SHOULD IT STAY OR SHOULD IT GO?

Exploring the potential for structural reform in Milwaukee County government

Public Policy Forum
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ABOUT THE PUBLIC POLICY FORUM

Milwaukee-based Public Policy Forum – which was established in 1913 as a local government watchdog – is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of regional public policy issues.

PREFACE AND ACKNOWLEDGMENTS

This report was undertaken to provide community leaders and elected officials with a level of analysis that will allow them to factually debate whether downsizing or eliminating Milwaukee County government is a viable option. We hope that policymakers and community leaders will use the report's findings to inform discussions during upcoming policy debates and budget deliberations at both the state and county level.

Report authors would like to thank Milwaukee County fiscal officials and staff – including the Milwaukee County Fiscal and Budget Administrator, Deputy Fiscal and Budget Administrator, Director of Audits, Controller and Director of Employee Benefits – for their assistance in providing information on the county's finances.

We wish to thank the Greater Milwaukee Committee for commissioning and funding this research.

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COMMITTEE

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RESEARCH COMMISSIONED AND FUNDED BY THE GREATER MILWAUKEE COMMITTEE

HOW THIS REPORT IS ORGANIZED

The Executive Summary provides a high-level overview of findings, insights, policy options and conclusions, while the Introduction discusses the rationale for the report, its key research questions and its overall approach. A Methodology and Data segment details the research techniques and assumptions.

The report is then divided into five sections:

Section I explains the financing of fringe benefits in Milwaukee County, which has become perhaps the key financial issue facing Milwaukee County government, and an issue that any potential government restructuring must address. This section provides historical analysis, a glimpse into future trends and discussion of the county's methodology for allocating and budgeting fringe benefit costs, including so-called "legacy costs" associated with retirees.

Section II contains subsections that break down and analyze county government's major functions, as well as a concluding subsection that briefly analyzes remaining functions. These subsections discuss the legal and programmatic rationales that have placed these functions in Milwaukee County government, the financial considerations that would come into play should policymakers wish to consider housing them in an alternative government body, and the pros, cons and logistical questions associated with alternative entities. Alternative models found in other states provide context and perspective.

Section III provides broad financial models of three scenarios for alternative structures for Milwaukee County government.

Section IV describes the experience of the Commonwealth of Massachusetts in eliminating several of its county governments in the late 1990s. It summarizes the events that led to the decision to eliminate several county governments, the mechanics of the enabling legislation, and insights from this experience that might apply to Milwaukee County.

Section V summarizes the report's key findings and presents a set of step-by-step policy options for policymakers to consider as they grapple with the financial problems and governance challenges facing Milwaukee County government.

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EXECUTIVE SUMMARY

Milwaukee County government faces immediate and substantial fiscal and programmatic challenges. A combination of stagnant state and local revenues, skyrocketing pension and health care obligations, and several successive years of severe budgetary stress have left it weakened in virtually all areas. Meanwhile, as its fiscal pressures worsen and its service levels erode, it operates with no long-range plan for digging its way out.

The urgency of this matter cannot be overstated. The county's structural deficit – defined as the gap between expenditure needs and anticipated revenues – is projected to grow from $48 million in 2011 to more than $106 million by 2014, despite several successive years of significant expenditure and staff reductions and anticipation of significant wage and benefit concessions in 2010. This projection is the clearest indication yet that the county's finances are crumbling and that valued services in areas like parks, transit, mental health and public safety face severe degradation without prompt and concerted action.

This action could take any of several forms, including the complete elimination of Milwaukee County government. This report, commissioned by the Greater Milwaukee Committee, provides detailed analysis and perspective on the complex issues surrounding that option, as well as other potential structural changes. Among other things, it explores the legal and logistical challenges involved with eliminating a $1.4 billion government with 5,500 full-time employees; alternative administrative structures used by other metropolitan areas to deliver services now housed in Milwaukee County; and whether radical restructuring would save taxpayer dollars and improve service quality.

The report begins by quantifying and analyzing perhaps the largest component of Milwaukee County's budget difficulties: its pension and health care obligations to its retirees, also known as "legacy costs." Next, it analyzes the budgets of each of the critical functions of county government and potential alternative homes for each function. The report then models and analyzes what county government would look like under three different restructuring scenarios, including one in which Milwaukee County government is eliminated entirely. After a discussion of Massachusetts' experience with abolishing county governments, the report closes with a series of policy options.

The overall intent of this report is to provide community leaders and elected officials with a level of analysis that will allow them to reasonably debate whether downsizing or eliminating Milwaukee County government is a viable and desired option. For those who conclude that it is, this report offers a source of fiscal and policy analysis that can be utilized to contemplate legislative initiatives and resolve some of the complex issues we identify. For those who do not, this report provides further insight into the extent to which Milwaukee County government's overriding fiscal problems are negatively impacting its various functions, and highlights the need for immediate consideration of alternative strategies to address those problems.

SUMMARY OF KEY FINDINGS

- **Retiree fringe benefit liabilities are a legal obligation and must be financed regardless of any county governance change that may (or may not) be implemented.** The county's pension and health care expenditures nearly tripled during the first eight years of this decade, from $67 million in 2000 to $179 million in 2008. About 46% of those costs are "legacy costs" attributed to retirees. Retiree fringe benefit cost increases will continue to accumulate in future years, driven by unfunded pension liabilities and the rising cost of health care, and will continue to have a huge impact on county taxpayers for the foreseeable future. Prompt action is needed to isolate and control those costs.

- **The treatment of the county's fringe benefit obligations would be a key factor in reorganization deliberations.** If consensus was achieved to remove certain functions from Milwaukee County government, the magnitude of the retiree legacy liabilities attached to such functions makes it unlikely that any other government would readily accept them. Moving those functions to another government while leaving their associated legacy liabilities with the county, however, could result in a much smaller county government even less capable of affording its legacy-related costs.

- **Milwaukee County operates a vast array of diverse programs that must compete for a shrinking set of resources.** Milwaukee County was created as an "administrative arm" to manage programs locally on behalf of the state, but it has taken on significant discretionary programs over the years. This creates a level of competition for county taxpayer resources among diverse programs that is somewhat unique and that perhaps was not intended by those who founded Milwaukee County's current governance structure.

- **Transferring functions like parks and transit to special districts with a dedicated funding source would enhance funding stability but also would produce new government bodies with their own funding demands.** In other states, the primary rationale for creating special districts has been to provide services more effectively at a regional level and/or to prevent certain services from being negatively affected by the budget difficulties facing a municipal or county government. Before taking a similar approach, Milwaukee County citizens should weigh the potential for stable funding and better quality versus the creation of new, independent government bodies that claim a share of taxpayer resources. Citizens also should weigh the potential benefits of creating a streamlined county government that is able to focus solely on its mandated services.

- **Potential savings associated with government restructuring are difficult to measure precisely but merit further exploration.** Restructuring could produce several sources of potential savings that could not be quantified in this report. Those include reduced overhead costs, proceeds from liquidating unneeded buildings and equipment, and the opportunity to negotiate lower wage and benefit costs. The report models three restructuring scenarios and reports savings that *can* be reliably estimated ranging from $2 million to $9.6 million annually. Restructuring also could produce new possibilities for funding the county's long-term liabilities if state elected officials create new funding sources for transferred functions while allowing existing county revenue streams to remain intact.

- **Massachusetts overcame similar (though much smaller-scale) complexities to eliminate several county governments** and could be a model for how such an endeavor might be undertaken in Milwaukee. The Massachusetts example also demonstrates the extraordinary amount of leadership, resources and attention that would be required by state government.

FRAMING THE ISSUES

County governments exist as creations of the State of Wisconsin. Unlike cities and villages, counties do not have constitutional "home rule" authority, which means they only may undertake functions expressly granted to them by state statutes. In fact, many consider counties "administrative arms of state government" that were designed by the state to administer local functions on its behalf, but not necessarily to do anything more.

Milwaukee County, of course, does *much* more, which is a reason for its unique nature and, arguably, its unique problems. A good deal of the public debate about Milwaukee County's financial challenges, for example, has centered on the condition of its parks, cultural facilities and transit system – three functional areas that Milwaukee County government elected to assume with the permission of state government, but not at its behest.

A FUNCTION-BY-FUNCTION REVIEW

With this perspective in mind, consideration of Milwaukee County's governance structure should start with an analysis of each major county function. This approach includes exploration of why the county is performing the function; how the function is administered in other metropolitan areas; whether transferring it to a different government body is logistically and politically viable; and whether doing so would improve its quality and cost effectiveness.

Our analysis indicates that many other metropolitan areas decided to consolidate services like parks, transit and human services at a regional or state level largely to secure financial and programmatic stability. A similar argument could be made for transferring those same types of services outside of Milwaukee County government, but citizens and policymakers must weigh the desire to secure stability for certain functions against any potential negatives associated with creating additional local governmental bodies or enhancing the role of the state.

We also find that the legal, logistical and political complexity associated with transferring certain functions outside of Milwaukee County government is significant. Complex issues that would need to be resolved range from legal and constitutional uncertainties, to the appropriate treatment of real property and debt, to dilemmas regarding cash flow and accounting. This suggests that any effort to dismantle Milwaukee County government needs to be addressed on a function-by-function basis and would require strong leadership at the state level.

EXPLORING THREE RESTRUCTURING SCENARIOS

Using the insights gained from the individual functional analyses, the report develops and provides a broad fiscal analysis of three alternative restructuring scenarios:

- The first scenario is the complete elimination of Milwaukee County government.

- The second scenario returns county government to its "roots," consisting only of its constitutional and statutory mandates. The one exception is health and human services. While this is largely a mandated service, this scenario returns it to the state in recognition of the previous state takeover of several human service functions in Milwaukee County, and the rationale that it may be beneficial to have all human services in the county administered and coordinated by one governmental entity.

- The final scenario removes only the transit system, airport, parks and cultural facilities from county government. This scenario differs from the second scenario in that all existing health and human services functions remain with the county. The functions that are removed are not mandated and already have been subject to considerable discussion regarding new governance options. In addition, these are functions for which new regional approaches to governance may be most viable.

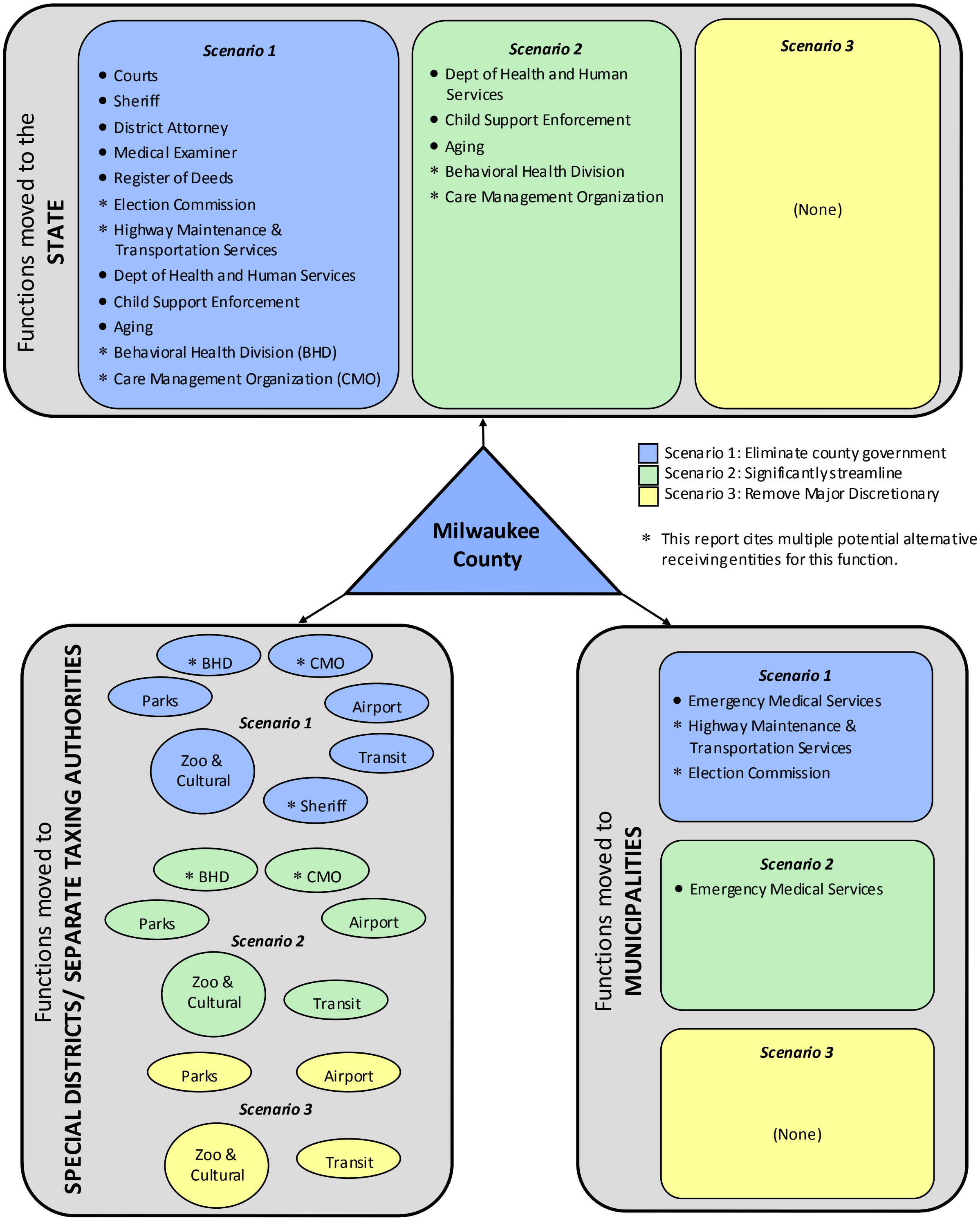
Using 2008 actual spending, the table below summarizes the three scenarios, while the diagram on the following page depicts the flow of county services to alternative government entities.

Summary of Three County Government Restructuring Scenarios

	Key functions removed	Estimated remaining expenditure budget	Estimated Remaining property tax levy*	Legacy costs as % of remaining tax levy	Estimated remaining full-time county employees
2008 County Government**	None	$1,340,250,497	$236,268,763	34.2%	5,707
Scenario 1 – Eliminate County Government	All	$85,685,857	$80,685,858	100.0%	0
Scenario 2 – Significantly Streamline	Parks, Culture, Airport, Transit, Human Services, CMO, Aging, Child Support Enforcement	$370,377,101	$104,423,293	77.3%	2,424
Scenario 3 – Remove Major Discretionary	Parks, Culture, Airport, Transit	$1,014,430,758	$181,790,833	44.4%	4,567

** Under each of the three scenarios, policymakers would need to determine whether and to what extent the existing .5% Milwaukee County sales tax would remain in place and continue to be utilized to offset debt service. That decision could significantly impact the property tax levy amounts shown for each scenario.*
*** 2008 expenditure totals do not include expenditures on the General Assistance Medical Program, as that program has since been eliminated and would no longer factor into this analysis.*

Summary of Flow of Functions in Restructuring Scenarios



Note: As discussed in Section II of this report, an alternative to creating separate special districts for parks and zoo/cultural would be to create one special district for parks and cultural services. The same holds for the airport and transit system—those two functions could fall under one umbrella transportation district.

Determination of potential fiscal savings associated with each scenario is complicated by uncertainty regarding how alternative governing bodies would secure administrative services now provided by the county (e.g. accounting, human resources, information technology); whether they would utilize transferred county workers and be required to abide by existing labor agreements; whether they would utilize county buildings and equipment; and whether the function *now* has sufficient operating funds to fulfill its mission and responsibilities. The savings that *can* be reliably estimated are shown in the table below (based on 2008 actual expenditures).

Comparison of 2008 Levy Savings, Scenarios 1, 2 and 3

	Scenario 1: 2008 levy savings	Scenario 2: 2008 levy savings	Scenario 3: 2008 levy savings
County Executive	($831,826)	($656,711)	($284,628)
County Board	($5,459,700)	($4,438,180)	($1,669,370)
County Treasurer	($1,185,901)	--	--
County Clerk	($310,195)	--	--
Election Commission	($1,155,025)	--	--
Community Business Development Partners	($417,841)	--	--
Personnel Review Board	($171,347)	--	--
Civil Service Commission	($27,596)	--	--
Total	**($9,559,432)**	**($5,094,891)**	**($1,953,999)**

Insights derived from the modeling of these scenarios include the following:

- If county government is eliminated but legacy costs are not distributed to the governments that take over county functions, then about $81 million in annual legacy costs would remain as a responsibility of county taxpayers. In addition, about $5 million in annual debt service costs would remain for capital assets that could not logically be transferred to alternative governments. As a point of reference, we calculated what the 2008 impact of that combined $86 million obligation would have been on the owner of a Milwaukee County home assessed at $150,000, assuming that state government elected to assess the county's property taxpayers for those costs in the absence of county government. We found that this average homeowner would have seen a line item of $197 on his or her property tax bill.

- A potential alternative might be to use revenues generated from the county's existing .5% sales tax to partially offset the $86 million remaining cost. Based on our assumption that most debt service costs would be spread to receiving entities, if we also assume that those entities would pay for debt service out of new or existing revenue streams, then most of the $65 million per year generated by the county sales tax could be utilized to offset the annual legacy payment, as opposed to its current use of paying for debt service on capital assets. That possibility, of course, would depend upon a decision by policymakers to leave the county sales tax in place even if county government no longer existed.

- Scenario 2 assumes a much smaller county expenditure budget ($370 million as opposed to the current $1.3 billion) with county board and county executive offices that are reduced by a similar proportion. This scenario would return Milwaukee County government to the traditional role of "administrative arm" of state government, which could significantly reduce the politics and dissention that characterize Milwaukee County government today. It also could produce more accountability and better coordination of human services programs in the county by consolidating those programs under state leadership. The fact that the new county government would have a proportional legacy burden triple the size of the current liability is a significant challenge, however. Policymakers could continue using the property tax to fund that obligation, though that would produce a situation in which legacy costs would be equivalent to 77% of the county tax levy.

- Scenario 3 differs from Scenario 2 only in its assumption that current health and human services would remain with county government. Because that function comprises about 45% of the county expenditure budget, the overall county budget in Scenario 3 exceeds $1 billion. Again, the size of the county board and county executive's office is reduced in proportion to the reduction in overall county expenditures. Because the county's severe financial challenges arguably have had the greatest negative impact on parks, culture and transit, there may be appeal in separating those functions from county government in order to eliminate their uphill struggle to compete for scarce resources. Also, as with Scenario 2, there may be logic to re-establishing the county's focus on its mandates and to explore a regional approach to providing aviation, transit and parks/culture services. The legacy problem still would exist, with legacy costs equaling 44% of the county tax levy.

THE MASSACHUSETTS EXAMPLE

In the late 1990s, Massachusetts eliminated several of its county governments. While the Massachusetts example does not provide an exact parallel with the concept suggested for Milwaukee County because its counties had far fewer responsibilities to begin with, this example does offer several important insights into how a layer of government can be made to disappear.

Until 1997, Massachusetts had 14 county governments, whose primary role was to administer jails, health facilities, agricultural schools, registries of deeds and probate, courthouses, county roads and extension services. Several of these counties experienced fiscal problems and turned to the state for emergency assistance in the early 1990s. Middlesex County, the state's largest with 1.4 million citizens, defaulted on $4.6 million of hospital loans and teetered on the brink of bankruptcy.

In July 1997, the state abolished Middlesex County and set up a process to eliminate two more county governments within one year and all county governments within two years. The mechanics of the legislation provide interesting insights into how Wisconsin officials might approach some of the complexities related to a similar governance reform effort in Milwaukee County. For example:

- The Massachusetts secretary of administration created what essentially was a balance sheet in which liabilities of the former county government (including unfunded pension liabilities) were listed and valued on one side, and assets on the other. Upon determining the net cost to the state (i.e. the value of liabilities incurred in excess of assets obtained), the secretary developed a schedule under which the state would be fully reimbursed over a period of several years via an assessment on taxpayers of the former county. This approach not only demonstrates how the state might play a leading role in taking over county functions without saddling itself with county costs, but it also provides insight into its potential ability to leverage unneeded county real estate assets to offset liabilities. A balance sheet approach should be considered regardless of whether county government is restructured or eliminated.

- Massachusetts implemented dual strategies for addressing pension-related issues: it moved those employees transferred to the state payroll to the state retirement system, and left the county retirement system in place to continue to serve retirees and inactive members. Again, this approach holds relevance for the Milwaukee County discussion whether or not the government is dismantled or streamlined. For example, there is logic that suggests *immediately* closing the county retirement system to new members and additional employee earnings. Under such an approach, all existing and future county employees would become members of the state retirement system and any future benefits earned would be at the level enjoyed by state employees.

- Another intriguing component of the Massachusetts approach was its mechanism to allow the cities and towns of counties whose governments had been eliminated to form regional councils of government to provide shared services. A key difference between a regional council of governments and a county government is that municipalities are able to "opt in" to have certain shared services performed by the regional council when such an approach makes sense for their budgets and communities. Such an approach might be warranted for several services in Milwaukee County, including public health, general road and street maintenance, housing, property assessment, economic development, and even special public safety services.

- A primary lesson learned is that undertaking a governance reform that is so complex and contentious requires resolute leadership from state government and a willingness by the state to devote considerable human resources and an up-front financial investment to the endeavor. In Milwaukee County, the current county executive has expressed support for abolishing county government, but the governor and legislative leaders thus far have been largely absent from any discussion about significant downsizing or outright elimination. The Massachusetts example teaches us that state elected officials not only would have to be *in* on the discussion, but they would have to *lead it*.

POLICY OPTIONS

Although governance reform promises to be highly complex and in need of strong state leadership, we urge local leaders not to abandon efforts to pursue comprehensive structural change in Milwaukee County government. The specific shape of such reform must weigh the findings contained in this report, but there are certain key decisions that require immediate consideration regardless of whether and what types of governance changes are pursued.

DECISION 1: The future of discretionary county programs

In light of the county's fiscal condition, it cannot continue to provide its major discretionary services at a level even approximating the expectations of users while also accommodating its growing legacy costs. Simply put, county government and its citizens are at a crossroads. They can choose to dramatically increase property tax levy support for parks, cultural and transit services; identify new sources of revenue to support those services; or accept a significant decline in their breadth and quality.

The debate over how to *pay* for discretionary functions also is an opportunity to consider whether it is appropriate to *remove* those functions from Milwaukee County government. This report shows there is not a clear-cut resolution to the issue of where to house the discretionary services. Transferring functions into special districts may not significantly reduce their costs, which means a value judgment must be made as to whether certain sets of services are sufficiently important to justify not only their own segregated funding sources, but also separate governance. Whether the services might be more effectively delivered on a multi-county regional basis also should factor into the equation.

From the perspective of Milwaukee County's larger fiscal challenges, another question emerges: Could a reduction in the size and scope of Milwaukee County government, while not solving its fiscal problems, produce less political and more professional governance that would lead to better planning and decision-making?

We have observed that other county and municipal governments in southeast Wisconsin generally function with greater focus and far less acrimony than Milwaukee County. Consequently, it is appropriate to consider whether a streamlined and restructured county government that focuses solely on its state mandates and that views itself as an administrative arm of the state would produce the more focused and professional approach to governance that is required to right the county's financial ship.

DECISION 2: How to address legacy costs

Milwaukee County leaders would be wise to consider a shift in philosophy and methodology with regard to legacy costs. That shift would reflect the fact that legacy costs are a legal obligation to past employees that must be met (notwithstanding reasonable efforts to reduce it), but that must not impact the effectiveness of government functions without consideration of programmatic needs and priorities. The following are different approaches state and county leaders might consider to help control legacy costs and achieve this shift:

- Closing the county pension system as of a date certain and shifting future costs and liabilities to the state system. This approach not only could produce long-term savings for the county, but it also could enable the county to finally get past its 2000-2001 pension scandal.

