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**REPORT TO THE SUBCOMMITTEE ON
INTERGOVERNMENTAL RELATIONS
COMMITTEE ON
GOVERNMENT OPERATIONS
UNITED STATES SENATE**

**Case Studies Of Revenue Sharing
In 26 Local Governments**

ENCLOSURE Q

Milwaukee, Wisconsin 1976

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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SUMMARY

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At the request of the Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, GAO conducted case studies on general revenue sharing at 26 selected local governments throughout the country, including Milwaukee, Wisconsin. S.1502

For the period January 1, 1972, through June 30, 1974, Milwaukee was allocated a total of \$33,503,438 in revenue sharing funds, or a per capita amount of \$46.70. Of the amount allocated, \$29,409,780 was received by June 30, 1974, and \$4,093,658 was received in July 1974. The revenue sharing funds allocated to Milwaukee were equivalent to about 18.8 percent of its own tax collections.

The Chairman's letter listed seven areas on which the Subcommittee wanted information. Following is a brief description of the selected information GAO obtained on each area during its review of Milwaukee.

1. The specific operating and capital programs funded in part or in whole by general revenue sharing in each jurisdiction. As of June 30, 1974, the city had expended \$29,866,345 of the revenue sharing payments in the following designated functional areas.

Public safety	\$13,041,031
Environmental protection	12,135,184
Public transportation	1,660,994
Health	1,455,414
Libraries	1,573,722
Total	<u>\$29,866,345</u>

The city designated all of the funds to be used to supplement city services rather than capital improvements. Most of the funds were for employee salaries and fringe benefits.

2. The fiscal condition of each jurisdiction, including its surplus or debt status. For its 5 most recently completed calendar years, the city has shown a surplus in its general and capital funds. The balance of these funds at the end of each calendar year follows.

Fund and surplus balance	Calendar years				
	1969	1970	1971	1972	1973
General fund	\$ 9,434,068	\$3,885,093	\$3,323,954	\$15,108,688	\$19,022,195
Capital fund	572,768	1,540,247	2,154,450	2,900,703	1,266,207
Total	<u>\$10,006,836</u>	<u>\$5,425,340</u>	<u>\$5,478,404</u>	<u>\$18,009,391</u>	<u>\$20,288,402</u>

The city's net outstanding bonded debt has decreased from \$166 million at the end of calendar year 1969 to \$162 million at the end of calendar year 1973.

3. The impact of revenue sharing on local tax rates and any changes in local tax laws, and an analysis of local tax rates vis-a-vis per capita income. GAO was advised that revenue sharing funds permitted the city to maintain the level of services provided in prior years and prevented a tax increase.

GAO's calculations indicated that the percentage of family income that is paid to the city of Milwaukee; other local governments, including county, school district, and special district governments; and to the State government, increased as family income increased. Families with 1973 incomes of \$7,500, \$12,500, and \$17,500 paid State and local taxes equalling 15.2, 16.4, and 18.0 percent, respectively, of their incomes.

4. The percentage of the total local budget represented by general revenue sharing. Revenue sharing funds received by Milwaukee through December 31, 1973, totaled \$21,222,466. Of this amount, the city received \$5,539,917 in 1972; however, none of this was included in the 1972 budget because it was received at the end of the city's fiscal period. All the funds received in 1972 and 1973 were incorporated in the 1973 budget. Accordingly, the 1973 budget included an amount which represented almost 2 years of revenue sharing payments and made up 7.5 percent of the city's budget.

5. The impact of Federal cutbacks in three or four specific categorical programs and the degree, if any, that revenue sharing has been used to replace those cutbacks. Seventeen grant-in-aid projects (limited to those which received \$20,000 or more in Federal funds in any 1 year) experienced decreased funding of greater than 25 percent on a year-to-year basis during the period 1971-73.

Reasons for funding decreases included completion by the city, termination by the Federal or State government, project reorganization, and reductions in the rate of project expenditures.

GAO was advised that revenue sharing funds were not used to maintain Federal projects which experienced cutbacks in funding.

6. The record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law. Organizations with broad powers were created at the city and State levels for civil rights enforcement to prevent discrimination because of race, color, religion, sex, national origin, or age.

According to the 1970 census, the civilian labor force in the city consisted of 313,174 persons, of which 41.7 percent were females and 14.2 percent were blacks and Spanish language individuals. As of June 30, 1974, city government agencies, with the exception of the fire and police departments, had a total of 5,520 employees, of which 22.5 percent were females and 13.2 percent were blacks and other minorities. Statistics show that about 79 percent of black employees occupied service/maintenance positions.

The fire department had 1,089 employees, 0.4 percent of whom were females and 0.8 percent black or Spanish. The percentage of females and minorities in the police department, which employed 2,306 persons, was 4.1 and 3.9, respectively.

A total of 60 complaints have been filed with city and State organizations against city agencies since December 31, 1971, alleging discrimination in employment because of race, sex, religion, national origin, age, and physical handicap. Twenty-three complaints had been closed out at the time of GAO's review, most being resolved either by conciliatory action or by a determination of no discrimination.

Various civil suits alleging discrimination in employment have been filed against the city and the police and fire departments. City departments involved which received revenue sharing funds included the fire department, Milwaukee safety commission, health department, library board, bureau of street and sewer maintenance, and bureau of traffic engineering and electrical services.

In October 1974 a court order directed the fire department to refrain from discriminatory hiring practices and specified recruiting goals to increase minority and female employment.

Since the city did not use revenue sharing for capital projects, the Davis-Bacon provision did not apply. Regarding the prevailing wage provision, the city's civil service merit system precludes the payment of wages below the levels established for various categories of employees.

7. Public participation in the local budgetary process, and the impact of revenue sharing on that process. Although public hearings by the City's finance and personnel committee were held to allocate revenue sharing, no special interest groups provided input as to how the funds should be spent.

CHAPTER 1

INTRODUCTION

The State and Local Fiscal Assistance Act of 1972 (Public Law 92-512), commonly known as the Revenue Sharing Act, provides for distributing about \$30.2 billion to State and local governments for a 5-year program period beginning January 1, 1972. The funds provided under the act are a new and different kind of aid because the State and local governments are given wide discretion in deciding how to use the funds. Other Federal aid to State and local governments, although substantial, has been primarily categorical aid which generally must be used for defined purposes. The Congress concluded that aid made available under the act should give recipient governments sufficient flexibility to use the funds for their most vital needs.

On July 8, 1974, the Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, requested us to conduct case studies on general revenue sharing at 26 selected local governments throughout the country. The request was part of the Subcommittee's continuing evaluation of the impact of general revenue sharing on State and local governments. The Chairman requested information on

- the specific operating and capital programs funded by general revenue sharing in each jurisdiction;
- the fiscal condition of each jurisdiction;
- the impact of revenue sharing on local tax rates and tax laws, including an analysis of tax burden on residents of each jurisdiction;
- the percentage of the total budget of each jurisdiction represented by general revenue sharing;
- the impact of Federal cutbacks in several categorical programs and the degree, if any, that revenue sharing has been used to replace those cutbacks;
- the record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law; and
- public participation in the local budgetary process and the impact of revenue sharing on that process.

Milwaukee, Wisconsin, is one of the 26 selected local governments, which include large, medium, and small municipalities and counties as well as a midwestern township.

BACKGROUND INFORMATION ON
MILWAUKEE

Milwaukee--Wisconsin's largest city--borders Lake Michigan about 90 miles north of Chicago, Illinois. Its population, according to the 1970 census, was 717,372. Since about two-fifths of Wisconsin's population resides within 50 miles, Milwaukee is an important industrial, commercial, and financial center.

Milwaukee's economy has traditionally been stable because of its diversified manufacturing resources and has not been seriously affected by cyclical downturns; unemployment has consequently remained very moderate.

According to the 1970 census, the median family income was \$10,262, and 19.2 percent of the families had incomes in excess of \$15,000. Nearly half the city's population was engaged in white collar occupations, with the remainder in manufacturing and service industries.

