	6.930	28.619	83.45	29.67	23.88
1980	7,680,433,829	32.532	6.310	38.842	6.118	32.724	75.00	29.13	24.54

Source: Office of the Tax Commissioner, Assessments and Taxes (Milwaukee, WI: City of Milwaukee, 1980).

Table 2.4 shows the assessed values, property tax rates, and the ratio of assessment value to full value to show how the lower assessments impact the property tax rate. While property tax rates seem extremely high during this period, it is offset by the calculating the difference in assessment. This table shows that until 1974, property assessments were nearly half of their full values. In 1973, assessments were 49.11 percent of their real values and total property assessment in the City of Milwaukee was just under $2.8 billion. However, in 1974, assessment values were at 99.08 percent and the city's total property assessment jumped to $6.17 billion. The drastic change in assessment values could be attributed to the 1973 legislative enactment requiring county assessors and appraisal staff to be certified by the Wisconsin Assessor Certification program.[14]

Another addition that impacted property taxes was the addition of a state tax credit, which is reflected in Table 2.4 from 1962 onward. This is due to a bill passed in the 1961 legislature which appropriated $55 million annually to offset the burden of the property tax.[15] Factoring in the assessment ratio and state tax credit creates an equalized rate that is more digestible. However, even after these components are factored in, property rates still grew to excessive highs through the 1970s.

High property tax rates and inconsistencies in funding between municipalities influenced the need to modify the state shared revenues formula. Suburbs were able to have a greater reliance on shared revenues in comparison to the city. The city had to rely on the

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[14] Wisconsin Property Assessment Manual (The Wisconsin Department of Revenue, 2011), 2-1 – 2-2.
[15] Henry J. Schmandt and William H. Standing, *The Milwaukee Metropolitan Study Commission* (Bloomington, IN: Indiana University Press, 1965), 22.

property tax for the majority of its revenues. Thus, as spending and fiscal need increased, so did the property tax.

Suburbanization

Suburbanization and the incorporation of towns surrounding the City of Milwaukee occurred in waves from the end of the 1800s to the mid-1950s. The time of incorporation, geographic location, and type of suburb influenced the financial wellbeing of Milwaukee area municipalities. Between 1892 and 1906, seven suburbs in Milwaukee County incorporated; these suburbs were: South Milwaukee (1892), Cudahy (1895), West Allis (1902), West Milwaukee (1906), Wauwatosa (1892), Whitefish Bay (1892), and East Milwaukee (1900), later renamed Shorewood.[16]

The first four, South Milwaukee, Cudahy, West Allis, and West Milwaukee, grew around their industrial bases and had a mixture of industrial, commercial, and residential properties. These localities were established before the automobile era and were autonomous from the City of Milwaukee. This means that these suburbs needed to have their own housing, employment opportunities, school systems, recreational facilities, and infrastructure.[17] The economic mix and independence of these municipalities resemble that of the central city; their fiscal issues in 1970 also align with the City of Milwaukee (except for West Milwaukee).[18] Most of the land area in West Milwaukee was zoned for industrial use. In 1935, 40 percent of the total property in West Milwaukee was residential; by 1970, this percentage decreased to 10,

[16] Curran, *Metropolitan Financing*, 27-30.
[17] Curran, *Metropolitan Financing*, 27.
[18] Curran, *Metropolitan Financing*, 27.

with the remaining 90 percent being manufacturing and mercantile property. Because of the large industrial tax base, West Milwaukee had an equalized property valuation of $43,357 per capita in 1970, while the county average for that year was $8,171.[19] Because West Milwaukee received large returns on corporate income taxes from the state, it made little use of its industrial property tax base.[20]

In contrast, Wauwatosa, Whitefish Bay, and Shorewood grew as residential suburbs of Milwaukee. Wauwatosa initially incorporated three square miles in 1892 with a population of 1,150. By 1970, Wauwatosa had expanded to 13 square miles and 58,676 residents. Whitefish Bay consisted of two square miles when it was incorporated in 1892 with a population of 800. The area of Whitefish Bay remained the same in 1970, but the population had grown to 17,394 residents. Shorewood followed a similar pattern and maintained the initial 1.6 square miles of incorporated land between 1900 and 1970, with a 1970 population of 15,576.[21] These suburbs were developed during a time when automobile ownership was limited but also necessary in order to reside outside the urban core. Because of this, residents were primarily upper-income families. These localities also developed at a slower rate in comparison to later suburbs, so they did not experience sudden impacts on schools and school taxes.[22] Since these municipalities were made up of upper-income households, they received large payments from the state in the form of shared aids and taxes. High property values in these localities also allowed for lower property tax rates.

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[19] Curran, *Metropolitan Financing*, 29.
[20] Curran, *Metropolitan Financing*, 29.
[21] Curran, *Metropolitan Financing*, 29-30.
[22] Curran, *Metropolitan Financing*, 30-31.

The next wave of suburban incorporation occurred between 1920 and 1950. This included Fox Point, incorporated in 1926; River Hills, incorporated in 1930; and Greendale, incorporated in 1938. These communities developed at a moderate rate. Fox Point and River Hills both had strict zoning regulations which created localities where only the wealthy could reside. These regulations guaranteed a high property tax base as well as high returns on income taxes for these municipalities. Greendale developed differently than the former two municipalities, having come into being as a federal government project, which was later sold its housing supply to new residents. Municipal and commerce buildings and the remaining three and a half miles of Greendale were sold to the Milwaukee Community Development Corporation, a private group.[23]

Between 1950 and 1955, an additional five suburbs were incorporated in Milwaukee County. These suburbs were Glendale, St. Francis, Hales Corners, Bayside, and Brown Deer. The incorporations of these municipalities were either fiscally motivated or were used to prevent their annexation into the City of Milwaukee. Glendale was incorporated in 1950 through annexing 27 percent of the southern section of the Town of Milwaukee. This section was rich in industry and contained 70 percent of the Town of Milwaukee's assessed valuation. In 1970, 60 percent of Glendale's property value was from business.[24] St. Francis incorporated 2.55 square miles from the Town of Lake in 1951 to avoid annexation by City of Milwaukee. St. Francis was primarily interested in annexing land around Lakeside electric plant to maintain their utility tax

[23] Curran, *Metropolitan Financing*, 32-33.
[24] Curran, *Metropolitan Financing*, 24, 33.

base, which allowed for lower property taxes.[25] Hales Corners' incorporation in 1952 was also fiscally motivated. Hales Corners was initially a well-developed area in the Town of Greenfield. However, when residents outside of the developed part demanded the same urbanized services, Hales Corners incorporated so they would not have to pay for improvements in the rest of the town.[26]

The Village of Bayside incorporated in 1953 as a residential municipality similar to River Hills and Fox Point. Bayside relied on high income families and property values for its tax base. In 1956, the percentage of families with annual incomes over $7,000 was four times greater in Bayside than in Milwaukee County as a whole.[27] This also meant higher per capita income payments from the state through shared revenues.

The Village of Brown Deer incorporated four square miles from the Town of Granville in 1955. Brown Deer was motivated to incorporate out of fear of being annexed by the City of Milwaukee. The village attempted to annex the remainder of Granville a year later, however, the City of Milwaukee was also attempting to consolidate with the town.[28]

Suburbs grew rapidly around the City of Milwaukee during the 1950s; municipalities such as Wauwatosa, Cedarburg, and Germantown grew by over 70 percent; Franklin, Greendale, Mequon, and Grafton over doubled in population; while New Berlin tripled in size. As municipalities grew in residents, so did their counties. Milwaukee County grew in population

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[25] Katie Steffan, "City of St. Francis," in *Encyclopedia of Milwaukee*, edited by Margo Anderson and Amanda I. Seligman. University of Wisconsin-Milwaukee, 2017. https://emke.uwm.edu/entry/city-of-st-francis/. And Curran, *Metropolitan Financing*, 24, 33.
[26] Curran, *Metropolitan Financing*, 34.
[27] Curran, *Metropolitan Financing*, 34.
[28] Curran, *Metropolitan Financing*, 34-35.

by 19 percent, Washington County grew by 30 percent, and Ozaukee and Waukesha Counties by 65 and 84 percent.[29] Business and industry also moved towards suburbia, either opening branches outside city limits or relocating altogether.[30] It was financially beneficial for businesses to move their operations outside of the City of Milwaukee since property taxes were much higher in the urban core.

The fiscal health of suburbs that were incorporated before the post-war period differed from those that rushed to incorporate afterwards. Municipalities that incorporated before the war usually had higher tax resources and provided a greater array of services. This was demonstrated by the number of services and activities provided by each municipality. Those incorporated prior to World War II averaged 151 activities performed by each locality. Those that incorporated after 1950 averaged 86 activities or subfunctions.[31] Since the primary sources of revenue for municipalities were income and property tax, state revenue distributions enabled some cities and villages in Milwaukee County to perform municipal functions they may not have been able to offer without the burden of heightened property taxes.[32]

Table 2.5 shows the difference between municipalities and the amount of shared revenues they received based per $1.00 of property tax levied. This table illustrates that fourth-class cities, villages, and incorporated towns received much larger sums of state aid when compared to the property tax levy. Many municipalities relied on the shared revenues in order to viably fund their schools and local government. While Milwaukee received a fraction of the

[29] William F. Thompson, *The History of Wisconsin: Volume VI Continuity and Change, 1940-1965* (Madison: State Historical Society of Wisconsin, 1988), 228-229.
[30] Thompson, *The History of Wisconsin*, 231.
[31] Schmandt and Standing, *The Milwaukee Metropolitan Study Commission*, 22.
[32] Schmandt and Standing, *The Milwaukee Metropolitan Study Commission*, 22.

amount of state revenues when compared to the property tax in its suburbs, it did also have a much higher property tax base.

Table 2.5 Shared Income and Utility Taxes in Milwaukee County per Property Tax Levy, 1956

State Shared Utility and Income Taxes Received by Communities in Milwaukee County per $1.00 of Property Taxes Levied				
Taxes Levied For:	**City of Milwaukee**	**4th Class Cities, Villages, or Incorporated Towns**	**All Other Suburbs**	**Total- Suburbs**
Local Government Purposes Only	$ 0.64	$ 7.80	$ 1.13	$ 2.12
Local and School Purposes	$ 0.31	$ 0.81	$ 0.36	$ 0.52
Source: Milwaukee Metropolitan Survey Committee, *A Report to the Governor of the State of Wisconsin* , December 1956, pg 4				

Although there were dramatic movements towards suburbia in the 1950s, the City of Milwaukee added almost 125,000 residents to its population by 1960; however, the population growth was attributed to the city's annexation of outlying land. But at the same time as Milwaukee expanded its boundaries and population, it lost nearly 20,000 people living within the 1950 boundaries.[33]

The different types of municipalities, those primarily residential, industrial, or a mix of both, are fragmented but also interdependent. North Shore suburbs, such as Bayside, Fox Point, River Hills, and Shorewood are almost completely residential and rely on outside municipalities for employment. In contrast, those rich in industry require workers from outside their boundaries. West Milwaukee, for example, employed 13,000 individuals in 1960 but had a

[33] Thompson, *The History of Wisconsin*, 232.

population of 5,043.[34] These municipalities have economic unity throughout the metropolitan area which is used for the fiscal advantages of each individual locality. Thus, although municipalities are dependent on each other for workers and employment, they remain fragmented and financially divided.[35]

Annexation

A primary method that municipalities used to alleviate the tax burden was the annexation of unincorporated land. Capturing the greatest amount of land became a priority to municipalities because it allowed them to expand their boundaries to encompass a greater population and to collect a larger amount of income and property taxes—enough new revenue to offset the added costs associated with larger populations and service areas. Although city expansions were costly, annexations offered additional land for residential and business growth.[36] Mayor Henry Maier was specifically interested in adding to the industrial land bank. The land bank was undeveloped land which Maier could use for incoming industries to build on, and was a method to stay competitive with outlying industrial growth.[37] In 1946, municipalities in the Milwaukee region began to compete against each other in annexation wars, each trying to obtain the greatest amount of contiguous land to add into their boundaries.[38]

Before the 1890s annexations in Wisconsin were done solely by the state legislature, without requiring input from the residents being annexed into a city or the city gaining the

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[34] Curran, *Metropolitan Financing*, 29.
[35] Curran, *Metropolitan Financing*, 35-36.
[36] John M. McCarthy, "Annexation," in *Encyclopedia of Milwaukee*, edited by Margo Anderson and Amanda I. Seligman. University of Wisconsin-Milwaukee, 2017. https://emke.uwm.edu/entry/annexation/.
[37] Henry Maier, *Challenge to the Cities* (New York, NY: Random House, Inc., 1966), 100.
[38] McCarthy, *Making Milwaukee Mightier*, 169-170.

annexed land.[39] During this period, the Town of Milwaukee and Milwaukee County held the same boundaries. As populations grew, new towns were split off from the Town of Milwaukee. The Town of Lake was split off in 1838; the towns of Kinnickinnic (later renamed the Town of Greenfield) and Franklin were split off in 1839; and the towns of Oak Creek, Wauwatosa, and Granville were split from Milwaukee in 1840.[40] After the 1890s, annexation law changed to requiring a petition approved by over half the electors and property owners involved.

