

Devolution of Milwaukee County Government

Sheldon B. Lubar is a businessman and philanthropist in Milwaukee, as well as a former presidential and gubernatorial appointee to a variety of positions; in short, he is a civic leader. In April 2008, he delivered remarks at the War Memorial Center to the Rotary Club of Milwaukee, in which he addressed the future governance of Milwaukee County. News accounts of the address have prompted considerable reaction and debate over the ensuing months. Mr. Lubar's specific proposal, and the general matter to which he addressed himself, are sufficiently important that we print his remarks here.

Remarks of Sheldon B. Lubar

Good afternoon, and thank you for this invitation to speak with you. From the introduction, you know that my career has been in business management and finance. I don't claim to be an authority on municipal finance or Milwaukee metropolitan politics, but, then again, many elected officials lack a background in business management and don't seem to have a record of understanding finance. So we'll call it even. I also believe that my record will show that I am a commonsense person with the ability to recognize changing circumstances and change with them.

During the past two years, I cochaired the Greater Milwaukee Committee's report on Milwaukee County finance. I also cochaired Governor Doyle's task force on Milwaukee County's fiscal crisis. In the time we have together here, I will share with you what I learned, the problems I perceived, why they occurred, and—most importantly—what I believe the solutions are.

First, I want to acknowledge that all of the county officials and employees I encountered were decent and intelligent people. Many want to do the right thing, but they're mired in a bureaucracy that won't let them. County governance has grown into a dysfunctional system that



wouldn't work if Jesus were the County Executive and Moses chaired the Board of Supervisors.

Let me start by giving you some background. During the last 16 years, despite closing County Hospital and shifting services for both welfare (W-2) and child welfare to the state, Milwaukee County's budget has grown by 50 percent. In 1990, the county spent \$857 million; by 2006, that budget ballooned to \$1.25 billion. The property tax has also grown by more than 50 percent, from \$147 million in 1990 to \$233 million in 2006. During that same period, the county's residential population has *decreased* by about 44,000 people.

But as Milwaukee County's budget and levy have risen, the portion of the county budget and levy dedicated to services that the average person cares about most—namely parks, transit, the zoo, the arts and cultural centers—has declined. Of the total budget, only about 13.5 percent is spent on these services. Almost half the budget consists of health and human-services spending.

Let's examine some of the county's problems and their causes in more detail:

1. Pensions. As recently as January 2001, the county's pension system was more than fully funded. In fact, it was 108.6 percent funded. So what was done? A series of irresponsible benefit increases was implemented. This surplus soon became a liability of almost \$500 million. You know we have a pension problem on our hands when an area reporter writes about our pension problems and how we got there and wins a Pulitzer Prize for it, as we just saw happen with Dave Umhoefer of the *Milwaukee Journal Sentinel*. (By the way, congratulations, Dave.) But Dave, like the rest of us, is now stuck paying to cover these pension obligations. The situation was recently addressed by the legislature and Governor Doyle, permitting Milwaukee County to issue 30-year pension-obligation bonds. This was a key recommendation of both the GMC's and the state task force's reports. While that does indeed help, this is still a liability that shouldn't have happened.

2. Rising health-care costs and early retirement of county employees. Unlike the pension problem, this is an issue for every American, whether you're in Milwaukee County or not. But with a fiscal crisis, a rapid spike of younger retirees, and a commitment of lifetime health insurance for all employees hired before 1994, the county is in a tougher position than most when it comes to funding health-care responsibilities. Again, some poor decisions of the past that we are paying for today.

3. State mandates that impose costs without full revenue-sharing to pay for them. In the past, the county has been burdened with costs mandated by the State of Wisconsin—mandates that require the county to provide a service or fulfill a duty without providing the funds needed to do it. In the case of Milwaukee County, the financial situation simply doesn't have the room for unfunded mandates. This is an example of how many in the county who want to do the right thing are put in a position of funding the priorities of others.

4. Costs imposed by independent authorities, many nonelected. Look at your property tax bill. There is not only an assessment from Milwaukee County and one from your local municipality. You also have MMSD, for water treatment. MATC, for technical schools in the area. Local school districts. And so on, and so on. Multiple, independent authorities, many of which do not face voters but have the power to add to the tax bill—and in too many cases have little or no oversight over what they do. Do you think that these independent taxing authorities pay close attention to the overall tax burden, or do they just focus on what their needs are?