Although the city is still heavily dominated by manufacturing, especially of durable goods, there has been considerable growth in service industries. Machinery is the leading manufacturing line. Other major lines include (1) production of food and related products, (2) manufacture of fabricated metal products, and (3) production of primary metals.

Incorporated as a city in 1846, Milwaukee has a mayor-council form of government. The mayor, city attorney, city comptroller, city treasurer, and the common council are elected for 4-year concurrent terms. At present, 16 aldermen make up the council and each represents an aldermanic district with a population of about 44,000. Each alderman is a legislator and district administrator. As administrator, he is responsible to the citizens who live in his district and for the services they receive. As a legislator, his judgment and decisionmaking shape the course of city services, regulations, and development.

After each election, the council elects an alderman to preside at council meetings. Each member of the council has one vote and, in most matters, a resolution or ordinance can be approved by a majority of votes. Council actions may be vetoed by the mayor, but the veto may be overridden by a two-thirds majority of the council.

Milwaukee provides the following services to its citizens: maintenance of highways and streets; health services; police and fire protection; refuse collection; sewer maintenance and construction; library and museum services; maintenance of

parks and recreational services; water supply services; social services for poor, aged, etc.; and school-crossing guards.

REVENUE SHARING ALLOCATION

Revenue sharing funds are allocated according to a formula in the Revenue Sharing Act. The amount available for distribution within a State is divided into two portions--one-third for the State government and two-thirds for all eligible local governments within the State.

The local government share is allocated first to the State's county areas (these are geographic areas, not county governments) using a formula which takes into account each county area's population, general tax effort, and relative income. Each individual county area amount is then allocated to the local governments within the county area.

The act places constraints on allocations to local governments. The per capita amount allocated to any county area or local government unit (other than a county government) cannot be less than 20 percent, nor more than 145 percent, of the per capita amount available for distribution to local governments throughout the State. The act also limits the allocation of each unit of local government (including county governments) to not more than 50 percent of the sum of the government's adjusted taxes and intergovernmental transfers. Finally, a government cannot receive funds unless its allocation is at least \$200 a year.

To satisfy the minimum and maximum constraints, the Office of Revenue Sharing uses funds made available when local governments exceed the 145 percent maximum to raise the allocations of the State's localities that are below the 20 percent minimum. To the extent these two amounts (amount above 145 percent and amount needed to bring all governments up to 20 percent) are not equal, the amounts allocated to the State's remaining unconstrained governments (including county governments) are proportionally increased or decreased.

Milwaukee's allocation was not raised to the 20 percent minimum constraint or lowered to the 145 percent maximum constraint in any of the four entitlement periods (January 1, 1972, through June 30, 1974) but constraints applied to other governments in the State resulted in a reduction of Milwaukee's allocation. Our calculations showed that if the allocation formula were applied in Wisconsin without all the act's constraints, Milwaukee's allocation for the period January 1, 1972, through June 30, 1974, would have been \$33,077,822--slightly more than its final allocation of \$32,437,387. Initial allocations and payments to Milwaukee

for the same period were \$33,503,438. This included \$4,093,658 received in July 1974. The payment for the next entitlement period will be reduced by \$1,066,051, the difference between initial and final allocations.

The following schedule shows revenue sharing per capita and revenue sharing as a percentage of adjusted taxes for Milwaukee and the next two largest cities in Wisconsin, Madison and Racine, with populations of 171,769 and 95,162, respectively.

Revenue sharing funds received for the period
January 1, 1972, through June 30, 1974

<u>City</u>	<u>Received (note a)</u>	<u>Per capita share</u>	<u>As a percent of taxes (note b)</u>
Milwaukee	\$33,503,438	\$46.70	18.8
Madison	5,735,019	33.39	17.7
Racine	3,076,058	32.32	19.7

a/Includes payment received in July 1974 for quarter ended June 30, 1974.

b/Fiscal year 1971 and 1972 taxes, as defined by the Bureau of the Census, were used and adjusted to correspond to the 2-1/2-year period covered by the revenue sharing payments.

For the State of Wisconsin, the 145 percent maximum constraint for local governments for the period covered was \$78.25 per capita. The 20 percent minimum constraint was \$10.77.

CHAPTER 2
BUDGETING AND PUBLIC PARTICIPATION
IN THE BUDGETARY PROCESS

Milwaukee's accounting records are maintained in four self-balancing groups of accounts: general fund, capital fund, sinking fund, and trust and agency fund.

1. General fund--finances day-to-day operations and includes all financial matters not delegated to special funds. It finances all formal expenditures except for capital improvement projects. Although certain revenues are credited to the capital and sinking funds, all the city's formal revenue accounts are also contained in the general fund.

Revenue sources include: property taxes; State aid and shared taxes; fines, fees, and penalties; permits; departmental earnings; grant-in-aid projects; Federal revenue sharing; and licenses.

2. Capital fund--finances all capital improvement projects and, since 1972, new and replacement equipment for operating departments. Principal revenue sources include proceeds from borrowing, transfers from general fund, transfers from the water department depreciation reserve, and special assessments.
3. Sinking fund--finances allocations to redeem principal and interest on city general obligation long-term debts. Principal revenue sources are property taxes, unused proceeds from borrowing, interest on investments, and revenue from parking facilities.
4. Trust and agency fund--records funds held by the city as trustee, custodian, or agent for individuals, nonpublic organizations, and other governmental entities. Revenue sources include Federal grant-in-aid projects, State grants, revenue sharing, city departments, and tax levies.

The board of school directors adopts the school budget and operates as a separate unit. The common council levies and collects taxes or borrows money to finance school budgets. All funds received for school purposes are paid over to and

disbursed by the city treasurer. Claims against the board must be audited for sufficiency of funds, and contracts let by the board must be countersigned by the city comptroller. To facilitate the discharge of his responsibilities, the comptroller maintains control accounts for school revenues, expenditures, and appropriations.

RELATIONSHIP OF REVENUE
SHARING TO TOTAL BUDGET

Revenue sharing funds received by Milwaukee through December 31, 1973, totaled \$21,222,466. Of this amount, the city received \$5,539,917 in 1972; however, none of this was included in the 1972 budget because it was received at the end of the city's fiscal period. All the funds received in 1972 and 1973 were incorporated in the 1973 budget. Accordingly, the 1973 budget included an amount which represented almost 2 years of revenue sharing payments and made up 7.5 percent of the city's budget.

<u>Budget data</u>	<u>Calendar year</u>		
	<u>1971</u>	<u>1972</u>	<u>1973</u>
Milwaukee:			
Operating funds (primarily general fund)	\$168,799,720	\$193,120,272	\$210,402,867
Special fund (capital fund)	49,566,512	51,498,201	53,098,439
Other funds (water department)	<u>20,120,000</u>	<u>19,900,000</u>	<u>20,600,000</u>
Total	<u>238,486,232</u>	<u>264,518,473</u>	<u>284,101,306</u>
Milwaukee public school district:			
School operations fund	120,636,903	132,869,187	144,279,117
Extension fund	3,940,000	4,174,835	4,406,908
Construction fund	<u>5,025,000</u>	<u>3,345,000</u>	<u>3,600,000</u>
Total	<u>129,601,903</u>	<u>140,389,022</u>	<u>152,286,025</u>
Total	<u>\$368,088,135</u>	<u>\$404,907,495</u>	<u>\$436,387,331</u>
Revenue sharing payments received	-	a/\$5,539,917	b/\$15,682,549
Revenue sharing funds budgeted	-	-	\$21,222,466
Cumulative revenue sharing payments received but not budgeted	-	\$5,539,917	-
Percentage of city budget represented by revenue sharing	-	-	7.5
Percentage of city and school district budgets represented by revenue sharing	-	-	4.9

a/Includes one revenue sharing payment received by the city from the Federal Government in December 1972.

b/Includes four revenue sharing payments received in January 1973, April 1973, July 1973, and October 1973.

School district budget data is included in the foregoing table to make budgets comparable with those of local governments whose responsibilities include operating the local school system. Although independent school districts do not receive revenue sharing funds directly from the Federal Government, the financing of public schools is a major responsibility at the local government level and represents a significant part of the local tax burden.