- Establishing a defined contribution plan (i.e. 401(k)-type approach) for new county employees and for future pension benefits earned by existing employees. Again, this might entail closing the existing pension fund and isolating and managing it under the existing or a new management structure. A new defined contribution fund then could be established to manage employer and employee contributions under the new plan.

- Isolating the legacy share of its annual pension costs and determining how to address those costs centrally. This would help ensure that the county copes with legacy costs based on its priorities and its legal mandates, as opposed to allocating those costs to departments at the beginning of the budget process as if they were directly related to departmental operations.

- Isolating retiree health care costs and liabilities and addressing those costs centrally. In addition to producing the benefits cited above, separating retiree health costs from other health care costs would allow for the singular, priority focus they deserve and encourage consideration of long-term financing strategies.

Civic leaders also might consider enlisting the best legal, actuarial and employee benefits professionals from Milwaukee's private sector to form a new task force to assist the county in re-exploring possibilities for reducing its legacy costs.

DECISION 3: A plan for the county's physical assets and infrastructure

In light of the impact Milwaukee County's legacy costs are having on its fiscal health, it would be logical for it to consider how it might use its assets to offset its liabilities. That does not imply a "fire sale" of county property, but it does suggest the county needs to develop a strategic plan for its physical assets that takes into account its shrinking workforce and its severe operating challenges. Quite simply, county taxpayers and their elected officials need to determine the appropriate size of Milwaukee County government not only from an operational perspective, but also from a physical one.

The strategic plan could include examination of long-term leases of valuable assets to secure resources to pay down liabilities. A potential long-term lease of General Mitchell International Airport has received the most attention to date in light of its tremendous value, but the county also owns parking lots, a marina and other land and structures that could be contemplated for lease arrangements, provided that the operation of those assets for their established public purposes could be maintained appropriately. In addition, the county could contemplate the possibility of transferring ownership of cultural institutions to the non-profit organizations that administer them in order to relieve itself of major maintenance and capital improvement needs and/or to generate new revenues.

DECISION 4: Alternative approaches to government reorganization

While the Greater Milwaukee Committee commissioned this report to explore the possibility of downsizing or eliminating Milwaukee County government, other metropolitan areas have pursued different forms of governance change, including city-county consolidation and metro government. Detailed consideration of such alternative forms of governance also may be warranted in Milwaukee County.

Consideration also might be given to simply consolidating additional municipal functions at the county level without turning to a merger of governments. Such services logically might include public health, economic development, housing, property assessment and "back office" administrative functions such as information technology, property tax collection, debt issuance/management and procurement.

Ultimately, a top-to-bottom review of all municipal services should occur that is similar to that performed for county services in this report. That review should consider which services might be more efficiently provided at a regional or state level, and whether there is political will to include jurisdictions outside of Milwaukee County in the definition of "regional."

CONCLUSION

Whether to embark on a lengthy process to streamline and potentially eliminate Milwaukee County government cannot be determined conclusively by research and fiscal analysis alone; that determination also requires value judgments as to the importance of various county services as well as to the leadership abilities of current and future county leaders.

In the end, there are no silver bullets that will magically solve the financial problems facing Milwaukee County government and relieve taxpayers from obligations already incurred. The depth of those problems and obligations, however, does create an imperative to consider how government structure influences fiscal health and impacts fiscal management and decision-making.

INTRODUCTION

This report explores the issues and possibilities surrounding the creation of a new local government structure in Milwaukee County. It was commissioned by the Greater Milwaukee Committee (GMC) as a follow-up to GMC-commissioned research released by the Public Policy Forum in March 2009, entitled "Milwaukee County's Fiscal Condition: Crisis on the Horizon?"

The March 2009 report found a fiscal crisis "that has grown worse with each successive year, and that may now be so severe that radical solutions are required." This report specifically examines one such solution that recently has moved to the forefront of public discussion: the significant downsizing or complete elimination of Milwaukee County government.

While this report constitutes the most detailed effort to date to explore that option in terms of fiscal analysis and modeling, it is only the latest in a series of reports that have been issued by entities concerned about the functionality and future of Milwaukee County government. Indeed, since at least the mid 1990s – when the county executive appointed a Milwaukee County Commission for the 21st Century – prominent members of Milwaukee's elected, business and civic leadership have voiced concern about the fiscal sustainability of key county functions. In doing so, several also have questioned various elements of the county-municipal relationship, and some have asked whether that relationship is an ineffective relic of an earlier day that requires replacement.

Questions about the future of county government became much more pronounced in 2002, when a pension scandal cast serious doubt upon the county's long-term solvency and the quality of its management. That led to another special committee and recommendations for structural change. A third round of special committees and reform proposals was generated in 2005-06 in response to the county executive's "reality tour," a series of speaking engagements designed to warn community leaders of the county's dire fiscal circumstances.

Today, as county government's fiscal problems have continued to worsen, and as its elected leadership has been unable to agree even on their nature and scope, it is not surprising that some – including the current county executive – are questioning whether county government is needed at all.

Is it really possible, however, to eliminate a government with a $1.4 billion budget, 5,500 full-time employees, several critical state-mandated functions, and unfunded retirement liabilities exceeding $2 billion? Among the issues that must be earnestly researched and contemplated before such action seriously can be debated are the following:

- What are the biggest legal and logistical hurdles to eliminating the state's largest county government, and how can they be addressed?
- What government body is the appropriate home for each county service, and if not county government, would other bodies be willing to take on the service?
- Would the elimination of county government save taxpayer dollars, and what might be the effect on the quality of services?
- What might be done with the county's $2 billion in unfunded pension and retiree health care liabilities if county government is eliminated?

This report explores those questions, providing answers when they are readily apparent, but also providing options that will need to be deliberated by citizens and policymakers, and raising additional questions that will need to be more thoroughly explored by attorneys, actuaries and others.

It is clear that the multitude of public policy, fiscal, logistical and political considerations associated with an endeavor of this magnitude cannot be resolved by a limited research effort. It is our intent, however, to identify, frame and analyze those considerations with sufficient clarity to allow for informed debate about the possibility of pursuing a new government structure.

We begin by quantifying and analyzing the largest component of Milwaukee County's budget difficulties: its pension and health care obligations to its retirees, also known as "legacy costs." Next, we break down the budgets of major functions of county government: parks, transit, cultural institutions, the airport, mental health, the sheriff, Family Care, the courts and the district attorney. From this exercise we are able to estimate the actual annualized cost of providing those functions (as opposed to the "county cost," which includes costs related to county retirement benefits). This is an essential determination in the consideration of transferring a particular function to some other entity. We also include analysis of potential government bodies that might appropriately take on each function, discussing pros, cons and practical considerations associated with each option.

Having conducted this initial analysis, we then model and analyze what county government would look like under various scenarios in which key functions are provided by other governments, as well as a scenario under which it is eliminated entirely. We close with discussion of Massachusetts' experience with abolishing county governments and a series of policy options and conclusions.

The overall intent of this report is to provide community leaders and elected officials with a level of analysis that will allow them to reasonably debate whether downsizing or eliminating Milwaukee County government is a viable and desired option. For those who conclude that it is, this report offers a source of fiscal and policy analysis that can be utilized to contemplate legislative initiatives and resolve some of the complex issues we identify. For those who do not, this report provides further insight into the extent to which Milwaukee County government's overriding fiscal problems are negatively impacting its various functions, and highlights the need for immediate consideration of alternative strategies to address those problems.

METHODOLOGY AND DATA

The main sources of data utilized in this report are Milwaukee County financial reports, budget documents, and financial records. We wish to thank officials from the county's Administrative Services, Employee Benefits and Audit departments for helping us gather this information.

The study also relies upon data obtained from Milwaukee County Employees' Retirement System reports and from conversations with staff and actuaries associated with that system, as well as reports and information collected from the City of Milwaukee and State of Wisconsin.

Finally, for **Section IV**, we utilized data collected from the Commonwealth of Massachusetts' official web site, its statutes, newspaper articles and interviews with knowledgeable individuals, including a Massachusetts state representative, a former governor and local policy researchers.

The breakdown of Milwaukee County functional budgets in **Section II** and the modeling of three governance reform models in **Section III** required certain selective use of data sets and numerous assumptions. The following summarizes key data sets and assumptions used in budget tables in **Section II**.

- All dollar figures are based on 2008 actual expenditure and revenue amounts reported in the county's electronic budget database, unless otherwise noted.

- Budget tables for each department include a column showing estimated legacy costs associated with the department per the county's existing methodology (which reflects each department's percentage of active full-time employees), as well as a column showing the costs if the methodology instead was based on each department's actual retirees. Retiree history is taken from a 2009 county working document that aimed to distinguish the number of retirees associated with each county department.

- Departmental debt is taken from a historical debt spreadsheet managed by county budget staff. Most debt has been identified by function; however, due to limited knowledge of all county capital projects, we were unable to discern the appropriate function for most projects in the categories of county grounds, courthouse complex, and other agency. Consequently, this debt is not reflected in functional tables, and it is assumed it would remain with the county under governance reform alternatives.

- Half of total 2008 county health care and life insurance costs are attributed to active employees and half to county retirees. This mirrors a fringe benefit rate calculation used by the county's budget staff during the 2009 budget process.

- One-third of 2008 county pension costs are attributed to retirees, and the remaining two-thirds to active employees. This mirrors a fringe benefit rate calculation used by the county's budget staff during the 2009 budget process.

- Budget tables apportion a share of the county's long-term pension debt and unfunded liability, the total of which is $486,655,509, to each function based on that function's retiree history. Of that estimated liability, pension obligation bonds total $397,797,000 and the unfunded actuarial accrued liability totals the remaining $88,858,509. These totals are as of January 1, 2009 and are taken from an actuarial report conducted by Buck Consultants.

- Budget tables apportion a share of the county's future OPEB liability, the total of which is $1,546,458,000, to each function based on that function's retiree history. This total is as of January 1, 2008 and is taken from an actuarial valuation conducted by Cambridge Advisory Group.

- Central service charges are broken down as follows:

    - *Administration* – Audit, Disability Services, Employee Benefits, Labor Relations, Risk Management, Procurement, Fiscal Affairs, Accounting, Accounts Payable, Payroll, and HRIS
    - *Legal* – Corporation Counsel
    - *Information Technology* – Information Management Services Division (IMSD)
    - *Facilities* – Facilities Management and Architecture, Engineering, and Environmental
    - *Fleet* – Fleet Management

- Central service charges to departments include not only the direct cost of central services, but also legacy costs associated with central service departments. We attribute about 10% of central service charges to central service legacy costs. This percentage does not significantly change between the two legacy cost allocation methods used in the budget tables.

Key assumptions for the governance reform scenarios in **Section III** are described in the text of that section. The assumptions noted above for **Section II** also apply to that section unless otherwise noted. The following are some additional assumptions of a more technical nature used in **Section III** fiscal modeling.

- Estimates reflect 2008 legacy costs and General Obligation Bond debt while acknowledging that those amounts will vary in future years.

- It is assumed that roughly $50 million (10%) of the county's debt could not be transferred to an alternative government body under any scenario because certain debt is associated with functions that no longer exist or that would not exist if county government was eliminated. This includes debt on the former Doyne Hospital ($13.5 million), County Stadium ($13.5 million), and another unidentified $23 million in miscellaneous debt tied to central service functions or unidentifiable projects. The annual debt service to cover such debt is assumed to be approximately $5 million.

- The county's annual debt service payment is assigned to each function based on its share of the county's overall long-term debt.

- The state's shared revenue payment is reduced at a rate equal to the percentage of total 2008 county expenditures that has been transferred with departing functions.

- Certain departments receive non-levy offsetting revenues from outside sources for each dollar of expenditure incurred. It is assumed that as functions move out of county government, any such “matching” revenues that previously supported legacy costs are lost.

- In the two scenarios in which county government is restructured but not eliminated, the following assumptions are used:

  - The county retains all $67 million from its existing .5% sales tax.
  - Central service/overhead expenditures are reduced at a rate equal to the percentage of total 2008 central service/overhead expenditures that are transferred with departing functions. Positions within central servicing departments are reduced at that same rate.

- In each scenario, overall county expenditure and property tax levy amounts were developed using 2008 expenditure and property tax levy amounts and deducting the following:

  - Expenditure and levy amounts associated with GAMP (except for the remaining $5.8 million county payment to the state for Badger Care Plus).
  - Expenditure and levy amounts associated with functions transferred out of county government.
  - Associated shared revenue and debt service per the description above.

- A similar process of deduction was used to develop full-time-equivalent position counts.

SECTION I

THE FINANCING OF FRINGE BENEFITS

During the past decade, fringe benefits have become *the* financial issue for Milwaukee County. In 2000, fringe benefits represented a modest share of overall expenditures. By 2008, they had grown to be one of the largest items in the county's budget. Given the size of these costs and the way they are budgeted, the financing of fringe benefits will play a key role in any county organizational change.

Fringe benefits typically are defined as compensation in addition to salaries and wages. For this analysis, our discussion of fringe benefits refers exclusively to pension and health care, the costs of which constituted about 98% of the $179 million spent by the county on fringe benefits in 2008. The county also spent about $1.7 million for life insurance benefits and $543,000 for employee transit passes net of employee contributions.

It is critical to understand that the county's fringe benefits expenditures are comprised of health care and pension costs both for active employees and retirees/inactive employees. Retiree fringe benefit costs often are referred to as "legacy costs," which county fiscal officials formally define as the "cost of retiree benefits Milwaukee County is legally committed to pay, but has not yet funded."[1] This report contains considerable discussion about these two distinct components of the fringe benefits budget and their impacts on existing county functions and potential alternative governance structures.

The county's $179 million expenditure on fringe benefits obviously is a major cost driver in the $1.4 billion county budget, and it is particularly noteworthy when one considers that fringe costs have nearly tripled since the beginning of this decade. In previous decades, fringe benefit costs were a part of budget building, but they were not a primary concern. In contrast, as fringe benefit costs have skyrocketed in recent years, the county has had to draw resources from other areas and cut positions and services. No part of county government remains unaffected by this insistent fiscal force.

Why have these costs risen? Will the past trend continue and, if so, how can fringe benefit costs best be controlled and managed? Such issues are now central to Milwaukee County's finances and its future. The county, of course, has been aware of this problem and, in recent years, has undertaken efforts to curtail costs. Some of these measures have been effective, while others have created further difficulties and had unforeseen consequences. In addition, two factors over which the county has no control have had a major influence upon rising costs: the price of health care has increased dramatically throughout Wisconsin and the United States; and the stock market fell precipitously from October 2007 to March 2009, causing a serious decline in the value of pension assets. In short, the factors at play in fringe benefit financing are complicated, but the issue does yield to analysis and is essential to this report.

[1] Milwaukee County Department of Administrative Services, "Presentation to Long Range Strategic Plan Steering Committee," December 14, 2009.

OVERALL GROWTH IN FRINGE BENEFITS

The two tables below show the combined rise of total pension and health care costs for Milwaukee County (for both active employees and retirees) and their relationship to overall expenditure and revenue changes in the past decade. As demonstrated in **Table 1**, fringe expenditures grew most rapidly in the first half of the decade, but the 26.5% increase from 2004 to 2008 still is substantial.

Table 1: Milwaukee County Expenditures for Pension and Health Care, 2000 to 2008 (in millions)

Year	Pension	Health care	Combined expenditures
2000	$0.9	$65.6	$66.5
2001	$3.3	$72.5	$75.8
2002	$3.6	$84.4	$88.0
2003	$18.1	$88.7	$106.8
2004	$37.8	$103.6	$141.4
2005	$37.5	$124.9	$162.4
2006	$29.1	$129.1	$158.2
2007	$51.0	$128.0	$179.0
2008	$40.9	$138.0	$178.9
2004-2008 Difference	**$3.1**	**$34.4**	**$37.5**
2004-2008 % Change	**8.2%**	**33.2%**	**26.5%**
2000-2008 Difference	**$40.0**	**$72.4**	**$112.4**
2000-2008 % Change	**4444%**	**110%**	**169%**

Table 2 compares fringe benefit expenditures with property tax revenue and salary/wage expenditures for the past decade. Given their inexorable growth, it is not surprising that fringe benefits represent an increasing share of the county's property tax levy. The eight-year rise in fringe benefits of $112 million was more than double the increase in levy revenues of $53 million. The need to fund health care and pension obligations was a major cause of cutbacks in personnel and flat salary and wage expenditures. As a result, fringe benefits expenditures (on both active and retired/inactive employees) grew from 25.3% of salaries and wages expenditures in 2000 to 67.7% in 2008.

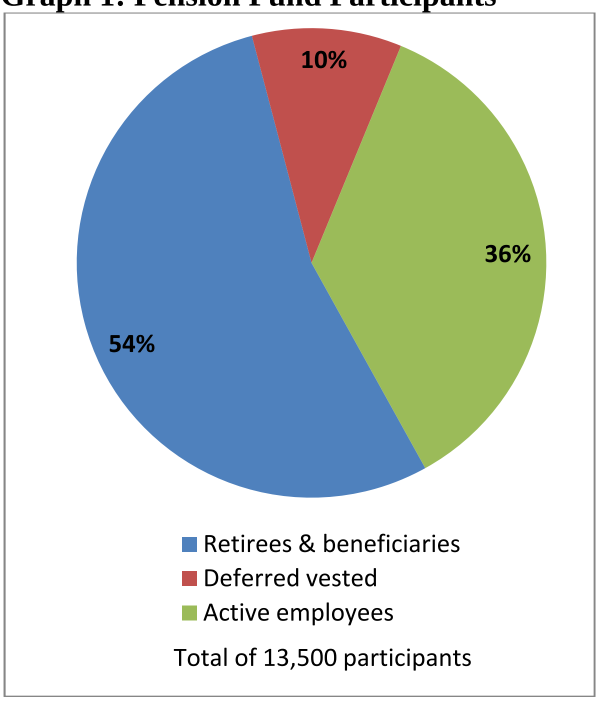
Table 2: Combined Health and Pension Expenditures as a Percentage of Salaries and Tax Levy, 2000 to 2008 (in millions)

Year	Health & pension expenditures	Salary funding: Total salary	Salary funding: Health & pension as % of salary	Tax levy funding: Total levy	Tax levy funding: Health & pension as % of tax levy
2000	$66.5	$263.2	25.3%	$198.5	33.5%
2001	$75.8	$267.6	28.3%	$209.1	36.3%
2002	$88.0	$267.0	33.0%	$220.4	39.9%
2003	$106.8	$261.5	40.8%	$221.3	48.3%
2004	$141.4	$249.6	56.7%	$220.6	64.1%
2005	$162.4	$243.6	66.7%	$228.6	71.0%
2006	$158.2	$248.2	63.7%	$234.3	67.5%
2007	$179.0	$254.2	70.4%	$243.1	73.6%
2008	$178.9	$264.1	67.7%	$251.5	71.1%

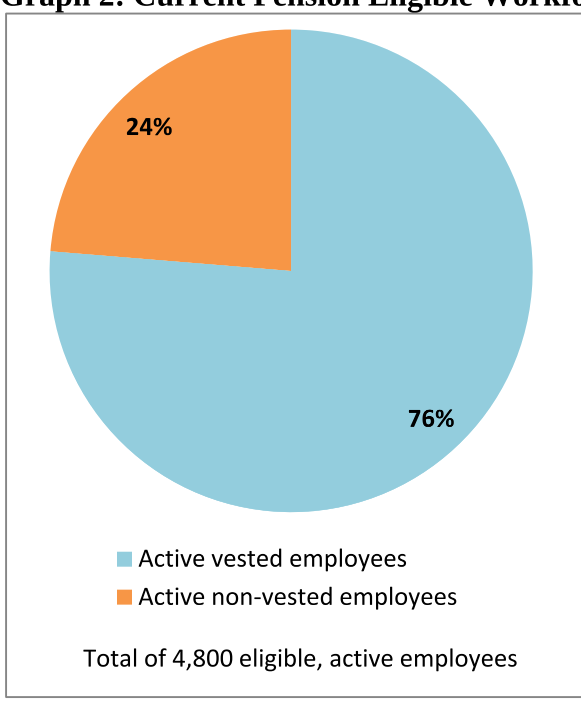
PENSION FUNDING

Milwaukee County operates one of three public pension funds in Wisconsin. The State of Wisconsin and the City of Milwaukee operate the other two. Created in 1937 (and subject to state oversight until 1965), Milwaukee County's Employees' Retirement System is governed by a nine-member pension board. A "mature" fund, the number of retirees, disabled, and survivors participating in the fund (7,308 members in 2008) exceeds the number of active employee participants (4,837 members) and inactive but not-yet-retired vested members (1,397 members) combined. **Graph 1** shows the breakdown of the approximately 13,500 pension fund participants, while **Graph 2** shows the percentage of current eligible county employees who have achieved vested status, which now occurs after five years of service.

Graph 1: Pension Fund Participants



Graph 2: Current Pension Eligible Workforce



The county's $2 billion fund is modest in size compared with major public funds. It is about half the size of the city's fund and only about 2.5% of Wisconsin's Employment Retirement System. The *Public Fund Survey*—which collects data from 125 of the nation's largest public pension funds—reports that in 2008, the average pension system participating in its survey had about $20 billion in assets.

Milwaukee County's pension fund is known as a defined *benefit* plan, as are the funds of most local and state governments. While many private companies once had these types of plans, many have terminated them and have moved toward defined *contribution* plans for their employees' retirement needs. Under a defined benefit program, an employer legally binds and commits itself to providing current employees with specific benefits in their retirement. Under defined contribution, an employer agrees to manage employee pension savings and may provide a discretionary matching contribution. The amount an employee draws in retirement depends upon the accumulation of savings in his or her personal account. A 401(k) program is a type of defined contribution fund.

A defined benefit fund is attractive to employees since their retirement benefits are predictable and secure. Historically, local and state governments' ability to recruit high-quality employees has rested in part upon the strength of such benefits. The defined benefit approach is less advantageous to the employer, however, who must assume the financial risk.

In addition, under a defined benefit approach, the variability of investment earnings makes the employer's future fiscal position hard to predict. Pension projections require actuarial calculations based on multiple assumptions, such as the length of the average employee's working years, final average salary and years in retirement. If changes occur that do not correspond to such assumptions—such as a change in the customary age of retirement or in the rate of return of investments—the fund balance is affected. When actuarially determined assets do not meet actuarially determined liabilities, an unfunded liability is identified and the employer is expected to contribute sufficient funds to address the liability.

Each year, the county pension board's actuary produces an actuarial calculation of fund assets and liabilities that indicates the amount of the Annual Required Contribution (ARC) needed to bring the fund into balance. The ARC includes the so-called "normal cost," which is the projected growth in the present value of benefits generated by active employees in the upcoming year; as well as any payment required to address the unfunded liability. The pension board transmits the ARC to the county executive and county board, which act on this recommendation in the annual budget.

During the past decade, the county experienced a significant deterioration in the condition of its pension fund, which contributed to a precipitous increase in unfunded liabilities. As shown in **Table 3**, assets exceeded liabilities by $171 million in 2000. However, by 2005, the tables had turned and liabilities exceeded assets by $455 million, a net decline in fund balance of $626 million in just five years. Put another way, the pension fund had an "overfunded" status in 2000, as the value of its assets calculated as a percentage of liabilities was 111%. By 2005, however, it had dropped to a serious level of "underfunding," with assets comprising only 76% of actuarially projected liabilities.

To address this deficiency, the county's Annual Required Contribution jumped from less than $1 million in 2000 to $25.2 million in 2003, $52.4 million in 2007, and to a budgeted $68 million in 2010. In most years, the county appropriated the requisite funds required to meet the ARC. However, in a few years, actual county funding was lower than this amount. In 2006, for example, the county provided only 53% of the $52.5 million required contribution. According to county ordinances, any underpayment that occurs in a given year is repaid over the next five years.

