

Menominee County Finances Wisconsin Legislative Audit Bureau Report: 98-3, 1998

Menominee County was created in 1961 when the Menominee Indian Tribe of Wisconsin lost its status as a federally recognized tribe. Menominee County and the Town of Menominee were made coterminous with the former boundaries of the Menominee Reservation in order to provide local government services. From its beginning, the county has had difficulty in meeting its financial needs with a severely limited property tax base.

Taxpayers are concerned that assessments and taxes have risen rapidly, while services are less than those provided by most counties. In response to those concerns, we evaluated the financial condition of Menominee County and the Town of Menominee, the property tax burden, the level of services provided to residents, and the availability of other revenue sources.

When the Tribe lost its federal recognition, reservation land was removed from federal trust and given to the newly formed corporation that operated the Menominee forestry and sawmill operation, and to individual Menominee. It soon became apparent, however, that the property tax levied on these lands was insufficient to support local services. The corporation undertook to sell recreational home sites around the newly created Legend Lake. Opposition from some Menominee eventually halted development. When the Menominee's tribal status was again recognized by the federal government in 1973, much of the land was returned to federal trust. Today, only 1 percent of all land in the county is taxable, and the total assessed value is \$144 million. The Tribe continues to purchase small amounts of land to be placed in federal trust, further reducing the tax base.

County expenditures have exceeded revenues for five of the last seven years, so that Menominee County ended 1997 with a deficit of approximately \$75,684. The Town of Menominee operates with a small deficit. As a result, neither the county nor the town has funds reserved for emergencies or unexpected gaps in cash flows.

There were 2,351 taxable parcels in the county in 1997, only 1,306 of which were improved. Of the improved parcels, an estimated 850 are owned by non-residents; 200 are owned by permanent residents in the lakes area, some of whom are Menominee; and some 250 are owned by Menominee in other parts of the county. For all taxable property in the county, 94.4 percent of assessed value is in the lakes area and 5.6 percent elsewhere.

In the past five years, the total tax levy has increased 64.1 percent in Menominee County. During the same period, total levies in all municipalities statewide rose an average of 4 percent. State controls on county levy increases have not limited levy growth in Menominee County because of the rapid increase in property values. The potential property tax savings from increased school aids was offset by an increase in the levy rate that resulted from a \$7.2 million building referendum approved by voters, most of whom are not taxpayers.

Tax bills in Menominee County are high in comparison to those in most of the surrounding towns and in comparison to bills paid in other towns with lake property. A sample of 164 improved parcels showed that between 1992 and 1997, the taxes on the median parcel increased 59.3 percent in the Legend

Lake area and 86.8 percent around the other lakes. The tax bill for the median parcel located outside the lakes area declined 34.9 percent during the same period.

The potential for future tax increases will be affected by real estate market values and demand for additional spending. Additional costs would be incurred if Menominee County were to annex from Shawano County the Tribe's new housing development, known as Middle Village. All Middle Village land is already held in federal trust so that annexation, which is sought by the Tribe, would increase service requirements but add no value to the tax base. Shawano County officials currently oppose annexation of the area to Menominee County unless the Tribe agrees to limit future land purchases elsewhere in the county or to provide payments in lieu of taxes to offset the cost of services to tax-exempt land.

Services provided to Menominee County residents are limited. The Menominee County Highway Department has inadequate facilities and equipment to provide road maintenance, and many of the town roads in the densely developed lakes area are not paved. There is no heated garage in which to store snowplowing equipment, and some town roads are not plowed for several days following significant snowstorms.

The Town of Menominee Fire Department has old equipment and has provided limited training to its volunteer force. Ratings based on the adequacy of fire service in the town have resulted in high fire insurance premiums for town residents.

Menominee County's poverty rate was 48.7 percent in 1994, compared to 10.7 percent statewide. Poverty and various health problems place a heavy demand for services on the county Department of Human Services. Although its expenditures of \$2,529 per client served in 1996 were below the statewide average of \$2,726, its costs per county resident were more than twice the cost incurred by the next highest county. Although the share of these costs paid from the county levy is similar to the share paid by other counties, the demand for services and the county's limited tax base result in a higher burden on Menominee County taxpayers to fund these costs than on taxpayers in other counties.

The Tribe contributes to the cost of providing local services in several areas. For example, it provided funds ranging from \$35,000 in 1995 to \$175,850 in 1996 to support the fire department. The Tribe also supplements county human services, both by providing funds to the Department of Human Services and by providing various services to Indians and, in some cases, to non-Indians.

The service of most pressing concern to taxpayers is law enforcement. Menominee County has had the highest adult and juvenile arrest rates of any county in the state. Moreover, more than 84 percent of all major crimes committed in the county in 1996 were property offenses, which is of particular concern to non-resident lake property owners whose properties are frequently unoccupied.

Nevertheless, in an effort to reduce county expenditures, the County Board voted to reduce the Sheriff's Department budget request for 1998 by some \$200,000. This reduction would effectively reduce the number of Sheriff's Department deputies from eight to four, thereby limiting patrols to one officer in the entire county per shift. The Sheriff has challenged this action by bringing suit charging that legally required public notice of the meeting in which the vote was taken was not given.

Some who support the reduction in the Sheriff's Department point out that the Sheriff has arrest powers only over non-Indians, who are concentrated in the lakes area. Federal law assigns arrest powers over

Indians on the reservation to the Menominee Tribal Police Department or other federal officers. The Tribal Police Department has 28 full-time officers and a federal fiscal year 1995-96 budget of \$1.2 million. The Menominee County Sheriff points out, however, that while arrest powers are limited, the Sheriff is responsible for providing protection to all residents of the county.

Uncertainty about Menominee County's financial future is created by:

- an existing deficit in both the county and the town that will be difficult to eliminate given the statutory limit on the county's levy;
- current tax bills that are among the highest in the area and that are high in comparison with other areas where property values have increased rapidly;
- demand for improvement in current service levels, including road maintenance, fire protection, law enforcement, and human services, which are at or near the lowest level of those typically provided by counties and municipalities;
- continuing concerns about the low achievement of students in the Menominee Indian School District;
- the very limited potential for growth in the tax base by other than continued increases in the value of existing property;
- the potential for further acquisitions of currently taxable land by the Tribe if gaming compact negotiations result in an expansion of gaming activity and increased revenues to the Tribe; and
- uncertainty about the Tribe's interest in holding some of its land outside the federal trust and on the tax rolls in order to encourage development.

With the exception of the current deficit, few of these problems are the result of decisions made by county and town officials. Furthermore, it is evident that most of these problems cannot be addressed by local officials, no matter how closely they work together and with the Tribe. While some have suggested that the county be dissolved, it also appears unlikely that such action would resolve these problems. Some efficiencies and improvements in county management might be gained by sharing additional programs through contracts between Menominee and Shawano counties.

If property taxes are to be held to a reasonable level and residents of Menominee County are to be provided even minimally acceptable services, ultimately the State may have to provide financial assistance to Menominee County, at least for a time. Such assistance could be provided in a series of grants for needed capital items or road-paving projects, or in ongoing assistance for state programs that require local match or supplemental expenditures, such as mental health services or juvenile delinquency institutional placements. Meanwhile, the State will need to pursue federal legislation that will cause the federal government to assume greater responsibility for the financial burdens associated with federal trust land. There is also a need to clarify federal, state, and tribal jurisdiction in criminal and civil regulatory matters.