5. Duplication of services. Fire, police, maintenance crews . . . in too many cases, multiple agencies are responding to a single need. A sensible way to lower the tax burden and increase efficiency would be to eliminate duplication of services. Consolidation of some services, as was done with the creation of the North Shore Fire Department in the early '90s,

is an example of a good way to go. The mentality of government should be to find these efficiencies and make cross-agreements to implement them.

6. Communication between the county executive and the county board. It's no secret that the relationship between County Executive Scott Walker and many members of the county board has been quite adversarial. Infighting and political maneuvers are certainly not productive and don't help the county and the taxpayer to get things done. I understand that the county executive is trying for better relationships, but the system is not built to create collaboration.

The result of all of this lack of expenditure control, high employee-costs, duplication of services, and past poor judgments is that we have one of the highest property-tax rates in the country. And despite these high tax burdens, Milwaukee County is not adequately supporting key assets and fundamental services to its residents, its businesses, or its visitors. I am talking about building maintenance and infrastructure needs in general.

Meanwhile, we're top-heavy with governance. The tax levy cost in 2007 for the Milwaukee County Board of Supervisors Department was about \$5.6 million. In a fully incorporated county, where there are governing municipalities covering every inch of ground, do we really need a 19-member board of supervisors who each get paid over \$50,000-plus per year with full benefits in what is essentially a part-time job?

Some may argue that other Wisconsin counties have more board members, and that's true—but they don't get paid this much and have unincorporated areas for which they are responsible. Let's look at Milwaukee County compared to other major urban counties in the United States. We have 19 supervisors and a population of about 900,000. Meanwhile, Hennepin County, Minnesota, which holds Minneapolis and a large number of suburbs totaling just over one million people, has 7 members on its county board. Alameda County in California, which holds Oakland and parts of the East

Bay with 1.4 million residents, has just 5. Fast-growing Tarrant County, Texas, which holds Fort Worth, has 1.6 million people and will soon have the headquarters of the United States Bowling Congress, but needs just 5 supervisors to oversee rapid growth and an increasing quality of life. Why do we need 19 supervisors?

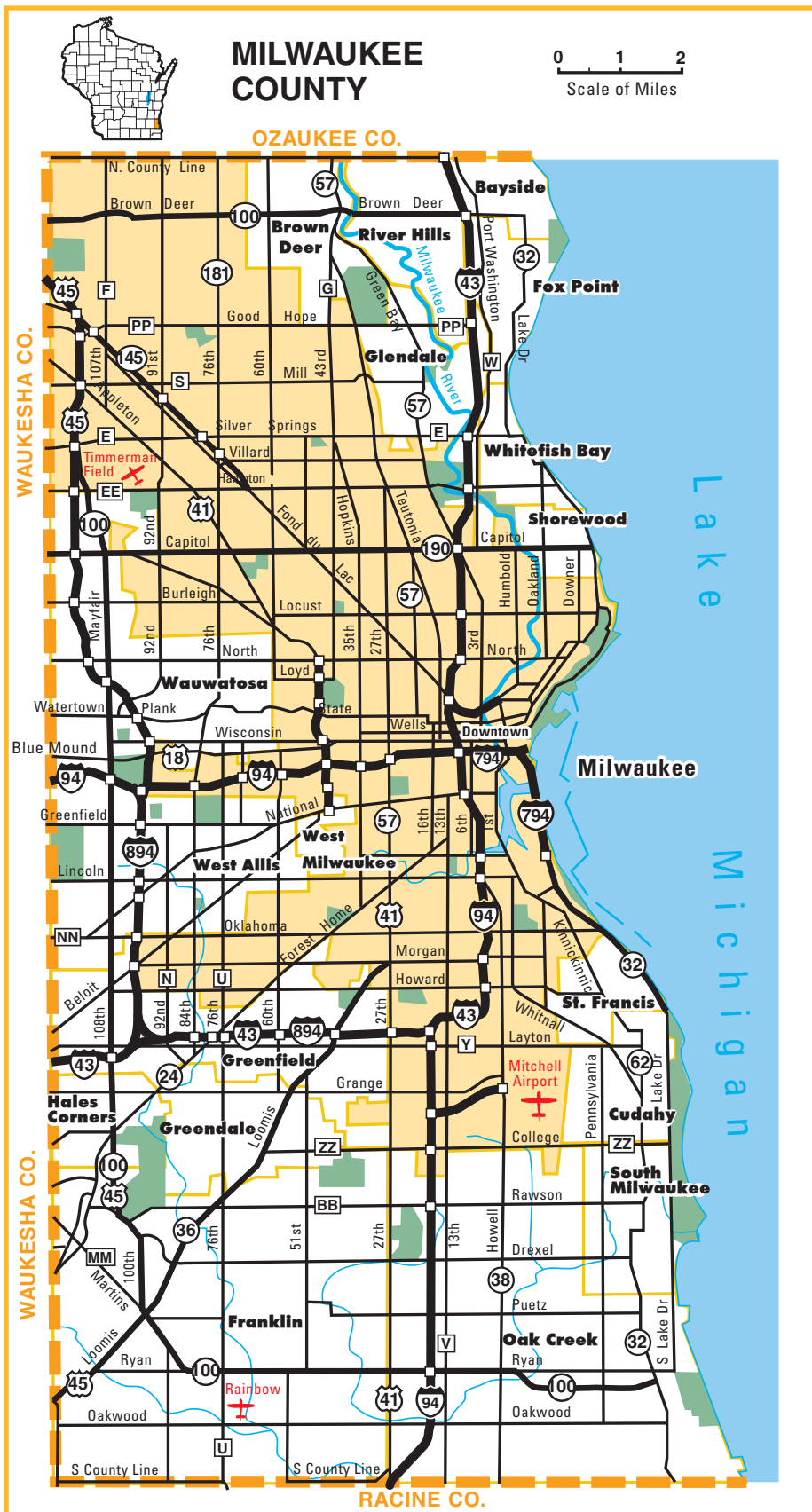
We haven't asked much from them, but even something reasonable like an ethics code—something much needed—meets with resistance. The *Journal Sentinel* editorial board noted on April 13 of this year, just over two weeks ago, "the Milwaukee County Board's trashing of a proposed and very much needed revamp of the county's ethics code was way over the top." We could save time with this ethics issue by not having a county board in the first place.