Residents in unincorporated communities could petition for a city to annex their area, with consent from the majority of property owners.[41] Neighborhoods and communities that did choose to be annexed into the City of Milwaukee did so to acquire services that were offered by the city but not the county.[42] While some municipalities chose to incorporate with the city in order to receive city services, others preferred to remain separate, or incorporated to refrain from being annexed by Milwaukee. Frank Zeidler, mayor of Milwaukee from 1948 to 1960, considered this change to petitioning to have caused an increase in suburban incorporation due to self-interested property owners. Zeidler noted that it created a county of 19 municipalities with "conflicting and competing interests."[43]

Milwaukee city government created the position of the annexation director in 1920 to oversee and encourage annexations in the area. During the 1920s, Milwaukee was able to expand from 26 square miles in 1922 to 42 square miles in 1929. These annexations caused

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[39] Frank P. Zeidler*, A Liberal in City Government: My Experiences as Mayor of Milwaukee* (Milwaukee, WI: Milwaukee Publishers, 2005), 89.
[40] James K. Nelsen, "Milwaukee County," in *Encyclopedia of Milwaukee*, edited by Margo Anderson and Amanda I. Seligman. University of Wisconsin-Milwaukee, 2017. https://emke.uwm.edu/entry/milwaukee-county/.
[41] John M. McCarthy, "Annexation," in *Encyclopedia of Milwaukee*, edited by Margo Anderson and Amanda I. Seligman. University of Wisconsin-Milwaukee, 2017. https://emke.uwm.edu/entry/annexation/
[42] Nelsen, "Milwaukee County."
[43] Zeidler*, A Liberal in City Government,* 89.

tension between Milwaukee and its surrounding suburbs, leading to the creation of the Milwaukee County League of Municipalities, also known as the "Iron Ring." Zeidler notes that the expression "Iron Ring," was also used to describe the actual first ring suburbs that surrounded the city, and the terms were used interchangeably.[44]

The onset of the Great Depression and World War II caused annexations to halt temporarily, but they resumed in the mid-1940s. Since there were tensions between the Iron Ring and the city, Milwaukee was only able to obtain small tracts of land at a time.[45] A primary issue that allowed Milwaukee to expand its boundaries farther was the water shortage due to falling water levels in private wells. Since the city would not supply water beyond its boundaries, areas that were experiencing a water shortage were encouraged to join the City of Milwaukee. This also caused contention between the city and its suburbs as suburban leaders tried to obtain city water without consolidating.[46] The conflict between the City of Milwaukee and the surrounding suburbs made it difficult for the city to obtain large portions of land; thus, Milwaukee's annexation efforts were piecemeal, obtaining small tracts of land wherever they were available.[47] This is depicted in table 2.6, which shows Milwaukee's annexations between 1947 and 1951. Even though the city did have 38 annexations in 1950, Milwaukee's boundaries expanded less than 2 miles.

[44] Zeidler, *A Liberal in City Government,* 89.
[45] Zeidler, *A Liberal in City Government,* 90.
[46] Zeidler, *A Liberal in City Government,* 91.
[47] Zeidler, *A Liberal in City Government*, 90.

Table 2.6 Number of Annexations by the City of Milwaukee by Year

YEAR	NUMBER OF ANNEXATIONS	TOTAL SQUARE MILES ADDED
1947	11	0.794
1948	23	2.246
1949	16	0.546
1950	38	1.84
1951	36	0.914

Source: Zeidler, *A Liberal in City Government*, 90.

Suburban residents were resistant to annexation by the City of Milwaukee because they wanted to maintain their independence. The State of Wisconsin allowed towns to incorporate as long as they were able to show they could provide for themselves. Localities with heavy industry, wealthy homeowners, and significant populations had the tax base and population densities to incorporate and remain autonomous.[48] Residents in municipalities such as the Town of Lake and Oak Creek were interested in incorporating because they wanted to preserve their utility tax base, keeping it separate from the City of Milwaukee. Residents in industrial suburbs also wanted to remain independent of Milwaukee because property taxes in the city were much greater than in the suburbs. This desire of suburban residents to remain fiscally fragmented from the City of Milwaukee emphasized the lack of support for redistributing funds or allowing funds to flow outside of their community.

Milwaukee continued to expand its boundaries into the 1950s by consolidating with the Town of Lake. Residents from the Town were opposed to consolidating with Milwaukee because of its tax rates. Lakeside Power Plant was located in the Town of Lake south of Milwaukee, and after the state returned income and utility taxes to the location where they

[48] James K. Nelsen, "Milwaukee County."

were paid, residents and industry received a reduction in property taxes.[49] Thus, consolidating with the City of Milwaukee was not advantageous to the Town's landowners.

The Town of Lake was adamant about not consolidating with the City of Milwaukee because of tax increases. In July of 1951, landowners surrounding Lakeside Power Plant incorporated as the Village of St. Francis; the power plant was also incorporated into St. Francis, taking away a third of the Town of Lake's tax revenues.[50] The Town of Lake faced soaring taxes to pay for its services and accumulated $1.5 million in debt. Milwaukee was prepared to assume the Town's debts and provide services such as public education and police protection. The remaining portion of the Town of Lake voted to consolidate with the City of Milwaukee in 1953.[51] Since land had to be contiguous with the city trying to annex it, adding land from the Town of Lake expanded Milwaukee's southern boundaries and allowed Milwaukee to continue annexing land along its southern border. This addition made Milwaukee contiguous with the unincorporated Town of Oak Creek, allowing the city to potentially annex land in the town.

Oak Creek was a rural and agriculturally based community, south of Milwaukee and abutting Lake Michigan. Its 7,000 residents were spread across 29 square miles. Since the town was rural and had a population of less than 400 people per square mile, it was unable to meet the state's requirements to incorporate.[52] This allowed for Milwaukee's successful first annexation of land from Oak Creek in 1953, adding 223 acres to the city's boundaries.[53]

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[49] Zeidler, *A Liberal in City Government,* 90.
[50] McCarthy, *Making Milwaukee Mightier*, 186.
[51] McCarthy, *Making Milwaukee Mightier*, 186.
[52] McCarthy, *Making Milwaukee Mightier*, 189.
[53] McCarthy, *Making Milwaukee Mightier*, 188.

The Wisconsin Electric Power Company opened a power plant in Oak Creek in 1953, promising to increase the town's property taxes by over $300,000 annually. Additionally, Oak Creek would benefit from the plant's income and utility taxes, as they were collected by the state and the remaining funds would be directed back to the town. The Town's residents opposed being annexed by the City of Milwaukee, which would have caused it to lose its increasing tax base to the city. It was also argued that incorporating Oak Creek would have regional benefits because industries that were interested in building a plant in Oak Creek wanted assurance that they would not be annexed into the City of Milwaukee.[54]

Thus, to avoid being annexed by Milwaukee, attorney Anthony Basile on behalf of the Town of Oak Creek drafted the "Oak Creek Bill" for consideration by the state legislature. The bill reserved the right for towns with a population over 5,000 and an equalized value over $20 million to incorporate as a "fourth-class city" within a county that contained a "first-class city," which at the time exclusively referred to the City of Milwaukee. In 1955, the Oak Creek Bill passed in the Wisconsin State legislature with a vote of 44-42.[55] The law was contested by Milwaukee's Mayor Frank Zeidler, who publicly asked the governor to veto the Oak Creek Bill. Wisconsin's Attorney General also questioned the law's constitutionality, and it was sent to the Wisconsin Supreme Court.[56] The Oak Creek Law was upheld by the court and signed by state officials on December 15, 1955.[57] Oak Creek officially incorporated as a city on December 16,

[54] McCarthy, *Making Milwaukee Mightier*, 190.
[55] John M. McCarthy, "Oak Creek Law," in *Encyclopedia of Milwaukee*, edited by Margo Anderson and Amanda I. Seligman. University of Wisconsin-Milwaukee, 2017, https://emke.uwm.edu/entry/oak-creek-law/, and Zeidler, *A Liberal in City Government*, 111.
[56] Zeidler, *A Liberal in City Government*, 111-113.
[57] "Our City's Unique History," The City of Oak Creek, accessed 16 January, 2020, https://www.oakcreekwi.org/resident/about-our-city/our-city-s-unique-history.

1955.[58] The passage of the Oak Creek Bill allowed the city to keep new utility tax dollars within its boundaries. In 1950, Oak Creek received $6,000 from the state in utility taxes; this increased to $2,964,000 in 1970.[59] In Zeidler's eyes, the law's passage halted Milwaukee's ability to grow, caused expanding industry to leave Milwaukee and forcing the city's housing stock to be built upwards rather than outwards.[60]

While annexations became politically obsolete after the Oak Creek Bill, Milwaukee was still capable of consolidating, or merging with neighboring municipalities. The City of Milwaukee successfully acquired Granville but also had to endure a grueling battle for the parcel.

Granville, a former rural town northwest of Milwaukee, previously had small parcels of land annexed by the City of Milwaukee and the Village of Brown Deer. In 1956, the Town of Granville began to enter a consolidation with Milwaukee. A referendum was planned to be held on April 3, 1956. However, in January of that year, Brown Deer filed a petition to annex a portion of Granville.[61] In July of 1956, Milwaukee's consolidation with Granville was nullified because Brown Deer's annexation measures took precedence.[62] This caused Milwaukee and Brown Deer to enter a legal battle to determine which municipality would gain legal jurisdiction over Granville. This land was important to Milwaukee because it was intended to be added to

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[58] Zeidler, *A Liberal in City Government*, 111-113. And McCarthy, "Oak Creek Law," in *Encyclopedia of Milwaukee*.
[59] Curran, *Metropolitan Financing*, 24.
[60] Zeidler, *A Liberal in City Government*, 112.
[61] Zeidler, *A Liberal in City Government*, 115-116.
[62] Zeidler, *A Liberal in City Government*, 124.

the industrial land bank, drawing industry to the urban core in order to stimulate the city's economic growth.[63]

Milwaukee and Brown Deer negotiated how the land could be divided equitably between the two municipalities. However, the case was brought to the Wisconsin Supreme Court when an agreement could not be reached between Milwaukee and Brown Deer. In 1962, the Supreme Court restored the consolidation between Milwaukee and Granville, adding 16 square miles to the city; Brown Deer was awarded only the land that contained the Tripoli Country Club.[64] This consolidation played a key role in stemming Milwaukee's population decline, as city boundaries expanded to encompass a larger population.[65]

The new additions to Milwaukee offered Maier the opportunity to add land to the city's industrial land bank, or a readily available supply of industrial land that could be offered to incoming companies. Maier sought to improve the local economy and enhance economic development.[66] The consolidation of Granville with Milwaukee ended the city's outward growth, as the city's borders abutted the Iron Ring. Annexations in the 1940s and 1950s were controversial and caused ample opposition from surrounding municipalities. Milwaukee lost several of its attempted annexations, including the Butler Strip annexation that was nullified in

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[63] Henry Maier, *The Mayor Who Made Milwaukee Famous: An Autobiography* (Lanham, Maryland: Madison Books, 1993), 17-18.
[64] Maier, *The Mayor Who Made Milwaukee Famous,* 20. And Jenna Jacobs, "Village of Brown Deer." In *Encyclopedia of Milwaukee*, edited by Margo Anderson and Amanda I. Seligman, University of Wisconsin-Milwaukee, 2017 https://emke.uwm.edu/entry/village-of-brown-deer/
[65] McCarthy, *Making Milwaukee Mightier*, 191.
[66] Maier, *The Mayor Who Made Milwaukee Famous,* 20.

1951.[67] The need to expand Milwaukee's tax base and grow economically pressed onward and caused the city to seek out greater shares of Wisconsin's state shared revenues formula.

Bonded Indebtedness

Issues of suburbanization and deindustrialization along with high costs of annexation were compounded with methods of spending and bonded indebtedness that allowed for a fiscal crisis. Most cities had very little debt in 1950; however, in the 15 years following, bonded indebtedness increased astronomically, and it was likely the debts would increase.

After the Great Depression, municipalities were fiscally austere, and many were concerned about accruing debts and facing another fiscal crisis. Milwaukee mayor John Bohn, in office from 1942 to 1948, stated publicly in 1946 that he refused to go into debt without a public referendum, knowing that city revenues would not be able to cover the debts unless property taxes were increased.[68] Milwaukee's civic groups opposed Bohn's stance on bonded indebtedness because they were interested in using the funds to pay for civic improvements. The civic groups brought the issue of allowing debt accumulation to a public referendum in 1947. The majority of residents, 57 percent, were in favor of using bonds to pay for public improvements.[69]

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[67] Zeidler, *A Liberal in City Government*, 87.
[68] McCarthy, *Making Milwaukee Mightier*, 126.
[69] McCarthy, *Making Milwaukee Mightier*, 126-128.