In the face of estimates that the county's ARC would continue to rise dramatically in future years, Milwaukee County issued $398 million in Pension Obligation Bonds (POBs) in 2009 to finance its unfunded liability. The State of Wisconsin had enacted legislation that permitted this action contingent upon the county taking certain measures to lower bond risk. As shown in **Table 3**, the actuarial calculation at the end of 2008—made after the county authorized the issuance of POBs—determined that the anticipated issuance would eliminate most of the unfunded liability. However, the fall-off in the stock market lowered the value of pension assets, and a re-calculation of fund position early in 2009 concluded that the county's unfunded liability was back to $400 million. That number likely has been reduced because of strong investment returns during the remainder of 2009, but it also likely remains significant.

Table 3: Milwaukee County Pension Funds, Assets, Liabilities, and Unfunded Liabilities, 2000 to 2008 (in millions)

Year	Actuarial value of assets	Actuarial accrued liabilities	Unfunded liabilities	Percent funded
2000	$1,670.6	$1,499.0	$171.6	111.4%
2001	$1,620.2	$1,492.0	$128.2	108.6%
2002	$1,446.9	$1,542.0	($95.1)	93.8%
2003	$1,446.7	$1,708.0	($261.3)	84.7%
2004	$1,424.9	$1,782.9	($358.0)	79.9%
2005	$1,454.3	$1,909.3	($455.0)	76.2%
2006	$1,525.5	$1,931.2	($405.7)	79.0%
2007	$1,627.3	$2,024.9	($397.6)	80.4%
2008*	$1,968.5	$2,057.4	($88.9)	95.7%

** Includes projected issuance of POBs (issued March 2009 for $397 million)*
Source: Milwaukee County, Annual Pension Board Reports

It should be emphasized that the issuance of POBs does not relieve the county of a pension cost, but rather provides an alternative mechanism for financing that cost. In effect, the county has exchanged a "soft liability" funded through annual budget deliberations for a "hard liability," a legally binding obligation to pay bond holders. The county anticipates that the difference between the bond's interest rate and the anticipated rate of return of invested POB proceeds will generate a surplus of about $237 million when the 2009 POB debts are paid off in 30 years, assuming that the projected return rate is realized. Another advantage is that scheduled POB debt service payments are the same each year. In contrast, the ARC has varied considerably in recent years, exacerbating the challenges faced in each annual budget. From 2002 to 2003, for example, the ARC rose by $17 million, and from 2005 to 2006 it climbed by $15 million.

Because a substantial unfunded liability remains, the county projects that its pension funding requirements will continue to rise. **Table 4** presents the county's most recent projection for pension costs for 2010 and in the next five years (which do not take into account 2009 investment performance). In addition to including the normal cost and amortization of the unfunded liability, these costs also now include approximately $33 million annually for debt service on the POBs.

Table 4: Projected Annual Required Contribution to County Pension Fund 2010 to 2015

Year	Amount required
2010*	$68,284,400
2011	$79,548,900
2012	$88,997,500
2013	$98,018,300
2014	$100,284,200
2015	$102,633,900

** Budgeted*

Why have pension costs risen so rapidly that they now threaten Milwaukee County's fiscal health? One factor was the significant pension enhancements adopted by the county in 2000 and 2001. Those enhancements included a change in the multiplier used to calculate each retiree's benefits (from 1.5% to 2% for most county employees). At the same time, the county also approved two new pension benefits: a lump sum "backdrop" payment that employees could opt to receive at the time of retirement that provided a lucrative additional benefit for years worked past normal retirement age in exchange for a reduction in monthly pension income; and an extra 25% boost to final average salary for county employees hired before 1982. Those changes turned out to be very expensive and contributed significantly to a rise in unfunded liability.

As the decade progressed, the county also suffered a series of investment blows that weakened the fund's financial position. From 2001 to 2003, for the first time since the second World War, the county's pension fund sustained three consecutive years of investment losses. Contrary to expectations, the fund earned an average rate of return of only 4% for the first nine years of the decade. Many more county retirees also took backdrop payments than anticipated, and by 2008 the county had paid out $142 million for that benefit. Finally, fear that the benefit would be withdrawn led to a spike in retirements from 2002-2004, further weakening actuarial assets and liabilities.

The county eliminated the backdrop benefit for non-represented county employees in 2002 and for represented employees between 2005 and 2007, but the elimination only applied to new employees. The county considered nullifying all of the 2000-01 pension enhancements shortly after the pension scandal erupted in 2002, but its legal counsel opined that a pension benefit once granted constitutes a property right that government cannot take away.

By 2007, the year before the decision to issue POBs was made, the pension fund's financial profile for the decade had taken on a different character than the state's two other pension funds and, indeed, many other major funds nationally. As shown in **Table 5**, assets did not increase at all from 2000 to 2007, in contrast with other funds. Also, while the overall percentage rise in the county's pension liabilities was similar to the general trend, liability increases occurred without any increase in payroll, normally a significant factor contributing to liability growth.

Table 5: Changes in Pension Assets and Liabilities, and Payroll Milwaukee County, State of Wisconsin, and City of Milwaukee, 2000 to 2007*

Year	Change in actuarial value of assets	Change in actuarial accrued liabilities	Change in unfunded liabilities	Change in payroll
Milwaukee County				
Difference	($43.3)	$525.9	($569.2)	($10.8)
% Change	-2.6%	35.1%		-4.5%
City of Milwaukee				
Difference	$990.0	$970.0	$20.0	$73.1
% Change	23.6%	32.5%		15.9%
State of Wisconsin				
Difference	$27,967.3	$26,086.1	$1,881.0	$2,398.0
% Change	54.0%	48.3%		25.7%
*Public Fund Survey***				
Difference	$459	$870	($411)	n/a
% Change	23.0%	43.9%		n/a

** Dollars in millions except for Public Fund Survey, which are in billions*
*** Survey of 125 major public pension funds; 2000 data not available, change is from 2001 to 2007*

In light of the mounting problems facing the county's pension fund, a logical question is whether the pension benefits afforded county employees are competitive with other governments. **Table 6** compares 2008 Milwaukee County pension benefits with those of the State of Wisconsin and the City of Milwaukee for full-time, union-represented general government employees. This group constitutes about half the county's current workforce (or two-thirds when part-time employees are not included). A complete comparison of all employee groups would require separate study given the number of bargaining units and pension classifications. Nevertheless, this comparison is useful in part because the benefits offered to general employees are similar in broad respects to benefits provided most other groups, with the exception of protective services.

As **Table 6** shows, some county pension benefits, such as the pension multiplier (2%) and minimum retirement age (60 years), mirror the city's and are more generous than the state's. The county also permits a larger maximum retirement payment (80% of final average earnings) than the city or state (70% of final average earnings), and unlike the city, has no employee pension contribution. A study by the county's audit department in 2005 comparing the county's pension and health care benefits with public plans in Wisconsin and across the United States found the county benefits were "on the high end of the market" in regard to the pension plan's formula multiplier and minimum age of retirement. The report also found major components of the county's health care plan, such as employee premiums, deductibles and co-pays, were comparable to other public plans, although, as explained below, the county pays the entire health insurance monthly premium of most retirees, a costly benefit rescinded in 1994 for new hires.

Table 6: Retirement Benefits Comparison of Milwaukee County, State of Wisconsin, and City of Milwaukee General Represented Employees Participating in Major Retirement Systems

Characteristics	Milwaukee County	State of Wisconsin	City of Milwaukee
Type of benefit	Defined benefit based on employee's average earnings in final three consecutive years, years of service, and a formula factor	Defined benefit based on employee's average earnings in highest three years, years of service, formula multipliers and age at retirement. Money purchase paid if benefit based on contributions and investment earnings exceed formula benefit	Defined benefit based on employee's average earnings in three highest paid years, years of service, and formula factor
Normal retirement age	60 years of age (or when service + age = 75 if hired before 1/1/94)*	65 or 57 with 30 years of service	60 years of age or 55 with 30 years of service
Minimum retirement age	55 (with 15 yrs of service)	55	55 (w/15 years of service)
Employee contribution	Non-contributory	Employer contributes employee share	Employer contributes employee share except employees hired after 1/1/2000 pay 1.6% for first 8 years of service and employees hired after 1/1/2010 pay full employee share
Vesting Period	5 years	Immediate in most cases	4 years
Benefit formula multiplier	2%*	1.765% for pre-2000 service 1.6% for post-1999 service	2%
Benefit limitation	80% of final average earnings	70% of final average earnings	70% of average salary
DROP benefit	Option of lump-sum payment for a portion of pension payout, with reduced monthly payment thereafter, if hired before 2/1/07	None	None
Yearly post-retirement increases	2%	Depends on investment earnings (no guarantee)	1.5% after 12 months and after the 2nd, 3rd, & 4th years, and 2% thereafter
Paid health insurance premiums**	If hired before 1/1/94 + w/15 yrs of service	No	Pre-Medicare retirees (at 55 yrs. w/30 yrs. of service or 60 yrs. w/15 yrs. of service) have no charge for HMO & pay $30-$60/month for the Basic plan (a type of PPO)

** In December 2009, the county adopted a change for non-represented workers (except elected officials) that extends the normal retirement age from 60 to 64 for new employees and reduces the multiplier from 2% to 1.6% for new employees and future years of service for existing employees. Those changes have not yet been negotiated for represented employees.*

*** County employees hired after 1993 and state employees can apply the value of unused sick leave at time of retirement toward health insurance premiums.*

HEALTH CARE FUNDING

Health care is Milwaukee County's most costly fringe benefit, with actual expenditures of $138 million in 2008, nearly three times pension expenditures. In the early years of this decade, as shown earlier in **Table 1**, the county saw significant annual increases in health care expenditures, including increases of 16% in 2004 and 21% in 2005. In recent years, this cost trajectory has moderated due to a number of cost saving measures, some one-time in nature. To its credit, the county achieved cost control despite the fact that regional health care charges climbed 9% to 11% in recent years.

The county currently offers two health care options for its employees and retirees: an HMO-type plan that has no deductibles and limited out-of-pocket costs but requires members to use a specific network of providers; and a Preferred Provider Option (PPO) plan that features comprehensive benefits with deductibles and co-pays at both in- and out-of-network providers. **Table 7** shows monthly and annual premium costs for the two plans, including the shares paid by employees and the county.

Table 7: Employee and County Shares of Health Insurance Premiums in 2009

	Employee monthly	Employee annual	County monthly	County annual	Total monthly	Total annual
Active HMO comparable plan:						
Single	$35	$420	$485	$5,824	$520	$6,244
Family	$70	$840	$1,387	$16,642	$1,457	$17,482
Active PPO comparable plan:						
Single	$75	$900	$905	$10,866	$980	$11,766
Family	$150	$1,800	$1,476	$17,713	$1,626	$19,513

Milwaukee County's health care costs are driven by a variety of factors, including the per-employee premium rate, health care utilization, plan provisions (such as deductibles and co-pays) and administrative costs. From 2006 to 2009, the county made a number of management changes that reduced the rate of cost increases. The county achieved the greatest savings, amounting to more than $20 million, by shifting from a fully-insured to a self-insured health insurance model for the PPO and HMO plans. Other savings resulted from changes in labor agreements, negotiation of deeper discounts with health care and pharmacy providers, and creation of a new Division of Employee Benefits to devote additional staff resources to controlling health care costs. In January 2009, the county signed a contract with a new third-party administrator that is expected to yield significant annual savings. In December 2009, the county credited its new administrator for keeping health care expenditures about $8 million below budgeted levels.

The health insurance premiums paid by county employees are roughly similar to those paid by the city and higher than those paid by state employees, with the employer in each case picking up the lion's share of the total insurance charge. County employees currently pay $35 to $75 per month toward individual insurance premiums and $70 to $150 per month for family premiums. City employees pay from $20 to $75 for individual premiums and $40 to $150 for family premiums. More than 98% of state employees pay an individual rate of $31 or a family rate of $78.

Across the United States, public and private employers vary widely in their required employee health insurance contributions. According to the Employer Health Benefits 2008 Summary of Findings from The Kaiser Family Foundation and Health Research and Educational Trust, the average monthly insurance payment made by public and private employees last year was $60 for single and $280 for family coverage.

A striking portion of the county's budgeted health care cost is for retired employees. The county recently estimated, for example, that 49% of its actual health care expenditures in 2009 were attributed to retirees. According to the county's Employee Benefits Division, of the 10,318 subscribers to county health care plans, 5,996 (58%) are retirees. If dependents are included, 9,121 (46%) of the total 19,666 county health care recipients are retirees or their family members.

The significant proportion of retiree expenditures is due to several factors in addition to the sheer number of retired plan participants, including the following:

- All workers who began employment before 1994 and have accumulated 15 years of service receive fully-paid health insurance premiums for themselves, their spouses and eligible dependents during retirement. Hence, the cost to the county of insuring those individuals is not offset with any corresponding revenue other than co-payments and deductibles. While the county ended this free health care benefit for new employees 15 years ago, most retirees were hired before that date. In addition, the audit department reports that as of the end of 2008, 2,054 active county employees were eligible for this benefit.

- The mix of retirees in the county's PPO plan versus its less expensive HMO plan is almost the reverse of the mix for active employees. Of the 5,996 retired county health care subscribers, 4,272 (71%) subscribe to the PPO plan. Conversely, of the 4,322 active subscribers, only 815 (19%) subscribe to the PPO. This dynamic is attributable both to the fact that the significantly lower premium contributions for the HMO hold no attraction to retirees, who do not have premium contributions; and the fact that many retirees wish to retain the ability to utilize out-of-network providers, even if those providers cost more. Until the county switched to a nationwide HMO network a few years ago, another factor was that those retirees who lived outside of Milwaukee County did not have access to the HMO network.

- The biggest problem for the county from a fiscal perspective is insuring the subset of "early retirees" who retire prior to reaching the age of Medicare eligibility. When such a retiree becomes eligible for Medicare, the county provides a less expensive supplemental insurance plan that essentially pays the difference between Medicare coverage and the cost of services provided under the county plan. Up until that time, the county pays the entire health care premium cost for a large population of individuals who are predominantly enrolled in its more expensive health care option. Of the 5,996 retired health care subscribers, 2,091 (35%) fall into this "early retiree" category.

The county will be paying the cost of this retirement benefit for many decades. An actuarial analysis conducted on behalf of the county by Cambridge Associates indicates costs will not reach their peak for about another 15 years, growing over this period by two to four million dollars per year. **Table 8** provides Cambridge Associates' estimate for retiree health care costs for the next five years. Cambridge projects these payments will gradually begin to decline in the 2020s and end in about 2065.

Table 8: Projected Health Care Costs For Retirees, 2011 to 2015

Year	Health care costs
2011	$91,956,800
2012	$95,310,700
2013	$98,318,500
2014	$101,105,600
2015	$103,691,200

Source: Cambridge Advisory Group, 2009

The explanation for the long life of these costs lies in demographics. An employee who joined the county in 1992, works for 30 years, and then draws retirement for another 30 years, will continue to receive this benefit until 2053. This dynamic also speaks to the early age of retirement of county employees, many of whom have taken advantage of the "Rule of 75" (allowing for retirement when combined age and years of service equal 75) to retire in their late 40s or early 50s. While the Rule of 75 was phased out during the 1990s and earlier this decade, the department of audit estimates that more than 2,300 active employees still qualify for this provision.

Retiree health insurance is a so-called Other Post-Employment Benefit (OPEB) that the county budgets on a pay-as-you-go basis. Unlike its pension liability, there is no obligation for the county to fund annually any portion of the actuarially projected OPEB liability (except the small portion attributed to enterprise fund departments). In 2004, the Governmental Accounting Standards Board (GASB), concerned that many state and local governments were failing to set aside funding for future OPEB liabilities, issued GASB Rule #45, requiring governments to include in their financial statement "the total amount that will be owed to all employees when they retire." The purpose of GASB #45 is to shine a light on this serious problem and stimulate local governments to address their unfunded retiree health care costs.

Since issuance of GASB #45, Milwaukee County has contracted for two independent analyses of its unfunded OPEB liability. The Cambridge Advisory Group conducted an actuarial evaluation in June 2009 that calculated unfunded OPEB liabilities at $1.5 billion. In a 2006 analysis, the firm had estimated this amount at $1.3 billion. Cambridge determined that the county would need to allocate an additional $54 million per year – above the annual amount spent on a pay-as-you-go basis – for 30 years to pay off this unfunded liability. A 2008 Wisconsin Policy Research Institute report found that Milwaukee County has the second largest unfunded health care liability of local governments in southeastern Wisconsin—behind the Milwaukee Public Schools at $2.2 billion and ahead of the City of Milwaukee at $806 million.

Most local and state governments address their unfunded OPEB costs in one of three ways: eliminate or reduce the benefit; issue a variation of pension obligation bonds to fund the liability; or continue to pay only the costs incurred in a particular budget year.

In 2003, the State of Wisconsin issued $600 million in bonds for unfunded retiree health care costs (unrelated to health insurance premiums), becoming the first state to bond for this purpose. Milwaukee County could seek to reduce the amount and duration of its OPEB costs by issuing bonds as well. However, the debt service payments would exceed $50 million annually and would continue for 30 years. The alternative is to continue pay-as-you-go for the life span of the retirees. This practice spreads county costs but maintains the funding of a defunct benefit for a very long period of time.

With regard to the question of eliminating or reducing the benefit, county attorneys previously have opined that because the free health insurance benefit is contained in the section of the county ordinances that stipulates pension benefits, this benefit similarly is considered a "property right" for those who already are receiving it and therefore cannot be legally changed. According to a 2006 article in the *Milwaukee Journal Sentinel*, county officials did consider attempting to eliminate the benefit for future retirees, but feared another huge spike in retirements and certain litigation.[2]

The county does have the ability to attempt to reduce retiree health care costs by providing a lower level of health care benefit (such as increasing co-payments or deductibles or providing more limited coverage). The legal opinion of county attorneys in that case, however, is that retirees must have access to the same health care plans and coverage as active employees. Consequently, any such changes would need to similarly apply to represented workers and would need to be negotiated as part of collective bargaining.

Finally, the county could attempt to make changes to its health care offerings and co-payment and deductible structure that would make the HMO option more attractive to pre-Medicare retirees. These options are somewhat limited in light of the fact that adjustments to premium contributions are not possible, and any such changes would have to apply to active employees and be negotiated with county labor unions. Still, the county has been discussing options with its unions that may result in less discrepancy between the number of retirees and active employees subscribing to the less expensive HMO plan.

Overall, one of the county's major success stories in recent years has been its ability to control health care expenditures. This success has resulted largely from its decision to retain expert consultants and hire employee benefits professionals to better manage its health care program. The more troublesome news, however, is that the county's ability to control costs by overhauling the structure of its health care operations – as opposed to modifying its health care benefits – has been largely exhausted. Consequently, county expenditures likely will approximate the future rate of health care cost increases in the region barring significant changes in plan design. In light of the $138 million health care budget, that could mean annual increases of at least $10 million to $15 million annually for the foreseeable future.

[2] Avrum D. Lank and Dave Umhoefer, "Retiree Benefits Drain Finance," *Milwaukee Journal Sentinel*, May 7, 2006.

BUDGETING FRINGE BENEFITS

Milwaukee County's procedures for budgeting fringe benefit expenditures at the departmental level have substantially impacted the overall operating condition of the county. Customarily, fringe benefits are included in a department's budget. The reason for this practice is that department managers should have responsibility and accountability for their full administrative costs. Indeed, it is difficult to properly manage a department's finances without such control. If fringes are not part of a department's budget, a department administrator might not set user fees that adequately support some costs of operations. Or, he or she might be unable to properly advise elected officials about the fiscal effects of proposed program and personnel changes.

This textbook approach to budgeting fringe benefits assumes that fringe costs are part of program operations. How should fringe benefits be budgeted, however, when they are not related to this purpose but are benefits guaranteed to retirees? The question is not theoretical. The county's controller estimated in mid-2009 that Milwaukee County's total fringe benefit costs in that year would total $178 million, with $76 million of that amount attributed to unfunded obligations to retirees.

The county's response to this question has been to choose to allocate *all* fringe benefit costs to departments, including legacy costs related to those no longer working for county government. The allocation is based on a formula that assigns each department a flat fringe amount for each of its full-time-equivalent employees (FTEs).

Because of differences in the composition of departmental revenues, fringe benefit financing impacts some departments differently than others. Departments supported by fees and contracts are favored since their budgetary revenues are more easily raised in accordance with rising costs, or because they have a smaller proportion of personnel costs to other costs. In contrast, departments supported primarily by property taxes and with a high proportion of FTEs have a more difficult time. Many property tax levy-supported units have cut back on programs and personnel to a substantial degree in order to finance their active and legacy fringe costs. As these fiscal pressures continue from year to year, they shape the overall structure and composition of Milwaukee County government itself.

The original idea behind the fringe methodology undoubtedly was to encourage departments to undertake program efficiencies and propose new sources of revenue as a way of addressing the county's escalating pension and health care costs. Department heads arguably are best placed to identify cost efficiencies and to develop alternative revenue sources that might sustain rapidly increasing expenditures. It also could be argued, however, that the level of expenditures on fringe benefits soon went beyond what program efficiencies or fee increases might sustainably support.

The Forum's March 2009 evaluation of Milwaukee County's fiscal condition demonstrated how fringe benefits had grown and affected departmental budgets over a five-year period from 2003 to 2007. In **Table 9**, this information is updated for select departments. As shown, all units have experienced increases in their fringe costs over this seven-year span. Fringe costs vary among the departments because of differences in personnel. Some departments, such as the county parks, employ seasonal workers who receive lesser fringe benefits, and other departments have a greater share of non-personnel expenditures, such as contract costs.

Table 9: Fringe Benefits as a Proportion of Total Expenditures, 2003 to 2009

	2003		2009*	
Department	Fringe benefits	Fringe %	Fringe benefits	Fringe %
County Board	$1,172,500	24.8%	$2,196,800	33.1%
Procurement	$192,900	23.7%	$259,600	29.1%
County Ex--General Office	$272,900	28.3%	$400,400	29.6%
Corporation Counsel	$618,300	38.6%	$937,700	50.7%
Human Resources	$1,078,200	25.1%	$1,149,900	38.0%
Fiscal Affairs	$984,100	30.2%	$1,816,900	43.7%
Combined Court Related Operations	$5,608,200	15.1%	$10,367,000	20.3%
County Treasurer	$146,900	12.0%	$299,200	19.3%
Register of Deeds	$783,900	18.9%	$1,444,400	33.8%
Sheriff**	$28,036,200	25.5%	$33,430,700	35.9%
District Attorney	$3,068,800	23.1%	$5,694,100	27.7%
Department of Human Services	$12,688,700	7.9%	$25,434,400	12.8%
Department of Parks	$5,997,500	14.9%	$9,630,800	22.0%
Zoo	$2,073,000	11.1%	$4,366,300	18.3%
Behavioral Health	$15,795,100	11.5%	$28,440,500	16.6%

** Budgeted*

*** Includes House of Correction*

The Forum's March 2009 report showed that one of the major consequences of the county's budget strategy was to reduce the purchasing power of small and/or administrative units that rely almost exclusively upon property tax revenue. The report found that, after subtracting fringe benefit expenditures from total expenditures, some departments had suffered a major cut to their expenditure budgets, including key central services departments that are critical to the performance of every county function. These included procurement, corporation counsel, fiscal affairs, and human resources.

For the purposes of this report, which is focused on governance reform, the county's fringe benefit methodology creates a certain impetus toward the status quo and against large-scale change. While perhaps unintended, embedding legacy costs in departmental budgets has made governance reform more difficult. Reform proposals that would establish new authorities for transit or parks, or that would shift responsibilities for judicial or social services from the county to the state, also now must resolve retiree fringe benefit financing issues.

Problems arise because it is assumed, and probably rightfully so, that the new organizational home of a transferred program would be unwilling to assume responsibility for liabilities attributed to former employees. As a result, it seems likely that program operations and related revenues and expenditures would transfer to the new governing body, but the parts of the department's budget now dedicated to retiree benefit costs would remain the responsibility of the county. The county then might have to budget these legacy costs across fewer departments, further exacerbating their budget pressures.

While doing nothing to reduce the cost of legacy obligations, a methodology in which retiree benefit costs were isolated in a distinct part of the county budget at least would lead to a simpler analysis of the true costs associated with each county function. Later sections of this report discuss this issue in more detail.