Meanwhile, Milwaukee is challenged economically, struggling to move ahead in a world where the speeds required to keep up continue to accelerate.

How can we keep up when we're bogged down with glaring redundancies and inefficiencies in a government that works with the speed of a horse and buggy in the age of the satellite? For Milwaukee, both the city and the county, as well as the seven-county region of which we are part, to have a prosperous future, we must break free of our outdated past and recognize the need to change and deliver.

Studies show time and time again that larger legislatures are positively correlated with higher government spending. One study found a close link between larger county boards and significant increases in county social and criminal justice spending. Perhaps that's not news to many of you, but this is just to prove that, upon true examination, the evidence is there that wherever you go, larger government bodies equal larger government spending . . . which means they need more tax money. Eventually, it grows to the detriment of the area it's supposed to serve.

The time has come for county government to retire itself in an orderly fashion, reduce the burden on area taxpayers, and reshape the way taxes are collected



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and services are delivered, and thereby lead to a better economy and quality of life in Milwaukee.

As promised, I come not only to point out the problems, but to offer solutions.

First, we can change the system by means of a process of devolution, and then develop a strong, accountable Fiscal Oversight Board to manage budgets for the area.

We can devolve and eliminate county government by passing down the various services for which the county is responsible to a combination of state, existing municipal, and certain independent authorities. The county is a child of the state and exists at the pleasure of the state. The state, through the actions of the legislature and the governor, can devolve what it has imposed but is no longer relevant or needed.

Nineteen municipalities in the county maintain all the key services locally, such as police and fire, and, through cooperative arrangements, services such as animal control. We could return the parks to local municipalities with the county's former share of the property tax to maintain them or, if municipalities desire, create a parks authority whose budget and taxing limits would be subject to the Fiscal Oversight Board. The state is able to assume administration over remaining social services that are now handled by the county. The state can also run public safety (sheriff, etc.) and corrections, along with social-

service functions such as income maintenance and food stamps. The governor's recent budget even included provisions for funding of the General Assistance Medical Program. The judicial system is currently split between the state and county, but the state could do it all. With respect to cultural assets, the county could cede to the various governing boards responsibility for their physical facilities and collections, along with funds/endowments to repair and maintain them. Better yet, other communities have created cultural districts governed by an authority composed of board representatives of the various cultural institutions. The legislation exists within current state law to create a cultural district within Milwaukee.