Through the use of bonded indebtedness, municipalities accumulated debt by issuing bonds to the public. Milwaukee used bonded debt to pay for public improvements and the growing costs of utilities and services. In lands that were newly annexed and undeveloped, bonds allowed the funding to implement infrastructure and develop these areas, because it was very costly. The expansion of Milwaukee's territory meant added costs in the form of sewers, water mains, streets, alleys, and schools. In areas of new development, the cost of adding these services would be up to $22 million per square mile. The cost of development was too large to be paid for with city revenues, thus they were paid for through bonded indebtedness.[70] Since property values would increase with the newly added infrastructure, new revenues, such as increased property taxes could assist in paying off the accumulated debts.

Table 2.7 Total Debt Increases, 1950-1965, in Millions of Dollars

Total Debt Increase by Five-year Periods (In Millions of Dollars) (Includes overlapping debt)					
City	**1950**	**1955**	**1960**	**1965**	**% Increase**
Beloit	2.58	4.56	6.39	7.49	190
Fond du Lac	1.6	2.5	4.31	13.06	716
Green Bay	2.76	5.34	15.93	24.19	776
Janesville	0.19	3.93	7.32	14	7,268
Kenosha	2.06	7.41	13.64	26.24	1,173
La Crosse	2.26	4.67	5.32	10.06	345
Madison	8.4	26.7	36.37	73.35	773
Milwaukee	24.21	77.59	168.89	220.49	810
Oshkosh	0.43	2.04	8.36	15.49	3,502
Racine	3.38	8.64	17.74	37.16	1,000
Sheboygan	1.02	2.85	20.14	17.16	1,582
Superior	1.85	1.34	1.64	5.18	180
Wausau	2.96	3.76	6.46	9.92	235

Source: Alliance of Cities, *Bonded Indebtedness*, Box 194, folder 24, Maier Administration.

[70] Zeidler*, A Liberal in City Government*, 101.

Bonded indebtedness was limited by the percentage of a city's assessed or equalized value. The assessed value is based on the city's assessment of the property and is reflected in property taxes, while equalized value is the market rate value of property. Between 1949 and 1950, the debt limitation was 5 percent of a city's assessed value, which rose to 8 percent between 1951 and 1955. In 1956, the debt limitation was 8 percent of the city's equalized value, which was reduced to 7 percent of a city's equalized value in 1963.[71]

Milwaukee's bonded indebtedness grew 810 percent from 1950 to 1965. Numerically, Milwaukee's debt increased from $24.2 million to $220.49 million during this time. Although Milwaukee had the highest debt in dollar amounts out of thirteen Wisconsin cities, other cities' debts increased between 180 and 7,268 percent during this period.[72] By 1971, Milwaukee's bonded indebtedness was estimated to reach 51 percent of its limitation; Fond Du Lac was estimated to reach 93 percent of its debt limitation. The Wisconsin Alliance of Cities noted that with "increased bonding, increased amounts of money are required for debt service. This means that the cities, already faced with tax increases for operating purposes, will also have to find more money for debt service."[73]

Factors such as the increasing property tax and geographical expansions through annexation created greater fiscal needs throughout Wisconsin. As these fiscal needs grew, many cities looked towards bonded indebtedness to fill the gap between revenues and expenditures. However, as debts increased, so did the costs of debts in terms of repayment and

[71] Debt limitations in Milwaukee fluctuated from 1949 to 1963, but from 1963 onward were capped at 7 percent of equalized valuation. Milwaukee (Wis.) Office of the City Comptroller, *Financial Summary*, 1969.
[72] Alliance of Cities, *Bonded Indebtedness – Summary and Statement*, January-February 1967, box 194, folder 24, Records of the Maier Administration.
[73] Alliance of Cities, *Bonded Indebtedness*, January- February 1967, box 194, folder 24, Records of the Maier Administration.

interest. This caused city officials to seek greater assistance from the state, through modifying the state shared revenues formula.

The Metropolitan Study Commission

Frank Zeidler sought to equalize the tax burden throughout the Milwaukee region. Zeidler noted that Milwaukee was against the creation of new "tax free" villages and cities and demanded a "just system of taxation that did not bear down disproportionately on city people."[74] Zeidler's request was taken into consideration by state legislature.

Political fragmentation during the annexation years of 1940s and 1950s made regional cooperation unfeasible. There was also little likelihood that municipalities that incorporated to remain detached from the city would be interested in harboring their "fair share" of metropolitan taxes. Since taxes and aids are a zero-sum game, resentment between the city and its suburbs grew as tax bases became threatened. Suburban municipalities were interested in obtaining water from the City of Milwaukee, which Zeidler used as a bargaining point for shared revenues. However, when the topic of extending water arose, suburban municipalities were unwilling to discuss tax redistributions.

In the early 1950s suburban officials were confronted with growing needs for their municipalities. Mayor Zeidler later commented that, "The suburbs were willing to sit down with the City of Milwaukee to see how the city could furnish them with water, sewers, and incinerators, but they would not talk about unequal tax burdens, slum clearance, or problems the city had."[75] To discuss the metropolitan issues with suburban officials, Zeidler suggested a

[74] Zeidler, *A Liberal in City Government*, 120, 106.
[75] Schmandt and Standing, *The Milwaukee Metropolitan Study Commission*, 74.

state-wide study be conducted by the state legislature. In response, suburban officials requested a conference of local governments to inquire about metropolitan issues. A third option was suggested by civic groups—a metropolitan survey by a citizens group.[76]

Civic leaders considered it unlikely that a group of politically motivated members, comprised of "city consolidationists and suburban autonomists" could reach solutions or prepare an objective study together.[77] Members of the Greater Milwaukee Committee, a civic group composed of top business leaders in the metropolitan area with a "roster that read like a 'Who's Who' of the industrial and commercial notables," approached Governor Walter J. Kohler about a citizens committee on urban issues.[78] The committee urged for a study on the water issues in the metropolitan area. Governor Kohler appointed a seven-member committee to draw "some general conclusions and constructive suggestions" on the municipal service problems in the Milwaukee metropolitan area.[79] This group was officially created in 1957 and named the Metropolitan Study Commission. [80]

The study commission made annual reports between 1958 and 1961 that offered an analysis and recommendations for urban growth and problems, sewage disposal, property assessment, water supply, regional planning, and the distribution of shared taxes. In the 1958 study commission report, the authors discussed the political conflict between Milwaukee and its suburbs and offered insight from both perspectives. The commission mentioned Milwaukee's perspective for redistributing shared taxes with two arguments. First, many

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[76] Schmandt and Standing, *The Milwaukee Metropolitan Study Commission*, 75.
[77] Schmandt and Standing, *The Milwaukee Metropolitan Study Commission*, 79.
[78] Schmandt and Standing, *The Milwaukee Metropolitan Study Commission*, 34, 80.
[79] Schmandt and Standing, *The Milwaukee Metropolitan Study Commission*, 80, 81.
[80] "Wisconsin Local Government Reform Initiatives," Local Government Institute of Wisconsin, accessed October 17, 2019, http://www.localgovinstitute.org/library-resources/id/45

residents of suburban communities' work in the central city and use city facilities while at work, thus, Milwaukee is entitled to a portion of the income tax payments to the suburbs. Second, since income and utility payments to suburban municipalities are generally quite large, suburban communities use these tax payments to keep property tax rates low, to create essentially tax-free pockets that lure industry away from the city.[81]

In contrast, suburban leaders argued that Milwaukee favored a tax redistribution to financially cripple the suburbs, forcing them to consolidate with the city and that thousands of suburban residents work in other suburbs, not in the City of Milwaukee. Suburban leaders also suggested that the city should be more fiscally efficient, by trimming wasteful expenditures, and should seek revenues from its residents that do receive the bulk of Milwaukee's city services.[82] Although the revenues formula was under review during Zeidler's mayorship, a modification was widely opposed by Milwaukee's suburban counterparts and was not advocated for by the Metropolitan Study Commission. Thus, the original distributions remained intact.

Metropolitan governance was also considered in Milwaukee County during the 1930s as a method to cut the costs of government during the Great Depression. The city and the county looked for functions that we duplicated between the two levels of government to eliminate and save money. They also proposed a consolidation between the City of Milwaukee and Milwaukee County. In 1934, a group of 23 civic organizations created the Citizens' Association on Consolidation in Milwaukee County (CACMC) to advocate for merging these governments.

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[81] The Metropolitan Study Commission, *1958 Annual Report*, 47.
[82] The Metropolitan Study Commission, *1958 Annual Report*, 48.

On November 6, 1934, Milwaukee County residents voted on whether to consolidate; the vote passed with 104,708 residents in favor of consolidation and 40,319 in opposition. Despite this vote, a second referendum was held, and state legislature retained the legal right to decide on the consolidation. A group comprised of suburban members, the Milwaukee County League of Municipalities, lobbied against the consolidation, which was defeated in the state assembly.[83]

The City of Milwaukee faced great opposition from its suburban counterparts. Milwaukee County suburbs were historically resistant to consolidation, annexations, and redistributing resources. Hostility that developed during these phases of urban change caused suburbs to protect their autonomy and remain fragmented from the city. This relates to James Gainsborough, who notes that although there was economic distress in the city, suburban residents were unwilling to redirect their resources to solve problems in the city.[84]

This unwillingness for suburban municipalities to cooperate with the central city also displays why a regionalist approach to solving Milwaukee's issues was not feasible. While the metropolitan area could have used consolidation as a method to offer effective responses to economic changes, suburban localities adamantly opposed this alternative. Economic challenges were primarily posed as a Milwaukee issue, not one pertaining to the entire region especially during a time when municipalities were competing for wealthy residents and industry. Thus, the metropolitan area remained divided and contention continued to build as regionalist suggestions from the city were proposed.

[83] McCarthy, *Making Milwaukee Mightier*, 82,106-109.
[84] Juliet F. Gainsborough, *Fenced Off: The Suburbanization of American Politics* (Washington D.C.: Georgetown Press, 2001), 77.

Chapter 3: The Coalition Movement

After World War II, Milwaukee experienced drastic changes, including shifts in population and industry, growth via annexation, and an increasing property tax. As property taxes and municipal debts continued to grow in the city, Mayor Henry Maier sought to modify the state shared revenues formula in order to create fiscal equity throughout Wisconsin.

The Metropolitan Study Commission began to acknowledge the maldistribution of state shared revenues near the end of the 1950s, when the City of Milwaukee expressed that its share did not meet its needs. The commission created a Revenue Sources and Distribution committee, which issued five revenue recommendations that were enacted by the state legislature in 1961. The most important outcome was the implementation of a three percent sales tax, which was passed under Governor Gaylord Nelson.[1] While the increased revenue sources were beneficial, the former state shared revenue formula remained intact and contributed to ongoing economic disparities between central cities and surrounding suburbs.

Maier recognized that Milwaukee was not the only city in Wisconsin that was enduring a financial crisis, thus he created the Wisconsin Alliance of Cities. With the support from city leaders around the state, the Alliance drafted legislation and attempted to change the state shared revenues formula. The Alliance faced opposition by both the state legislature and Milwaukee area suburbs. Through recognizing the fiscal disparities in Have-not communities,

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[1] Richard W. Cutler, *Greater Milwaukee's Growing Pains, 1950-2000: An Insider's View* (Milwaukee, WI: The Milwaukee County Historical Society, 2001), 37, 41.

Maier and the Alliance were able to create an urban-rural coalition and strengthen the base of advocates for modifying the revenues formula.

The Wisconsin Alliance of Cities

Henry Maier first ran for mayor of Milwaukee in 1948. After losing the mayoral election to Frank Zeidler, Maier ran for and was elected into the Wisconsin State Senate in 1950. Maier entered Milwaukee's mayoral election again in 1960, this time winning his position and beginning his first of 28 years in office.[2]

Mayor Maier's efforts to alter the state shared tax system began in 1965. During this time, Milwaukee was not the only city in Wisconsin experiencing fiscal issues and rising property taxes.[3] Many other cities, such as Sheboygan, Appleton, Oshkosh, Fond du Lac, Neenah, and Menasha found themselves in similar situations.[4] Since various other cities were in the same fiscal situation as Milwaukee, Maier sought to organize a group of city leaders to advocate for modifying the shared revenues formula. The League of Wisconsin Municipalities, which was founded in 1898, had already existed with a purpose of uniting Wisconsin localities in order to learn from each other.[5] In 1965, the League had over 500 municipalities. However, this group preferred being research oriented, lacking the political activism Maier sought.[6] This

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[2] Henry Maier, *The Mayor Who Made Milwaukee Famous: An Autobiography* (Lanham, Maryland: Madison Books, 1993), 5-6.
[3] Maier, *The Mayor Who Made Milwaukee Famous,* 51-52.
[4] Henry Maier Speech, 5 February 1967, box 194, folder 24, Records of the Henry W. Maier Administration, Milwaukee Series 44, University of Wisconsin-Milwaukee Libraries, Archives Department (hereafter cited as Records of the Maier Administration).
[5] "About the League," League of Wisconsin Municipalities, accessed 16 January, 2020, https://www.lwm-info.org/742/League-of-Wisconsin-Municipalities.
[6] Maier, *The Mayor Who Made Milwaukee Famous,* 52.

group also included cities that were not interested in changing the revenues formula, so it would have been more difficult for the League to endorse this change.