Milwaukee has followed the practice of designating revenue sharing funds as being used for the day-to-day operations and maintenance of city services. No funds have been designated to be used for capital improvement projects. The table on pages 8 and 9 shows the functional uses of revenue sharing funds as budgeted in the general fund by the city for calendar years 1972-74.

PUBLIC INVOLVEMENT IN BUDGETARY PROCESS

All city departments submit their operating budget requests to the bureau of budget and management analysis on or before August 1 for the upcoming calendar year. Budgets for capital improvements are sent first to the capital improvements committee, which reviews the budgets, makes recommendations for changes, and forwards them to the bureau. The bureau analyzes the budget requests, recommends changes, and notes unresolved differences between department directors and the bureau.

After the bureau's review is completed, the budgetary process continues as follows:

1. On or before September 10, the bureau forwards the proposed budgets to the board of estimates.
2. The board forwards the requests to its budget examining committee, which reviews each department's request at meetings open to the public. The process occurs during September and October and, upon completion, the proposed budget is referred back to the board of estimates.
3. The board reviews the budget and submits it to the common council no later than November 10.
4. The common council holds public hearings on the budget, with formal adoption coming prior to November 20. At this point, the budget does not

Calendar year
1972

<u>City departments</u>	<u>Total budget</u>	<u>Revenue sharing budgeted</u>
Board of appeals	\$ 28,251	-
Board of assessment	36,370	-
Building inspection and safety engineering	2,961,846	-
Bureau of budget and management analysis	298,848	-
Central board of purchases	321,539	-
Central electronic data services department	976,084	-
City attorney	851,312	-
City attorney--workmen's compensation	375,000	-
City service commission	745,729	-
City treasurer	652,686	-
Common council--city clerk	1,214,568	-
Comptroller	1,225,374	-
Department of city development	4,099,978	-
Department of intergovernmental fiscal liaison	205,854	-
Director--safety	604,324	-
Election commission	732,549	-
Fire department	13,447,874	-
Fire and police commission	104,959	-
Harbor commission	905,360	-
Health department	6,724,061	-
Library board	4,729,015	-
Mayor	247,140	-
Milwaukee city civil defense and disaster administration	179,614	-
Milwaukee commission on community relations	161,504	-
Model Cities agency	2,751,264	-
Museum board	1,518,035	-
Police department	30,514,090	-
Public debt commission	83,069	-
Department of public works:		
General office	611,160	-
Bureau of bridges and public buildings	4,084,936	-
Bureau of engineers	1,892,402	-
Bureau of forestry	3,113,091	-
Bureau of municipal equipment	8,703,863	-
Bureau of sanitation	14,497,021	-
Bureau of street and sewer maintenance	4,890,486	-
Bureau of traffic engineering and electrical services	4,603,103	-
Special purpose accounts	22,548,971	-
Tax department	1,368,913	-
Total	\$143,010,243	-

Calendar year			
1973		1974	
Total budget	Revenue sharing budgeted	Total budget	Revenue sharing budgeted
\$ 28,553	\$ -	\$ 28,112	\$ -
37,366	-	37,243	-
2,971,994	160,000	2,955,996	-
312,314	-	316,933	-
325,450	-	303,976	-
900,506	-	918,280	-
924,647	-	939,997	-
375,000	-	300,000	-
713,719	-	762,974	-
679,000	-	652,708	-
1,203,377	-	1,279,932	-
898,750	-	907,392	-
3,898,330	-	1,731,492	-
215,179	-	211,031	-
604,878	310,000	646,537	-
365,073	-	587,706	-
13,987,482	7,697,810	13,975,565	4,250,000
92,398	-	113,170	-
913,208	-	974,632	-
5,758,891	980,000	5,686,624	580,972
4,611,137	973,657	4,579,868	550,000
256,556	-	258,193	-
181,052	-	180,613	-
170,350	-	162,845	-
-	-	-	-
1,593,523	-	1,605,198	-
31,041,125	-	31,493,748	-
84,897	-	81,622	-
599,709	-	590,463	-
5,146,074	-	5,868,730	-
1,847,042	-	1,855,779	-
3,020,269	-	2,884,934	-
8,497,399	-	8,266,940	-
15,181,190	9,266,097	14,974,614	5,600,000
4,773,510	1,100,000	4,800,556	500,000
4,989,255	734,902	4,957,145	800,000
40,863,562	-	42,675,789	-
1,382,092	-	1,398,803	-
<u>\$159,444,857</u>	<u>\$21,222,466</u>	<u>\$159,966,140</u>	<u>\$12,280,972</u>

contain an allocation of revenue sharing funds for specific city operations because the amount of actual funds to be received from the Federal Government is unknown.

5. After the amount of actual revenue sharing is determined (generally, shortly after the beginning of the budget year), the council refers the task of allocating revenue sharing funds to its finance and personnel committee. With the aid of the city comptroller's office and various other city departments, and after public hearings before the committee, a revenue sharing budget is proposed to the common council for adoption. The finance and personnel committee hearings are open to the public, and notices of meetings are printed in the newspapers. Also, copies of the committee's agenda are available at the city clerk's office or through subscription.

We were advised by the city clerk's office that no special interest groups were at any of the finance and personnel committee hearings on the proposed uses of revenue sharing.

A representative of a public interest group said the amount of information provided by the city on the proposed uses of revenue sharing funds was comparable with that provided for other budget items. We were also informed that the city made no special effort to increase public participation in how revenue sharing funds should be spent.

CHAPTER 3

PROGRAMS FUNDED WITH REVENUE SHARING

Milwaukee was allocated \$33,503,438 in revenue sharing funds for the period January 1, 1972, through June 30, 1974. Of the amount allocated, \$29,409,780 was received by June 30, 1974, and \$4,093,658 was received in July 1974. As of June 30, 1974, interest earned from investment of the funds totaled \$905,999. Following is a status of the funds as of June 30, 1974.

Funds expended	\$29,866,345
Unliquidated obligations	761,087
Unobligated revenue sharing funds	<u>3,782,005</u>
Total	<u>\$34,409,437</u>

USES OF REVENUE SHARING

The uses of revenue sharing funds described in this chapter are those reflected by Milwaukee's financial records. As we have pointed out in earlier reports on the revenue sharing program ("Revenue Sharing: Its Use by and Impact on State Governments," B-146285, Aug. 2, 1973, and "Revenue Sharing: Its Use by and Impact on Local Governments," B-146285, Apr. 25, 1974), fund "uses" reflected by the financial records of a recipient government are accounting designations of uses. Such designations may have little or no relation to the actual impact of revenue sharing on the recipient government.

For example, in its accounting records, a government might designate its revenue sharing funds for use in financing environmental protection activities. The actual impact of revenue sharing on the government, however, might be to reduce the amount of local funds which would otherwise be used for environmental protection, thereby permitting the "freed" local funds to be used to reduce tax rates, to increase expenditures in other program areas, to avoid a tax increase or postpone borrowing, to increase yearend fund balances, and so forth.

Throughout this case study, when we describe the purposes for which revenue sharing funds were used, we are referring to use designations as reflected by city financial records.

In determining how revenue sharing funds were used by Milwaukee, we reviewed the accounting system and procedures for depositing, investing, and expending the funds.

As discussed in chapter 2, the common council determines how revenue sharing funds are to be used. The amounts allocated by the council to specific city operations are subsequently adjusted to reflect changes in actual revenue sharing funds received and interest earned on the investment of the funds.

Functional uses

The city designated revenue sharing funds as being used only for operations and maintenance of services. City records disclosed that most of the funds were expended for fire protection and sanitation purposes. The following table shows the total funds expended for city services as of June 30, 1974.