Independent authorities, requiring far less administration and expense, can take over transit, airports, and perhaps the parks, to bring a more comprehensive, regional focus that benefits not only City and County of Milwaukee residents, but those residing in other counties in the region. Coordinated planning and a larger view would be very beneficial.

For example, the regional transit authority can run the buses with a regional view or at least develop a memorandum of understanding with other adjoining communities, resulting in a system that works better for everyone and has a wider source of funding with lower administrative costs. Larger transportation visions such as commuter rail and

interconnecting modes of transport systems, including consideration of roads and highways, are also much better planned and executed on a regional scale.

Airports can be part of this also: a regional airport authority, perhaps as part of the regional transit authority, can handle not only Mitchell International Airport and Timmerman Field, but take in and coordinate nearby airports such as Crites Field in Waukesha, John Batten Airport in Racine, and Kenosha Regional.

These proposed solutions are based on three key assumptions:

1. That it is possible, and beneficial, to create an overarching mechanism to review and approve the budgets and taxing for those services provided by the county and the various authorities;
2. That there is a need to create a system that governs based on citizens' needs today—not on the distance that can be covered in a day's horseback ride by a circuit judge, which was the criterion for drawing county lines 150 years ago; and
3. That the appropriate services should be provided by a simplified, cost-effective system—we must unpeel the onion of multiple redundant layers of government.

This may sound radical to some, but only because it is a new and different structure. It would be designed to meet today's needs. And it's been done around the country, in one form or another, in a number of cities



and counties. Over the past two years, Wyandotte County and its county seat, Kansas City, Kansas, merged services and passed much of the savings back to taxpayers, who are repaying the area with increased investment, business activity, and economic growth. Jefferson County, Kentucky, merged with Louisville in 2003 and provides a wealth of good examples of how to consolidate a transit authority, park system, and school systems. Indianapolis and Nashville are also good examples of devolution and how consolidation of city and county government can work. And if you haven't noticed, all the cities and metro areas I just mentioned are doing quite well right now and have moved up the list of high-growth, top-50 municipalities. In May 1997, the county executive in Essex County, New Jersey, proposed abolishing his job, along with the entire county government.

We're struggling to keep up. In 1970, the City of Milwaukee ranked 12th-largest in the United States, with 717,000 people; today, the city has fallen to 22nd after losing over 110,000 of those residents. Even more illustrative of our situation, the Milwaukee metro area was 17th in the United States in population in 1970; today it has fallen to 37th. Our economic and political muscle has dropped proportionately. The cities and metros I just mentioned that have consolidated or devolved duplicative governments are doing well by comparison: Kansas City is seeing 6 percent growth; Louisville's metro has 4 percent growth. Meanwhile, Nashville is hot on our heels as a metro, ranking 39th, and will soon surpass us with its 8.4 percent growth. Austin, Texas, will also, since it's 38th with 14.3 percent growth. We currently have 0.8 percent growth, stagnant at best. But one of the reasons I'm talking with you today is because we want to change that.

"The time has come for county government to retire itself in an orderly fashion, reduce the burden on area taxpayers, and reshape the way taxes are collected and services are delivered, and thereby lead to a better economy and quality of life in Milwaukee."

It's quite evident that Milwaukee County can learn from examples such as these and realize that it can be done. In 2006, as a result of in-depth, inclusive research, the GMC published *Reforming Milwaukee County—A Response to the Fiscal Crisis*, which I cochaired. This report outlined causes and included specific recommendations to save taxpayers millions of dollars in 2007 and even more in future years. The ideas I have shared with you today represent a continuation of this GMC work.

The GMC remains committed to moving this issue forward, and an action plan will be developed in the next few months.

So, what's next? The involvement of the legislature, the governor, the local communities, and all citizens is critical.

This can't be done easily, but it can be done. A lot of entities and individuals must come together, agree in principle on what I have generally put forth today, and take the steps to make this happen. It would take the action of the state, Milwaukee County, the City of Milwaukee, and the municipalities in the county. It has been done before, and it can be done now. The time to make it happen is now.

This is our opportunity. We can change the future of Milwaukee County for the better. We've done it before. County government's last major structural overhaul came in 1960, when John Doyne was elected the first county executive. This is simply part of changing with the times: becoming more responsible with taxpayer money and more growth-oriented, adding opportunities to everyone's future, and ensuring that Milwaukee's next great era lies ahead. The most courageous among us will make it happen. Will you join us? •