In order to get other municipalities involved in modifying the shared revenues formula, Maier "telephoned all the mayors of major Wisconsin cities." The Fiscal Liaison had already completed the research on how each city would fare with the proposed tax reform. Maier was able to use this data to convince the other mayors that would benefit from a change in the revenues formula to join in action.[7] Teaming with these cities, Mayor Maier created the Wisconsin Alliance of Cities in the winter of 1966, leading into 1967.[8] In 1967, the Alliance of Cities had 19 member municipalities from around the state.[9] After two years, the Alliance decided to become an official organization, and "adopted articles of incorporation, by-laws, and a $30,000 1969 budget."[10]

Mayor Otto Festge of Madison became president of the Alliance.[11] Having Festge as president was tactical for the Alliance. It moved the idea of fiscal disparities from being a Milwaukee problem to being a greater representation of the state and was also unifying to other cities. The *Wisconsin State Journal* noted that, "Milwaukee is too large with its population approaching one million to gain support of the other cities which are so much smaller. Madison is next in line with its 170,000 persons, and it is just enough of an incipient large city while still

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[7] Maier, *The Mayor Who Made Milwaukee Famous,* 52.
[8] *Post-Crescent Madison Bureau*, "Buckley to Ask Resolution from Council on Tax Relief," 28 February 1967, box 194, folder 25, Records of the Maier Administration.
[9] Richard J. Budelman, Paper starting with "The Wisconsin Alliance of Cities Thursday voted unanimously to seek legislative action," box 194, folder 27, Records of the Maier Administration.
[10] Paper starting with "The new formally- organized Wisconsin Alliance," box 194, folder 27, Records of the Maier Administration.
[11] "State Tax Head Blasted by Fox Valley Officials," unidentified newspaper article, box 194, folder 25, Records of the Maier Administration.

at a medium city size to act as a catalyst."[12] Many municipalities criticized the need to change the revenues formula; it was considered to be a remedy for the fiscal crisis in Milwaukee and was not thought to benefit other localities. Having Festge as the president of the Alliance shifted the emphasis away from Milwaukee. This move demonstrated the statewide need for increased funding and represented that fiscal disparities also existed outside of Milwaukee. Thus, smaller cities were more inclined to join the Alliance because Madison's population and needs were more comparable to other cities throughout the state.

While some cities easily joined the Alliance, others were hesitant. Maier assured cities such as West Allis and Wauwatosa that they would have fiscal gains if they chose to join the Alliance. However, they were also considered to be suburban municipalities and politically aligned themselves with other Iron Ring suburbs.

The Case of West Allis

The City of West Allis initially proved controversial for the Alliance of Cities. West Allis aligned with Milwaukee on the need for greater state aid. West Allis had nearly the same percentage of residents with annual incomes over $10,000, received comparable portions of its budget from state aids, and had tax rates comparable to Milwaukee.

The *West Allis Star* noted that West Allis should study the tax distribution proposal before deciding whether to join the Alliance; the city was projected to add an additional

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[12] Clipping, John T. Aehl, "Larger Cities Seek Alliance on Finances," in the *Wisconsin State Journal*, 9 February 1967, box 194, folder 24, Records of the Maier Administration.

$400,000 to their tax rolls.[13] However, after the cartoon pictured in figure 3.1 ran in the editorials of the *Star*, the editor from the *Wauwatosa News Times*, Jack Cory, responded with heavy criticism. Corey noted that, "for a suburban editor to seek redress for wrongs real or fancied by taking up the fight with Big City policies against Suburbia is to run against his own people, his own community, those who support his own newspaper."[14] While West Allis considered being a member of the Alliance because of its potential for fiscal gains, other suburbs regarded it as political betrayal.

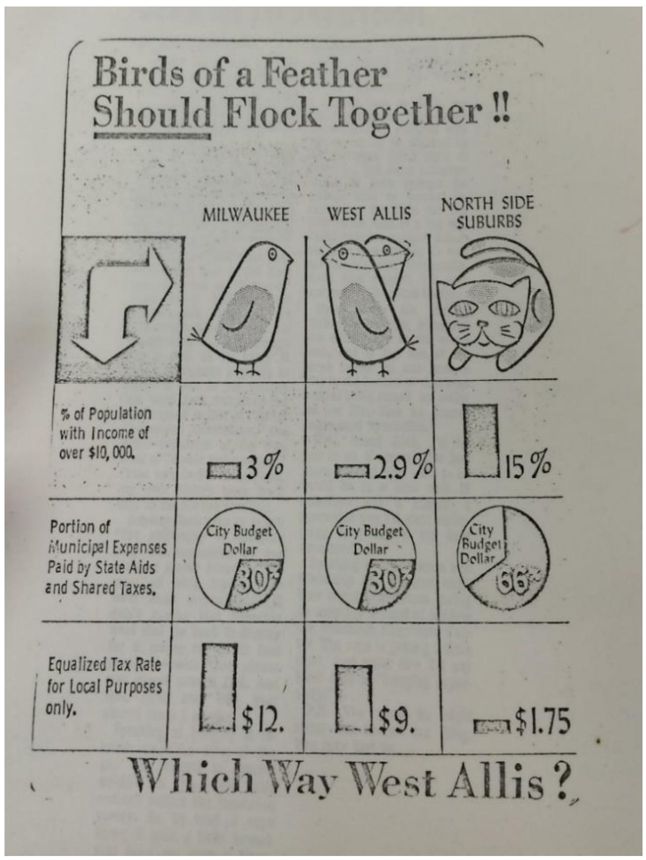

Figure 3.1 Birds of a Feather Should Flock Together

Source: *The West Allis Star*, Editorials and Features, 12 January 1967, Box 194 folder 25, Records of the Maier Administration.

[13] Tom Hutchinson, "Suburban Editor Whacks Star for Shared Tax Cartoon," in the *West Allis Star*, 26 January 1967, box 194, folder 25, Records of the Maier Administration.
[14] Tom Hutchinson, "Suburban Editor Whacks Star for Shared Tax Cartoon," in the *West Allis Star*, 26 January 1967, box 194, folder 25, Records of the Maier Administration.

West Allis contemplated joining the Alliance in 1967; however, ultimately the city decided to decline participation. The City of Wauwatosa also declined to be a member of the Alliance of Cities. Although West Allis would be a fiscal winner with the enactment of Mayor Maier's proposal for shared revenue redistribution, the city feared becoming a victim of the system at a future time and eventually losing part of its tax base to other cities.[15]

To encourage West Allis to join the Alliance, Mayor Maier addressed the realities of state funding in a letter to the editor of the *West Allis Star* in 1969. According to Maier, West Allis functioned as an independent city similar to Milwaukee. While the city was diverse in business, industry and housing, it "carrie[d] upon its back the social overhead for the bedroom communities," and had higher property tax rates compared to its neighbors.[16]

Table 3.1 Shared Income and Utility Payments Per Capita in 1966 in Dollars

Municipality	1966 per capita income	Shared income & utility tax per capita	Per capita school aid	Property tax burden	1968 per capita budgets
West Allis	$2,798	$42.07	$9.02	8.75%	$426.91
Milwaukee	$2,642	$41.32	$12.75	7.94%	$440.77
River Hills	$13,811	$226.93	$18.28	3.04%	$1,045.32
Oak Creek	N/A	$335.83	$49.97	N/A	$719.07

Source: Letter from Henry Maier to the Editor of the West Allis Star, 24 March 1969, box 194, folder 27, Records of the Maier Administration.

As shown above, the City of West Allis received a shared revenues payment comparable to that of Milwaukee in 1966. West Allis and Milwaukee received $42.07 and $41.32 per

[15] Cliff Robertson, "Meier Verses Maier, West Allis Mayor Sides with Maier," *West Allis Star*, 23 February 1967, box 194, folder 25, Records of the Maier Administration.
[16] Letter from Henry Maier to the Editor of the *West Allis Star*, 24 March 1969, box 194, folder 27, Records of the Maier Administration.

person, respectively. Other suburbs in the metropolitan area, River Hills and Oak Creek, received between five and eight times as much funding. Both Milwaukee and West Allis had average per capita incomes less than $3,000 in 1966 in comparison to River Hills, which had average incomes at almost $14,000. This shows the importance of income taxes for residential municipalities; municipalities with poorer populations also received less shared revenue than those with wealthier populations. Since River Hills had such high incomes in comparison to West Allis and Milwaukee, it received a much greater share of state revenues. While annual incomes are not available for Oak Creek, the city did have a utility plant within its boundaries which could have contributed to the nearly $336 dollars it received per person. Due to the large amounts of state revenues, Oak Creek and River Hills were able to afford relatively higher annual budgets.

Table 3.1 shows the fiscal disparities present between municipalities in 1968, as West Allis residents were burdened with the highest property tax rates, while still maintaining the lowest per capita budget in comparison to Milwaukee, River Hills, and Oak Creek. Although the City of West Allis did not advocate for tax reform with Milwaukee, it did have much to benefit in equalized distribution.[17] Table 3.1 also included cities that had some of the highest amounts of shared revenues per capita. Maier could have added River Hills and Oak Creek to emphasize the difference in shared revenues between municipalities.

West Allis was in a position that although they could have benefited from a change in shared revenues, they were persuaded by their suburban counterparts not to join. While West

[17] Letter from Henry Maier to the Editor of the West Allis Star, 24 March 1969, box 194, folder 27, Records of the Maier Administration.

Allis was concerned about a future position of being a net loser instead of a fiscal winner, the political coercion by other Iron Ring members was likely to play a primary role.

Fiscal Mismatch, Tax Islands, and the Town of Two Creeks

Maier criticized the fiscal mismatches between central cities and their suburban counterparts. One of Maier's primary arguments was that the suburban population used facilities paid for either directly from the City of Milwaukee or by Milwaukee County. However, the distribution formula did not offer funds from surrounding municipalities or those outside of the county. This free-ridership showcased the need to modify the distribution formula and encouraged other cities to join the Alliance and pursue a distribution that was considered to be fairer to cities throughout the state.

According to Maier, central cities felt the burden of paying for cultural establishments often used by suburbanites. He argued, "while it [the central city] bears the lion's share of both the social and cultural overhead of the metropolitan area, the resources of the metropolitan area are segregated from the metropolitan problems which happen to be located within the central city."[18] Metropolitan problems in the city, such as slums and blight, infrastructure, and education continued to be a problem solely for the city to fund,[19] while suburbanites often opted to utilize urban facilities without fiscal contribution.

One potential resolution for this problem was to end tax-exempt property status, or at least charge for services at public and non-profit facilities, including colleges, hospitals,

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[18] Henry Maier Speech, Reflections, 10 March 1967, box 194, folder 25, Records of the Maier Administration.
[19] Henry Maier Speech, 5 February 1967, box 194 folder 24, Records of the Maier Administration.

women's clubs, and the airport. If taxed, these properties equated to over $5 million a year in revenues for the city, an amount that could fund a third of the police force, or nearly all the costs for garbage and disposal in Milwaukee.[20] Charging property taxes on such institutions would allow the city to collect some money from establishments that were utilized by the metropolitan population and collect from a greater demographic.

Another tax issue that Maier wanted to modify was the payments given to municipalities with utility plants. Since the shared revenues distribution formula were distributed based on ability to pay, they were not based on needs. This caused the creation of "tax islands" around central cities.[21] Tax islands, specifically utility tax islands, were municipalities that received most of the utility tax dollars given by the state.[22] These places received large utility payments and would often collect little to no property taxes because they were able to fund their local government primarily from utility and income taxes.

An example commonly used by the Alliance was the Town of Two Creeks, outside the City of Manitowoc in northeastern Wisconsin. According to the 1960 census, the town had a population of 458 residents; in 1966, the Town's total local property taxes amounted to $61,605. The following year, the Town was to get a nuclear generating plant, estimated at $122 million. Thus, Two Creeks would receive an additional $1.5 million in utility taxes annually, an amount that Mayor Maier thought to be unnecessary for the town.[23] In preparing a speech on Two Creeks' new tax base, Richard Glaman, Assistant Director of the Department of

[20] Henry Maier Speech, 5 February 1967, box 194, folder 24, Records of the Maier Administration.
[21] Henry Maier Speech, 5 February 1967, box 194, folder 24, Records of the Maier Administration.
[22] Maier, *The Mayor Who Made Milwaukee Famous,* 55.
[23] Richard W. Glaman's Suggestion for Inclusion in the Mayor's Statement for the Thursday Meeting on Tax Distribution Bills, 1967, box 194, folder 25, Records of the Maier Administration.

Intergovernmental Fiscal Liaison, suggested Maier discuss what the city could potentially do with its additional revenue:

> Just how these 458 people could spend a million and a half dollars in tax revenue a year when they are spending only about 1/15th of that amount now, I fail to see. They would either have to build a warehouse to store the money in or else declare an annual dividend and send their property owners a check instead of a tax bill.[24]

While this idea may have seemed absurd prior to Two Creeks receiving the new property tax revenues, it was not far from what was to come. After the nuclear plant was constructed and in use, the high utility tax payments eliminated the town's need for a local property tax levy. The majority of the revenues were banked, but this additional funding was also used for college scholarships for the town's residents. While this was an extreme case in utility taxes, other Wisconsin cities also experienced similar benefits of not having to pay property taxes.[25]

The Alliance of Cities suggested that two-thirds of the utility aids should be given to the localities where business was done, and only one-third should be directed to the municipality where the plant was located.[26] This would allow the municipalities that utilized these utility plants to reap fiscal benefits from the services in their area.