Amounts expended for operations and maintenance by function	Calendar year		Jan. 1, 1974 through	Total
	1972	1973	June 30, 1974	
Public safety:				
Fire protection	-	\$ 7,935,984	\$3,294,448	\$11,230,432
Street lighting electrical energy	-	744,996	518,696	1,263,692
Building inspection (fire prevention)	-	160,000	-	160,000
School-crossing guards	-	386,907	-	386,907
Total	-	<u>9,227,887</u>	<u>3,813,144</u>	<u>13,041,031</u>
Environmental protection:				
Sanitation:				
Refuse collection	-	7,207,679	3,056,445	10,264,124
Contract refuse disposal	-	1,394,606	-	1,394,606
Street cleaning	-	476,454	-	476,454
Total	-	<u>9,078,739</u>	<u>3,056,445</u>	<u>12,135,184</u>
Public transportation:				
Streets, alleys, and sidewalk repair	-	1,119,066	201,543	1,320,609
Ice control operation	-	340,385	-	340,385
Total	-	<u>1,459,451</u>	<u>201,543</u>	<u>1,660,994</u>
Health:				
Health department:				
South Side Health Center	-	50,000	-	50,000
Hospital	-	84,382	-	84,382
School visit service	-	435,011	320,211	755,222
Child health home service	-	311,985	-	311,985
Food control	-	166,149	87,676	253,825
Total	-	<u>1,047,527</u>	<u>407,887</u>	<u>1,455,414</u>
Library:				
Central library service	-	594,214	300,000	894,214
Central building and grounds	-	330,000	150,000	480,000
Cataloging and selecting	-	113,657	85,851	199,508
Total	-	<u>1,037,871</u>	<u>535,851</u>	<u>1,573,722</u>
Total	-	<u>\$21,851,475</u>	<u>\$8,014,870</u>	<u>\$29,866,345</u>

In addition to the approximately \$30 million of revenue sharing funds expended, about \$761,000 remains in an unliquidated obligations status as of June 30, 1974. The following table shows how these funds have been earmarked by the city for operations and maintenance purposes.

<u>Operations and maintenance expenditures by function</u>	<u>Unliquidated obligations as of 6/30/74</u>
Public safety:	
Fire protection	\$253,962
Environmental protection:	
Sanitation (refuse collection)	460,914
Health:	
Health services:	
School visits	27,243
Food control	10,431
Libraries	<u>8,537</u>
Total	<u>\$761,087</u>

Specific uses

Most revenue sharing funds have been used by the city for employee salaries and fringe benefits. This applies especially to fire protection, refuse collection, health and library services, and school-crossing guards.

The remaining funds have been used primarily for service contracts for disposal of refuse, rental of dump and compaction trucks and miscellaneous equipment, supplies for street and alley repair, and electrical energy for street lighting.

We found no instance where services provided with revenue sharing funds benefited one segment of the population more than another.

Plans for unobligated funds

The city plans to use most of the approximately \$3.8 million of unobligated funds for refuse collection, fire protection, electricity for street lighting, and street and alley repair.

ACCOUNTING FOR REVENUE
SHARING FUNDS

As revenue sharing funds are received, they are recorded in trust accounts in the trust and agency fund. Revenue sharing checks are deposited in the city's general bank accounts and are thereby commingled with other funds. The funds are invested primarily in short-term U.S. securities, and interest earned on these investments is credited to the trust accounts.

Expenses incurred for city services to be funded by revenue sharing are recorded in general fund expense accounts and paid from that fund. Funds are periodically transferred from the trust accounts to reimburse the general fund for expenses incurred. The transfers are authorized in memorandums from the city comptroller to the city treasurer and are made (generally when securities have matured) to maximize interest earned on investments.

AUDITS OF REVENUE SHARING

No audits have been made of the revenue sharing funds received by the city.

CHAPTER 4
COMPLIANCE PROVISIONS
OF THE REVENUE SHARING ACT

The act provides that, among other requirements, each recipient shall

- create a trust fund in which funds received and interest earned will be deposited. Funds will be spent in accordance with laws and procedures applicable to expenditure of the recipient's own revenues;
- use fiscal, accounting, and audit procedures which conform to guidelines established by the Secretary of the Treasury;
- not use funds in ways which discriminate because of race, color, national origin, or sex;
- under certain circumstances, not use funds either directly or indirectly to match Federal funds under programs which make Federal aid contingent upon the recipient's contribution;
- observe requirements of the Davis-Bacon provision on certain construction projects in which the costs are paid out of the revenue sharing trust fund;
- under certain circumstances, pay employees who are paid out of the trust fund not less than prevailing rates of pay; and
- periodically report to the Secretary of the Treasury on how it used its revenue sharing funds and how it plans to use future funds. The reports shall also be published in the newspaper, and the recipient shall advise the news media of the publication of such report.

Further, local governments may spend funds only within a specified list of priority areas.

For purposes of this review we gathered selected information relating to the nondiscrimination, Davis-Bacon, and prevailing wage provisions.

NONDISCRIMINATION PROVISION

The act provides that no person in the United States shall, on the ground of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with general revenue sharing funds.

On February 23, 1973, the common council adopted a resolution to establish a formal policy regarding nondiscrimination in employment. The resolution reaffirmed the city's position to prohibit discrimination because of race, color, religion, sex, national origin, or age. The resolution provided that the city would promote initiation of affirmative action programs within each city government department, agency and bureau. It further provided that each city unit establish and maintain an affirmative action plan in accordance with Federal guidelines and that the city personnel director issue guidelines and standards for development of such programs.

The resolution required that the equal employment opportunity status of each city unit be reviewed to assure compliance with Federal guidelines and that the results of the reviews be reported to the common council no later than June 30 of each year.

The resolution did not apply to the city's fire and police departments. The personnel policies and hiring practices of these departments are governed by the fire and police commission which had established its own formal policy of non-discrimination and an affirmative action program.

The city's commission on community relations is responsible for civil rights enforcement. It is an independent organization composed of an executive secretary and 12 staff members having analytical and clerical skills. Its primary function is to monitor city progress under affirmative action plans, enforce the nondiscrimination clause in city contracts, and investigate, conciliate, and resolve discrimination complaints.

The commission can hold hearings and issue subpoenas in carrying out its investigations but must ultimately rely on the city attorney for court action on discrimination cases.

Discrimination complaints may also be filed with and resolved by Milwaukee's city service commission. The commission consists of five citizen members appointed by the mayor to 5-year overlapping terms. It is responsible for enforcing and implementing Milwaukee's civil service merit

system for all city government departments, except the police and fire departments. In meeting these objectives, the commission establishes and maintains personnel policies and conducts hearings to resolve grievances and disciplinary actions.

Wisconsin's Department of Industry, Labor and Human Relations is responsible for enforcing civil rights at the State level. The department (1) investigates the existence, character, causes, and extent of discrimination in the State, (2) determines methods for eliminating discrimination, and (3) publishes and disseminates reports on its findings and recommendations.

The department may receive and investigate discrimination complaints and in so doing may hold hearings, subpoena witnesses, and take testimony. If discrimination is found, the department can order that it be ceased.

Comparison of local government work force and civilian labor force

We compared the minority composition of Milwaukee's city government work force with that of the city's civilian labor force. The following table shows the minority composition of the civilian labor force as reflected by the 1970 census.

Civilian labor force	Male		Female		Total	
	Number	Per- cent	Number	Per- cent	Number	Per- cent
Total	<u>182,701</u>	<u>58.3</u>	<u>130,473</u>	<u>41.7</u>	<u>313,174</u>	<u>100.0</u>
Black	20,692	6.6	16,577	5.3	37,269	11.9
Spanish lan- guage	4,843	1.5	2,245	0.7	7,088	2.3

In comparison, the composition of the city government work force as of June 30, 1974, is shown below (see app. I for more details).

