



WISCONSIN POLICY FORUM

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Growth Opportunity: How Development Impacts Jefferson County's Local Governments

Report highlights "central tension" in state policies affecting local communities across Wisconsin

As in the rest of Wisconsin, the pace of development in Jefferson County has slowed over the last decade, and its schools have seen sizable enrollment declines.

A potential uptick in development would bolster revenues for Jefferson County's local governments and schools, a new [Wisconsin Policy Forum report](#) finds. They also would see increased demand – and costs – to provide services, though some could be accommodated within their current capacities.

This report began through a request from Jefferson County officials to analyze how development affects the finances of its local communities and schools. Similar conditions apply to many other Wisconsin communities, and this report is meant to inform the work of officials across the state.

Since 2005, state levy limits have capped the annual percentage by which all local governments in the state may increase their property tax levy, linking it to a measure of annual development within their jurisdiction. The report highlights what it calls the "central tension" imposed by these limits in Jefferson County and elsewhere. Additional revenue generated by new developments should typically cover the public safety and street operating costs associated with them and do so with revenue to spare.

In other words, construction generally puts local governments in a better financial position, but it does not solve all their problems. Under state law, the costs of providing services grow over time – while revenue from existing properties does not.

"This is not a critique of development," the report finds, "but rather an observation about how Wisconsin's system of financing local government currently functions."

The importance of "net new construction" and impact on local governments

State law currently ties levy limits to "net new construction," or the value of all new development in a given jurisdiction each year, minus the value of any demolished property. For all counties, municipalities and technical college districts, annual increases in their property tax levy for operations are essentially limited to the percentage change in property values due to net new construction. State law also allows for raising property taxes to cover debt payments or in response to a referendum approved by voters.

Prior to the Great Recession, Jefferson's County's rate of net new construction was more than double its current rate, and it closely tracked the statewide average as well as the Consumer Price Index. Since 2011, however, Jefferson County's rate of net new construction has trailed both the state average and inflation. In 2005, Jefferson County's net new construction rate was 3.1%, Wisconsin's was 2.8%, and inflation was 3.4%. In 2025, Jefferson's rate was 0.7%, the state's was 1.7%, and inflation was 2.6%.

Among Jefferson County municipalities, Lake Mills typically has had the highest rates of net new construction over the past 10 years, with rates peaking in 2024 at 3.5%. New construction in Whitewater also exceeded 2% in some years, while the cities of Jefferson and Fort Atkinson typically grew more slowly, with rates of new construction often below 1%.

As an example, if the city of Jefferson had seen an annual rate of net new construction of 2% since 2017, it could have levied an additional \$430,000 in December 2025 without added taxes on existing property owners, or close to the \$500,000 that the city added through a 2023 referendum. (For reference, the city's 2026 levy was \$5.3 million.) To achieve a rate of 2% new construction, Jefferson would need to add about \$18 million in property value, or about 50 single family houses per year. Municipalities may also realize other types of new revenue from development, such as impact fees paid by developers or increased state transportation aids.

Developments also bring new costs to provide services such as increased emergency medical and fire calls, additional police patrols, or increased street maintenance and plowing costs. The magnitude of increased costs depends on the development's scale and location but typically is less than the amount of new revenue. However, as the report highlights, the cost to provide services grows over time with inflation, while revenue from the development does not. In addition, the state's main form of aid to municipalities and counties, shared revenue, does not change over time with population change.

Under Wisconsin law, levy limits work the same way for counties and technical colleges as they do for municipalities. However, because these jurisdictions include far more properties than do municipalities, any single development has a smaller percentage impact on county or technical college revenues.

Impact on schools

As Jefferson County's pace of development has lagged the state, its communities have seen enrollment in its public schools decline more rapidly than the state average. Between 2015 and 2025, enrollment in Jefferson County fell 14.6%, compared to 7.4% statewide. This has resulted in gradual decreases in the inflation-adjusted revenues these districts can collect under state-imposed revenue limits.

Under a hypothetical development in the city of Jefferson that is detailed in the report, we estimate the Jefferson School District would see increased enrollment that would provide the district with an additional \$870,700 in annual revenue limit authority by year four. Due to the enrollment declines of the last decade, some districts in Jefferson County have excess capacity. Officials at Jefferson School District say they have room in each of their five buildings for about 100 more students.

In presenting this analysis, the Forum argues neither for nor against development projects, which sometimes bring controversy in Jefferson County and elsewhere in the state. Instead, we seek to lay out the facts about the impact of new construction for this and other Wisconsin communities.

"Ultimately," the report concludes, "local officials and voters must decide for themselves such questions as the character of their community and the pace of development within it."

This report was commissioned by Jefferson County, Thrive Economic Development, the Greater Watertown Community Health Foundation, the League of Wisconsin Municipalities, and the Wisconsin REALTORS Association. [Click here](#) to read the full report.

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