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[24] Glaman's Suggestion for Inclusion, 1967, box 194, folder 25, Records of the Maier Administration.
[25] Maier, *The Mayor Who Made Milwaukee Famous*, 55.
[26] "Allocate State's Shared Taxes to Metro Districts, Mayors Ask," *Racine Journal Times*, 23 March 1968, box 194, folder 26, Records of the Maier Administration.

Special Session

Requests for changes to the formula for state shared revenues continued to be top priority for members of the Alliance of Cities. In October of 1966, Henry Maier met with Governor Knowles requesting additional funds.[27] In response, Governor Warren Knowles created the Task Force on Local Government Finance and Organization in May of 1967. Mayor Maier argued that many studies had already taken place that evaluated Wisconsin's fiscal state and had "pinpointed the inequalities in the state's tax sharing systems." Maier felt that recommendations to remedy the distribution of taxes could be made in 1967; however, the study deadline was set for 1969—delaying action for two more years.[28]

Curtis W. Tarr, President of Lawrence University, was appointed as the chairman of the committee; thus, the group was often referred to as the Tarr Task Force. The committee was made up of 13 members from various groups throughout the state, including the Wisconsin Department of Revenue, Wisconsin Taxpayers Alliance, the Citizens Governmental Research Bureau, Wisconsin's AFL-CIO, members of the Joint Finance Committee, the League of Women Voters, and state representatives in the Assembly. The task force focused its research on government reform, shared revenues, and aids given for highways and education.[29]

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[27] Martin Gruberg, *A Case Study in US Urban Leadership: The Incumbency of Milwaukee Mayor Henry Maier* (Brookfield: Ashgate Publishing Company, 1996), 229.

[28] "Henry Maier Blasts Legislative Stall on Tax Relief in Cities," 1967, box 194, folder 25, Records of the Maier Administration.

[29] Curtis W. Tarr and Wisconsin Tarr Task Force, *A Blue Print for Local Government Reform in Wisconsin: A Summary of the Report of the Task Force on Local Government Finance and Organization (Tarr Task Force)* (Madison, WI: Task Force, 1969), 1; "Register of the Wisconsin Task Force on Local Government Finance and Organization: Records, 1967-1969." Finding aid at the Wisconsin Historical Society, Madison, WI. http://digital.library.wisc.edu/1711.dl/wiarchives.uw-whs-ser02162; George Whittow to Mayor Henry Maier, Pending Legislation, 7 September 1967, box 194, folder 25, Records of the Maier Administration.

Governor Knowles could have used the Tarr Task Force as a method to delay any controversy, recommendations, or changes in the income tax structure of Wisconsin. The Task Force's study had an initial deadline of January 15, 1968; however, the state senate extended the deadline to January 1, 1969.[30] The Alliance of Cities requested that the state legislature advance the study deadline to September 1, 1967 and called for the governor to hold a special session of the legislature in October of that year.[31] The purpose of the special session was to update legislature to help alleviate urban problems.[32] The special session did not occur in 1967; however, the Alliance requested the session again in 1968.[33] According to press reports in 1968, the opposition to the special session was due to partisanship and political pressure from the suburbs, the Republican havens. While partisanship was noted as being a reason for not having a special session, the Republican Mayor of Appleton supported the call.[34] This emphasized that the need to redistribute shared taxes was not based on party lines but more so aligned on type of municipality, cities versus suburbs.

Madison Mayor Otto Festge also addressed opposition for a special session in a letter to Governor Warren Knowles on October 30, 1968. Festge noted that the Alliance had made a request for the Wisconsin League of Municipalities to support a special session. The Alliance was outvoted "because each municipality has one vote and a village with a population of 165

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[30] "Festge Hits 'Stalling' on Shared Taxes," *The Capital Times*, 25 February 1967, Newspapers.com.
[31] "Festge Hits 'Stalling' on Shared Taxes," *The Capital Times*, 25 February 1967, Newspapers.com.
[32] *Post- Crescent Madison Bureau*, "Buckley to Ask Resolution from Council on Tax Relief," 28 February 1967, box 194, folder 25, Records of the Maier Administration.
[33] Otto Festge to Governor Warren P. Knowles, 30 October 1968, box 194, folder 26, Records of the Maier Administration.
[34] *Capital Times*, "Council Vote on Special Session Should Be Unanimous," 22 October 1968, box 194, folder 26, Records of the Maier Administration.

has the same strength as the City of Milwaukee, which has over 800,000 people."[35] Festge argued that the majority of Wisconsin's population was represented by Alliance members and if votes were weighted based on population, then it would be very obvious that the majority of Wisconsin's residents would support a special session on tax redistribution.[36]

Although previous special sessions were ignored, the Alliance of Cities continued drafting recommendations for the legislature to consider. In 1968 the Alliance created a list of five recommendations and presented it to the Tarr Task Force. The recommendations were:

> 1. Create metropolitan districts to receive and apportion shared taxes.
>
> 2. Allow metropolitan districts to assume municipal functions.
>
> 3. Enable counties in non-metropolitan areas to assume municipal functions, perform property tax assessments, and levy taxes for uniform services within the county.
>
> 4. Modify the distribution formula for utility taxes and allot the majority of funds to the locality where utilities are used. Also, adjust highway aids based on traffic volume.
>
> 5. Remove certain types of property from a tax-exempt status.[37]

These suggestions to modify taxing units and distributions all were intended to contribute to making the taxing system more equitable for cities throughout the state. The first and second would allow for optimization of local government units and create uniformity in services without overlap. The third would create consistency amongst Wisconsin communities

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[35] Otto Festge to Governor Warren P. Knowles, 30 October 1968, box 194, folder 26, Records of the Maier Administration.
[36] Otto Festge to Governor Warren P. Knowles, 30 October 1968, box 194, folder 26, Records of the Maier Administration.
[37] David Giffey, "State Cities Support Metropolitan Tax Units," *Oshkosh, The Paper*, 23 March 1968, box 194, folder 26, Records of the Maier Administration.

in tax assessments, so all municipalities were assessed at the same rate and taxed appropriately. The fourth would allow funds to be dispersed beyond a facility's place of origin so residents using the services would also benefit from their own use of utilities, breaking down utility tax islands. The fifth recommendation would allow cities to collect property taxes on facilities that were utilized by populations outside the municipality and would add to the local tax base. These suggestions were taken into consideration by the Tarr Task Force, as they drafted recommendations for the state legislature. In 1969, the Alliance was granted a special legislative session, which was scheduled to convene on September 29 to discuss the Tarr Task Force's research and recommendations.

Tarr Task Force Recommendations

The 20-month study process resulted in various recommendations to the state legislature. These recommendations spanned from changing the shared revenues distribution formula to modifying aids for elementary and secondary schools, highway aids, and urban growth policy. Recommendations brought forth by the Tarr Task Force included strengthening county government and allowing it to provide local government services to areas with sparse populations; greater organization within local government; the creation of a Boundary Review Board to eliminate jagged borders in order to increase municipal service efficiency on both sides of the border and to ease the process of annexation, consolidation, and incorporation;

increased state aids for educational funding to alleviate property taxes; and having professional county assessors assess all property at market value.[38]

Most relevant to the shared revenues was the proposal for a single formula used for shared revenue distribution. First, municipalities with utility property "would receive a payment equalizing a seven-mill rate" for the value of the utility property. Next, was a minimum distribution of $30 per capita to local governments and additional property tax relief, paying 35% for municipalities with levies over 20 mills. The Tarr Task Force also recommended strengthening county government and encouraging "voters to reduce the number of governmental units."[39]

The Tarr Task Force study was completed in 1969. Mayor Maier and the Alliance of Cities began advocating for the study's recommendations. The first step taken to gain citizen support was through the Target Tarr campaign. For this campaign, eight mayors and two city managers drove around the state for a two-week period. The city leaders visited Wausau, Eau Claire, Green Bay, Madison, and Milwaukee in order to demonstrate to political leaders and citizens the need for property tax relief and how municipalities could benefit from the Tarr proposals.[40] The Alliance members spent the fortnight talking to various clubs and organizations and highlighted that the Tarr recommendations were bipartisan. At the end of the trip, the Alliance had gained support from various groups, "including farm, business,

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[38] Tarr and Tarr Task Force, *Blue Print*, 2, 3, 5, 6, 9. and Wisconsin Tarr Task Force, *The Report of the Task Force on Local Government Finance and Organization* (Madison, WI: Task Force, 1969), VIII-4.
[39] Tarr and Tarr Task Force, *Blue Print*, 13, 9, 2.
[40] "Cities Group Begins 'Target Tarr' Drive, *The Post-Crescent* in Appleton, Wisconsin, 9 September 1969, Newspapers.com, and Maier, *The Mayor Who Made Milwaukee Famous*, 54.

education and labor."[41] Maier emphasized that rural areas stood fiscal gains by passing the Tarr package and stated that "three out of every four Wisconsin towns and villages would benefit by the Tarr proposals."[42]

Despite the efforts of the Tarr Task Force and the Target Tarr campaign, the Alliance struggled to pass a change in the distribution formula. On September 29, 1969, the legislature convened for a special session[43] where the Tarr recommendations were up for consideration, under the title of Senate Bill 249.

A force of opposition of Senate Bill 249 came from the Tax Sense Committee. The Tax Sense Committee was comprised of many Milwaukee suburbs, including Shorewood, Bayside, Glendale, Wauwatosa, River Hills, Port Washington, and Brookfield.[44] The committee was formed by the Suburban League of Municipalities and raised $22,000 for a public relations campaign in opposition of the Tarr Task Force.[45] A primary method of deterring municipalities from supporting the Tarr proposals was a tax study released by the Tax Sense Committee on April 9, 1969. This study evaluated the amount of state aid each municipality would gain or lose from passage of the Tarr recommendations.[46] The analysis from the tax study was done by Dr. Alan H. Smith, a professor of finance at Marquette University. The analysis separated the

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[41] Maier, *The Mayor Who Made Milwaukee Famous*, 53-54.
[42] Loren Sperry, "Mayors Call Upon Legislature to Adopt Tarr Fiscal Reforms," *Sheboygan Press*, 25 September 1969, Newspapers.com.
[43] *Wausau Record-Herald*, 6 September 1969, box 194, folder 29, Records of the Maier Administration.
[44] "Tarr Task Bill Would Cost City $556,000 in Revenues, Claim," *The Sheboygan Press*, 24 September 1969, Newspapers.com.
[45] Ivan Kaste, "Taxpayers Could Lose $855,961 under Tarr Plan," *The Waukesha Freeman*, 29 April 1969, Newspapers.com.
[46] Don Castonia, "Suburbs Rip Tarr School Aid Plans," *The Sheboygan Press*, 4 May 1969, Newspapers.com.

shared revenues formula from school aids because the legislature agreed to increase the state's per pupil allotment of school aids.[47]

The Tax Sense Committee projected that Green Bay would lose approximately $400,000 and the City of Sheboygan was projected to lose $556,000 in shared revenues if the Alliance was able to pass a bill that would modify the shared revenues formula.[48] The City of Waukesha was also used as an example for the committee. The tax study stated that Waukesha would lose a total of $855,961 if the Tarr package was approved under Senate Bill 249. This amount was estimated because Waukesha would lose $339,231 in shared revenues but would gain $222,826 in school aids. This would be a net loss of $116,405. Additionally, Smith's analysis estimated that Waukesha would pay an additional $739,596 in higher taxes to pay for the additional school aids under the Tarr proposal.[49] Thus, all school districts would be receiving increased sums of funding from the state which would either offset or recover some of the shared revenues lost by changing the formula.[50] By separating the shared revenues from school aids, the Tax Sense Committee was able to make the loss of revenues appear more drastic than they were in reality; however, the notion that cities such as Waukesha would lose large sums of money from the Tarr package created momentum and opposition to the passage of Senate Bill 249.

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[47] Ivan Kaste, "Taxpayers Could Lose $855,961 under Tarr Plan," *The Waukesha Freeman*, 29 April 1969, Newspapers.com and Don Castonia, "Suburbs Rip Tarr School Aid Plans," *The Sheboygan Press*, 4 May 1969, Newspapers.com.

[48] Loren Sperry, "Mayors Call Upon Legislature to Adopt Tarr Fiscal Reforms," *The Sheboygan Press*, 25 September 1969, Newspapers.com.

[49] Ivan Kaste, "Taxpayers Could Lose $855,961 Under Tarr Plan," *The Waukesha Freeman*, 29 April 1969, Newspapers.com.

[50] Don Castonia, "Suburbs Rip Tarr School Aid Plans," *The Sheboygan Press*, 4 May 1969, Newspapers.com.