CONCLUSION

During the past decade, fringe benefit costs have overwhelmed the Milwaukee County budget. Combined annual pension and health care expenditures climbed from $67 million in 2000 to $179 million in 2008 despite a dramatic decrease in the size of the county workforce. It is anticipated that fringe increases will continue to accumulate in future years, driven by unfunded pension liabilities and the rising cost of health care.

As a result of those increases and its other fiscal pressures, Milwaukee County has made major budget cuts and edged closer to a full-blown fiscal crisis. While the county has sought to curtail fringe benefit costs, its measures have not proved equal to the task, in part because outside events such as the fall in the stock market have worsened the problem and undermined solutions. Proposed changes in the 2010 budget may indicate the county is headed in a new direction.[3] Nevertheless, prudence and a decade worth of experience suggest that escalating fringe benefit costs will continue to be a major contributor to the county's structural deficit.

It is important to note that there have been times in the county's history when it was able to shoulder significant retiree benefit costs. In the 1980s, for example, the county made substantial contributions to its pension fund that exceeded the amount it is contributing today when adjusted for inflation and considered as a percentage of total county property taxes. Prior to this decade, however, the county enjoyed much larger average annual returns on its pension fund investments, much greater elasticity in its state revenue streams, and a much larger workforce across which to spread its retirement benefit costs. It is the county's current fiscal condition and prospects that necessitate consideration of changes to its retirement benefits structure.

The county also should strongly consider a change in budgeting philosophy and methodology with regard to retiree benefits. The linkage of legacy costs to departmental operations has seriously weakened many functions of county government in a non-strategic manner. An alternative approach in which budget allocations are driven instead by clearly articulated priorities is needed.

Finally, it is important to recognize that the financing of fringe benefits is inextricably connected to large-scale organizational reform. Potential governance changes that would place certain county functions under independent governing authorities or state government must take into account the legacy costs of those departments. No governance reform can occur unless and until it is decided how those costs would be financed under alternative governance arrangements. The following chapters will discuss those costs and policy options.

[3] The 2010 county budget includes several fringe benefit changes, including a reduction in the pension multiplier from 2% to 1.6% for future service effective in 2010; an increase in the normal retirement age from 60 to 64 for new hires; and higher deductibles, out-of-network co-payments and premium contributions. Those modifications, however, are subject to collective bargaining for the roughly 85% of county workers represented by unions.

CHANGES IN GOVERNANCE WILL IMPACT PUBLIC RETIREMENT BENEFITS IN COMPLEX WAYS

The county's legacy obligations not only have a considerable impact on its financial outlook, but those obligations also create complexities with regard to the potential transfer of county functions to other governments. Two relatively recent examples shed light on the nature of those complexities and how they might be addressed.

Transfer of assistant district attorneys to the state

In January 1990, the state adopted legislation requiring the transfer of all Wisconsin prosecutors from county to state employment. Most Milwaukee County district attorneys were given the option to retain county benefits or take benefits from the state. Section 978.12 of the Wisconsin Statutes spelled out the specific options given prosecutors:

- All transferring district attorneys could choose to retain county health insurance. For those prosecutors who retained county health insurance, the state provides the county with a reimbursement payment that is equal to the cost incurred by the county or an amount equivalent to comparable coverage under the state insurance plan, whichever is less. The county is responsible for funding the difference between the state's payment and the actual cost of the county plan.
- All *vested* district attorneys could choose to remain in the county pension system. Those not vested in the county system were required to transfer to the state retirement system. For those prosecutors who retained county pension benefits, the state provides the county with a payment that is equal to the county's employer contribution rate or an amount equivalent to the state's employer contribution rate, whichever is less. The county is responsible for supporting the difference between the state's payment and the actual employer contribution made by the county on the prosecutor's behalf. Until recently, the state fully reimbursed Milwaukee County for the actual employer contribution made on behalf of prosecutors that remained in the county system. However, when the county's pension costs spiraled, the state capped its reimbursement to 14.3% of salary.
- All transferring Milwaukee County prosecutors that reached 15 years of service, regardless of whether those years accrued as a county or a state employee, were deemed eligible for free health care at retirement to be paid by the county.

Litigation arose out of the second provision above, regarding non-vested Milwaukee County prosecutors who moved to the state retirement system. Roughly 40 prosecutors were short of vesting in the county system at the time of their transfer to state employment but were not expected to forego their prior service credits. The question was who would pay for the liabilities already incurred by that prior service.

State legislation required Milwaukee County to transfer employer contributions made on behalf of those prosecutors from the county retirement plan to the state plan. That decision triggered a lawsuit from Milwaukee County, which charged that it violated the Fourteenth Amendment and unconstitutionally took funds intended for the benefit of vested county employees and retirees.

The case made its way to the Wisconsin Supreme Court, which ruled in 1996 that a pension fund's liabilities, assets, and annual contributions are managed collectively and in such a manner that if any fraction of any piece is removed, it could jeopardize the system's strength and is therefore generally prohibited. While the court opinion also recognized that there are certain situations where changes are needed and acceptable, such as when a fund is insolvent or financially strained, its ruling caused the state to establish a different mechanism for addressing prior service costs for non-vested district attorneys.

Transfer of the Milwaukee Public Museum from the county to a new non-profit organization

In 1992, Milwaukee County peeled off Milwaukee Public Museum operations from county government and housed them instead in a new independent non-profit organization, Milwaukee Public Museum, Inc. (MPM). As part of that arrangement, the county and MPM established an agreement that required MPM to offer jobs to all former county museum workers and to provide benefits that were substantially equivalent to the benefits provided by the county.

Consequently, two pension plans were created: a new defined benefit plan for employees who had transferred from the county and had already vested in the county system; and a defined contribution plan for new workers and former county workers who had not yet met county vesting requirements.

Unlike the assistant district attorneys, vested county museum employees did not have the option of retaining county pension benefits, which meant that many of those employees would retire having vested in two pension systems. These cases are similar, however, in that the county pension system retained the prior service liability of anyone already vested in the system. Like the Wisconsin Retirement System, the MPM defined contribution plan did face some past liability in terms of recognizing the prior service of non-vested county employees. The county did not transfer any funds to MPM in order to support that cost.

In regard to retiree health care benefits, MPM was contractually bound to provide benefits similar to those of the county. Upon retirement, former county employees having 15 years of county service can choose whether or not to be part of the county health care plan or that of MPM. Employees who did not have 15 years of service as of the time of the transfer were required to receive health care through the MPM plan. The county supports the cost of eligible employees choosing county health care, while MPM supports those who opt into its plan.

Summary

These examples provide insight into the types of benefits-related issues that would need to be resolved in any potential transfer of functions and employees from county government to alternative government entities. Issues that would need to be decided or negotiated would involve not only the retirement benefits already earned by active vested employees, but issues such as prior service credit of non-vested employees, and calculation and payment of differences in the value of health care plans.

In addition, the Supreme Court ruling that arose from the transfer of assistant district attorneys reflects the fact that Milwaukee County's pension system represents a collective property right, which ensures that any effort to transfer any of the fund's assets or contributions to other retirement systems would receive considerable legal scrutiny.

SECTION II

FUNCTIONAL ANALYSES

County government in Wisconsin dates back to 1818, when the territorial governor created three counties to perform law enforcement and taxing functions.[4] Today, county governments exist as creations of the State of Wisconsin, with specific reference in the Wisconsin Constitution. Article IV, Section 23 empowers the legislature to "establish one or more systems of county government," while Section 22 allows the legislature to "confer upon the boards of supervisors…such powers of a local, legislative and administrative character as they shall from time to time prescribe." A separate article identifies county officers, including sheriffs and district attorneys. Consequently, any effort to eliminate Milwaukee County government likely would engender debate about the necessity of a constitutional amendment to do so.

Notwithstanding that question, consideration of a new structure for Milwaukee County government also should take into account the constitutional and statutory purpose of counties. Unlike cities and villages, counties do not have constitutional "home rule" authority, which means they only may undertake functions expressly granted to them by state statutes. In fact, many refer to counties as "administrative arms of state government"[5] to connote their design by the state to administer local functions on its behalf, but not necessarily to do anything more.

Milwaukee County, of course, does *much* more, which is a reason for its unique nature and, arguably, its unique problems. A good deal of the public debate about Milwaukee County's financial challenges, for example, has centered on the condition of its parks, cultural facilities and transit system – three functional areas that Milwaukee County government elected to assume with the permission of state government, but not at its behest.

In this section, with this brief history in mind, we temporarily put aside the question of eliminating Milwaukee County government, and instead examine each major county function individually. This approach allows us to explore why the county is performing the function; whether transferring it to a different government body is logistically and politically viable; and whether doing so would improve its quality and cost effectiveness. If the answer turns out to be affirmative, then perhaps the transfer should be considered notwithstanding the larger question of county government's overall future. Furthermore, if that conclusion is reached for enough major functions, then the idea of eliminating the government altogether becomes more attractive.

Conversely, if this analysis yields the conclusion that Milwaukee County government *is* the appropriate administrator for most of its existing functions, then consideration might turn to streamlining the government, reforming its governance structure, or simply focusing on its far-reaching financial problems.

In analyzing each major function of Milwaukee County government, we break down functional budgets to demonstrate the impact of legacy costs; explore alternative government bodies that might logically house the function; and briefly examine pros, cons and logistical considerations. Major functions are defined primarily based on the size of their workforce and budget and their community impact. There are several other important functions of county government that also merit discussion, but those are discussed in lesser detail for the sake of brevity.

[4] UW Extension Local Government Center, "County Government in Wisconsin," March 2003.
[5] Wisconsin Counties Association, "County Government: History, Services Funding."

AIRPORTS

INTRODUCTION

Milwaukee County's Airport Division provides and manages air transportation services at General Mitchell International Airport (GMIA) and Lawrence J. Timmerman Field. GMIA is the state's largest airport and provides commercial, military and general aviation services. Timmerman Airport serves primarily general aviation and is a reliever airport for GMIA. The county's authority to operate airports is granted under Chapters 59 and 114 of the Wisconsin Statutes.

The Airport Division operates under the purview of the county's Department of Transportation and Public Works. The division operates as an enterprise fund in county government, which means that it functions as an independent business unit that is designed to pay and recover its own costs. The Airport Division maintains a long-term agreement with GMIA's signatory airlines, under which all operating expenses and debt service costs at GMIA are recovered through rates and charges assessed to users, including terminal and land rentals, concession fees and landing fees.

Milwaukee County has owned and operated GMIA since 1926, when the county purchased a small airport at the current site from a private individual. GMIA has undergone significant expansion in recent years to keep up with its growing demand, including a 16-gate expansion in 1990, a 3,000-space parking garage expansion in 2002, and an eight-gate expansion in 2007. GMIA's passenger totals have increased steadily for most of this decade, from about six million passengers annually at the beginning of the decade to a record total of just below eight million in 2008. The airport is served by 12 airlines and offers non-stop service to 50 cities.

According to a November 2006 report prepared by a work group consisting of county fiscal and legal staff, the current value of the county's airport land, structures, furnishings and equipment was $437 million, with a net value after accumulated depreciation of $227 million. A similar report in 2006 also noted that the county had provided $244 million in capital investment at GMIA during the previous 10 years. An additional $142 million in capital projects for the airport was authorized as part of a recently approved three-year countywide capital improvement program for 2009 and 2010.

The total budget for the Airport Division in 2009 was about $77 million, consisting of $76 million for GMIA and $590,000 for Timmerman. As noted above, all airport expenditures are recovered from charges to airlines and fees paid by other users, meaning that no county property tax levy is required to fund airport operations. In addition to being fully reimbursed for direct costs associated with active employees and operations, the county charges the airlines on an annual basis for the airport's share of county legacy and other indirect costs.

It is important to note that the Airport Division, while operating as a separate business enterprise, is a significant purchaser of county services. Consequently, a shift in airport governance could have significant impacts on other county departments if the new governing body did not similarly utilize county services. For example, the 2009 budget authorized 63 sheriff positions to provide security services at GMIA at a cost of $7.2 million. The sheriff charges the airport for this service. Charges to the airlines and about $250,000 of citation and grant revenue pay the security bill. The county also bills the airport for more than $3.5 million annually for administrative services, including audit, legal services, fleet management, accounting/payroll and human resource functions.

The Airport is the sixth largest county organizational unit in terms of its number of employees, with 270 full-time equivalent positions (FTEs) in the 2009 budget.

BUDGET BREAKDOWN

Table 10 breaks down the Airport Division's actual expenditures and revenue in 2008, showing both total costs and costs when legacy obligations are subtracted . This analysis shows that the Division spent $3.7 million on central service charges from other county departments, $20.9 million on its own personnel, and $48.4 million on non-personnel expenditures, including fuel and commodities, security services, and capital outlays.

The analysis also shows that $356,000 of the airport's central service charges and $3.2 million of its personnel expenditures were not directly connected to the cost of providing or administering aviation services, but instead were county legacy costs distributed to the department by the central budget office. **This tells us that if a different entity had provided the same services, secured administrative overhead at the same price, and paid the same wages and benefits to its active employees in 2008, it potentially could have administered airport operations for $3.5 million less if it was not responsible for the Airport Division's share of the county's legacy costs**.

As explained in **Section I**, the county budget office allocates legacy costs to departments based on their number of active employees, as opposed to their actual number of retirees. Our analysis shows that if legacy costs *had* been distributed to the airport on the basis of its actual number of retirees, those costs would have totaled $2.2 million. This $2.2 million figure represents a more accurate depiction of the approximate annual county legacy obligation held by the Airport Division. As with every other function analyzed in this report, under a change in governance these legacy costs either could be assumed by the function's new governing body, or they could remain the responsibility of county government or county taxpayers (if county government no longer existed).

Finally, in terms of the division's overall share of the county's outstanding liabilities, its share of the county's pension fund liability (consisting of both pension obligation bond (POB) debt and the unfunded liability) is $11.4 million, and total General Obligation debt on airport facilities is $4.6 million. A much larger portion of the airport's long-term debt consists of revenue bonds that are paid off with dedicated airport revenues. The airport also has been able to avoid debt financing by funding many of its capital projects on a "pay-as-you-go" basis with Passenger Facility Charge revenue collected on airline fares. As an enterprise fund, the airport has been charged for its share of the county's other post-employment benefit (OPEB) liability on an annual basis, so no outstanding OPEB liability exists.

Table 10: Breakdown of Airport Division's 2008 Actual Expenditures and Revenues and Legacy Costs

Airport	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using **2008** fringe allocation method*	*Based on retiree history***
Administrative	$1,606,960	$1,450,104	$156,856	$152,160
Information technology	$274,732	$247,915	$26,817	$26,014
Legal counsel	$310,008	$279,748	$30,260	$29,354
Facility management	$329,082	$296,960	$32,122	$31,160
Fleet management***	$1,131,453	$1,021,012	$110,441	$107,135
Central charges/overhead	**$3,652,235**	**$3,295,739**	**$356,496**	**$345,822**
Salary and wages	$10,265,495	$10,265,495	$0	$0
Social security	$761,464	$761,464	$0	$0
Employee healthcare	$2,650,691	$2,650,691	$0	$0
Employee pension	$1,047,250	$1,047,250	$0	$0
Retiree healthcare	$2,650,691	$0	$2,650,691	$1,570,121
Retiree pension	$523,625	$0	$523,625	$320,448
OPEB liability (proprietary fund)	$2,191,590	$2,191,590	$0	$0
Other	$803,940	$803,940	$0	$0
Personnel costs	**$20,894,746**	**$17,720,430**	**$3,174,316**	**$1,890,569**
Non-personnel expenditures	**$48,350,582**	**$48,350,582**	**$0**	**$0**
TOTAL EXPENDITURES	**$72,897,563**	**$69,366,751**	**$3,530,812**	**$2,236,391**
State revenue	$0	$0	$0	$0
Federal revenue	$0	$0	$0	$0
Other revenue	$75,655,542	$72,124,730	$0	$0
TOTAL REVENUES******	**$75,655,542**	**$72,124,730**	**$0**	**$0**
TOTAL LEVY	**($2,757,979)**	**($2,757,979)**	**$3,530,812**	**$2,236,391**
Unfunded pension liability*****	$11,402,938	$11,402,938	$11,402,938	$11,402,938
Outstanding debt/interest	$4,616,071	$4,616,071	$4,616,071	$4,616,071
TOTAL LONG-TERM DEBT	**$16,019,009**	**$16,019,009**	**$16,019,009**	**$16,019,009**

** In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.*
*** This method distributes legacy costs according to a department's retiree history.*
**** Beginning in 2009, the Airport Division assumed responsibility for its own fleet management expenses, which eliminated most of the fleet management central service charge.*
*****Because airport legacy costs are paid by signatory airlines, revenues are reduced by the same amount as legacy expenditures.*
****** Estimated liability allocated to department is based on the department's retiree history.*

POTENTIAL ALTERNATIVE GOVERNANCE STRUCTURE

The potential alternative governance structure for aviation services in Milwaukee County that has received the most public discussion is creation of a separate airport district to govern the operations of GMIA and Timmerman Field. Unlike general purpose governments, special districts only provide one or two particular services. Districts typically are created by legislative action, court action, or popular referendum. They also generally are given authority to dictate their own budget, issue bonds, and tax citizens within district boundaries. Management is provided by a board of commissioners that can be appointed or elected. The section below provides a brief analysis of that option.

Another concept that has been proposed for study by the current county executive is a long-term lease of the airport to a private operator. That concept is not discussed in this section of the report, which focuses on alternative governance (as opposed to alternative operators) of county services. It is mentioned, however, in a later section regarding potential strategies for addressing the county's fiscal crisis.

Discussion

The concept of a separate airport authority for Milwaukee County was the subject of heated debate earlier this decade. In December 2005, State Representative Jeff Stone and State Senator Jeff Plale – both of whom represent parts of Milwaukee County – announced their intention to draft legislation to authorize creation of airport districts throughout the state. After a series of meetings that included the county executive and other members of his administration, as well as area business leaders, Assembly Bill 1089 was introduced by Representative Stone and others in the Wisconsin Legislature on March 6, 2006. That legislation included the following provisions:

- Mandated creation of an airport district in Milwaukee County. For other areas of the state, authorization was provided for one or more local governmental units to elect to create airport districts upon passage of resolutions by appropriate governing bodies.

- Specified that the Milwaukee County district would be governed by a board consisting of four persons appointed by the governor and three persons appointed by the county executive, each of whom would be subject to confirmation by the relevant legislative body. One of the governor's appointees and one of the county executive's appointees would have to be from Cudahy, Oak Creek, St. Francis, or South Milwaukee. No member of the board could hold a state or local elective office.

- Required Milwaukee County to transfer and assign all of its rights, title, and interest in the airport and airport facilities that it owns or operates to the district upon its creation. In turn, the district would be required to accept all obligations and liabilities of the county related to the airport and airport facilities.

This legislation was not adopted by the Legislature, though a Special Committee on Airport Authorities was established by the Legislature's Joint Legislative Council in June 2006. The special committee met six times between September 2006 and July 2007 and produced recommended legislation in December 2007. The recommended legislation – which was not introduced in either the Assembly or Senate – differed from AB 1089 in a few key ways. Instead of *mandating* creation of an airport authority for Milwaukee County, for example, it *authorized* creation of such an authority. It also had a different board composition that granted additional appointing authority to chief elected officials in municipalities surrounding GMIA and adjacent counties. Finally, the proposed legislation called for transfer agreements to be negotiated between local governmental units and local airport authorities that would dictate treatment of liabilities and obligations.

Although legislative proposals to authorize creation of airport districts have not taken hold in Wisconsin, they are not uncommon elsewhere in the country. Such districts typically take one of two forms: authorities designed for the sole purpose of maintaining, operating and improving aviation facilities; and authorities that administer and operate a broad range of transportation functions, including aviation.

In regard to the former, **Table 11** provides examples of airport districts from Wayne County, Michigan; Metropolitan Washington, DC; Columbus, Ohio; Orlando, Florida; and San Diego, California.

The authorities listed in this table vary by location and scope of service provision, but a close examination of their structure illustrates several similarities. First, the responsibilities tasked to the districts are very similar, with each district granted authority to operate, maintain, and improve airport facilities and operations. Beyond these functions, the authority generally has some influence over land use in or around their properties. Second, the governance structure of these authorities is similar. The districts generally are controlled by a board of commissioners that can range from seven to 13 members. A board serves as the controlling body of each district and it hires management staff to oversee daily operations. Third, none of the authorities shown in **Table 11** are taxpayer-funded. Revenue is obtained from fees, rents, concessions and grants. The authorities also are allowed to issue debt in order to fund significant capital projects. Finally, four of the five authorities listed in **Table 11** operate more than one airport facility.

Table 11: County, Metro and Regional Airport Authorities

	Wayne County Airport Authority	Metropolitan Washington Airports Authority	Columbus Regional Airport Authority	Greater Orlando Aviation Authority	San Diego County Regional Airport Authority
Established	The Wayne County Airport Authority was created under legislation that was signed into law in March 2002 and became effective in April 2002.	The U.S. DOT transferred control of the airports to the Authority on June 7, 1987, for a 50-year period; in 2003, the lease was extended for 30 years.	The Columbus Regional Airport Authority was created in July 1990 by an action of the Columbus City Council as provided by the Ohio Revised Code.	The Authority was established in 1957 by legislation passed by the Florida Legislature. The City of Orlando owns both airports.	The Authority assumed ownership and operations of San Diego International Airport from the Unified Port of San Diego in January 2003.
Population served	Wayne Co.: 2,061,162 Detroit MSA: 4,452,557	Washington: 572,059 Wash. MSA: 4,796,183	Columbus: 711,470 Columbus MSA: 1,612,694	Orlando: 185,951 Orlando MSA: 1,644,561	San Diego Co.: 2,813,833 San Diego MSA:2,813,833
Facilities	-Detroit Metro Wayne County Airport -Willow Run Airport	-Dulles Intl. Airport -Reagan National Airport	-Port Columbus Intl. Airport -Rickenbacker Intl. Airport -Bolton Filed	-Orlando Intl. Airport -Orlando Executive Airport	-San Diego Intl. Airport
Responsibilities	Responsibilities include the ability to plan, promote, extend, maintain, improve, repair, enlarge, and operate both airports.	The Authority is responsible for the maintenance, operation, and improvement of airport facilities and for the Dulles Corridor Metrorail project.	The Authority is responsible for the maintenance, operation and improvement of three airport facilities in the Columbus area.	In 1976, the Authority was given custody, control and management authority over each airport. The delegation was for a period of 50 years.	The Authority is tasked with the operation of San Diego Intl Airport. The Authority's leadership also serves as the Airport Land Use Commission.
Air passengers (2008)	35,135,828	41.9 million (combined)	6.9 million (Port Columbus)	35,660,742	18,125,633
Governance	The Authority is managed by a seven-member Board of Directors. Four members are appointed by the Wayne Co. Executive; two members are appointed by the Governor; and one member is appointed by the Wayne Co. Commission. Terms range from two to eight years.	The Authority is governed by a 13-member Board of Directors, with five members appointed by the Governor of Virginia, three by the Mayor of the District of Columbia, two by the Governor of Maryland and three by the President of the United States.	A Board of Directors is composed of nine members. Four are appointed by the Mayor of the City of Columbus, four are appointed by the Franklin County Board of Commissioners and one member is jointly appointed. Members serve four-year staggered terms.	The authority is governed by a seven-member Board. Five are appointed by the governor of the State of Florida, one is a member of the Orlando City Council and one is a member of the Orange County Commission. An executive director is appointed by the Board.	The Authority is governed by a 12-member board with three members serving as an executive committee. The members are appointed by a class of offices ranging from the mayor of San Diego and the governor of California to the mayors of other county municipalities.
Revenue	The Authority is self-supporting, not taxpayer funded. Aircraft landing fees, terminal fees and revenue from parking and concessions (etc.) fund operating expenses. Bonds also can be issued.	The Authority is not taxpayer-funded but is self-supporting, using aircraft landing fees, rents and revenues from concessions to fund operating expenses at both airports. Bonds also can be issued.	The Authority is not taxpayer-funded but is self-supporting, using aircraft landing fees, rents and ticket taxes (etc.) to fund operating expenses at each airport. Bonds also can be issued.	Authority revenue is obtained from landing fees, rents, ticket fees, and concession sales (etc.). Bonds also can be issued. The Authority does not have taxing authority.	The authority is funded through user fees (i.e. landing fees, rents, tickets fees, and concessions). The airport is not supported with local taxes.