City government work force	Male		Female		Total	
	Number	Per- cent	Number	Per- cent	Number	Per- cent
All functions (excluding fire and police):						
White	3,664	66.4	1,124	20.4	4,788	86.8
Black	560	10.2	107	1.9	667	12.1
Spanish	24	0.4	6	0.1	30	0.5
Other	28	0.5	7	0.1	35	0.6
Total	<u>4,276</u>	<u>77.5</u>	<u>1,244</u>	<u>22.5</u>	<u>5,520</u>	<u>100.0</u>
Fire department:						
White	1,076	98.8	4	0.4	1,080	99.2
Black	6	0.5	-	-	6	0.5
Spanish	3	0.3	-	-	3	0.3
Other	-	-	-	-	-	-
Total	<u>1,085</u>	<u>99.6</u>	<u>4</u>	<u>0.4</u>	<u>1,089</u>	<u>100.0</u>
Police department:						
White	2,125	92.1	90	3.9	2,215	96.1
Black	65	2.8	5	0.2	70	3.0
Spanish	15	0.7	-	-	15	0.7
Other	6	0.3	-	-	6	0.3
Total	<u>2,211</u>	<u>95.9</u>	<u>95</u>	<u>4.1</u>	<u>2,306</u>	<u>100.0</u>
Total	<u>7,572</u>	<u>84.9</u>	<u>1,343</u>	<u>15.1</u>	<u>8,915</u>	<u>100.0</u>

The above statistics show substantial differences in the employee mix of the city government as compared with the civilian labor force. The percentage of women employed by the city government and the percentage of blacks in the fire and police departments are substantially below the percentage in the civilian labor force.

The percentage of blacks employed by the city government, excluding the fire and police departments, is 12.1 percent, while the black representation in the civilian labor force is 11.9 percent. About 79 percent of the black employees occupy service/maintenance positions as opposed to skilled craft, technical, professional, paraprofessional, or official/administrator jobs.

An analysis of new hires by the city for fiscal year ended June 30, 1974 (see app. II) follows.

<u>City government new hires</u>	Male		Female		Total	
	<u>Number</u>	<u>Per-</u> <u>cent</u>	<u>Number</u>	<u>Per-</u> <u>cent</u>	<u>Number</u>	<u>Per-</u> <u>cent</u>
All functions (excluding fire and police):						
White	109	35.9	145	47.7	254	83.6
Black	22	7.2	17	5.6	39	12.8
Spanish	3	1.0	3	1.0	6	2.0
Other	3	1.0	2	0.6	5	1.6
Total	<u>137</u>	<u>45.1</u>	<u>167</u>	<u>54.9</u>	<u>304</u>	<u>100.0</u>
Fire department:						
White	17	94.4	-	-	17	94.4
Black	-	-	-	-	-	-
Spanish	1	5.6	-	-	1	5.6
Other	-	-	-	-	-	-
Total	<u>18</u>	<u>100.0</u>	-	-	<u>18</u>	<u>100.0</u>
Police depart- ment:						
White	58	71.6	12	14.8	70	86.4
Black	3	3.7	5	6.2	8	9.9
Spanish	3	3.7	-	-	3	3.7
Other	-	-	-	-	-	-
Total	<u>64</u>	<u>79.0</u>	<u>17</u>	<u>21.0</u>	<u>81</u>	<u>100.0</u>
Total	<u>219</u>	<u>54.3</u>	<u>184</u>	<u>45.7</u>	<u>403</u>	<u>100.0</u>

New hires compared favorably in total with the composition of the civilian labor force. About 67 percent of the minorities and females were placed in service/maintenance or office/clerical jobs.

Representatives of the city service commission (responsible for all city government employment, except the fire and police departments), said that efforts to increase minority and female representation had been going on for a number of years. However, employment distribution studies completed in 1972 showed substantial underrepresentation of minorities and women in many job classifications. This fact led to establishing an affirmative action program for increasing the female and minority representation at all levels of the city government work force. The following steps have been taken:

1. Employment procedures have been modified to allow selection of minorities and females from an approved list of eligibles even if they were not one of the top three applicants.
2. A minority and female skills bank has been established to notify such employees of promotional opportunities for which they qualify.
3. Career development plans have been outlined for major city government departments and bureaus, showing entry level positions and promotional opportunities.
4. Employment tests and requirements have been validated for selected job classes to help assure job relatedness and equitable treatment for all applicants.
5. Goals and timetables for minority and female hiring have been established by all city government departments.

The executive secretary of the fire and police commission said the following factors have inhibited the recruiting of minorities and females by the police and fire departments:

- Lack of interest by blacks in employment with these departments.
- Smaller black population base in Milwaukee than in other major cities.
- Failure of blacks to pass qualification tests or to rank high on eligibility lists.
- Increased competition for police and fire protection jobs.
- Failure of most women to pass the physical fitness portion of qualification tests.

The executive secretary said that the commission is attempting to hire more minorities and females and employs one minority, on a full-time basis, to increase interest in police and fire positions by meeting with special interest groups, students, and church organizations.

Since December 31, 1971, 46 complaints have been filed with the State Department of Industry, Labor and Human Relations against the city regarding discrimination in employment. Thirty-two of these complaints were also filed with

the U.S. Equal Employment Opportunity Commission in Milwaukee. Of the 46 complaints, 18 were filed against the police and fire departments.

The following table shows the basis for complaints filed with the State, their current status, and the disposition of closed complaints.

<u>Basis for complaint</u>	<u>Number</u>	<u>Number of active cases</u>	<u>Disposition of closed cases</u>
Sex--female	23	20	3--Conciliatory action taken to satisfaction of parties
Sex--male	1	-	1--No discrimination found
Race--Negro	11	9	2--No discrimination found
Color	1	1	-
National origin	3	2	1--Conciliatory action taken to satisfaction of parties
Physically handicapped	4	3	1--No discrimination found
Age	2	2	-
Religion	1	-	1--No discrimination found
Total	<u>46</u>	<u>37</u>	<u>9</u>

The disposition of the 32 complaints filed with the U.S. Equal Employment Opportunity Commission is shown below.

<u>Basis for complaint</u>	<u>Number</u>	<u>Number of active cases</u>	<u>Disposition of closed cases</u>
Sex--female	19	16	2--Right-to-sue letter issued
Race--Negro	8	7	1--Complaint withdrawn
Color	2	1	1--Complaint withdrawn
National origin	2	2	1--No discrimination found
Religion	1	-	1--Complaint withdrawn
Total	<u>32</u>	<u>26</u>	<u>6</u>

In addition to the above, 14 complaints have been filed since December 31, 1971, with Milwaukee's commission on community relations concerning discrimination in employment. The nature and status of these complaints is summarized as follows:

<u>Basis for complaint</u>	<u>Number</u>	<u>Disposition of complaint</u>
Race	10	1--Discimination found to exist. Temporary employee was advised that a suit could be filed. (Commission has no jurisdiction over temporary employees.) 5--No discrimination found. 3--Conciliatory action taken to satisfaction of parties. 1--No action taken--commission did not have authority to resolve.
Sex	1	1--No action taken--commission did not have authority to resolve.
Other	<u>3</u>	3--Conciliatory action taken to satisfaction of parties.
Total	<u>14</u>	<u>14</u>

Various civil suits have been filed against the city of Milwaukee and the police and fire departments alleging discrimination in employment. The city departments involved which received revenue sharing funds included the fire department, Milwaukee safety commission, health department, library board, bureau of street and sewer maintenance, and bureau of traffic engineering and electrical services.

Civil suits were filed with the U.S. District Court, eastern district of Wisconsin, against the Milwaukee fire department on July 29, 1974, September 3, 1974, and October 17, 1974, claiming employment discrimination based on race, national origin, and sex. Agreement was subsequently reached between the plaintiffs and the city regarding actions to be taken to alleviate the alleged discrimination, and a court order was issued on October 17, 1974.

The court order directed the fire and police commission to refrain from any discriminatory hiring practices and specified, in part, that the following actions be taken:

--The commission shall, as a long-range goal, hire blacks, Latins, and American Indians in sufficient numbers so that their composition in the fire-fighting force shall be approximately 14 percent. To achieve this goal, it was specified that 40 percent of all appointments be from black, Latin, and American Indian applicants.

--The commission shall recruit and hire women commensurate with their interest and ability to qualify for employment. Long-range and interim-hiring goals for women were to be established within 18 months from the effective date of the order.

In addition, the order specified qualifications for the position of fire fighter, modified the commission's recruitment practices, and prescribed that various records be maintained regarding minority and female hiring.

On September 16, 1974, a class action suit was filed with the U.S. District Court claiming that the city of Milwaukee and the Milwaukee safety commission were engaged in discrimination against women on the basis of their sex with respect to employment in professional and administrative positions. The suit, which is still pending, alleges, in part, that the city and the commission (1) failed to recruit, hire, and promote females on an equal basis with males, (2) established job classifications which resulted in excluding females, and (3) established and used eligibility qualifications and criteria which discriminated against female employees and applicants because of their sex.