The City of Waukesha was estimated to lose revenues with the modification of shared revenues. However, James Morgan, the secretary of the Department of Revenue and Tarr Task Force member, noted that the Tax Sense Committee assumed that the additional school aids would be funded from a community in the same ratio that the aid is being paid. In addition, Morgan said that the purpose was to shift the fiscal burden off of the property tax.[51] Although the Tarr Task Force had not made a decision on where the additional funds would be coming from for school aids, it was suggested to come from corporate taxes that would be paid by all purchasers, and not a specific community.[52]

The City Manager of Whitewater, Ronald DeMaggd also found flaws in the tax study being circulated by the Tax Sense Committee. The committee's study concluded that Whitewater would have lost $41,700 under the redistribution formula offered by the Tarr Task Force. DeMaggd called this information "erroneous," noting that the committee only considered the Jefferson County portion of the city and did not account for the portion of Whitewater that was located in Walworth County. In actuality, with the passage of the Tarr Task Force's formula, Whitewater would have gained $116,084 in 1966, $78,152 in 1968, and $95,369 in 1969.[53] Although DeMaggd was able to find the errors in the committee's calculations, and shared them through the newspapers, other municipalities were in the middle of the Tarr Task Force projections of aid distribution and the calculations made by the Tax Sense Committee, with both groups acting in their own interests.

[51] Don Castonia, "Suburbs Rip Tarr School Aid Plans," *The Sheboygan Press*, 4 May 1969, Newspapers.com.
[52] Don Castonia, "Suburbs Rip Tarr School Aid Plans," *The Sheboygan Press*, 4 May 1969, Newspapers.com.
[53] "Whitewater Head Calls Tax Group Data 'Erroneous,'" *Janesville Daily Gazette*, 14 January 1970, Newspapers.com.

According to the Tax Sense Committee's calculations, Green Bay and Sheboygan were projected to lose money. Green Bay and Sheboygan still supported the Tarr Task Force's study recommendations for passage and felt that the entire package would benefit their cities. Wausau Mayor John Kannenberg was also interested in passing the entire Tarr package because he was most interested in easing annexation processes.[54]

On October 16, 1969, Executive Secretary of the Alliance, William Bayer, wrote to members about the status of state revenues bill (S-249) during the session. According to Beyer, "For the past week, the Senate has concentrated entirely on Bill S-249 and has taken up no other business."[55] Another letter to Alliance members the following week suggested that the Senate would indefinitely postpone the bill that day.[56] Senate Bill 249 was ultimately defeated on October 23, 1969 by a 13-18 vote.[57] While the revenues bill was not passed by the end of the decade, Maier and the Alliance of Cities continued to push for reform.

At the time, non-urban areas considered the Tarr Task Force recommendations to be beneficial only to big cities, specifically Milwaukee. The *Fond Du Lac Commonwealth Reporter* noted that Bill S-249 faced much of its opposition from rural senators. Senator Gordon Roseleip from Darlington stated, "all this bill would do is give Milwaukee more money to spend."[58] Senator Gerald Lorge from Bear Creek expressed a similar sentiment and commented the

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[54] Loren Sperry, "Mayors Call Upon Legislature to Adopt Tarr Fiscal Reforms," *Sheboygan Press*, 25 September 1969, Newspapers.com.
[55] Letter from William Beyer to the Wisconsin Alliance of Cities, 16 October 1969, box 194, folder 29, Records of the Maier Administration.
[56] Wisconsin Alliance of Cities, Inc., 23 October 1969, box 194, folder 29, Records of the Maier Administration.
[57] Remarks by Wallace E. Burkee, Mayor of Kenosha, For Delivery at Have-Not Conference, 2 October 1970, box 196, folder 6, Records of the Maier Administration.
[58] "Senate Kills Tarr Task Force Bill," *Fond Du Lac Commonwealth Reporter*, 24 October 1969, Newspapers.com.

passage of the bill would only "say to the cities: 'The more you spend, the more you'll get.'"[59] The lack of support from rural districts impacted and ultimately defeated the passage of the Tarr Task Force recommendations. James Morgan, secretary of the Department of Revenue, noted that the Tarr proposal, or one similar to it could have a chance at passage if it appealed to rural representatives; however, the benefits of changing the formula were never really conveyed to rural interests.[60]

The Alliance of Cities wanted to persuade rural legislators to support potential modifications of the shared revenues formula in the future and began to host 'Have-not Conferences'. The conferences enabled city leaders to communicate the benefits of a formula change with rural residents and politicians. Another large factor of gaining rural support was through obtaining the endorsement of Gilbert Rhonde, the President of the Wisconsin Farmer's Union.

The Have-not Conferences and the 1970 Attempt

In an effort to form an urban-rural coalition, Maier set out to host the first Have-Not Conference in Milwaukee on January 9, 1970. Maier used this as his opportunity to gain support for tax reform outside of political officials and Alliance members. According to *the Oshkosh Northwestern*, about 400 officials from around the state were in attendance.[61] Maier invited Merrill Mayor Ralph F.J. Voigt to chair the conference.[62] Voigt was formerly the president of the League of Wisconsin Municipalities, and at the time of the conference was the chairman of its

[59] "Senate Kills Tarr Task Force Bill," *Fond Du Lac Commonwealth Reporter*, 24 October 1969, Newspapers.com.
[60] "Rural Problems Next for Lucey," *Waukesha Daily Freeman*, 19 December 1970, Newspapers.com.
[61] "'Have Nots' Seek Tax Share Reform," *The Oshkosh Northwestern*, 10 January 1970, Newspapers.com.
[62] "'Have Nots' Seek Tax Share Reform," *The Oshkosh Northwestern*, 10 January 1970, Newspapers.com.

finance and taxation committee.[63] Voigt noted that the need for tax redistribution was just as urgent for smaller communities as it was for larger cities.[64]

The first Have-Not Conference gained support from various municipalities throughout Wisconsin. According to Racine Mayor Kenneth Huck, the conference better represented a cross-section of people across the state, not just the cities that were selected to be in the Alliance.[65] The *Oshkosh Northwestern* noted that some attendees did initially question Maier's motivations behind hosting the Have-Not Conference. While some were hesitant that Maier, or an Alliance member would use the conference for future political aspirations, the conference maintained its focus on tax reform. Donald Tilleman, Mayor of Green Bay, emphasized the bipartisan nature of the Alliance of Cities, and noted, "the group would not serve as a good political base because members have great political differences."[66]

After the defeat of Tarr Bill S-249 a new bill, S-751 was drafted. This new proposal requested funds to be redistributed the same as the former bill, allotting $30 per capita and additional support for municipalities with property tax rates over 20 mills. Minor changes were made, such as the addition of sewer services to the property tax levy and an extended transitional utility tax period, which would allow former utility tax islands to gradually decrease their revenue payments over five years compared to the formerly proposed three years.[67]

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[63] "Voigt Urges Support of Tax Redistribution," *Wausau Daily Herald*, 30 April 1971, Newspapers.com.
[64] "'Have Nots' Seek Tax Share Reform," *The Oshkosh Northwestern*, 10 January 1970, Newspapers.com.
[65] "'Have Nots' Seek Tax Share Reform," *The Oshkosh Northwestern*, 10 January 1970, Newspapers.com.
[66] "'Have Nots' Seek Tax Share Reform," *The Oshkosh Northwestern*, 10 January 1970, Newspapers.com.
[67] Wisconsin Alliance of Cities, Inc. meeting and Analysis by the Legislative Reference Bureau, 2 December 1969, box 194, folder 29, Records of the Maier Administration.

Senate Bill 751 was "awaiting action" until the Legislature reconvened in early January of 1970.[68] Although the revenues bill was updated and ready for passage, S-751 was not even given the opportunity to be discussed. According to Mayor Burkee of Kenosha, the bill "did not get a hearing during the last session…That bill was held in committee and died there when adjournment came."[69] After two failed attempts at enactment, the Alliance of Cities remained persistent about turning their bill into legislation. The next step in moving forward was the second Have-Not Conference, again hosted in the City of Milwaukee.

To continue building support for tax reform throughout the state, Maier arranged for a second Have-Not Conference to take place on October 2, 1970. By this time, momentum for tax redistributions increased and coalitions with social organizations was created. Representatives from the Wisconsin Farmers Union, the League of Women Voters, and the Wisconsin Senior Citizen Coalition attended the Have-Not Conference and assisted in expanding support throughout the state.

At the October 2 conference, President of the Wisconsin Farmers Union, Gilbert Rhode, emphasized that tax reform was not just a Milwaukee problem. Rhode spoke on behalf of the rural "Have-nots," specifically those who were farmers. While Rhode expressed support for shared revenues reform, his main purpose was to find an alternative to ease the new sales tax, which had a proportionately larger effect on the farming community than other business. Rhodes's argument was that unlike other businesses that were able to add the sales tax to their

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[68] Henry Maier, Letter from the Office of the Maier, 1970, box 195, folder 1, Records of the Maier Administration.
[69] Immediate Release from the Wisconsin Alliance of Cities, Inc., 1970, box 195, folder 2, Records of the Maier Administration.

product costs, farmers paid the four percent tax out of pocket, unable to add the additional sales tax to the cost of goods. Rhode argued for taxation based on the ability to pay, specifically stating, "It is time that those safe little suburbs and others enjoying those tax goodies provided by the fickle finger of fate and a hell of a lot of political pull join the rest of us on the rack."[70] This comment acknowledged resentment towards suburban municipalities that were receiving large tax returns and had used their political pull to hinder the passage of tax reform.

The League of Women Voters also offered their support at the Have-Not Conference. Speaking on behalf of the League, Mrs. Henry Lardy discussed the expanding gap between Have and Have-not municipalities due to the unmodified distribution formula. Lardy's key argument was the dependency of the suburbs on the central city, while not sharing the city's fiscal burden.[71]

The Wisconsin Senior Citizen Coalition and other labor and business groups also endorsed the October 2 Have-Not Conference.[72] Support being offered from a cross-section of groups validated the need for tax reform throughout the state as well as the bi-partisan nature of the bill. While Mayor Maier was likely confident with his growing number of advocates, the proposal still had to endure the legislative process.

The Have-not conferences show similarities between urban and rural areas and redirects the idea from Have cities to Have suburbs and Have-not urban cores. This aligns with

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[70] Statement of Gilbert C. Rhode, President, Wisconsin Farmers Union at the Have-Not Conference, 2 October 1970, box 196, folder 6, Records of the Maier Administration.
[71] Remarks by Mrs. Henry Lardy, Member of the Board of Directors of the League of Women Voters, 2 October 1970, box 196, folder 6, Records of the Maier Administration.
[72] Maier, *The Mayor Who Made Milwaukee Famous*, 57.

Cramer's argument on rural resentment towards those that Have, but also diverges as rural areas acknowledge and support the Alliance.

Henry Maier and the Wisconsin Alliance of Cities gained momentum throughout the state between 1970 and 1971. The coalitions made between the Alliance, social organizations, and rural municipalities began to further validate the need to change the tax distributions. While there was advocacy for modifying the revenues formula, there was also great opposition sprouting from the suburbs and the Committee on Tax Sense. Although the Tarr recommendations were supported by both Republican and Democratic city leaders, suburban strength and a skeptical legislature prohibited the passage of Senate bills 249 and 751. Despite the failures endured by the Alliance, they continued working towards building support for tax reform and were able to strengthen their base by seeking urban-rural alliances.

State politicians could have been hesitant to pass a bill during the 1969-1970 session because political terms were ending, and elections were on the horizon. In 1970, Warren Knowles ended his time as Governor of Wisconsin and Democrat Patrick Lucey took his place in the state capital. Lucey's appointment as Governor and the Democratic majority in the assembly were key factors in modifying the shared revenues distribution formula.

Chapter 4: The Results

The City of Milwaukee had a long-standing conflict with the Iron Ring and surrounding suburbs. This conflict sprouted from the hostilities formed during the water wars and annexation measures taken by Milwaukee. As a result, Milwaukee's surrounding suburbs created the Iron Ring and the Committee on Tax Sense. These groups continually acted in opposition of the urban core and policies that could potentially divert revenues away from their municipalities.

Henry Maier and the City of Milwaukee gained strength during this period by creating an urban-rural coalition and by gaining the support of social organizations throughout Wisconsin. The state legislature took precautions when considering modifying the revenues formula and requested a task force to thoroughly analyze the fiscal crises that many cities and municipalities were enduring. After the study was concluded and recommendations were made to modify the revenues formula, resistance was maintained in the legislature. However, 1970 marked an era of new beginnings for the Alliance with changes in the political makeup of Wisconsin.

This chapter investigates the political changes that occurred in Wisconsin in 1970 which allowed for a modification in the state shared revenues formula, as well as other factors that influenced the actual distributions of state aids, and how Milwaukee fared after these changes. While Maier and the Alliance had hoped for great gains after the revenue's formula was adjusted, other bills passed through legislature hindered the city's ability to increase its portion of unrestricted aids.