Another potential option that has been employed elsewhere – and that may be relevant to Milwaukee County in light of ongoing discussion regarding creation of a Regional Transit Authority – is to move a wide array of transportation functions to a special transportation district that operates on a regional scale. Regional authorities in other states operate airports, rail lines, bus routes, bridges, tollways, and highways. Although basic road development and maintenance is still performed by public works departments from component municipalities, larger functions are transferred to the regional authority. **Table 12** provides three examples of these types of authorities.

Table 12: Transportation and Airport Authorities

	South Jersey Transportation Authority	Niagara Frontier Transportation Authority	The Port Authority of New York and New Jersey
Established	The South Jersey Transportation Authority was established in 1991 by an act of the New Jersey Legislature.	A Niagara transit system was replaced by the Niagara Frontier Transportation Authority (NFTA) in 1967 by the State of New York.	The Port Authority of New York and New Jersey was established in 1921 as allowed by U.S. interstate compact provisions.
Area served	The Authority serves six counties: Atlantic, Camden, Cape May, Cumberland, Gloucester, and Salem.	The Authority serves the two-county region of Erie and Niagara.	The area served consists of a radius of approx. 25 miles surrounding the Statue of Liberty.
Population served	1,329,206 (2000)	1,170,111 (2000)	17.2 million (2007 est.)
Responsibilities	The Authority coordinates southern New Jersey's transportation system, which includes a highway network, aviation facilities, and other transportation-related needs. This also includes construction, maintenance, and operation of facilities and infrastructure. The Authority serves as the regional transportation planning authority.	The Authority is multi-modal in nature with a responsibility for aviation, traffic, bus, rail and water forms of transit. This includes the maintenance, operation and capital improvement of the facilities and infrastructure listed below. Additionally, the Authority manages a significant amount of real estate.	The Authority maintains, operates and provides capital improvements to airports, tunnels, bridges, terminals, ports, bus systems, and a rail system. The Authority also controls and operates a significant amount of real estate in its coverage region.
Facilities	The Authority is responsible for the Atlantic City Expressway, Atlantic City Intl Airport terminal, and parking facilities and bus management in Atlantic City.	The Authority is responsible for the NFTA Metro bus and rail system, the Greater Buffalo Niagara Intl Airport, the Niagara Falls Intl Airport, and the NFTA Small Boat Harbor.	The authority is responsible for six airports or heliports, four bridges, two tunnels, a bus system, five sea ports or terminals, the PATH rail system, a transportation center, and other real estate.
Governance	The Authority is governed by a nine-member Board of Commissioners. These include the State Commissioner of Transportation, the State Secretary of Commerce and Economic Growth and seven members appointed by the Governor.	The Authority is governed by the Board of Commissioners. The Commission is an 11-member body that includes a chairman, treasurer and secretary.	The Governor of each state (New York and New Jersey) appoints six members to the Board of Commissions, which is the governing body for the Authority. The Governors are allowed to veto actions of commissioners from their respective states.
Revenue	Revenue comes from a variety of sources that include: tolls, concessions, parking fees, rents, bus permits and airport fees. Tolls represent over two thirds of the total revenue.	Revenue is obtained from fares, rents, concessions, commissions, airport fees, and other services. Transportation fares constitute the largest source of revenue (31%).	The Authority receives no tax revenue and has no taxing authority. Revenue is received from facility operations such as fees, tolls, rents, and various other sources.

Comparison of the two types of aviation-related authorities reveals that combined airport and transportation authorities tend to cover a much larger geographic region. Instead of a single county area associated with some airport districts, these authorities can cover six counties or more (i.e. South Jersey Transportation Authority or the Port Authority of New York and New Jersey). In terms of similarities, both airport districts and regional transportation authorities that include aviation are not supported by segregated sales, income or property taxes, but instead are self-supporting. These districts also have similar governance structures consisting of individuals appointed to a board of commissioners by local or state political officials. These boards govern the district but hire specific administrators to oversee the daily operations of the authority.

The following discusses the key pros, cons and logistical obstacles associated with the potential transfer of Milwaukee County's airports to a separate authority.

Key pros

- Airline officials have argued that creation of an airport district or regional transportation authority to administer aviation services in Milwaukee County would be attractive because it could relieve the signatory airlines from having to help pay for county legacy costs and other overhead. This could encourage them to provide greater service levels at GMIA.

- Because a separate airport district likely would not be subject to the county's personnel rules and may not be subject to its labor contract obligations, and because it could seek overhead services (including security) from non-county sources, some have argued that its services could be administered more cost effectively and with enhanced efficiency.

- Business leaders have argued that because GMIA serves residents from throughout the southeast Wisconsin region, it is more appropriate to have it administered by a regional governing entity. In particular, it has been argued that unlike the county board, an airport district board would be primarily focused on enhancing airport operations for the betterment of the region, and not as heavily influenced by the parochial concerns of nearby residents regarding airport noise, runway expansion, etc.

- Business leaders also have argued that county government's financial problems are of sufficient magnitude that they could threaten the fiscal health of GMIA, which they refer to as the region's most important economic asset. Transferring it to an independent district would alleviate that threat.

Key cons

- GMIA has a reputation as one of the best run and most cost-effective airports in the country, with passenger use continuing to set records and costs lower than in other similar-sized airports. County board leaders have argued that changing the governance structure makes little sense in light of that success.

- Direct oversight of the county's airports by elected officials provides greater accountability to taxpayers and the general public than would occur under an appointed board.

- Transfer of the airport to a separate district could result in a direct shift of millions of dollars of legacy and county overhead costs (if a new governing body chooses to use non-county security and administrative service providers) to county taxpayers, which some might argue is unfair and inappropriate in light of the significant commitment county government has made to the airport during the past 80-plus years.

- It could be argued that Milwaukee County already has enough separate governmental or quasi-governmental bodies, and creation of a new airport district simply would create another layer of unneeded government bureaucracy.

Key logistical questions/obstacles

- In developing legislation authorizing creation of an airport district to govern Milwaukee County's airports, the state would need to determine whether the new authority would assume responsibility for the Airport Division's legacy liabilities, which are significant. The legislation also would need to address whether the district would be required to purchase the airport's assets from the county.

- County fiscal officials raised questions in the 2006 discussion regarding the more than $100 million in revenue bond debt held by the airport. The resolution for the revenue bonds contains a covenant that the county maintain ownership of the airport while the bonds are outstanding. Consequently, consideration would need to be given to reimbursing the county for costs associated with defeasance of the bonds should airport ownership change hands.

- County fiscal officials also raised concerns in 2006 that the transfer of GMIA to a new authority would create cash flow problems for the county, which depends on annual temporary transfers from the airport to cover cash flow gaps in the general fund prior to the receipt of state shared revenue and property taxes. That issue would have to be considered and potentially addressed by state and county officials.

- The authorizing legislation would need to determine whether, to the extent that the new airport district would be a direct provider of services, county workers would become employees of the district and, if so, whether county labor contracts would remain in force. Also, it would need to determine whether district employees who formerly worked for the county would be able to remain in the county pension system and receive county health insurance and other benefits, whether they would become members of the state retirement system and receive health care and other benefits from the state, or whether a new benefits structure would need to be created in the district.

- The composition of the board overseeing the district would need to receive careful deliberation by state officials, who would need to determine whether it should be appointed or elected, whether it would be paid or volunteer, and whether there should be representation from all municipalities adjacent to GMIA and adjacent counties.

BEHAVIORAL HEALTH

INTRODUCTION

Milwaukee County's Behavioral Health Division (BHD) provides a variety of inpatient, emergency and community-based care and treatment to children and adults with mental health and substance abuse disorders. The county's role is dictated primarily by the Wisconsin Statutes, which specifically assign to Milwaukee County government responsibility for the "management, operation, maintenance and improvement of human services" in the county, including mental health treatment and alcohol and substance abuse services (Section 46.21).

Section 51.42 of the Wisconsin Statutes lays out more specifically the mandated role for Milwaukee County pertaining to the provision of behavioral health services:

"The county board of supervisors has the primary responsibility for the well−being, treatment and care of the mentally ill, developmentally disabled, alcoholic and other drug dependent citizens residing within its county and for ensuring that those individuals in need of such emergency services found within its county receive immediate emergency services. This primary responsibility is limited to the programs, services and resources that the county board of supervisors is reasonably able to provide within the limits of available state and federal funds and of county funds required to be appropriated to match state funds."

The county has interpreted this language as a legal requirement to provide immediate emergency services for persons with mental illness and substance abuse disorders. That interpretation, in turn, has been defined as a requirement that the county also provide a broad range of inpatient, long-term care and outpatient services to indigent persons in order to curtail the need for emergency services and meet the more general statutory language pertaining to well-being, treatment and care.

Milwaukee County owns and runs an inpatient hospital consisting of five licensed, 24-bed units (one of which is for children and adolescents); two nursing home facilities (a 70-bed nursing home for individuals with complex needs who require long-term treatment and a 72-bed facility for individuals diagnosed with both developmental disability and serious behavioral health needs); a Psychiatric Crisis Service that serves persons in need of emergency mental health treatment, 65% of whom are brought in by law enforcement on an Emergency Detention; a Mental Health Crisis Walk-in Clinic; and an Observation Unit. It also contracts for a wide variety of community-based services, including targeted case management, community support programs, community residential services, outpatient treatment, substance abuse treatment and recovery support, crisis respite and specialized services for children and adolescents.

The total budget for BHD in 2009 was $172 million[6], making it the second largest budget in Milwaukee County after the Department on Aging Care Management Organization. BHD's

[6] Beginning in 2010, BHD's budget includes approximately $16 million in expenditures and $14 million of property tax levy for County Health Programs, which prior to the 2010 budget existed as its own organizational unit. These programs consist of Emergency Medical Services and a $6.8 million tax levy appropriation to the State of Wisconsin for its Badger Care Core program, which replaced the county-administered General Assistance Medical Program,

2009 property tax levy was $57 million, again ranking it second after the Office of the Sheriff. Other key revenue sources are state/federal revenue and direct reimbursement from patient care.

BHD also is one of the county's largest functions in terms of individuals served. For example, the 2009 budget estimated BHD would handle more than 4,000 inpatient and 13,000 Psychiatric Crisis Service admissions, provide services to more than 2,000 individuals in targeted case management or the community support program, and provide community-based substance abuse services to more than 4,500 individuals.

Finally, BHD is the second largest county organizational unit in terms of its number of employees (first is the sheriff), with 859 FTEs in the 2009 budget.

BUDGET BREAKDOWN

Table 13 breaks down BHD's actual expenditures and revenue in 2008, showing both total costs and costs when legacy obligations are subtracted. This analysis shows that the Division spent $7 million on central service charges from other county departments, $76.7 million on its own personnel, and $91.3 million on non-personnel expenditures, which primarily involved the purchase of mental health and substance abuse services from community providers, as well as commodities such as prescription drugs.

The analysis also shows that $687,000 of BHD's central service charges and $13.6 million of its personnel expenditures were not directly connected to the cost of providing or administering behavioral health services, but instead were county legacy costs distributed to the department by the central budget office. **This tells us that if a different governing body had provided the same services, secured administrative overhead at the same price, and paid the same wages and benefits to its active employees in 2008, it potentially could have administered and provided behavioral health services for $14.3 million less if it was not responsible for BHD's share of the county's legacy costs**.

In addition, the analysis shows that if legacy costs had been distributed to BHD on the basis of its actual number of retirees, as opposed to its share of the existing county workforce, those costs would have totaled $12.3 million. This $12.3 million figure represents a more accurate depiction of the approximate annual county legacy obligation held by BHD. As with every other function analyzed in this report, under a change in governance these legacy costs either could be assumed by the function's new governing body, or they could remain the responsibility of county government or county taxpayers (if county government no longer existed).

Finally, in terms of the Division's overall share of the county's outstanding liabilities, its share of the county's OPEB liability is $222.9 million, its share of the pension fund liability (consisting of both POB debt and the unfunded liability) is $70.1 million, and total General Obligation debt on BHD facilities is $7.9 million.

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and for which the state still requires a county contribution. While Emergency Medical Services is now part of the BHD budget, it is discussed in the "Other Functions" subsection of this report.

Table 13: Breakdown of BHD 2008 Actual Expenditures and Revenues and Legacy Costs

BHD only	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using **2008** fringe allocation method*	*Based on retiree history***
Administrative	$2,649,179	$2,390,592	$258,587	$250,845
Information technology	$1,560,344	$1,408,038	$152,306	$147,746
Legal counsel	$560,773	$506,036	$54,737	$53,098
Facility management	$2,235,233	$2,017,051	$218,182	$211,649
Fleet management	$39,910	$36,014	$3,896	$3,779
Central charges/overhead	**$7,045,439**	**$6,357,732**	**$687,707**	**$667,117**
Salary and wages	$45,344,617	$45,344,617	$0	$0
Social security	$3,340,462	$3,340,462	$0	$0
Employee healthcare	$11,236,674	$11,236,674	$0	$0
Employee pension	$4,816,180	$4,816,180	$0	$0
Retiree healthcare	$11,236,674	$0	$11,236,674	$9,657,866
Retiree pension	$2,408,090	$0	$2,408,090	$1,971,083
Other	($1,670,414)	($1,670,414)	$0	$0
Personnel costs	**$76,712,283**	**$63,067,519**	**$13,644,764**	**$11,628,949**
Non-personnel expenditures	**$91,306,906**	**$91,306,906**	**$0**	**$0**
TOTAL EXPENDITURES	**$175,064,628**	**$160,732,157**	**$14,332,471**	**$12,296,067**
State revenue	$57,806,589	$57,806,589	$0	$0
Federal revenue	$547,080	$547,080	$0	$0
Other revenue	$68,062,270	$68,062,270	$0	$0
TOTAL REVENUES	**$126,415,939**	**$126,415,939**	**$0**	**$0**
TOTAL LEVY	**$48,648,689**	**$34,316,218**	**$14,332,471**	**$12,296,067**
Unfunded OPEB liability ***	$222,885,177	$222,885,177	$222,885,177	$222,885,177
Unfunded pension liability***	$70,139,829	$70,139,829	$70,139,829	$70,139,829
Outstanding debt and interest	$7,853,557	$7,853,557	$7,853,557	$7,853,557
TOTAL LONG-TERM DEBT	**$300,878,562**	**$300,878,562**	**$300,878,562**	**$300,878,562**

* *In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.*
** *This method distributes legacy costs according to a department's retiree history.*
*** *Estimated liability allocated to department is based on the department's retiree history.*

POTENTIAL ALTERNATIVE SERVICE PROVIDERS

Two potential alternative governing bodies for behavioral health services in Milwaukee County are the State of Wisconsin or a new mental health authority. The following provides brief analysis of those options.

State of Wisconsin

Discussion

A state takeover of behavioral health services in Milwaukee County would be similar to state takeovers of several other major social services programs in Milwaukee County within the past decade: welfare-to-work in the late 1990s, child welfare early in this decade, and income maintenance services in 2009-10.

At first glance, such a move would run somewhat counter to national trends, however. In a recent report, the federal Center for Mental Health Services noted that "the public mental health system has shifted from centralized hospital-based institutional care administered by state agencies to decentralized community-based outpatient settings administered by county-level agencies."[7]

In order to get a better sense of how behavioral health services are provided in other states, we examined the *Grading the States 2006* and *Grading the States 2009* reports published by the National Association of Mental Illness (NAMI). Because of their focus on individual state structures, innovations, and characteristics, the reports illustrated, to a certain degree, how each state is providing mental health services to its citizens. When the reports were ambiguous about a certain state structure, state and local government web pages were examined to obtain additional information.

We found that while mental health services typically are administered at the county or regional level, the structure for delivering services varies significantly across states. For example, in Wisconsin and California, behavioral health services are provided through a county-based system. In Georgia and Idaho, services are provided on a regional or district basis. In South Carolina and Rhode Island, services are rendered though both county agencies and regional districts. Finally, in Ohio, services are provided through a system of special purpose governments.[8]

We also found that while service delivery typically is administered at the local level, many state governments play a primary role in terms of establishing statewide policies and objectives and funding mental health services at the local level to ensure consistent service levels across counties. Wisconsin appears somewhat unique in the extent to which it leaves both administration and significant funding responsibility for behavioral health services in the hands of county governments, as reflected by the following passage in NAMI's *Grading the States 2009*:

"The state [of Wisconsin] funds services in 72 counties, but the counties provide the non-federal share of Medicaid funding and are responsible for providing or purchasing most services. Counties and localities contribute varying amounts to mental health care spending, above what the state provides. The decentralized nature of the system limits the Division of Mental Health and Substance Abuse Services' (DMHSAS) control over local services. Availability and quality vary widely."

Our research uncovered one example of a state that is considering moving away from a county-directed and administered human services system to a state-supervised, regionally administered approach. In Colorado, a blue ribbon committee examining significant problems in the child welfare system has recommended that those services be place under direct state control. This recommendation is based on the belief that "the lack of consistency in guidance from the (state), performance by the counties, and data management resources has made child welfare a

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[7] Center for Mental Health Services National Advisory Council Subcommittee on Consumer/Survivor Issues found at http://mentalhealth.samhsa.gov/cmhs/AdvisoryCouncil/attachment1.asp

[8] Municipalities in Colorado also have the ability to create special purpose governments to provide mental health services. As of 2006, only a few municipalities have utilized the opportunity.

'patchwork quilt' in Colorado, where the quality of a family's child welfare experience is dependent on where they happen to live."[9]

The committee's recommendation does not stop with the child welfare function, but further suggests that all social services be provided under direct state supervision, as "child welfare is inherently dependent on the joint efforts of multiple social service modalities to meet the needs of its clients."[10] Such a suggestion may hold relevance for Milwaukee County, where some have criticized lack of coordination between the state-administered child welfare system and county-administered behavioral health system.

If the State of Wisconsin were to take over the administration of behavioral health services in Milwaukee County, it could follow the model employed for child welfare by creating a Milwaukee-based bureau (similar to the Bureau of Milwaukee Child Welfare) to act as its local service administrator. Under such an approach, it could continue to contract for community-based services while utilizing state employees to provide inpatient and other services currently provided by county employees, or it could shift to an even greater mix of contracted services. Another model would be to purchase all behavioral health services in the community (similar to the model employed for W-2) and manage those contracts from Madison.

Key pros

- Having the State of Wisconsin directly responsible for the administration of behavioral health services in Milwaukee County could improve accountability by linking the entity responsible for mandating (and significantly funding) the services with service outcomes and could improve coordination with state-administered child welfare and public assistance programs. Under the current arrangement, when issues arise regarding the quality and accessibility of behavioral health services, the county can blame the state for providing insufficient funding for a mandated service, while the state can blame the county for poor management. If the state is in charge, then it may be more compelled to provide the fiscal and/or management resources deemed necessary to achieve the service outcomes it deems important.

- It is possible that the state could bring to bear a variety of additional resources to the immensely challenging task of providing quality behavioral health services in Milwaukee County, ranging from expertise with federal funding streams, to legal resources, to additional programmatic expertise.

- Moving behavioral health services outside of county government could better shield those services from the county's overall budget difficulties, legacy costs, competition with other county priorities, personnel rules, and poor reputation (which hurts recruitment and retention of medical and nursing personnel). Some have argued that county government is particularly ill equipped to effectively govern a mental health hospital and emergency department, which requires the type of administrative flexibility and independence that cannot be

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[9] Colorado Child Welfare Organizational Structure and Capacity Analysis Project, September 24, 2009.
[10] Ibid.

accommodated under the county governance structure. State government, on the other hand, oversees its own mental health hospitals with less oversight from elected officials.

- While the state takeovers of child welfare, public assistance programs and even the General Assistance Medical Program (GAMP) have produced mixed results, the state *has* poured greater fiscal resources into these functions as part of the takeovers and, in particular, as problems have been identified. This shows that if the state is accountable for program results, it will have no choice but to provide additional funding.

Key cons

- The community-based services upon which the county's behavioral health system is largely built might be best administered, delivered and overseen by entities that are close to the community, and not based in Madison.

- While Milwaukee County's behavioral health services have come under intense scrutiny in recent years, the county also has achieved success. For example, the county has administered an award-winning program for children and adolescents with mental illness (Wraparound Milwaukee) and its WIser Choice substance abuse treatment program has been nationally acclaimed. Transferring administration of behavioral health programs to the state could result in the loss of talented administrators, clinicians and front-line workers who have produced positive results.

- The State of Wisconsin has its own serious budget woes, and those woes could produce funding challenges that are at least equal to those currently faced by the Milwaukee County behavioral health system.

- Despite state takeovers, significant problems still exist in Milwaukee County's child welfare and public assistance programs, and even the conversion from GAMP to Badger Care has been problematic. This may indicate that the state is no better equipped than the county to administer these programs. Some also might argue that if the state had provided the same fiscal resources to the county as it did for itself, then the county's performance may have exceeded that of the state.

Key logistical questions/obstacles

- In 2008, Milwaukee County spent $34 million of local property taxes to support non-legacy behavioral health services. State officials would need to decide whether the state would be willing to spend that amount, whether it would intercept an equivalent amount of Community Aids and/or shared revenue from the county as it does for child welfare, or whether it would seek a direct payment from the county as it does for income maintenance. If Milwaukee County government is eliminated, then the state would need to determine whether *it* would fill the gap, or instead attempt to assess county taxpayers for an equivalent amount.

- BHD has one of the highest legacy liabilities of any county function, amounting to approximately $12 million annually for the cost of health care and pensions for BHD retirees, and nearly $8 million in outstanding debt on BHD facilities. The state would need to determine whether those costs would be left with the county (or its taxpayers in the case of elimination) as they were for the child welfare takeover, or whether it would assume them.

- Notwithstanding the fiscal implications, the state would need to determine whether, in light of its own variety of major challenges, state government has the capacity and will to take on Milwaukee County's most complicated and challenging human services responsibility which involves, among other things, dozens of community-based contracts and more than 800 full-time employees. If its solution to easing the complexity would be to purchase all behavioral health services from private hospitals and other community-based providers, then it would have to determine whether sufficient community capacity and willingness to provide those services exists.

- The state's 71 other counties also have bitterly complained about unfunded or underfunded human services mandates. A consideration for the state would be whether, to the extent it was willing to assume financial and programmatic responsibility for this underfunded mandate in Milwaukee County, it could justify not doing so in other counties.

Milwaukee County Mental Health Authority

Discussion

Just as policymakers and community leaders have discussed establishment of a separate board or authority to administer airports in Milwaukee County, a separate board or authority to administer behavioral health services in the county also could be considered.

Ohio employs such an approach, with mental health services administered by a system of 54 mental health boards (similar in structure and purpose to special authorities or districts). Boards typically consist of 18 volunteer members appointed by a mix of county and state officials. For example, the 18-member Alcohol, Drug Addiction and Mental Health Services Board of Cuyahoga County has 10 of its members appointed by the Board of County Commissioners, four by the Ohio Department of Mental Health, and four by the Ohio Department of Alcohol and Drug Addiction Services.

The overall system, while administered by the local boards, is supervised by the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services. Because of this structure, the system is financed by a combination of federal, state and local dollars.[11] In particular, the boards are able to levy a local property tax within their jurisdiction to partially cover the costs of services and administration subject to a vote of the jurisdiction's citizens at regular intervals. The State of Ohio also provides a significant portion of each board's annual budget.

[11] Honeck, Jon. 2009. "Proposed Funding Levels Push Community Mental Health System to Brink of Collapse." The Center for Community Solutions June: 1-4.