In December 1973 a class action suit charging racial discrimination in city and school board hiring of skilled tradesmen was filed with the U.S. District Court. The suit resulted in a temporary restraining order prohibiting the city from filling any jobs in the skilled craft classification and asked for injunctive relief establishing a one-for-one quota-hiring system in the skilled craft positions until parity with community population is reached.

The suit, still pending, involved the following city departments which received revenue sharing funds:

Health department
Library board
Bureau of street and sewer maintenance
Bureau of traffic engineering and electrical services

The Supervisor of Investigations, U.S. Equal Employment Opportunity Commission, Milwaukee district office, told us he was not aware of any allegedly discriminatory practices by the city regarding the use of revenue sharing funds other than the alleged discrimination by the city's fire department. He added that the city had cooperated with the Equal Employment Opportunity Commission in the resolution of discrimination complaints and had developed an affirmative action plan.

Representatives of the American Civil Liberties Union and the League of Women Voters were not aware of any discriminatory practices by the city regarding the use of revenue sharing funds other than the civil suits already filed against the city.

Services and capital projects

As previously discussed, revenue sharing funds have been used by Milwaukee to provide selected city services to its residents. We found no discrimination complaints, civil rights suits, or judicial decrees concerning discrimination in public services financed by revenue sharing funds. Our discussions with representatives of the Equal Employment Opportunity Commission, American Civil Liberties Union, and League of Women Voters did not reveal any discriminatory practices by the city in the public service area.

DAVIS-BACON PROVISION

The Revenue Sharing Act provides that all laborers and mechanics, employed by contractors and subcontractors to work on any construction project of which 25 percent or more of the cost is paid out of the revenue sharing trust fund, shall be paid wage rates which are not less than rates prevailing for similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended.

Since the city did not use revenue sharing funds for capital improvement projects, the Davis-Bacon provision did not apply.

PREVAILING WAGE PROVISION

The Revenue Sharing Act provides that certain recipient employees whose wages are paid in whole or in part out of the revenue sharing trust fund shall be paid at rates which are no lower than the prevailing rates for persons employed in similar public occupations by the recipient government. The individuals covered by this provision are those in any category where 25 percent or more of the wages of all employees in the category are paid from the trust fund.

Most of the revenue sharing funds received by the city were expended for employee salaries in selected city service departments. In most cases, revenue sharing funds comprised more than 25 percent of the salaries paid to these employees and, therefore, the prevailing wage provision applied.

The Milwaukee city comptroller advised us that city employees are covered by a civil service merit system which would preclude the payment of wages below the levels established for various categories of employees.

CHAPTER 5

FINANCIAL STATUS

TREND OF FUND BALANCES

One basis for assessing the fiscal condition of the city of Milwaukee is to analyze trends in the surplus or debt status of its major funds over a period of time. The following table shows this trend for the period 1969-73.

Fund and surplus balance	Calendar years				
	1969	1970	1971	1972	1973
General fund	\$ 9,434,068	\$3,885,093	\$3,323,954	\$15,108,688	\$19,022,195
Capital fund	572,768	1,540,247	2,154,450	2,900,703	1,266,207
Total	<u>\$10,006,836</u>	<u>\$5,425,340</u>	<u>\$5,478,404</u>	<u>\$18,009,391</u>	<u>\$20,288,402</u>

As shown above, the surplus balances of the general fund have increased substantially since 1970.

The city participates in three principal employee pension systems: the employees' annuity and benefit fund, and the firemen's and policemen's annuity and benefit funds. The latter two funds were closed on July 29, 1947, and firemen and policemen employed after that date became members of the employee fund.

The following table shows the balance available for payment of benefits and the unfunded liability of each pension fund as of December 31, 1969-73.

Calendar year	Employee fund (note a)		Firemen fund		Policemen fund	
	Balance available for payment	Unfunded liability	Balance available for payment	Unfunded liability	Balance available for payment	Unfunded liability
1969	\$158,649,033	\$ 66,082,284	\$12,911,529	\$20,232,243	\$11,537,822	\$30,217,921
1970	174,086,363	103,247,488	13,207,874	21,123,178	11,898,841	30,939,987
1971	191,071,218	113,996,019	13,434,425	21,457,614	12,284,005	29,883,601
1972	212,221,562	190,052,827	13,833,202	21,647,088	12,711,742	27,951,615
1973	234,414,917	188,372,468	14,455,176	19,580,069	13,088,705	26,551,303

a/The balance available for payment of benefits and the unfunded liability of the employee fund represents amounts for employees of various governmental units, including the city of Milwaukee, school board, water department, sewerage commission, Milwaukee teachers retirement fund, etc. We were able to separate the city of Milwaukee's share of the unfunded liability only for 1971 (\$84,851,158) and 1972 (\$142,561,728), but could not determine the city's share of assets available for payment of benefits for any of the years shown above.

Actuarial studies were made of the employee pension funds during the period 1969-73. The city contributes annually to the pension funds for current liabilities and the amortization of unfunded past service liability. While the unfunded liabilities of the firemen fund and the policemen fund have been reduced, the unfunded liability of the employee fund has nearly tripled since 1969.

INDEBTEDNESS

The outstanding debt of the city (including the school system and water department) as of December 31, 1969-73, is shown below.

Year	General obligation bonds and notes payable (note a)			Water department revenue bonds (note b)
	General city	Schools	Total	
1969	\$72,704,333	\$54,121,742	\$126,826,075	\$38,741,286
1970	60,157,934	54,960,584	115,118,518	43,032,251
1971	71,068,848	57,895,426	128,964,274	40,485,561
1972	77,269,161	50,677,408	127,946,569	38,954,376
1973	76,302,622	49,981,390	126,284,012	35,906,172

a/Net of sinking funds.

b/Less amounts held by fiscal agents to retire bonds.

Borrowing procedures

The annual city budget includes proposed capital improvement projects and related borrowing needs. After the budget is approved by the common council, the city comptroller submits resolutions to the council for authorization of bond or note issues. The city's public debt commission determines when to initiate the borrowing and supervises the sale of debt securities. The council subsequently issues resolutions to provide for retiring securities in accordance with the terms of the debt agreement.

The bond quality of obligations issued by the city has been rated by Moody's Investor Services, Inc., as Aaa (the highest rating available) since December 31, 1942. The city did not experience any problems in selling debt securities during the period 1972-74.

Borrowing restrictions

The city has a debt limitation on general purpose borrowing of 7 percent of the equalized valuation of real estate and personal property as determined by the Wisconsin State Department of Taxation. The 7 percent limit includes 5 percent for general city purposes and 2 percent for schools. As of December 31, 1973, the city's outstanding debt (including general city and school obligations) was well below the debt ceiling, as shown below.

Debt limit (7 percent of equalized valuation)	\$398,122,830
Outstanding debt	<u>-126,284,012</u>
Margin of additional debt	<u>\$271,838,818</u>

TAXATION

Major taxes levied

Milwaukee residents pay property taxes to five units of government. The following table for calendar year 1973 shows the respective taxing bodies, the tax rates, and base to which the tax is applied.

<u>Governmental unit</u>	<u>Tax rates</u>	<u>Tax base</u>
City government (note a)	\$28.14	Per \$1,000 of assessed value of property
Milwaukee board of school directors	43.43	" "
Milwaukee Area Technical College	2.83	" "
Milwaukee and metropolitan sewerage commissions	4.58	" "
Milwaukee County government	<u>18.92</u>	" "
Total	97.90	
State tax credit (note b)	- <u>13.98</u>	
Net rate paid	<u>\$83.92</u>	

a/The city levies a tax of \$31.44 and turns over \$3.30 of this to the board of school directors. The \$3.30 is included in this school tax.

b/Includes State allocations of income, public utility, telephone, liquor, fire insurance, and highway privilege and user taxes.