Although the Alliance of Cities and the Tarr Task Force submitted senate bills to modify the distribution of state shared revenues, they were unable to get their proposals passed until the political climate would allow them to. Through changes in the political makeup of state legislature and by adding the redistribution of taxes to the budget, Governor Lucey was able to make changes to the distribution formula. Maier noted that Lucey gave him a written promise that he would modify the shared tax formula and Lucey kept his promise.[1]

Politics and Governor Lucey

Although growth in the number of reform advocates greatly increased by the 1970s, opposition from politicians and interest groups still stood in the way of victory. To ensure that the 1969 defeat by a 3-vote margin would not happen again, Maier became active in the upcoming legislative election. Mayor Maier sought out the political stances of the two candidates running for Governor in 1970, Democrat Patrick Lucey and Republican Lieutenant Governor Jack Olson. Both individuals were invited to speak at the October 2 Have-Not Conference. Lucey endorsed tax reform and gained support from the Have-nots in attendance. Olson did not support tax reform which Maier referred to as a "politically fatal mistake." According to Mayor Maier, "A week later the candidates appeared before Milwaukee's Common Council, after which the council established a precedent by endorsing Lucey."[2]

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[1] Henry Maier, *The Mayor Who Made Milwaukee Famous: An Autobiography* (Lanham, Maryland: Madison Books, 1993), 61.
[2] Maier, *The Mayor Who Made Milwaukee Famous,* 57.

Lucey's campaign for Governor was largely about fiscal issues in within the state. The *Portage Daily Register* printed a news article on October 23, 1970 that discussed Lucey and Olson's position tax issues in Wisconsin.

> Talking higher taxes may not be the usual way a candidate seeks to get elected, but Patrick J. Lucey is doing just that.
>
> Lucey, the Democratic candidate for governor, has zeroed in on the tax issue in his battle with Republican Lt. Gov. Jack B. Olson. His theme is that tax hikes are unavoidable next year and the only question remaining is which taxes will be raised.
>
> Olson, on the other hand, has said he will do "everything possible" to avoid a tax increase. He said he plans an austerity budget and elimination of programs that are not doing what they were designed to do.
>
> …
>
> While Olson said he thought it might be possible to avoid a tax hike by holding the line on spending, Knowles was quoted in an interview as saying he felt there was "no way" Wisconsin citizens could escape a tax hike next year.
>
> …
>
> Lucey has also campaigned on the pledge to do something about soaring property taxes. He has accused Republicans of refusing to fund programs on the state level, forcing local governments to pay for them by raising property taxes and has called for revision of the formulas under which the state distributes aids to local units.[3]

This article illustrated Lucey's strong support for modifying the tax system and the acknowledgment of fiscal issues by Governor Knowles. Lucey emphasized the need for greater governmental funding and planned to increase aid through the personal and corporate income tax.[4] In contrast, Olson wanted to avoid tax increases. Whether it was intentional or not,

[3] "Lucey Narrows Issue to 'Which Taxes,'" *Portage Daily Register*, 23 October 1970, Newspapers.com.

[4] "Lucey Narrows Issue to 'Which Taxes,'" *Portage Daily Register*, 23 October 1970, Newspapers.com.

Republican Governor Knowles showed support for Lucey by stating that it was not feasible to avoid tax hikes.

Additionally, the Alliance sent questionnaires to the over 350 state legislative candidates requesting them to go on record about their fiscal stances. For example, it asked whether and to what degree they supported the redistribution of shared revenues and whether they supported property tax relief via other forms of taxation. The questionnaire responses were circulated throughout the state, to impact voters.[5]

Patrick Lucey was a long-standing leader and influencer of the Democratic party. Lucey's political career began in 1948, when he was elected into the State Assembly, representing Crawford County. Lucey was the only Democrat from western Wisconsin to win a legislative seat in 1948; he served one term.[6] Lucey was a campaign manager for Thomas Fairchild's run for United States Senate in 1952, James Doyle Sr.'s run for governor in 1954, and William Proxmire's bid for U.S. Senate in 1957.[7] Lucey also led the Wisconsin Democratic Party, first as executive director from 1951 to 1953 and as the state chairman from 1957 until 1963.[8] During his time as state chairman, Lucey grew the Democratic party and its membership by creating party organizations in every county in Wisconsin and increased membership from 6,700 in 1957

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[5] William Beyer, Wisconsin Alliance of Cities, Inc., Immediate Release, 1970, box 195, folder 3, Records of the Henry W. Maier Administration, Milwaukee Series 44, University of Wisconsin-Milwaukee Libraries, Archives Department (hereafter cited as Records of the Maier Administration).

[6] Dave Zweifel, "Dave Zweifel's Madison: Highway Named for Former Gov. Pat Lucey," *The Capital Times*, October 3, 2013, https://madison.com/ct/news/local/writers/dave_zweifel/dave-zweifel-s-madison-highway-named-for-former-gov-pat/article_2ce9543c-2c43-11e3-976d-001a4bcf887a.html.

[7] *The Encyclopedia of Wisconsin*, second edition, vol. 1, ed. Frank H. Gille (St. Clair Shores, MI: Somerset Publishers, 1999), 143.

[8] *The Encyclopedia of Wisconsin*, 143, and William F. Thompson, *The History of Wisconsin: Volume VI Continuity and Change, 1940-1965* (Madison: State Historical Society of Wisconsin, 1988), 659.

to 25,000 in 1963.[9] Lucey also personally endorsed presidential candidate John F. Kennedy and was a campaign aide for Kennedy in the 1960 presidential election.[10] Lucey ran for Lieutenant Governor of Wisconsin in 1964, and won the election.[11] In 1966, Lucey ran against incumbent Warren Knowles for Governor, this time losing the election.[12] Although Henry Maier endorsed Patrick Lucey in his campaign for Governor in 1970, Lucey did have a strong foundation with the Democratic party and had built a career in politics.

In the 1970 election, Patrick Lucey won the race for Governor of Wisconsin. Democrats gained control of the Assembly while the Senate majority remained Republican.[13] Lucey becoming Governor was particularly significant because he was Wisconsin's first four-year governor, as the term was extended from two to four years. Thus, Lucey was able to develop programs for the state without concern of immediate reelection.[14]

The Reform

Governor Lucey submitted the legislation for modifying the distribution of state shared taxes in January of 1971.[15] Several bills that were initially separate were added into the proposed state budget, including redistribution of shared revenues. The 1971-1973 budget was brought into legislature on March 3, 1971.[16]

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[9] Thompson, *The History of Wisconsin*, 660.
[10] *The Encyclopedia of Wisconsin*, 143, and Thompson, *The History of Wisconsin*, 683, 684.
[11] *The Encyclopedia of Wisconsin*, 143.
[12] Martin Gruberg, *A Case Study in US Urban Leadership: The Incumbency of Milwaukee Mayor Henry Maier* (Ashgate Publishing Company: Brookfield, VT, 1996), 229-230.
[13] Maier, *The Mayor Who Made Milwaukee Famous*, 58.
[14] Peter J. Dykman, "Summary of Significant Legislative Action, 1971 Wisconsin Legislature," *The State of Wisconsin 1973 Blue Book* (Madison, WI, Department of Administration, 1974) 249.
[15] Maier, *The Mayor Who Made Milwaukee Famous*, 61.
[16] Dykman, "Summary of Significant Legislative Action," 249.

The budget included many items that were deliberated, including the redistribution of state shared revenues; an increase in personal and corporate income taxes; increase in homestead personal property tax relief; a merger of the University of Wisconsin and state universities in a single system; increased state aid to schools; and modifications in state aid to counties for hospitals and nursing homes.[17]

While state legislators were negotiating the biennial budget, the Alliance of Cities held another meeting in Mount Calvary on April 14, 1971 as a strategy to show they had gained rural backing for altering the revenues formula. According to the *Sheboygan Press*, Maier proposed the "Mount Calvary Resolution" which urged the 1,400 'Have-not' towns, villages, and cities in the state to support the formula changes.[18] Maier also reassured residents of Mount Calvary that the changes would save taxpayers $7.88 per $1,000 of full property assessment, which would equate to a $156 saving on properties valued at $20,000.[19]

On October 16, 1971, Gilbert Rhodes, President of the Wisconsin Farmers Union, renewed his organization's pledge to the Alliance of Cities. Rhodes told members of the Alliance, "your problems are not a lot different from those we experience in rural areas."[20] According to the *Eau Claire Leader- Telegram*, Rhodes noted that as far as rural and urban communities were concerned, the most important issue was the shared revenues formula. Rhodes requested that the state Senate put away "petty politics" and pass a meaningful tax

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[17] Dykman, "Summary of Significant Legislative Action," 250.
[18] Bob Joslyn, "Milwaukee Mayor Preaches…Sermon on Mount (Calvary) Raps Taxes," *The Sheboygan Press*, 15 April 1971, Newspapers.com.
[19] Maier, *The Mayor Who Made Milwaukee Famous*, 60.
[20] Bill Garrity, "Cities, Farms Called to Push Tax Reform," *The Eau Claire Leader- Telegram*, 16 October 1971, Newspapers.com.

reform.[21] The urging from the Farmers Union could have impacted rural legislators to view modifications of the distribution formula as a benefit to their constituents, diverting from the perception that the changes would only help urban areas.

Governor Lucey was adamant about passing both the tax redistribution legislation as well as the university merger and insisted that these pieces of legislation were passed either before or with the budget. The university merger was passed before the budget and the tax redistribution was passed with the budget on October 27, 1971.[22] The changes in shared revenues were made under Chapter 125, Section 418 and was introduced into the laws of 1971.[23]

With the passage of the budget and alteration of shared revenues, the state legislature created a Municipal and County Shared Tax Account. Individual and corporate income taxes collected from all municipalities, utility taxes, motor vehicle registration and title fees, and liquor taxes were added to the shared tax account and were distributed to counties and municipalities in several steps. Each locality received a per capita payment of $35 for each resident. Then 16.25 percent of this amount was transferred to the county government in which the municipality was located. Utility payments were made to municipalities, counties, and school districts to compensate for utility property. Payments were also given for property

[21] Garrity, "Cities, Farms Called to Push Tax Reform," *The Eau Claire Leader- Telegram*, 16 October 1971, Newspapers.com.
[22] Dykman, "Summary of Significant Legislative Action," 249-250.
[23] Jack Stark, "A History of Property Tax and Property Tax Relief in Wisconsin," *State of Wisconsin 1991-1992 Blue Book* (Madison, WI: Wisconsin Legislative Reference Bureau, 1991-1992), 39.

tax relief and were based on local tax rates for municipalities that had a mill rate over 17 mills.[24] To ensure that no municipalities received dramatically less funding than previous years, minimum payments could be no less than 90 percent of the payment of the previous year, but no municipality would receive a payment more than $600 per person.[25]

The suburban Milwaukee area Tax Sense Committee immediately criticized the modifications in tax distribution. The day after its passage, October 28, 1971, the *Lake Geneva Regional News* quoted George D. Prentice, chairman of the committee, stating "The entire state of Wisconsin is being held ransom by Governor Patrick J. Lucey and Mayor Henry Maier… Governor Lucey will not release the state budget until Mayor Maier gets his 'shared tax steal' or 'blank check' he wants from legislature."[26] The committee called for another study on the need for tax reform in relationship to people and local economic conditions. Prentice further stated that "the so-called shared tax reform is keyed only to whether local tax rates are high or low—and the tax rate is not a valid indicator of whether a municipality has 'need.'"[27] These statements echoed the Tax Sense Committee's belief that the reform on shared revenues was passed specifically to benefit Mayor Maier and the City of Milwaukee. The committee, comprised of Milwaukee suburbs, did not feel it was their responsibility to alleviate the fiscal crisis in the city and did not endorse policy that redirected their revenues to urban problems.

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[24] Dykman, "Summary of Significant Legislative Action," 259; Stark, "A History of Property Tax and Property Tax Relief in Wisconsin," 39.; Wisconsin State Legislature, "Chapter 125, Laws of 1971," *Senate Bill 805*, (WI: November 4, 1971), 287-290, access at https://docs.legis.wisconsin.gov/1971/related/acts/125
[25] Wisconsin State Legislature, "Chapter 125, Laws of 1971," 27-290.
[26] "Tax Sense Group Says Lucey Wants 'Ransom,'" *The Lake Geneva Regional News*, 28 October 1971, Newspapers.com.
[27] "Tax Sense Group Says Lucey Wants 'Ransom,'" *The Lake Geneva Regional News*, 28 October 1971, Newspapers.com.

Prior to 1972, the City of Milwaukee received various taxes from the State of Wisconsin; these included taxes from income, public utilities, liquor, telephone, railway terminals, and a highway privilege tax. Aids were also received for local street aids, water safety patrol, and a fire insurance premium. The total state aids and shared taxes collected from all these sources accumulated to just under $42 million in 1971. After 1971, the income and utility taxes were combined under the label "state shared taxes."