While the boards are responsible for financing and administering mental health services, they are legally prohibited from directly providing the services. The revenue raised and received by the boards is used to pay community groups, organizations, nonprofits, and hospitals to provide behavioral health services in the community. Thus, the Ohio approach allows for local discretion in system design and service delivery while also including supplemental state aid and direction. Advocates support this system by arguing that "local communities are best able to identify their unique needs and to plan and administer services."[12]

Ohio's mental health care system has been in place for more than 40 years and has received significant positive ratings from NAMI when compared to other states.[13] However, the system has been hindered by funding problems in recent years. Because state assistance can consist of 25-35% of any board's budget, financial constraints on the state budget can have a significant impact on board revenue. Several boards, especially those serving large cities, have been forced to reduce services in recent years because state contributions have decreased significantly.

Also, the ability of citizens to customize the level of services available within their district through periodic property tax levy votes has created a scenario in which several jurisdictions provide little additional financing above what is offered by the state. Overall, in fact, there has been a wide variation in the amount and quality of offered services among Ohio districts. Board tax levies range from a mill rate of .30 to 5.21, while 14 districts do not have a tax levy. Several boards utilize alternate funding sources such as state and federal aid, grants, and donations to provide sufficient mental health services in counties with low or no levies.

Key pros

- Creation of a new authority to administer behavioral health services in Milwaukee County could retain a critical role in system design and service delivery for local citizens while freeing behavioral health services from the weight of the county's overall budget difficulties, legacy costs, competition with other priorities, personnel rules, labor contract obligations, and poor reputation (which hurts recruitment and retention of medical and nursing personnel). In particular, if all mental health services (including inpatient and emergency) were purchased from community providers as they are in Ohio, removal of the county's bureaucratic regulations could allow those services to be administered more effectively.

- Housing the behavioral health function in a separate authority could heighten prospects for non-public funding from foundations and other sources to support substance abuse treatment, supportive housing and other critical system elements.

- Having the authority board directly supervised by the State of Wisconsin could improve accountability by vesting state government with greater responsibility for outcomes. Also, this governance structure could improve administration by eliminating redundant oversight by two major governments with their own budget timelines, administrative rules and laws.

[12] National Alliance on Mental Illness. 2009. "Values." http://www.oacbha.org/about_us/values.html. 17 August 2009.
[13] NAMI, *Grading the States*, 2006 and 2009.

Key cons

- If the authority board was granted authority to levy taxes without a vote of the electorate, then local taxing and spending on behavioral health services could increase because of lack of competition with other locally funded services, which forces policymakers to prioritize among a wide variety of programs and services and make difficult spending choices.

- On the other hand, if a vote of the electorate was required to establish the county property tax or other tax levy to support behavioral health services, then it is possible that funding for those services could suffer because of the potential unwillingness of voters to support a set of services from which all would not directly benefit.

- It could be argued that Milwaukee County already has enough separate governmental or quasi-governmental agencies, and creation of a new behavioral health authority simply would create another layer of unneeded government bureaucracy.

Key logistical questions/obstacles

- In developing legislation authorizing creation of a behavioral health board or authority in Milwaukee County, the state would need to determine whether the new authority would assume responsibility for BHD's legacy liabilities and the outstanding debt on BHD facilities. This decision would have a significant impact on the amount of funding needed to operate the authority.

- The authorizing legislation would need to determine whether, to the extent the new authority would be a direct provider of services, county workers would be employed by the authority and, if so, whether county labor contracts would remain in force.

- The authorizing legislation would need to determine whether former county workers employed by the new authority would be able to remain in the county pension system and receive county health insurance and other benefits, whether they would become members of the state retirement system and receive health care and other benefits from the state, or whether a new benefits structure would need to be created within the authority.

- The composition of the board overseeing the authority would need to receive careful deliberation by state officials, who would need to determine whether it should be appointed or elected, whether it would be paid or volunteer, the necessary qualifications of board members, and whether a citizen board could be constructed to have the necessary expertise and experience to oversee both a budget and menu of services as large and complex as that currently in place in Milwaukee County.

- State officials would need to determine whether it would be possible to grant an independent authority the legal means to bill for Medicaid reimbursement, receive a license to run a mental health hospital and nursing homes, apply for grant funding from the federal government, etc.

CARE MANAGEMENT ORGANIZATION – FAMILY CARE

INTRODUCTION

One of the largest but least understood programs in Milwaukee County government is its Care Management Organization (CMO). The CMO is an integral component of the Department on Aging's Family Care program in Milwaukee County, which has been in existence for county residents age 60 and older since July 2000.

Milwaukee County's program was one of five pilot Family Care programs launched by the Wisconsin Department of Health Services beginning early in this decade (under Section 46 of the Wisconsin Statutes) with the intent of transforming Wisconsin's long-term care system for the elderly and for individuals with physical and developmental disabilities. The hope was to create a managed care approach that would better serve clients and save money by emphasizing cost-effective, comprehensive and flexible care in community-based settings when appropriate. Milwaukee's pilot program was the only one of the five pilots that was limited exclusively to adults 60 years of age and older.

Unlike other long-term care programs offered by counties, which typically maintain waiting lists for services due to fiscal constraints, the Family Care program is offered as an entitlement to all individuals certified as functionally and financially eligible. A broad array of health and long-term care services are integrated into one inclusive benefit. Participating counties receive a monthly per person payment from the state to manage and purchase care for Family Care enrollees, who may be living in their own homes, group living situations, or nursing facilities.

The Family Care model consists of two primary organizational components:

1. Aging and disability resource centers, which are designed to be a single entry point where older people and people with disabilities (and their families) can get information and guidance regarding the resources available to them in their local communities.

2. Managed care organizations that manage and deliver the Family Care benefit, which is to be tailored to each individual's needs, circumstances and preferences.

Since the Department on Aging became a Family Care pilot in 2000, it has administered both an aging resource center and the sole care management organization for the elderly in Milwaukee County. While federal requirements frown upon a single entity operating both components, state statutes have allowed for this arrangement under the condition that the two entities be kept structurally separate. The financial structures of the CMO and resource center traditionally have been distinct, with the CMO operating as a separate business enterprise within county government. The CMO became its own organizational unit in county government in 2008, though it continued to be under the purview of the Department on Aging.

The CMO is charged with developing and managing a comprehensive network of long-term care services and support. In Milwaukee County, this network has been built primarily through contracts with community-based providers. The CMO is responsible for assuring a level and quality of care and services that is required under both state statutes and the county's contract with the state. Services offered by the CMO include long-term care, direct health care services, coordination of primary health care, daily living skills training and other supports. The emphasis is on working with clients to create an individualized care plan that will best serve their needs and provide for both independence and cost-effective care and treatment.

State statutes require the CMO to have a governing board that reflects the ethnic and economic diversity of the county and that includes representatives of client groups (or their family members) served by the CMO. Milwaukee County's CMO is governed by a 16-member board that meets those requirements. While the governing board provides oversight of the CMO, its budget and contracts are approved by county elected officials similar to other county departments.

In February 2006, the state announced plans to expand Family Care statewide and eliminate waiting lists for long-term care programs during the next five years. Milwaukee County subsequently decided to submit a proposal to the state in 2008 to expand the CMO to serve individuals with disabilities under the age of 60. That proposal was accepted by the state, though it also accepted proposals from two private entities to operate CMOs in Milwaukee County. The county also received approval from the state to expand its Disabilities Resource Center (housed in the Disabilities Services Division of the Department of Health and Human Services) to meet Family Care guidelines.

In November 2009, the CMO began serving both eligible individuals over age 60 and eligible persons with disabilities under age 60. In addition, the CMO is now a separate department in county government outside of the purview of the Department on Aging. The two resource centers – one for individuals served by the Department on Aging and one for those served by the Disabilities Services Division – will remain distinct entities within those departments. As a result of Family Care expansion, in 2010, the CMO is expected to add 791 clients under the age of 60 to the approximately 6,800 elderly individuals it currently serves. The complete conversion of eligible clients with disabilities under age 60 to Family Care is expected to take 36 months. Once completed, it is expected to double the size of the existing CMO.

The total budget for the CMO in 2009 was $262 million, making it the largest departmental budget in Milwaukee County government. There is little property tax levy associated with the program, as virtually all expenditures are offset with revenue from the state. While most program expenditures are linked to contracts with community-based providers, the CMO also had 91 county FTEs in its 2009 budget. County positions include managerial, contract monitoring, quality assurance, clerical and fiscal positions, as well as a limited number of direct care coordinators and providers who function on county-operated care management units.

BUDGET BREAKDOWN

Table 14 breaks down the CMO's actual expenditures and revenue in 2008, showing both total costs and costs when legacy obligations are subtracted. This analysis shows that the CMO spent $663,000 on central service charges from other county departments, $4.9 million on its own personnel, and $193 million on non-personnel expenditures, which primarily involved the purchase of long-term care, health care and other services from community providers.

Because of the relatively small number of county staff employed by the CMO, its legacy costs are small when compared to the overall size of its budget. **Table 14** shows that $65,000 of the CMO's central service charges and $905,000 of its personnel expenditures were not directly connected to the cost of providing or administering CMO services, but instead were county legacy costs distributed to the CMO by the central budget office. **This tells us that if a different entity had provided the same services, secured administrative overhead at the same price, and paid the same wages and benefits to its active employees in 2008, it potentially could have administered CMO services for about $970,000 less if it was not responsible for the CMO's share of the county's legacy costs**.

In addition, the analysis shows that if legacy costs had been distributed to the CMO on the basis of its actual number of retirees, as opposed to its share of the existing county workforce, those costs would have totaled $1.4 million. This $1.4 million figure represents a more accurate depiction of the approximate annual county legacy obligation held by the CMO. As with every other function analyzed in this report, under a change in governance these legacy costs either could be assumed by the function's new governing body, or they could remain the responsibility of county government or county taxpayers (if county government no longer existed).

Finally, in terms of the CMO's overall share of the county's outstanding liabilities, its share of the county's OPEB liability is $26 million and its share of the pension fund liability (consisting of both POB debt and the unfunded liability) is $8.2 million.

Table 14: Breakdown of CMO 2008 Actual Expenditures and Revenues and Legacy Costs

CMO	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using **2008** fringe allocation method*	*Based on retiree history***
Administrative	$431,597	$389,469	$42,128	$40,867
Information technology	$38,353	$34,609	$3,744	$3,632
Legal counsel	$189,668	$171,154	$18,514	$17,959
Facility management	$0	$0	$0	$0
Fleet management	$3,787	$3,417	$370	$359
Central charges/overhead	**$663,405**	**$598,650**	**$64,755**	**$62,816**
Salary and wages	$2,791,866	$2,791,866	$0	$0
Social security	$210,013	$210,013	$0	$0
Employee healthcare	$753,857	$753,857	$0	$0
Employee pension	$302,292	$302,292	$0	$0
Retiree healthcare	$753,857	$0	$753,857	$1,128,508
Retiree pension	$151,146	$0	$151,146	$230,318
Other	($103,058)	($103,058)	$0	$0
Personnel costs	**$4,859,972**	**$3,954,970**	**$905,003**	**$1,358,826**
Non-personnel expenditures	**$193,046,737**	**$193,046,737**	**$0**	**$0**
TOTAL EXPENDITURES	**$198,570,114**	**$197,600,356**	**$969,758**	**$1,421,642**
State revenue	$0	$0	$0	$0
Federal revenue	$393,974	$393,974	$0	$0
Other revenue	$197,735,156	$196,765,398	$0	$0
TOTAL REVENUES	**$198,129,130**	**$197,159,372**	**$0**	**$0**
TOTAL LEVY	**$440,984**	**$440,984**	**$969,758**	**$1,421,642**
Unfunded OPEB liability ***	$26,043,814	$26,043,814	$26,043,814	$26,043,814
Unfunded pension liability***	$8,195,739	$8,195,739	$8,195,739	$8,195,739
Outstanding debt and interest	$0	$0	$0	$0
TOTAL LONG-TERM DEBT	**$34,239,552**	**$34,239,552**	**$34,239,552**	**$34,239,552**

* *In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.*

** *This method distributes legacy costs according to a department's retiree history.*

*** *Estimated liability allocated to department is based on the department's retiree history.*

POTENTIAL ALTERNATIVE SERVICE PROVIDERS

Section 46.284 of the Wisconsin Statutes indicates that counties *may* elect to apply to operate care management organizations either within their county or on a multi-county basis, but are not required to do so. Alternatively, Section 46.284 allows counties to create long-term care districts to operate care management organizations and allows Family Care CMOs to be operated by private organizations that meet state guidelines. Consequently, if Milwaukee County government was eliminated, state policymakers could consider creating a long-term care district to administer the CMO in Milwaukee County, or they could simply contract with a private CMO operator or operators.

The provision allowing for creation of long-term care districts to operate Family Care CMOs was driven in part by a desire to allow counties to band together to create CMOs on a regional basis (which was particularly important for smaller counties who could not reach a large enough enrollment to achieve a viable managed care organization), while maintaining public sector control and employing public sector workers to do so. This provision also reflected a perceived need to allow county officials the option of moving forward with a public CMO without having county government itself take on the associated financial risks. Milwaukee County was encouraged by state officials to consider this option as part of its Family Care expansion plan, but it elected not to do so.

The following are some of the specific statutory provisions associated with the long-term care district approach:

- A long-term care district is defined as "a local unit of government, that is separate and distinct from, and independent of…the county or tribe or band that created it." The county must adopt an enabling resolution to create the district and establish the size of the long-term care board. The board is to be appointed by the county board or, in counties with county executives, by the county executive subject to county board approval.

- The district is granted all of the powers "necessary…to carry out the purposes and provisions" of the Family Care program. It is empowered to negotiate and enter into leases or contracts and establish risk reserves, but it cannot issue bonds or levy taxes.

- The district board is empowered to hire a director and staff, establish a personnel structure and employment policies, contract for legal services and establish annual budgets. The statutes stipulate, however, that any district employee formerly employed as a long-term care worker for a county that participated in the creation of the district and covered under an existing collective bargaining agreement shall receive wages and benefits from the district per that agreement. Also, years of service accrued while at the county shall be recognized by the district.

- The district board may opt to have the long-term care district included in the Wisconsin Retirement System provided that the county that created it does not have its own retirement system. If Milwaukee County created a district, then the district's employees would be covered under the county's retirement system. Also, county employees who transfer to the district must be provided with health care coverage that is "similar" to what they received at the county.

- The statute protects counties from financial risk by specifying that "the obligations and debts of a long–term care district are not the obligations or debts of any county that created the district. If a long–term care district is obligated by statute or contract to provide or pay for services or benefits, no county is responsible for providing or paying for those services or benefits."

Another option enabled under the statutes is for counties to opt out of being a Family Care CMO, and for the state instead to contract with private sector entities. This option is being utilized in other areas of the state and, beginning in late 2009, also is being utilized to some degree in Milwaukee County, where two private sector entities have established CMOs that will compete with Milwaukee County's CMO for clients. Private sector CMOs are subject to the same requirements as county or district CMOs in terms of certification by the state, establishment of risk reserves, and establishment of governing boards.

The following are some pros, cons and logistical issues that would exist for both the long-term care district and private CMO options.

Key pros

- Moving the CMO outside of county government could shield it from the county's legacy costs and internal service charges, which some might argue make it more difficult for the county to compete with private sector CMOs and divert financial resources from direct care.

- Some have argued that county government is ill equipped to effectively govern a large managed care organization, which requires the type of administrative flexibility and independence that cannot be accommodated under the county governance structure.

- Entities administering Family Care CMOs must take on considerable financial risk in light of the entitlement nature of the program and the provision of a capitated funding stream that requires the CMO to make do with the dollars provided. It could be argued that an entity with the overall financial challenges of Milwaukee County government is in no position to be assuming such risk, and that moving the program out of the county therefore would be a prudent move for taxpayers.

Key cons

- After experiencing severe financial difficulties earlier this decade, the Family Care program has rebounded to achieve considerable popularity among older adults and significant fiscal and programmatic success. Eliminating county government's critical role in administering this program could threaten that success.

- Some have argued that a public sector role is paramount to the success of Family Care, which depends on individuals with little or no profit motive to provide appropriate levels of care to vulnerable individuals. Turning administration of this program solely to the private sector could threaten that important principle.

- It could be argued that Milwaukee County already has enough separate governmental or quasi-governmental agencies, and creation of a new long-term care district simply would create another layer of unneeded government bureaucracy.

Key logistical questions/obstacles

- The state would need to determine whether a new long-term care district would assume responsibility for the CMO's legacy liabilities. If, under a scenario in which county government no longer existed, a district was not created and the state relied exclusively on private sector CMOs, then the state would need to determine whether it would absorb those liabilities or assess county taxpayers for them.

- If county government was eliminated, then state statutes may need to be modified to authorize the state to establish a long-term care district in Milwaukee County, as currently only counties are permitted to do so. Also, if there was no longer a county retirement system, the existing statute would need to be amended to consider whether county workers moving over to the new authority would be able to join the state retirement system and receive health care and other benefits from the state, or whether a new benefits structure would need to be created within the district.

- The state would need to determine how to provide for resource center services in the absence of county government. If a new district was created, then the district could not be both the CMO and resource center administrator, which means that the resource center function would need to be provided either by a community-based non-profit organization or the state itself. If the private sector option was pursued for the CMO, then in addition to those options, the state could consider creating a district to administer the resource center.

COURTS AND DISTRICT ATTORNEY

The courts and district attorney are discussed in tandem in this section because both functions share the distinction of already having been partially transferred to state government.

COURT SERVICES

Milwaukee County's Combined Court Related Operations department houses the Milwaukee County Circuit Court system, which consists of 47 circuit court judges and 22 court commissioners. The circuit courts were created to serve as a single, unified trial court under the Court Reorganization Act of 1978, adopted after voters passed several amendments to Article VII of the Wisconsin Constitution in 1977. Prior to the reorganization, "county courts" handled probate, juvenile, and traffic matters, and the circuit courts handled civil and criminal jury trials.

The circuit courts in Wisconsin are funded with a combination of state and county dollars. Beginning in 1980, circuit court judges and official court reporters became state employees. Today, state funds are used to pay the salaries of the judges, official court reporters, and reserve judges, as well as travel and training for the judges. By law, counties are responsible for all other operating costs (including court commissioners and other support staff and costs associated with housing the courts), with a few exceptions that are enumerated by statute. The state, for example, pays for costs associated with the circuit courts automation program (CCAP), reimburses counties for a portion of court interpreter expenses, and provides circuit court support and guardian ad litem grants to counties to help offset a portion of their costs.

In terms of administration, the state is divided into 10 judicial districts. Because of its size, Milwaukee County is its own judicial district. The Wisconsin Supreme Court appoints a chief judge in each of the districts to supervise and direct administration of the circuit courts. The Wisconsin Constitution stipulates that each county organized for judicial purposes also have a clerk of circuit court, who is elected on a county-wide basis every two years to work in close cooperation with the chief judge and district court administrator to administer the courts. The clerk of circuit court is statutorily charged with several administrative duties, including jury management, custodian of court records, and court finances.

Milwaukee County's court operations department includes the chief judge and three divisions: Family Court Commissioner, Register in Probate and County-Funded State Court Services. The department's total budget in 2009 was $51 million. The budget does not reflect the full cost of operating the courts, but only those costs for which the county is responsible. Of the $51 million total, $9.5 million was allocated to the sheriff for bailiff services, and $5.5 million to the Facilities Management Division for Courthouse space rental. The budget also included $3 million for alternatives to incarceration programming.

The courts' budgeted property tax levy in 2009 was $40 million, ranking it third among all county departments. Other key revenue sources are grant funding from the state (including $3.5 million in circuit court support funds) and revenue from fines and forfeitures (which are shared in varying degrees between the state and county). The courts are one of the county's largest organizational units in terms of staff, with 277 county-funded FTEs in the 2009 budget.

DISTRICT ATTORNEY

Like the circuit courts, the Milwaukee County district attorney's office is supported by county government despite the fact that the district attorney and other prosecutorial staff are employees of state government. Under Wisconsin Act 31, which was adopted by the state in 1989, the state assumed responsibility for funding the salaries of the district attorney (who is still elected countywide), deputy district attorneys and assistant district attorneys, while responsibility for funding support staff and services was left with counties.

The Milwaukee County district attorney's office includes five deputy district attorneys and approximately 125 assistant district attorneys. Their primary function is to represent the State of Wisconsin in Milwaukee County Circuit Court, generally in connection with criminal cases. The office includes a number of specialized units for various offenses, including units for homicides, drug violations, sexual assaults, white collar crimes, domestic violence, and consumer fraud. There also are units that prosecute felonies, misdemeanors, and offenses involving juveniles.

The county's total budget for the district attorney's office totaled $21 million in 2009, including about $12 million in property tax levy. The budget includes about $2.9 million in federal grants and $3.2 million in state grants, which are mainly associated with specific criminal justice initiatives, including domestic violence, sexual assaults and drug crimes. The 2009 budget included 149 county-funded FTEs in the district attorney's office.

BUDGET BREAKDOWN

Tables 15 and **16** break down the courts and district attorney's actual expenditures and revenue in 2008, showing both total costs and costs when legacy obligations are subtracted. This analysis shows that the courts spent $7.6 million on central service charges from other county departments, $25.1 million on its own personnel, and $18.7 million on non-personnel expenditures, including bailiff services and rental charges. The district attorney, meanwhile, spent $2.2 million on central service charges from other county departments, $13.5 million on its own personnel, and $3.4 million on non-personnel expenditures.

The analysis also shows that $742,000 of the courts' central service charges and $4.7 million of its personnel expenditures were not directly connected to the cost of administering and supporting court services, but instead were county legacy costs distributed to the department by the central budget office. For the district attorney, $215,000 of its central service charges and $2.6 million of its personnel expenditures were tied to legacy costs. **This tells us that if the state had provided the same services, secured administrative overhead at the same price, and paid the same wages and benefits to its employees in 2008, it potentially could have administered the courts and district attorney's office for a combined $8.3 million less if it was not responsible for the courts' and district attorney's share of the county's legacy costs**.

In addition, the analysis shows that if legacy costs had been distributed to the courts and district attorney on the basis of their actual number of retirees, as opposed to their share of the existing county workforce, those costs would have totaled $5.6 million. This $5.6 million figure represents a more accurate depiction of the approximate annual county legacy obligation held by the courts and district attorney's office. Under a change in governance these legacy costs either could be assumed by the state, or they could remain the responsibility of county government or county taxpayers (if county government no longer existed).

Finally, in terms of the overall share of the county's outstanding liabilities held by the two functions, their combined share of the county's pension fund liability (consisting of both POB debt and the unfunded liability) is $28.1 million, and their share of the county's OPEB liability is $89.3 million.