The assessed value of property for 1973 was 48.046 percent of fair market value for individuals. Also, individuals pay property taxes only on real property, whereas businesses are taxed on both real and personal property. During the period 1969-73, the total tax rate increased from \$88.97 to \$97.90, as shown in the following table.

<u>Governmental unit</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
City government	\$26.34	\$26.77	\$28.28	\$28.03	\$28.14
Board of school directors	36.15	35.38	37.55	39.36	43.43
Technical college	3.12	2.77	2.61	3.13	2.83
Sewerage commissions	3.54	3.46	3.63	4.02	4.58
County government	<u>19.82</u>	<u>19.76</u>	<u>21.42</u>	<u>21.12</u>	<u>18.92</u>
Total tax rates	<u>\$88.97</u>	<u>\$88.14</u>	<u>\$93.49</u>	<u>\$95.66</u>	<u>\$97.90</u>

During the period 1969-73, Milwaukee collected about 99 percent of the taxes levied on real and personal property. The following table shows total real and personal property tax receipts for 1969-73.

<u>Governmental unit</u>	<u>Taxes collected</u>				
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
City government	\$ 70,499,775	\$ 74,583,693	\$ 80,911,083	\$ 82,194,579	\$ 83,753,666
Board of school directors	77,891,481	81,250,642	88,227,564	93,702,119	106,901,587
Technical college	7,094,776	6,947,657	6,694,265	8,176,485	7,535,760
Sewerage commissions	8,381,822	8,662,670	9,317,407	10,494,523	12,226,047
County government	46,979,997	49,539,476	55,043,942	55,125,112	50,390,160
 <u>Total tax receipts</u>	 \$210,847,851	 \$220,984,138	 \$240,195,061	 \$249,692,818	 \$260,807,220

Taxing limitations

The only statutory limitation on the taxing authority of the city is that the tax rate for general city purposes cannot exceed \$11.00 per \$1,000 of assessed valuation. The city comptroller said in calendar year 1972 the tax levy for general city purposes was \$10.946, or just below the statutory limit. He further stated that the receipt of revenue sharing funds in 1973 permitted Milwaukee to maintain the level of services provided in prior years and prevented a tax increase. More specifically, the levy for general city purposes was reduced to \$8.49 in calendar year 1973, and the city's plans to close its museum to free funds for other services were canceled because of revenue sharing receipts.

The Milwaukee board of school directors' tax levy for recreation and adult education purposes is limited by statute to \$.75 per \$1,000 of equalized valuation for services and to \$.60 per \$1,000 of assessed valuation for school construction. We were advised that the maximum tax rates were levied each year for these purposes.

There is only one tax which is permitted by State law that is not assessed by Milwaukee. This tax, referred to as a wheel tax, would basically increase automobile license fees.

Family tax burden

We calculated the 1973 tax burden of Milwaukee residents by assuming such things as level of income, size of family, and value of real property holdings for three hypothetical families. Each of the three families depicted below had four family members, had income solely from wages earned by the head of the household, and owned a home having a market value equal to 2-1/2 times that of the annual income. The annual

incomes of families A, B, and C totaled \$7,500, \$12,500, and \$17,500, respectively. Families A and B each owned one automobile and used 1,000 gallons of gasoline. Family C owned two automobiles and used 1,500 gallons of gasoline. No assumptions were made as to personal property since there is no personal property tax levied on individuals.

<u>Tax</u>	<u>Family A</u>	<u>Family B</u>	<u>Family C</u>
City:			
Real property	\$ 283	\$ 472	\$ 661
Board of school directors:			
Real property	362	603	844
Technical college:			
Real property	25	42	59
Sewerage commissions:			
Real property	41	69	96
County:			
Real property	170	284	398
State:			
Income	215	571	1,092
Sales	101	149	192
Gasoline	<u>70</u>	<u>70</u>	<u>105</u>
Total	\$1,267	\$2,260	\$3,447
State tax credit	<u>-126</u>	<u>-210</u>	<u>-294</u>
Total (note a)	<u>\$1,141</u>	<u>\$2,050</u>	<u>\$3,153</u>
Total as percentage of income	<u>15.2</u>	<u>16.4</u>	<u>18.0</u>

a/Milwaukee residents may also pay a city tax on motel/hotel accommodations and a State tax on liquor, cigarettes, public utilities, and telephone.

As indicated above, the tax burden is greatest for the family earning \$17,500 a year, and this is caused primarily by the graduated State income tax.

CHAPTER 6

OTHER FEDERAL AID

FEDERAL AID RECEIVED

Milwaukee officials were unable to provide us with the total amount of Federal aid (exclusive of revenue sharing funds) received by the city during calendar years 1971 and 1972. They said identifying all Federal assistance was difficult because:

1. The city did not have a uniform grant-in-aid reporting system.
2. The methods of financing the local share of federally-assisted projects varied, which affected accounting for Federal revenues received. For example, if the local share of the project cost was financed by operating revenues, the Federal funds received were reported as grant-in-aid funds. However, if the local share was funded by bonded debt, the grant funds were added to the bond sinking fund and were not identified as grant-in-aid funds.
3. The city was unable to distinguish between State and Federal grant funds when grant payments were issued through a State agency.

In calendar year 1973, the city implemented a uniform grant-in-aid accounting and reporting system to account for all grant-in-aid activity excluding capital projects. With the assistance of city officials, we identified what appears to be most of the Federal aid received in 1973. However, we could not readily segregate all State grants from the total and therefore the amounts include an undetermined amount of State funds. The following table shows, by city department, Federal grant funds (including some State funds) received by the city in calendar year 1973.

<u>City department</u>	<u>Funds received in 1973</u>
Police department	\$ 558,122
Safety commission	9,978
Building inspection and safety engineering	28,819
Civil defense administration	97,907
Health department	1,487,300
City service commission	2,986,117
Fire and police commission	130,755
Traffic engineering and electrical services	729,430
Bridges and public buildings	8,885
Bureau of engineers	1,157,180
Library board	70,020
Department of city development	11,174,341
Model Cities agency	<u>4,223,812</u>
Total	<u>\$22,662,666</u>

City officials did not have data on estimated Federal aid to be received in calendar year 1974.

REDUCTIONS IN FEDERAL AID AND IMPACT ON MILWAUKEE

Seventeen grant-in-aid projects (limited to those which received \$20,000 or more in Federal funds in any 1 year) experienced decreased funding of greater than 25 percent on a year-to-year basis during the period 1971-73.

There were various reasons for funding decreases. Six of the 17 projects were either completed by the city or terminated by the Federal or State government. These projects included a Model Cities youth transportation summer program, a botulism research grant, on-the-job training and youth opportunity programs, and police recruitment projects. Some of the remaining 11 projects had funding decreased because of project reorganization and reductions in the rate of project expenditures, which in turn reduced Federal reimbursements.

We were advised that revenue sharing funds have not been used to maintain Federal projects which experienced cutbacks in funding.

CHAPTER 7

SCOPE OF REVIEW

We reviewed financial and other records of Milwaukee to determine the programs and activities being financed with revenue sharing funds. Our work was limited to gathering selected data relating to areas identified by the Subcommittee Chairman.

Through discussions with city officials and representatives of selected public interest groups and by reviewing available records, we determined the city's budgetary process and financial status, and the extent of Federal aid received.

Officials of Milwaukee reviewed our case study, and we considered their comments in finalizing it.