Table 4.1 Intergovernmental Aid to the City of Milwaukee, 1955-1971

Total Intergovernmental Aid to the City of Milwaukee (in Dollars), 1955-1971						
Year	**Income**	**Local Street Aids**	**Public Utilities**	**State Liquor Tax**	**Telephone**	**Total State Aids and Shared Revenue**
1955	12,087,657	2,108,742	1,188,486	700,795	1,110,488	17,995,063
1956	14,086,018	3,113,756	1,318,748	709,979	1,157,511	21,224,183
1957	15,158,736	3,187,487	1,454,103	810,836	1,257,912	22,736,199
1958	16,383,721	3,258,583	1,646,419	886,732	1,378,010	24,421,228
1959	15,192,689	3,378,906	1,780,287	995,603	1,492,636	23,684,465
1960	17,281,384	3,504,557	1,991,126	1,114,896	1,594,270	26,377,021
1961	17,457,647	3,412,832	2,200,168	1,072,918	1,671,715	26,730,659
1962	16,729,381	4,353,997	2,351,821	1,116,191	1,704,966	27,148,699
1963	19,835,999	3,781,146	2,507,786	1,084,813	1,774,662	29,959,285
1964	20,736,661	3,841,721	2,700,610	1,221,568	1,810,324	31,290,588
1965	22,264,794	3,832,160	2,812,469	1,232,326	1,865,114	33,014,147
1966	24,736,882	4,026,487	2,876,618	1,372,305	1,936,802	35,992,856
1967	27,443,346	4,029,652	3,068,416	1,409,026	1,992,812	39,080,645
1968	26,530,742	4,266,562	3,618,866	1,489,911	2,065,554	39,003,543
1969	29,464,095	4,460,850	4,308,540	1,624,568	2,112,525	43,235,252
1970	28,492,424	4,447,944	4,621,751	1,623,761	2,232,741	42,650,850
1971	27,032,112	4,582,569	4,899,957	1,505,051	2,400,813	41,722,719
Source: *Budget Summary* , Compiled by the City Comptroller, Bureau of the Budget, and the Bureau of Budget and Management, City of Milwaukee, 1959-1973.						

After 1971, Milwaukee still received a fire insurance premium, local street aids, railway terminal and water safety patrol aids. Milwaukee also received temporary taxes and aids for shorter periods during the 1970s, such as an anti-recession payment from 1976-1978, and a manufacturing machinery and equipment payment from 1975-1981. Total intergovernmental taxes and aid in 1972 accumulated to over $47.2 million. While intergovernmental taxes and aids only grew $5.5 million and grew slowly the first few years after the shared revenue formula was modified, intergovernmental aid did increase more dramatically over the following 10 years.

Table 4.2 Intergovernmental Aid to the City of Milwaukee, 1972-1982

Total Intergovernmental Aid to the City of Milwaukee (in Dollars), 1972-1982				
Year	**Local Street Aids**	**State Shared Taxes**	**Manufacturing Machinery and Equipment Payment**	**Total State Aids and Shared Revenues**
1972	4,663,186	42,277,173		47,244,787
1973	4,993,477	42,444,115		47,753,739
1974	5,075,721	42,895,212		48,970,852
1975	5,010,003	40,714,940	6,996,015	53,797,002
1976	5,453,046	43,926,168	6,349,804	57,984,694
1977	7,683,768	47,252,259	6,043,991	65,633,503
1978	9,060,507	54,570,974	5,026,988	73,705,819
1979	9,168,706	63,841,073	9,021,432	91,590,587
1980	11,308,384	73,222,259	10,135,544	111,261,787
1981	13,726,003	109,448,609	11,084,664	136,139,303
1982	15,601,862	128,248,962		146,076,053
Source: *Budget Summary* , Compiled by the Bureau of Budget and Management and the Department of Budget and Management, City of Milwaukee, 1973-1985.				

Although Maier retrospectively boasted about his tax reform victory in 1994, initial increases after 1971 were minimal. In 1972, the City of Milwaukee gained $5.5 million in shared revenues, which totaled $47 million for the year. In 1975, aid given from state shared taxes did decrease a few million dollars. The decrease in Milwaukee's portion of shared revenues in the mid-1970s was explained in terms of property tax relief, population, utility payments and machinery and equipment taxes. Since the property tax relief was being "skimmed off" the top of the shared revenues fund, less aid was left to be distributed to municipalities. Wisconsin's population was also increasing, which gave growing localities greater overall payments because of the population growth. However, Milwaukee had a declining population, causing the city to receive lower payments than in previous years. Next, Milwaukee's public utilities were depreciating, which reduced the utility payments that were based on value.

Under Governor Lucey, Wisconsin sought to enhance economic development and business opportunity. Although Wisconsin's manufacturing growth was higher than the national average of 25 percent in the 1970s, it was growing at a slower rate than previously. To encourage industrial growth, in 1973 the legislature repealed the Machinery and Equipment (M&E) tax, which previously taxed manufacturing machinery and specific processing equipment. This created a fiscal impact on the state.[28] Tax reform for business and industry allowed economic growth, as companies such as General Electric and Square D chose to open plants in Wisconsin due to the lowering of industrial taxes. In the years immediately following the reform, manufacturing employment and personal income grew at a much higher rate than the national average and in comparison, to other Great Lakes states.[29] While exempting M&E taxes caused industrial growth throughout the state, municipalities lost tax dollars. In 1975, a budget bill was enacted to compensate cities for lost revenues due to the repeal of the M&E taxes. This additional state aid was slowly phased out over the following nine years.[30] The initial

[28] Stark, "A History of Property Tax and Property Tax Relief in Wisconsin," 41-42.
[29] Thompson, *The History of Wisconsin*, 185.
[30] Stark, "A History of Property Tax and Property Tax Relief in Wisconsin," 42-43.

1975 payment to the City of Milwaukee was just under $7 million and reached over $11 million by 1981.

The president of the Wisconsin Association of Manufacturers and Commerce, Paul E. Hassett, said the M&E tax repeal was "worth $150 million a year to Wisconsin business and industry."[31] It did take tax dollars away and place an increased burden on the property tax; however, job creation also increased incoming income taxes. While state shared taxes declined shortly after the redistribution efforts, these factors seem beyond the control of the City of Milwaukee and may have been much worse had the formula changes not occurred.

Maier's six-year struggle for tax reform was a nodal point in Wisconsin tax history, paving the way for future distribution changes. Subsequent tax reforms went into effect in 1976 and 2004, with smaller adjustments made along the way.[32] The 1971 formula was based on four components: per capita payments, utilities, percentage of excess levies, and minimum guarantees. In 1976, the per capita, utilities, and minimum guarantee components remained intact, but amounts were modified. The percent of excess levies was replaced with aidable revenues. Aidable revenues were calculated based on per capita property values and net local effort. The purpose of aidable revenues was to allow municipalities and counties to fund basic levels of public service without regard of their ability to finance services through the property tax.[33]

[31] Thompson, *The History of Wisconsin*, 185.
[32] John Dyck and Rick Olin, *Shared Revenue Program (County and Municipal Aid and Utility Aid)* (Madison, WI: Wisconsin Legislative Fiscal Bureau, 2013), 9-11.
[33] Dyck and Olin, *Shared Revenue Program*, 10.

In effect in 2004, aidable revenues, per capita payments, and minimum guarantee components were eliminated and replaced with municipal and county aid. In 2004, payments were made based on the sum of its payments in 2003, excluding the utility aid, county mandate relief, and small municipalities shared revenues program. Per capita distributions were reduced by $40 million, or $3.64 per person, and municipal payments were reduced another $50 million.[34] In 2010, aids were reduced again by $29.9 million statewide. Reductions were made based on each municipality's share of equalized property value. The reductions were guaranteed not to exceed 15 percent from the previous year.[35]

Although Henry Maier's struggle for tax reform lasted six years, it modified a tax system that was in place for 60 years, and ultimately led the path towards greater municipal equity. Modifications to the revenues formula continued but they were still distributed based on equity in comparison to the previous formula returning funds to the place of origin. These changes were made possible by Henry Maier, the Alliance of Cities, and the coalitions and political changes that occurred from 1965 to 1971. While municipalities were fragmented based on type of locality, city, suburb, or rural, various groups drew on the idea of new regionalism and found "united and effective responses to economic challenges."[36]

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[34] Dyck and Olin, *Shared Revenue Program*, 11-12.
[35] Dyck and Olin, *Shared Revenue Program*, 12.
[36] David Rusk, *Cities without Suburbs: A Census 2010 Perspective* (Washington D.C.: Woodrow Wilson Center Press, 2013), 63.

Chapter 5: Conclusion

Contention between the City of Milwaukee and its surrounding suburbs was evident from the 1920s after initial attempts to annex unincorporated land into the city. Suburbs were incorporated out of fear of annexation and competition between municipalities to obtain land. This hostility grew as annexation measures continued and because the City of Milwaukee refused to provide water services outside of its political boundaries.

Municipalities in the Milwaukee metropolitan area were divided both geographically and fiscally, which was highlighted during the fight for resources. Urban, suburban, and rural municipalities maintained their political distinctions. Juliet Gainsborough found that suburban residents were more likely to identify as Republican, less likely to support redistributive programs, and would support candidates and policies that kept tax dollars inside the suburbs.[1]

The strong opposition to tax reform by the Tax Sense Committee supports Gainsborough's findings. Suburban municipalities created their own coalition in order to prevent their tax dollars from being redistributed to assist in solving urban problems. Although there was consistency with suburban areas aligning with a Republican political identity, this thesis emphasizes that geographic location played a larger role in determining whether a locality endorsed the tax reform: rural and suburban municipalities that stood to gain from the changes to the shared revenue formula aligned with Milwaukee in Henry Maier's Alliance for Cities.

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[1] Juliet F. Gainsborough, *Fenced Off: The Suburbanization of American Politics* (Washington D.C.: Georgetown Press, 2001), 136-138.

Alliance members varied by party affiliation; however, they were all mayors and city leaders that were experiencing economic hardships. In contrast, suburban municipalities, especially those housing higher-income residents, were receiving larger per capita payments from the state, allowing for lower property tax rates. Suburban residents wanted to maintain their fragmentation from the city and "voted with their feet." They chose to live in a municipality that best fit their consumer preferences and did not feel it was fair to have their resources redistributed beyond geographic boundaries.

In contrast, Katherine Cramer emphasized the rural-urban divide and the idea of rural consciousness. According to Cramer, "Geographic boundaries allow us to actually draw lines between types of people, particularly between the Haves and the Have-nots."[2] While these geographic divides were initially drawn between urban and suburban municipalities, the Alliance of Cities identified Have-nots in rural areas and was able to form a coalition based on the idea that neither was receiving their fair share of resources. By tapping into the idea of rural consciousness, Maier and the Alliance were able to gain a greater base of advocates for tax reform. Although urban and rural areas came together to work politically against the suburbs in the 1970s, these relationships and interests may have been eroded over time, causing current political divides.

A form of regionalism was able to be implemented through redistributing resources across geographic boundaries. While creating regional governments would not have been feasible because of political resistance from the suburbs, the Alliance of Cities and the Tarr Task

[2] Katherine J. Cramer, *The Politics of Resentment: Rural Consciousness in Wisconsin and the Rise of Scott Walker* (Chicago: The University of Chicago Press, 2016), 15.

Force both recommended the movement of public goods and services to county governments in less populous areas. Because municipalities were fragmented, rural areas would have benefited from these services being moved to county government and allowing for better economies of scale. Although regional government was not viable, creating greater equity between municipalities via shared revenues was.

The primary reason the Alliance of Cities was able to pass a modification of the state shared revenues formula was because of the political changes that occurred within the state. The appointment of Governor Lucey, the changes in legislative representatives, and the extension of term limits all influenced the ability to pass tax reform.

Lucey was a career politician with a strong platform in the Democratic party. Lucey spent previous years traveling throughout the state to build the Democratic party and was also linked to successful presidential candidate John F. Kennedy. Although Maier suggested that the survey on tax reform would have influenced voter perceptions, Lucey's background in politics was likely to have played a larger role in winning the 1970 gubernatorial election.

Due to the changing of term limits in 1970, Lucey was the first governor of Wisconsin to win a four-year term. The extended term allowed Lucey to push tax reform without immediate worries about being reelected. The extended term limit could have placed less political pressure on Lucey to have the budget passed in a timely manner and allowed the legislature more time to deliberate and modify bills up for passage instead of merely rejecting them. In 1974, Lucey won reelection as governor.[3]

Initial suggestions to modify state shared revenues by Zeidler and Maier did not have the support from other municipalities in the state and were viewed as merely a Milwaukee problem. Maier was able to group together city leaders from across the state to advocate for the modification of shared revenues; however, even with the backing of mayors representing the largest populations in Wisconsin, Tarr recommendations were still defeated in the Senate. By hosting Have-not Conferences, appealing to rural interests, and through endorsements from the Farmers Union, a budget was passed which included a modification to the shared revenues formula.

Henry Maier and the Alliance of Cities began their crusade for resources in 1967. After having their proposed tax reform rejected by legislature twice, the Alliance expanded their support throughout the State of Wisconsin. Through creating an urban-rural coalition and because of changes in the political makeup at the state level, the state shared revenues formula was modified to create greater equity between municipalities. The initial result of modifying the revenues formula was minimal; however, a decade after enactment, shared revenues began to grow more rapidly. The 1970s modifications to the shared revenues formula have impacted local funding throughout the state and municipal and county aid still play a key role in Milwaukee's budget.

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[3] "Patrick Lucey, Wisconsin Governor and Vice-presidential Candidate Dies at 96," *Washington Post*, May 11, 2014, https://www.washingtonpost.com/national/patrick-lucey-wisconsin-governor-and-vice-presidential-candidate-dies-at-96/2014/05/12/b0c192f0-d9f5-11e3-bda1-9b46b2066796_story.html.

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