Table 15: Breakdown of Courts 2008 Actual Expenditures and Revenues and Legacy Costs

Courts	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using **2008** fringe allocation method*	*Based on retiree history***
Administrative	$886,653	$800,107	$86,546	$83,955
Information technology	$537,469	$485,007	$52,462	$50,892
Legal counsel	$0	$0	$0	$0
Facility management	$6,180,188	$5,576,938	$603,250	$585,189
Fleet management	$176	$159	$17	$17
Central charges/overhead	**$7,604,486**	**$6,862,210**	**$742,276**	**$720,052**
Salary and wages	$13,905,509	$13,905,509	$0	$0
Social security	$1,007,629	$1,007,629	$0	$0
Employee healthcare	$4,000,322	$4,000,322	$0	$0
Employee pension	$1,499,219	$1,499,219	$0	$0
Retiree healthcare	$4,000,322	$0	$4,000,322	$2,925,158
Retiree pension	$749,609	$0	$749,609	$596,998
Other	($44,046)	($44,046)	$0	$0
Personnel costs	**$25,118,564**	**$20,368,633**	**$4,749,931**	**$3,522,156**
Non-personnel expenditures	**$18,676,152**	**$18,676,152**	**$0**	**$0**
TOTAL EXPENDITURES	**$51,399,202**	**$45,906,995**	**$5,492,207**	**$4,242,208**
State revenue	$6,021,195	$6,021,195	$0	$0
Federal revenue	$76,467	$76,467	$0	$0
Other revenue	$4,741,112	$4,741,112	$0	$0
TOTAL REVENUES	**$10,838,774**	**$10,838,774**	**$0**	**$0**
TOTAL LEVY	**$40,560,428**	**$35,068,221**	**$5,492,207**	**$4,242,208**
Unfunded OPEB liability ***	$67,507,074	$67,507,074	$67,507,074	$67,507,074
Unfunded pension liability***	$21,243,829	$21,243,829	$21,243,829	$21,243,829
Outstanding debt/ interest****	$0	$0	$0	$0
TOTAL LONG-TERM DEBT	**$88,750,903**	**$88,750,903**	**$88,750,903**	**$88,750,903**

** In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.*

*** This method distributes legacy costs according to a department's retiree history.*

**** Estimated liability allocated to department is based on the department's retiree history.*

*****Data limitations prevented an accurate calculation of courthouse debt attributed to the courts, as opposed to other courthouse inhabitants.*

Table 16: Breakdown of District Attorney's 2008 Actual Expenditures and Revenues and Legacy Costs

District Attorney	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using **2008** fringe allocation method*	*Based on retiree history***
Administrative	$351,664	$317,338	$34,326	$33,298
Information technology	$421,337	$380,210	$41,127	$39,895
Legal counsel	$0	$0	$0	$0
Facility management	$1,350,707	$1,218,864	$131,843	$127,896
Fleet management	$76,695	$69,209	$7,486	$7,262
Central charges/overhead	**$2,200,403**	**$1,985,621**	**$214,782**	**$208,351**
Salary and wages	$7,383,970	$7,383,970	$0	$0
Social security	$544,372	$544,372	$0	$0
Employee healthcare	$2,166,697	$2,166,697	$0	$0
Employee pension	$798,699	$798,699	$0	$0
Retiree healthcare	$2,166,697	$0	$2,166,697	$946,375
Retiree pension	$399,349	$0	$399,349	$193,147
Other	$9,681	$9,681	$0	$0
Personnel costs	**$13,469,464**	**$10,903,418**	**$2,566,046**	**$1,139,521**
Non-personnel expenditures	**$3,440,063**	**$3,440,063**	**$0**	**$0**
TOTAL EXPENDITURES	**$19,109,930**	**$16,329,102**	**$2,780,828**	**$1,347,872**
State revenue	$5,824,132	$5,824,132	$0	$0
Federal revenue	$2,558,227	$2,558,227	$0	$0
Other revenue	$80,361	$80,361	$0	$0
TOTAL REVENUES	**$8,462,720**	**$8,462,720**	**$0**	**$0**
TOTAL LEVY	**$10,647,210**	**$7,866,382**	**$2,780,828**	**$1,347,872**
Unfunded OPEB liability ***	$21,840,524	$21,840,524	$21,840,524	$21,840,524
Unfunded pension liability***	$6,873,003	$6,873,003	$6,873,003	$6,873,003
Outstanding debt/ interest****	$0	$0	$0	$0
TOTAL LONG-TERM DEBT	**$28,713,527**	**$28,713,527**	**$28,713,527**	**$28,713,527**

** In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.*
*** This method distributes legacy costs according to a department's retiree history.*
**** Estimated liability allocated to department is based on the department's retiree history.*
*****Data limitations prevented an accurate calculation of courthouse debt attributed to the DA, as opposed to other courthouse inhabitants.*

POTENTIAL ALTERNATIVE GOVERNANCE STRUCTURE

The obvious alternative governance structure for the courts and district attorney's office in Milwaukee County is to transfer responsibility for the support functions currently provided by the county to state government, which already pays the salaries and related costs for judges and prosecutors. The section below provides a brief analysis of that option.

Discussion

Counties have long complained that inadequate state funding for circuit court support services is one of the most egregious examples of an under-funded state mandate. They argue that circuit courts are part of the state's judicial system and, therefore, should be fully supported by the state without the use of county property tax levy.

Counties also have argued that the state made a commitment to move toward full funding of court support services when it created the circuit court support and guardian ad litem grant programs in the mid 1990s, but that it has failed to live up to that commitment. The Wisconsin Counties Association (WCA), for example, notes that the two programs have been funded at the same level for more than a decade and only fund a fraction of the costs they were intended to offset. In fact, according to WCA, counties reported spending more than $150 million to support the circuit courts in 2007, but received only about $19 million in circuit court support grants. WCA also points out that the state retains $26 million in court fees collected annually from litigants to fund other portions of its budget.[14]

State officials, meanwhile, have argued that counties have a long tradition of providing funding for the trial courts, which is both understandable and justifiable given that courthouses are the traditional home of county government and that courts are headed by county elected officials. They argue further that while court-related grants only cover a fraction of the costs incurred by counties for court support services, shared revenue payments are provided to supplement those grants, and it is up to county leaders to determine the best use of those revenues to support mandated services.

The issue of who should fund the state's circuit courts has been addressed by several committees and commissions during the past two decades. One of the most recent – the Governor's Blue-Ribbon Commission on State and Local Partnerships in the 21st Century (also known as the Kettl Commission) – recommended in 2001 that "state government ought to move, as soon as practical, to full funding of the justice system."

In 2002, the Wisconsin Supreme Court's Planning and Policy Advisory Committee created a Subcommittee on Court Financing to conduct an in-depth examination of the issue. The subcommittee, which included a Supreme Court justice, circuit court chief judges and judges, clerks of circuit court, and county officials, met periodically for more than a year and produced a comprehensive report in February 2004.[15] The following were some of its key findings:

- After reviewing prior court financing studies and the current Wisconsin circuit court funding model, and examining court financing models in other states, the subcommittee concluded that there is no "right" way to finance the circuit courts. It found strengths and weaknesses in both the current model and models in which states fully fund court operations, and concluded that "the ideal of providing a stable, sufficient court financing mechanism impervious to the political and fiscal forces that affect the other branches of government is not realistic."

[14] Wisconsin Counties Association 2009-10 Legislative Agenda, p. 5.
[15] http://www.wicourts.gov/about/committees/docs/ppaccourtfinancerpt.pdf

- Upon concluding that there was no “magic bullet” that would guarantee stable and sufficient funding for the courts, the subcommittee suggested that an effort be made to refine the distinction between county-funded and state-funded court operations by re-establishing the definition of “court services.” It stated that “the trial court system in Wisconsin should continue to remain a partnership between counties and the State, with the long-term goal of the State increasing its responsibility for funding certain core court services.”

- The subcommittee identified certain core court services currently funded in part or in whole by counties that could be transitioned to state funding and laid out a “blueprint” for doing so. The blueprint described the current funding arrangement along with its strengths or weaknesses, followed by the potential strengths or problems with a transfer to state funding.

- The report emphasized that personnel-related court services presented the “most difficult” challenges, explaining that “the first decision is whether these court staff positions should remain county employees or become state employees. Transfer to state employment may offer the most opportunities for uniformity and equity and improved services, but also present the greatest administrative challenges and would be more expensive.”

- The subcommittee reported that “the national trend of trial court funding has been a shift to state financing.” It noted, however, that the services funded by different states vary widely, and that many states “have excluded certain items, such as clerks of court offices and, most commonly, security and facility costs. Full state responsibility for trial court facilities is generally the last and most difficult cost to assume, since it involves great cost and a variety of legal, political and architectural complexities.”

- In reviewing the experience of other states that had moved to full funding of circuit court services, the subcommittee found that several also converted county court employees to the state payroll. In doing so, many experienced unanticipated logistical hurdles and took on additional costs, including higher health care premiums due to more generous state health care plans.

The Subcommittee on Court Financing report contains several important insights regarding a possible statewide transfer of courts funding and, potentially, courts personnel to state government. Those insights also are extremely relevant to the discussion of pursuing this strategy solely in Milwaukee County, and in doing so for the district attorney’s office as well.

One of the report’s fundamental conclusions is that if a transfer of court services is to occur, it ought to occur over several years in a phased approach. If policymakers sought the elimination of county government, of course, then a phased approach may not be possible, and an approach under which the state fully funded court and district attorney services without assuming county personnel certainly would not be possible.

County funding of support services for district attorney’s offices has not been as contentious, though WCA has included some district attorney’s functions in its definition of “court services” that should be fully funded by the state.[16] A key area of contentiousness, however, has been state funding of its own district attorney positions, with district attorneys complaining that salaries are not sufficient to recruit and retain assistant district attorneys and that not enough prosecutor positions are funded across the state.

The following discussion of pros, cons and logistical issues speaks only to the potential transfer of Milwaukee County courts and district attorney support services to the State of Wisconsin, as opposed to a statewide transfer.

Key pros

- Having the State of Wisconsin directly responsible for the administration of court and district attorney support services in Milwaukee County would improve accountability by linking the entity responsible for mandating and funding the services with service outcomes.

- State funding and administration of Milwaukee County's courts and district attorney's office could provide the chief judge and district attorney – who are state employees – with a better opportunity to make the case with state leaders for the operational support that is necessary for them to efficiently carry out their state-mandated functions. It also could produce better coordination with other elements of the state criminal justice system and allow the chief judge and district attorney to have greater input into legislative decisions that impact their operations.

- Moving court and district attorney support services outside of county government could better shield those services from the county's overall budget difficulties, legacy costs, competition with other county priorities and personnel rules (which some argue prevent the two offices from filling positions on a timely basis), thus improving the quality and cost effectiveness of those services.

Key cons

- It could be argued that court and district attorney's services in Milwaukee County have evolved over the years to be responsive to the county's unique needs, and that placing those services under state control could result in a more standardized and less responsive approach that would sacrifice local prerogatives.

- While the chief judge and district attorney are state employees, some might argue that their input on fiscal and policy issues carry more weight at the county level, and that such input would be diluted in a state government that is more attuned to broader, statewide interests. Furthermore, the State of Wisconsin has its own serious budget woes, and those woes could produce funding challenges that are at least equal to those currently faced by the courts and district attorney under the existing governance structure.

[16] Subcommittee on Court Financing Final Report, February 2004, p. ii.

- It could be argued that a local funding component that is overseen by local elected officials who must go before the voters on a regular basis produces greater fiscal accountability than a scenario under which those officials simply need to justify budgetary needs and expenditure patterns to state government officials.

Key logistical questions/obstacles

- In 2008, Milwaukee County spent about $43 million of local property tax levy to support non-legacy court and district attorney services. State officials would need to decide whether the state would be willing to spend at that level, whether it would intercept an equivalent amount of shared revenue from the county if county government was not eliminated, or whether it would seek to assess county taxpayers if county government was eliminated.

- The courts and district attorney have an annual combined liability of nearly $5 million for the cost of health care and pensions for their retirees, and an undetermined amount of outstanding debt on courthouse facilities linked to the courts. The state would need to determine whether those costs would be left with the county (or its taxpayers in the case of elimination), or whether it would assume them.

- The state's 71 other counties also have bitterly complained about underfunding of mandated court services. A consideration for the state would be whether, to the extent it was willing to assume financial and programmatic responsibility for this underfunded mandate in Milwaukee County, it could justify not doing so in other counties.

- When the state transferred district attorney, deputy district attorney and assistant district attorney positions to the state payroll in 1990, litigation arose over the issue of how and whether individuals in those positions in Milwaukee County should be provided the option to retain their county pension and retiree health care benefits. The result was a complicated arrangement (which is described in greater detail in **Section I**) in which some prosecutors remained part of the county pension system and continued to receive other county fringe benefits, while others shifted to the state. Similar complexities could arise under an attempt to transfer support staff in the district attorney's office and courts to state employment.

- Because the clerk of circuit court is a constitutionally established position in Milwaukee County, legal issues could arise under a transfer of this position to state government. It is possible that if the position continued to be elected on a countywide basis, despite having its salary and the positions associated with it being placed in state government, then a constitutional change would not be necessary. That question, however, likely would have to be decided by state attorneys.

CULTURAL INSTITUTIONS

INTRODUCTION

Milwaukee County government plays a significant role in the community's cultural scene as owner and financial contributor to several cultural institutions, as well as owner and operator of the Milwaukee County Zoo. Cultural facilities owned but not operated by the county include the Milwaukee Public Museum, Milwaukee County War Memorial, Marcus Center for the Performing Arts, Milwaukee County Historical Society headquarters, Villa Terrace Decorative Arts Museum and the Charles Allis Museum. The county provides annual operating assistance to the non-profit organizations that administer each of those entities and also pays for some or all capital improvements, typically under a memorandum of understanding. The Milwaukee County Zoo, meanwhile, is administered as a typical county department, which means that its employees are county employees and it is subject to the same internal services and charges, budgeting processes, oversight by the county board, etc.

The county also provides lesser amounts of funding to several additional cultural/educational organizations that it does not own, including the Federated Library System, UW Extension, VISIT Milwaukee and the Milwaukee County Fund for the Performing Arts. **Table 17** shows the county property tax levy devoted to each cultural entity in the county's 2009 adopted budget.

Table 17: 2009 Budgeted Tax Levy Allocations to Cultural Entities

Cultural entity	2009 Budgeted tax levy
Zoological Department	$5,455,950
Milwaukee Public Museum	$3,502,376
War Memorial	$1,504,594
Marcus Center for the Performing Arts	$1,280,000
Fund for the Performing Arts	$377,688
UW Extension	$373,729
Villa Terrace/Charles Allis	$243,656
Historical Society	$242,550
Federated Library System	$66,650
VISIT Milwaukee	$25,000
TOTAL	**$13,072,193**

The county's ownership, operation and/or financial contributions to these cultural entities are not statutorily mandated. State statutes contain provisions indicating that the county *may* own, acquire or appropriate monies to museums, university extensions, historical societies, war memorials, etc., but there is no requirement that they do so.

Milwaukee County's relationships with cultural institutions generally trace back several decades, though many have evolved over time. The War Memorial Corporation, for example, was established as an independent non-profit organization shortly after World War II, and it partnered with the county to secure the county-owned land on the lakefront on which the War Memorial Center was built in the 1950s. Since that time, the Corporation has added the Performing Arts Center, Villa Terrace and Charles Allis Museum under its umbrella; each of the buildings was deeded to the county as a public trust, but each of the entities is overseen by both the War Memorial Corporation and its own board of directors.

The Milwaukee Public Museum, meanwhile, originally was operated as a county department after ownership was shifted to the county from the City of Milwaukee in 1976. In 1992, the county established a private non-profit organization to assume administration of museum operations, in part as an effort to wean it from dependence on county property tax levy.

The cultural entities' dependence on county funding also differs. As a county department, the zoo is heavily dependent upon county funding for its operations, with a $6.4 million property tax levy contribution in 2008 accounting for 27% of its revenue. The zoo also receives a direct contribution of more than $400,000 from the Zoological Society of Milwaukee County, as well as an additional $2.4 million from the Society from parking revenues associated with the Zoo Pass Plus membership, corporate sponsorships, and other funds.

With regard to the county-owned but privately operated cultural institutions, the War Memorial relies on the county's $1.5 million property tax levy contribution for nearly 70% of its operating budget. The Milwaukee Public Museum's annual funding of $3.5 million from the county comprised about 18% of its revenue budget in 2008, while the Marcus Center's $1.3 million county contribution comprised about 28% of its operating budget. The $624,000 combined budget of the Villa Terrace/Charles Allis Museum in 2008 counted on county tax levy for approximately 39% of its budget, while the Historical Society's $838,000 budget was reliant on levy support for about 29% of its budget.

Capital funding is an equally important consideration for the county-owned institutions, which depend upon new and improved exhibits and other amenities to maintain or expand earned income. As owner of the buildings, the county generally has taken responsibility for capital repairs and major maintenance, while expecting the private operators to address minor maintenance issues in their operating budgets. Major capital improvements, meanwhile, like the Historical Society headquarters renovation, the Public Museum's butterfly exhibit, and the Marcus Center's mid-1990s facility revnovation, generally have involved private sector and county funding and/or county financing that is repaid by the non-profit operator over the life of county-issued bonds. Even the county-owned and operated zoo has seen significant private sector participation in capital improvements, with the county and Zoological Society splitting the cost of a multi-year, $30 million capital improvements program launched earlier this decade.

During the past several years, significant public attention has been devoted to the physical condition of several of the county-owned institutions. In its November 2008 comprehensive evaluation of the fiscal condition of the cultural institutions (which can be accessed at http://www.publicpolicyforum.org/pdfs/Parks&Culture.final.pdf), the Forum noted that "major maintenance and basic infrastructure repair needs are significant and growing at each of the county-owned assets, with the exception of the Milwaukee County Historical Society headquarters, which is in the final stages of a major renovation."

The total amount of budgeted county expenditures on cultural institutions in 2009 was $31.6 million. Of that total, the zoological department accounted for $23.8 million, while the other cultural entities accounted for $7.8 million. The zoological department's 2009 budgeted property tax levy was $5.5 million. Other key revenue sources are admissions fees, parking fees, concessions revenue and the contribution from the Zoological Society. The zoo was the sixth largest organizational unit in the county in 2009 in terms of its number of employees, with 252 FTEs in the 2009 budget.

Virtually all of the $7.8 million contributed by the county to the other cultural entities was property tax levy (the county share of the UW Extension budget also includes about $120,000 of direct revenue). As discussed above, the $7.8 million county expenditure represents only a fraction of the total budgets of those entities. Those total budgets are not included in the county's overall budget because the entities are operated by non-county entities that are not county departments.

BUDGET BREAKDOWN

The budget breakdown included in other subsections is limited in this section to the zoological department, which is the only cultural institution operated by the county, and therefore is the only one impacted by legacy costs.[17] **Table 18** breaks down the zoological department's actual expenditures and revenue in 2008, showing both total costs and costs when legacy obligations are subtracted. This analysis shows that the department spent $1.8 million on central service charges from other county departments, $12.4 million on its own personnel, and $9.6 million on non-personnel expenditures, including services and commodities such as advertising, fuel and utilities.

The analysis also shows that $179,000 of the zoo's central service charges and $2 million of its personnel expenditures were not directly connected to the cost of running the zoo, but instead were county legacy costs distributed to the department by the central budget office. **This tells us that if a different entity had provided the same services, secured administrative overhead at the same price, and paid the same wages and benefits to its active employees in 2008, it potentially could have operated the zoo for $2.1 million less if it was not responsible for the zoo's share of the county's legacy costs**.

In addition, the analysis shows that if legacy costs had been distributed to the zoological department on the basis of its actual number of retirees, as opposed to its share of the existing county workforce, those costs would have totaled $1.8 million. This $1.8 million figure represents the approximate annual county legacy obligation held by the zoological department. As with every other function analyzed in this report, under a change in governance these legacy costs either could be assumed by the function's new governing body, or they could remain the responsibility of county government or county taxpayers (if county government no longer existed).

[17] The one exception is the Milwaukee Public Museum, to which the county still attributes approximately $564,000 in legacy costs annually for retired county employees who worked for the Museum when it was a county department. Under the allocation methodology utilized by the county, however, which is based on number of departmental employees, there are no legacy costs included in the portion of the Museum budget that is reflected in the county budget.

Finally, in terms of the department's overall share of the county's outstanding liabilities, its share of the county's OPEB liability is $31.5 million, while its share of the pension fund liability (consisting of both POB debt and the unfunded liability) is $9.9 million. In addition, the total General Obligation debt on zoo facilities is $32.4 million, which either would have to be picked up by the receiving entity or assumed by county taxpayers if the zoo was transferred elsewhere.

Table 18: Breakdown of Zoo 2008 Actual Expenditures and Revenues and Legacy Costs

Zoo	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using **2008** fringe allocation method*	*Based on retiree history***
Administrative	$1,047,432	$945,192	$102,240	$99,179
Information technology	$479,781	$432,949	$46,832	$45,429
Legal counsel	$0	$0	$0	$0
Facility management	$101,880	$91,935	$9,945	$9,647
Fleet management	$205,368	$185,322	$20,046	$19,446
Central charges/overhead	**$1,834,461**	**$1,655,399**	**$179,062**	**$173,701**
Salary and wages	$7,868,347	$7,868,347	$0	$0
Social security	$450,218	$450,218	$0	$0
Employee healthcare	$1,564,050	$1,564,050	$0	$0
Employee pension	$772,249	$772,249	$0	$0
Retiree healthcare	$1,564,050	$0	$1,564,050	$1,365,790
Retiree pension	$386,124	$0	$386,124	$278,746
Other	-$243,381	-$243,381	$0	$0
Personnel costs	**$12,361,656**	**$10,411,482**	**$1,950,174**	**$1,644,536**
Non-personnel expenditures	**$9,584,741**	**$9,584,741**	**$0**	**$0**
TOTAL EXPENDITURES	**$23,780,858**	**$21,651,622**	**$2,129,236**	**$1,818,237**
State revenue	$0	$0	$0	$0
Federal revenue	$0	$0	$0	$0
Other revenue	$17,359,729	$17,359,729	$0	$0
TOTAL REVENUES	**$17,359,729**	**$17,359,729**	**$0**	**$0**
TOTAL LEVY	**$6,421,129**	**$4,291,893**	**$2,129,236**	**$1,818,237**
Unfunded OPEB liability ***	$31,519,847	$31,519,847	$31,519,847	$31,519,847
Unfunded pension liability***	$9,918,994	$9,918,994	$9,918,994	$9,918,994
Outstanding debt and interest	$32,438,429	$32,438,429	$32,438,429	$32,438,429
TOTAL LONG-TERM DEBT	**$73,877,270**	**$73,877,270**	**$73,877,270**	**$73,877,270**

** In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.*

*** This method distributes legacy costs according to a department's retiree history.*

**** Estimated liability allocated to department is based on the department's retiree history.*

POTENTIAL ALTERNATIVE SERVICE PROVIDER

If county government was eliminated, an obvious alternative approach for governing the county-owned but independently operated cultural institutions would be simply to give or sell the properties and buildings to the non-profit organizations that operate them. In the case of the Milwaukee County Zoo, a new not-for-profit corporation could be created per the concept suggested by the county executive in his 2010 recommended budget, and the zoo property and buildings could be gifted or sold to that entity.

Such an approach is problematic, however, for two primary reasons: 1) several of the properties have been deeded to the county as a public trust, which means that optimally some other type of public entity should take control of them; and 2) each institution is heavily dependent upon taxpayer assistance and would have great difficulty surviving without such assistance.

Alternatively, the institutions could be transferred to the state or City of Milwaukee, but both of those governments have pressing fiscal problems and likely would be extremely reluctant to assume the county's funding commitment. Another option might be to transfer administrative control and ownership of the institutions to the Wisconsin Convention Center District or Stadium districts, which are public entities with limited local taxation authority, though those districts have their own funding challenges as well.

A final option, which we explore in greater detail, is the possibility of creating a separate district that would be responsible for owning and administering both parks and cultural institutions. The concept is similar to that discussed in a later section on parks, but with a few additional nuances. The following provides a brief analysis of that option.

Discussion

Special purpose governments have proliferated across the country in order to meet community needs ranging from sewage treatment and cemetery plots to airport governance and transportation planning. Special districts to govern both parks and cultural facilities are among the least common, but we have uncovered two: the Scientific and Cultural Facilities District of metropolitan Denver and, on a smaller scale, the Rockford Parks District. Each of these districts incorporates cultural and art functions with its provision of park and open space areas.

Created in 1989, the Scientific and Cultural Facilities District (SCFD) of metropolitan Denver was designed to financially support, at least in part, cultural, artistic, and outdoor institutions in the greater Denver region. Prior to the creation of the district, the State of Colorado provided significant funding to cultural institutions in Denver and around the state. However, in 1982, the state removed its funding from these organizations. Cultural institutions, particularly the large museums and botanical gardens in Denver, began to struggle financially without state support.[18]

[18] Scientific and Cultural Facilities District. 2007. "History"; http://www.scfd.org/?page=about&sub=1. 2 September 2009.