APPENDIX I

APPENDIX I

CITY GOVERNMENT WORK FORCEMILWAUKEE, WISCONSINJUNE 30, 1974

Function/job category	Male			Female			Total					
	White	Black	Other	Total	White	Black	Other	Total	White	Black	Other	Total
All functions:												
Officials/administrators	200	5	1	206	11	-	-	11	211	5	1	217
Professionals	984	29	10	1,023	311	19	5	335	1,295	48	15	1,358
Technicians	536	11	5	552	22	1	-	23	558	12	5	575
Protective service	2,580	70	18	2,668	29	4	-	33	2,609	74	18	2,701
Paraprofessionals	52	2	1	55	5	4	2	11	57	6	3	66
Office/clerical	160	6	3	169	749	48	6	803	909	54	9	972
Skilled craft	672	17	3	692	-	-	-	-	672	17	3	692
Service/maintenance	1,681	491	35	2,207	91	36	-	127	1,772	527	35	2,334
Total	6,865	631	76	7,572	1,218	112	13	1,343	8,083	743	89	8,915
Percent	.77	.7	.1	.85	.14	.1	-	.15	.91	.8	.1	100
Financial administration:												
Officials/administrators	42	3	-	45	4	-	-	4	46	3	-	49
Professionals	186	8	4	198	25	4	-	29	211	12	4	227
Technicians	22	1	-	23	6	-	-	6	28	1	-	29
Protective service	1	-	-	1	1	-	-	1	2	-	-	2
Paraprofessionals	-	-	1	1	1	1	-	2	1	1	1	3
Office/clerical	34	2	-	36	211	15	3	229	245	17	3	265
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	2	-	-	2	-	-	-	-	2	-	-	2
Total	287	14	5	306	248	20	3	271	535	34	8	577
Percent	.50	.2	.1	.53	.43	.3	.1	.47	.93	.6	.1	100
Streets and highways:												
Officials/administrators	14	-	-	14	-	-	-	-	14	-	-	14
Professionals	51	2	-	53	1	-	-	1	52	2	-	54
Technicians	15	3	-	18	2	-	-	2	17	3	-	20
Protective service	1	1	-	2	-	-	-	-	1	1	-	2
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	28	-	-	28	28	1	-	29	56	1	-	57
Skilled craft	194	2	-	196	-	-	-	-	194	2	-	196
Service/maintenance	658	145	11	814	25	5	-	30	683	150	11	844
Total	961	153	11	1,125	56	6	-	62	1,017	159	11	1,187
Percent	.81	.13	.1	.95	.5	-	-	.5	.86	.13	.1	100
Natural resources:												
Officials/administrators	14	-	-	14	4	-	-	4	18	-	-	18
Professionals	57	-	-	57	100	3	1	104	157	3	1	161
Technicians	4	-	-	4	3	-	-	3	7	-	-	7
Protective service	21	3	-	24	1	2	-	3	22	5	-	27
Paraprofessionals	2	-	-	2	4	3	2	9	6	3	2	11
Office/clerical	20	1	1	22	171	18	2	191	191	19	3	213
Skilled craft	118	7	2	127	-	-	-	-	118	7	2	127
Service/maintenance	137	46	4	187	29	3	-	32	166	49	4	219
Total	373	57	7	437	312	29	5	346	685	86	12	783
Percent	.48	.7	.1	.56	.40	.3	.1	.44	.87	.11	.2	100
Health:												
Officials/administrators	14	-	-	14	2	-	-	2	16	-	-	16
Professionals	75	4	4	83	168	8	3	179	243	12	7	262
Technicians	12	-	-	12	11	1	-	12	23	1	-	24
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	2	-	-	2	93	1	-	94	95	1	-	96
Skilled craft	3	-	-	3	-	-	-	-	3	-	-	3
Service/maintenance	26	21	2	49	33	22	-	55	59	43	2	104
Total	132	25	6	163	307	32	3	342	439	57	9	505
Percent	.26	.5	.1	.32	.61	.6	.1	.68	.87	.11	.2	100
Housing:												
Officials/administrators	10	-	-	10	-	-	-	-	10	-	-	10
Professionals	20	-	-	20	-	-	-	-	20	-	-	20
Technicians	12	-	1	13	-	-	-	-	12	-	1	13
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	4	-	-	4	32	-	-	-	36	-	-	36
Skilled craft	47	2	-	49	-	-	-	-	47	2	-	49
Service/maintenance	76	12	1	89	1	-	-	1	77	12	1	90
Total	169	14	2	185	33	-	-	33	202	14	2	218
Percent	.78	.6	.1	.85	.15	-	-	.15	.93	.6	.1	100

APPENDIX I

APPENDIX I

<u>Function/job category</u>	<u>Male</u>				<u>Female</u>				<u>Total</u>			
	<u>White</u>	<u>Black</u>	<u>Other</u>	<u>Total</u>	<u>White</u>	<u>Black</u>	<u>Other</u>	<u>Total</u>	<u>White</u>	<u>Black</u>	<u>Other</u>	<u>Total</u>
Community development:												
Officials/administrators	18	2	1	21	-	-	-	-	18	2	1	21
Professionals	176	10	2	188	16	4	1	21	192	14	3	209
Technicians	155	1	3	159	-	-	-	-	155	1	3	159
Protective service	17	8	-	25	-	-	-	-	17	8	-	25
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	6	1	-	7	81	9	1	91	87	10	1	98
Skilled craft	8	2	-	10	-	-	-	-	8	2	-	10
Service/maintenance	35	15	-	50	2	6	-	8	37	21	-	58
Total	415	39	6	460	99	19	2	120	514	58	8	580
Percent	71	7	1	79	17	3	1	21	89	10	1	100
Utilities and transportation:												
Officials/administrators	26	-	-	26	1	-	-	1	27	-	-	27
Professionals	101	2	-	103	-	-	-	-	101	2	-	103
Technicians	85	1	-	86	-	-	-	-	85	1	-	86
Protective service	3	-	-	3	-	-	-	-	3	-	-	3
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	45	1	1	47	52	1	-	53	97	2	1	100
Skilled craft	273	3	1	277	-	-	-	-	273	3	1	277
Service/maintenance	332	73	8	413	1	-	-	1	333	73	8	414
Total	865	80	10	955	54	1	-	55	919	81	10	1,010
Percent	86	8	1	95	5	-	-	5	91	8	1	100
Sanitation and sewage:												
Officials/administrators	11	-	-	11	-	-	-	-	11	-	-	11
Professionals	40	-	-	40	-	-	-	-	40	-	-	40
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	13	1	1	15	5	-	-	5	18	1	1	20
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	386	177	4	567	-	-	-	-	386	177	4	567
Total	450	178	5	633	5	-	-	5	455	178	5	638
Percent	70	28	1	99	1	-	-	1	71	28	1	100
Police department:												
Officials/administrators	17	-	-	17	-	-	-	-	17	-	-	17
Professionals	75	1	-	76	-	-	-	-	75	1	-	76
Technicians	229	5	1	235	-	-	-	-	229	5	1	235
Protective service	1,714	54	15	1,783	27	2	-	29	1,741	56	15	1,812
Paraprofessionals	50	2	-	52	-	-	-	-	50	2	-	52
Office/clerical	5	-	-	5	63	3	-	66	68	3	-	71
Skilled craft	8	1	-	9	-	-	-	-	8	1	-	9
Service/maintenance	27	2	5	34	-	-	-	-	27	2	5	34
Total	2,125	65	21	2,211	90	5	-	95	2,215	70	21	2,306
Percent	92	3	1	96	4	-	-	4	96	3	1	100
Fire protection:												
Officials/administrators	31	-	-	31	-	-	-	-	31	-	-	31
Professionals	197	2	-	199	-	-	-	-	197	2	-	199
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	822	4	3	829	-	-	-	-	822	4	3	829
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	3	-	-	3	4	-	-	4	7	-	-	7
Skilled craft	21	-	-	21	-	-	-	-	21	-	-	21
Service/maintenance	2	-	-	2	-	-	-	-	2	-	-	2
Total	1,076	6	3	1,085	4	-	-	4	1,080	6	3	1,089
Percent	98.8	0.5	0.3	99.6	0.4	-	-	0.4	99.2	0.5	0.3	100
Other:												
Officials/administrators	3	-	-	3	-	-	-	-	3	-	-	3
Professionals	6	-	-	6	1	-	-	1	7	-	-	7
Technicians	2	-	-	2	-	-	-	-	2	-	-	2
Protective service	1	-	-	1	-	-	-	-	1	-	-	1
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	-	-	-	-	9	-	-	9	9	-	-	9
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Total	12	-	-	12	10	-	-	10	22	-	-	22
Percent	55	-	-	55	45	-	-	45	100	-	-	100

GAO note: The jobs in this appendix were categorized by the city using Federal Equal Employment Opportunity Commission definitions.