While the City of Denver provided funds to its cultural institutions, many visitors were from surrounding suburbs. Consequently, key officials from Denver and its neighboring suburbs backed state legislation that allowed for the creation of a regional culture district that would support Denver's major institutions but also benefit suburban facilities and organizations. Voters in a seven-county region surrounding Denver agreed and passed a 0.1% sales and use tax to fund the district.[19] The district is now the primary source of funding for several major institutions in the City of Denver and provides supplemental revenue to a wide variety of groups, organizations and cultural landmarks within the region.

There are two aspects of this special purpose district that are particularly unique. First, the regional cooperation utilized to create and maintain the district generally is not common among other urban areas (especially for a seven-county region). Second, the district supports cultural, arts, zoological and botanical facilities, as opposed solely to parks.

The Rockford Park District, meanwhile, was formed in 1909. In contrast to the many park districts within the State of Illinois, but similar to the SCFD of metropolitan Denver, the Rockford special district also encompasses a variety of museums and cultural facilities. The district is associated with five museums and one museum "park area." In several cases, the museums are located on district land, which makes the funding and operations of these facilities somewhat of a natural combination.[20]

The district also oversees the operation and maintenance of parks and facilities outside of the city's boundaries. These service areas include three neighboring cities and a variety of adjacent unincorporated land. This also makes the Rockford Park District unique among Illinois districts because most others generally are confined to more limited boundaries.

The following are profiles of the SCFD of metropolitan Denver and the Rockford Park District. The SCFD of metropolitan Denver provides an example of a large, relatively recent regional district, while the Rockford Park District represents a smaller regional district that has remained viable for a long period of time. While their structure, operations, and scope certainly are different, their overall goals of providing art, culture and park facilities are similar.

[19] Following the 1988 vote, the tax was re-approved by voters in 1994 and 2004.
[20] Rockford Park District. 2009. "About Us." http://www.rockfordparkdistrict.org/home/aboutus/aboutus.cmsx. 2 September 2009.

Table 19: A profile of the Scientific and Cultural Facilities District (SCFD) Denver Metropolitan Region, Colorado

Establishment	In 1982 the State of Colorado cut its funding for cultural institutions around the state. In 1989, as a response to reduced funding, the citizens of metropolitan Denver overwhelmingly voted (3-1 ratio) to increase sales taxes to support arts and culture organizations through a regional cultural asset district.
Property	Through its taxing authority the district provides financial support to over 300 regional organizations. However, receiving over 65% percent of the financial resources are five institutions: the Denver Art Museum, the Denver Botanic Gardens, the Denver Museum of Nature and Science, the Denver Zoo, and The Denver Center for the Performing Arts. Medium to small organizations share the remainder of the funding.
Population served	Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties Population (Combined): 2,438,842
Governance	The SCFD Board of Directors is comprised of eleven members. Board members are chosen by county commissioners in each participating county (city councils in Denver and Broomfield). In addition, four members are appointed by the governor. The executive director reports to the board of directors and oversees the distributions and work of the district staff. Each county has a board to represent constituents and distribute small funding amounts.
Budget process	The SCFD executive director and district staff prepare an annual budget which is subject to review and approval by the SCFD Board of Directors.
Financial planning	The SCFC Board of Directors considers and documents long-term planning and financing options. In 2008, this was accomplished by board retreat focused on long-term planning options. Financial reserves were enough to cover six months of operations in 2008.
Revenue	The SCFD is funded by a sales and use tax of 0.1% that is applied to the seven counties listed above. The tax was approved overwhelmingly in 1988, 1994, and 2004. Because of the number and scope of groups supported by the SCFC, supported institutions must also generate other sources of revenue from grants, fees and sales, or donations in order to completely cover total expenditures.

Table 20: A profile of Rockford Park District Rockford, Illinois

Establishment	The Rockford Park District was formed in 1909 as a special purpose government with the primary objective of establishing and maintaining public park and recreation facilities for district residents.
Property	There are 175 park sites within the Rockford Park District, containing 4,833 acres of land covering 125 square miles. Included in the parks are two community centers, skateboard and bike areas, a disc golf course, walking/bike paths, three golf courses, an ice arena, and a green house. Cultural facilities include: the Burpee Museum of Natural History, the Discovery Center Museum, Midway Village Museum, Riverfront Park Museum, Rockford Art Museum, and the Tinker Swiss Cottage Museum.
Population served	The cities of Rockford, Loves Park, Cherry Valley, New Milford and adjacent unincorporated areas in Boone and Winnebago Counties. Population (Approx. Combined): 172,891
Governance	The Rockford Park District is governed by an elected five-member board of commissioners that serve six-year terms without compensation. Reporting to the commissioners is an executive director and a group of specialized deputy directors.
Budget process	The budget is prepared and presented to the district commissioners by the executive director and the chief financial officer. The board of commissioners examines and approves the budget.
Financial planning	The board of commissioners develops a series of priorities that provide staff with a general direction concerning financial, staff and other resources.
Revenue	The property tax rate was 71.27 cents per $100 of assessed value in 2008. Property taxes from homeowners and businesses make up half of the revenue of the operating funds for the Park District (51%). Fees paid for services (e.g. golf, ice skating, swimming, camps, etc.) make up 36%. The remainder (13%) comes from other sources such as grants, donations, sponsorships, and advertising.

In Milwaukee County, combining the county's parks and recreational facilities has been discussed most prominently in the context of discussion about a dedicated funding source. A November 2008 advisory referendum on a potential 1% sales tax in Milwaukee County included both parks and cultural institutions under the list of functions that would receive sales tax proceeds and end reliance on property tax levy. Neither the referendum nor subsequent legislative initiatives at the state level to implement the tax have spelled out the percentage of the sales tax proceeds that would be directed to either function, however, nor have these initiatives specified which specific cultural institutions would receive sales tax proceeds and how much each would receive individually. Also, while the notion of combining cultural institutions with the parks in a separate district has been discussed by some park district proponents, the sales tax referendum did not envision that option.

A potential parks and culture district in Milwaukee County could be organized in many different ways. The following discussion of pros, cons and logistical issues focuses on the general concept and does so solely from the perspective of the cultural institutions, as a similar discussion on parks is presented in the next section of this report.

Key pros

- Creation of a parks and culture district with its own dedicated funding source would remove the cultural institutions from competition with other county functions for annual operating assistance, and would end the necessary prioritization of mandated county functions over those institutions. It also could provide greater certainty about funding, which is essential for long-term planning for each of the institutions.

- If the new district is regional in nature, it would allow cultural institutions that are enjoyed by visitors from throughout southeast Wisconsin to receive financial support from that larger tax base.

- Transferring ownership of the institutions to a new authority perhaps would be even more beneficial on the capital side, as the institutions currently struggle to access needed capital dollars from the county even for fundamental physical repairs that – when left unaddressed – impact attendance and other sources of earned revenue. It is also extremely difficult for some of the institutions to develop business plans and raise private dollars without knowing how they will fare in the steep competition for county support for physical improvements.

- For the zoo, being part of an independent district could allow it to function more efficiently, because it would be freed from having to utilize county internal services (e.g. facilities, fiscal, human resources and legal). The Forum's 2008 report on the county-owned parks and cultural institutions cited an official from the Zoological Society who argued that the zoo needs to "constantly refresh itself" with new exhibits to draw visitors in the area's very competitive tourism climate, but that the county's bureaucratic climate and high overhead costs impeded it from doing so.

- Transferring ownership of the cultural institutions to a separate authority could heighten prospects for non-public funding for capital improvements from foundations and other sources.

Key cons

- Housing the cultural institutions in a separate district could lead to a significant increase in taxing and spending on the institutions because of lack of competition with other locally funded services, which forces policymakers to prioritize among a wide variety of programs and services and make difficult spending choices.

- The non-county-operated cultural institutions fare well under administration of the War Memorial Corporation and/or separate boards of directors with little interference from county officials. It is possible that the board of a new parks and culture district could become more involved in operational oversight in a non-constructive manner.

- Several of the institutions have benefited from county ownership by being able to take advantage of county financing for capital improvements and county financial assistance in instances of emergency (e.g. the county's critical role in helping the Milwaukee Public Museum get back on track after its fiscal crisis earlier this decade). A separate district may not possess the capacity to be as helpful in that regard.

- Creation of a regional arts and culture district could engender significant opposition from policymakers and taxpayers in surrounding counties, who may contest paying taxes to support institutions that are located in Milwaukee County.

- It could be argued that Milwaukee County already has enough separate governmental or quasi-governmental agencies, and creation of a new parks and culture district simply would create another layer of unneeded government bureaucracy.

Key logistical questions/obstacles

- The zoo has significant legacy liabilities amounting to $1.8 million annually for the cost of health care and pensions for its retirees, and more than $32 million in outstanding debt on zoo facilities and infrastructure. The other county-owned cultural facilities also have more than $35 million in outstanding debt that is currently being paid by the county. In developing legislation authorizing creation of a parks and culture district in Milwaukee County, the state would need to determine whether the new authority would assume responsibility for the zoo's legacy liabilities and the outstanding debt on the zoo and other cultural facilities.

- In a memorandum prepared by county board and administrative services staff for the county's Intergovernmental Relations Committee in December 2007, concern was expressed over the transfer of equipment and infrastructure to a proposed park district without a similar transfer of debt service, as the county would remain responsible for paying debt service for equipment it no longer owned. This same concern would arise for the zoo and would need to be addressed in authorizing legislation.

- Some of the zoo's assets have been donated to the county, and legal attention would be required to determine if those could be turned over to another entity.

- Significant legal questions regarding the transfer of ownership from the county to a newly established authority and the status and potential continuation of existing memoranda of understanding between the county and the institutions would need to be researched and resolved.

PARKS

INTRODUCTION

Milwaukee County's Department of Parks, Recreation and Culture administers and operates the Milwaukee County Park System. The county park system consists of approximately 15,000 acres of parkland that includes 150 parks, 120 lane miles of park roads and parkways, 15 golf courses, nine outdoor pools, two family aquatic centers, five beaches, 117 tennis courts, 178 picnic areas, 23 major pavilions, 178 athletic fields, the 108-mile Oak Leaf Trail, the Mitchell Park Horticultural Conservatory, Boerner Botanical Gardens, McKinley Marina, Wehr Nature Center, and the O'Donnell Park Parking Structure.

In addition to maintaining this immense variety of physical assets, the Parks Department operates or oversees dozens of recreational programs and activities, including 37 organized sports leagues and a variety of aquatics and exercise programs; coordinates activities with dozens of community organizations and more than 40 "friends" groups; and assists with special events including the Great Circus Parade and Milwaukee Air and Water Show.

Administration and operation of a comprehensive parks and recreation system is not a statutorily mandated function like most other county functions, but instead is one that the county assumed at its own discretion. That decision occurred in the 1930's, when the City of Milwaukee, facing financial difficulties that were hampering its efforts to manage the parks, transferred ownership of most parks to the county. From that point until the early 1980s, the parks were owned by the county and their employees were county employees, but their administration and budget were overseen by a separate Milwaukee County Parks Commission. In 1982, the county executive and county board dissolved the commission and placed the parks and its budget under the direct control of county government.

During the past several years, there has been significant public attention focused on the future of the parks in light of a significant backlog in infrastructure repairs and a significant reduction in full-time staffing and funding. The Public Policy Forum called attention to those challenges in a comprehensive analysis released in December 2002. That analysis found that while the parks were not necessarily "failing the residents of the county" as some had suggested, the county's financial commitment to parks, recreation and culture was two-thirds of what it was in the 1970s (after adjusting for inflation), and county park employment had declined from 1,195 FTEs in 1985 to 802 in 2002, a 33% decrease.

In an updated assessment published in November 2008, the Forum found that "with an estimated $277 million backlog of infrastructure maintenance and repairs, declining attendance at pools and golf courses, and dependence on a property tax levy funding source that has diminished by two-thirds during the past 30 years, it is clear that the Milwaukee County Department of Parks, Recreation and Culture faces huge challenges."

The Forum report also noted, however, that "despite the bleak outlook…there are signs of hope." It said "the department's success in turning around the Milwaukee County Sports Complex, and its impressive efforts (with the help of private contributions) to recreate Bradford Beach as a premier summer destination, show that creative management and successful private fundraising can make a big difference. Also, a recent public opinion survey conducted by the Public Policy Forum indicates that despite the poor physical condition of many parks system assets, county residents generally remain pleased with the parks."

The total budget for the parks department in 2009 was $44 million. The department's 2009 budgeted property tax levy was $25 million, ranking it fourth among all county departments (behind the Office of the Sheriff, Behavioral Health Division and Courts). Other key revenue sources are admissions/user fees, rental revenue and concessions revenue.

The parks department also is one of the county's largest organizational units in terms of its number of employees, with 548 full-time equivalent positions in the 2009 budget.

BUDGET BREAKDOWN

Table 21 breaks down the Parks Department's actual expenditures and revenue in 2008, showing both total costs and costs when legacy obligations are subtracted . This analysis shows that the department spent $5.7 million on central service charges from other county departments, $27.6 million on its own personnel, and $9.9 million on non-personnel expenditures, including services and commodities such as fuel and utilities.

The analysis also shows that $560,000 of the Parks Department's central service charges and $3.9 million of its personnel expenditures were not directly connected to the cost of providing or administering parks, recreational and cultural services, but instead were county legacy costs distributed to the department by the central budget office. **This tells us that if a different entity had provided the same services, secured administrative overhead at the same price, and paid the same wages and benefits to its active employees in 2008, it potentially could have administered and operated the parks for $4.5 million less if it was not responsible for the parks department's share of the county's legacy costs**.

In addition, the analysis shows that if legacy costs had been distributed to the Parks Department on the basis of its actual number of retirees, as opposed to its share of the existing county workforce, those costs would have totaled $9.5 million. This $9.5 million figure represents a more accurate depiction of the approximate annual county legacy obligation held by the Parks Department. As with every other function analyzed in this report, under a change in governance these legacy costs either could be assumed by the function's new governing body, or they could remain the responsibility of county government or county taxpayers (if county government no longer existed).

Finally, in terms of the department's overall share of the county's outstanding liabilities, its share of the county's OPEB liability is $171.7 million, while its share of the pension fund liability (consisting of both POB debt and the unfunded liability) is $54 million. In addition, the total General Obligation debt on parks facilities is $119.7 million, a significant amount that also either would have to be picked up by the receiving entity or assumed by county taxpayers if the parks were transferred elsewhere.

Table 21: Breakdown of Parks Department 2008 Actual Expenditures and Revenues and Legacy Costs

Parks	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using **2008** *fringe allocation method**	*Based on retiree history***
Administrative	$1,946,424	$1,756,433	$189,991	$184,303
Information technology	$713,649	$643,990	$69,659	$67,574
Legal counsel	$0	$0	$0	$0
Facility management	$321,011	$289,677	$31,334	$30,396
Fleet management	$2,755,837	$2,486,839	$268,998	$260,944
Central charges/overhead	**$5,736,921**	**$5,176,939**	**$559,982**	**$543,217**
Salary and wages	$17,544,931	$17,544,931	$0	$0
Social security	$985,466	$985,466	$0	$0
Employee healthcare	$3,190,052	$3,190,052	$0	$0
Employee pension	$1,439,239	$1,439,239	$0	$0
Retiree healthcare	$3,190,052	$0	$3,190,052	$7,441,945
Retiree pension	$719,619	$0	$719,619	$1,518,834
Other	$556,302	$556,302	$0	$0
Personnel costs	**$27,625,661**	**$23,715,990**	**$3,909,671**	**$8,960,779**
Non-personnel expenditures	**$9,920,300**	**$9,920,300**	**$0**	**$0**
TOTAL EXPENDITURES	**$43,282,882**	**$38,813,228**	**$4,469,654**	**$9,503,996**
State revenue	$144,995	$144,995	$0	$0
Federal revenue	$0	$0	$0	$0
Other revenue	$19,476,488	$19,476,488	$0	$0
TOTAL REVENUES	**$19,621,483**	**$19,621,483**	**$0**	**$0**
TOTAL LEVY	**$23,661,399**	**$19,191,745**	**$4,469,654**	**$9,503,996**
Unfunded OPEB liability ***	$171,745,937	$171,745,937	$171,745,937	$171,745,937
Unfunded pension liability***	$54,046,800	$54,046,800	$54,046,800	$54,046,800
Outstanding debt and interest	$119,658,211	$119,658,211	$119,658,211	$119,658,211
TOTAL LONG-TERM DEBT	**$345,450,949**	**$345,450,949**	**$345,450,949**	**$345,450,949**

** In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.*
*** This method distributes legacy costs according to a department's retiree history.*
**** Estimated liability allocated to department is based on the department's retiree history.*

POTENTIAL ALTERNATIVE SERVICE PROVIDER

The most commonly discussed alternative provider/administrator of parks and recreation in Milwaukee County is a separate parks district. The following provides a brief analysis of that option.

Discussion

Our research on administration of public parks and recreational facilities in other jurisdictions throughout the country finds that with few exceptions, local public parks are owned and administered using one of two approaches. The first and most widely used involves some type of general purpose government – typically city, village, town or county. Under such an approach, the operation and maintenance of the parks generally is controlled by a designated parks department or director. The department or director is accountable to a municipal manager, elected board, or both. In Wisconsin, this is the only type of governance structure allowed by state law.

The second approach involves creation of a special district. Special districts, as noted elsewhere in this report, typically are granted authority to dictate their own budget, issue bonds, and tax citizens within district boundaries. Management is provided by a board of commissioners that can be appointed or elected.

Park districts have been used in numerous jurisdictions since early in the 20th century. In particular, the State of Illinois has more than 280 park districts, nine forest preserve districts and seven conservation districts. Other states with park districts include Ohio, California, Colorado, Minnesota, South Dakota and North Dakota.

A 2008 academic study by Dr. David N. Emanuelson explicitly focuses on effectiveness and efficiency differences between *municipal* parks departments and park districts in the Midwest.[21] While there are differences between municipal and county parks departments, the findings may have relevance to consideration of a potential park district in Milwaukee County.

Using a quantitative analysis of survey responses submitted by Midwestern park district and department directors, Emanuelson developed several primary conclusions concerning the operations of municipal parks departments and districts.

- Park districts provide higher levels of total services than municipal parks and recreation departments. That finding is not necessarily linked to governance, however, but is more closely related to the "higher levels of operating and capital expenditures that park districts are allowed to make."

- The higher service levels found in park districts also may be linked to the finding that their staffs have higher professional training levels than parks and recreation departments.

- In terms of efficiency, the data found only "weak evidence" that consolidation of park districts with municipalities produces greater budgetary efficiency and provides "economy of scale" benefits often predicted by policy analysts.

Emanuelson's bottom line policy considerations are as follows:

"Park districts represent a satisfactory alternative to municipal government providing parks and recreation services at the local level. It does not appear to cost more for park district services

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[21] Emanuelson, David N. 2008. "A Comparative Analysis of Illinois, Ohio, Colorado and South Dakota Park Districts and Parks and Recreation Departments to Wisconsin, Iowa, Missouri, Kansas, Indiana, Michigan Parks and Recreation Departments." Presented at the Annual Meeting of the Midwest Political Science Association, Chicago.

than if parks and recreation services were provided by the general-purpose municipality and the levels of services are somewhat higher when park districts provide them. As a service delivery alternative, the park district system appears to provide some of its promised advantages while appearing to provide none of the predicted disadvantages."

Emanuelson wrote a follow-up article in which he analyzed the much smaller number of responses received in the 2008 survey from Midwestern *county* park departments and park districts.[22] Again, Emanuelson observed that county park districts provided a much higher level of service as measured by park sites and park acres per thousand citizens, and that park spending per capita was higher. He speculated that the greater degree of administrative autonomy enjoyed by park district administrators in setting operating budgets and making capital expenditures could be one explanation for the service difference.

The article also discusses the experience of Ohio, which allows county park districts to be created by referenda. The referenda allow county park districts to levy property taxes for a maximum of 10 years, after which another referendum is put before voters to extend the district's taxing authority. The article notes that, according to the Ohio Parks and Recreation Association, two-thirds of Ohio counties have park districts and "there has yet to be a case where voters in any Ohio county have decided against an extension of the districts' existence."

Clearly, a key factor in comparing park districts with municipal or county parks departments is the source of funding. Parks departments must compete with other city or county departments for resources, which can make their funding levels inconsistent and contingent on the fiscal health of the municipality or county. In contrast, because districts have their own source of tax revenue, they often are able to provide more services—equipment, programs, maintenance, or staff—than parks departments.

Wisconsin's neighboring states of Minnesota and Illinois have significant experience with park districts that also may be relevant to the discussion in Milwaukee County. In Minneapolis, the park district was criticized a few years ago by the League of Women Voters (LWV), which acknowledged the quality of Minneapolis parks, but suggested that use of a separate park district created significant service duplication within the city.[23] The LWV asserted that park staff was forced to continually collaborate with city officials and that many of its functions (e.g. infrastructure repair and security) could be handled by other city departments such as police and public works. In addition, the LWV suggested that at-large elections for the board precluded it from being representative of the city's diverse population. As a solution, the LWV suggested the park district and board be changed to a city department or be re-created as a regional park district.

Meanwhile, despite the popularity of park districts in Illinois, use within the state has not been unquestioned. In particular, the Chicago Park District was highly criticized in the mid-1990s for being ineffectual and a product of machine style patronage and corruption. Critics argued that

[22] Emanuelson, David N. 2009. "Parks in the Midwest."
[23] League of Women Voters of Minneapolis. 2006. "Minneapolis Government: A Balancing Act II - The Independent Boards". (April 2006).

reforming the district as a city department would at least partially solve such problems.[24] More recently, a debate over park governance developed in Naperville, Illinois. Following several publicly unpopular decisions by the Naperville Park Commission, it was suggested that city leaders consider establishing a municipal parks and recreation department.[25] A change of governance structure did not occur in either instance.

The following brief profiles of the Minneapolis and Chicago park districts provide further insight on different approaches to creating and organizing park districts. This information demonstrates that if a municipality or region is considering the creation of a park district, variations can be adopted based on the nature and circumstances of the particular area seeking the change.

Table 22: A Profile of the Chicago Park District
Chicago, Illinois

Establishment	In 1934 the Illinois Legislature passed the Park Consolidation Act which combined 22 separate parks districts in the City of Chicago into one unified district.
Property	The district currently owns and maintains 7,590 acres of green space which includes 570 parks, 263 field houses, and 26 miles of lakefront property with 31 beaches. In addition, 10 museums, two conservatories, 16 lagoons and 10 bird and wildlife gardens are located on district property.
Population served	City of Chicago Population: 2,896,016
Governance	The management and control of business and property of the Chicago Park District is vested in a Board of Commissioners as was established by the Park District Act. The Board consists of seven members, each appointed by the Mayor. There are three standing committees for regular business: Administration, Programs, and Recreation. The General Superintendent and CEO is the primary officer below the District Board.
Budget process	The district prepares a budget document following strategic and operational goals. Input is also received from park management and community members. Public hearings are held in each park region in the summer to gain community input before the budget is presented to the District Board. Once the District Board receives the budget, a final public hearing is held prior to final consideration and passage by the board members.
Financial planning	Each year the district prepares a five-year capital plan which is presented to the District Board. A three year operating budget is also prepared each year and is used for long-term financial planning.
Revenue	In 2007, approximately 58.3% of the Park District's revenue came from property taxes while 11.8% and 17.2% came from a personal property replacement tax and charges and services respectively. The district is also allowed to incur debt for the purpose of developing park related projects.

[24] Editorial. 1994. "Merge Park District into City Government." *Chicago Sun-Times*, 11 February 1994.
[25] Boerema, Amy. 2007. "Should City have a Park District? Some Raise Idea of City Department for Recreation." *Chicago Daily Herald*, 17 February 2007.

Table 23: A Profile of the Minneapolis Park and Recreation Board (MPRB) Minneapolis, Minnesota

Establishment	The Minneapolis Park and Recreation Board (MPRB) was created in 1883 by an act of the Minnesota State Legislature and a vote of Minneapolis residents to preserve, protect, and maintain parks, open space land, and lakes in Minneapolis.
Property	The MPRB owns and maintains approximately 6,400 acres of parkland and water within 182 separate park properties. Features include 49 recreation centers, 396 multipurpose sports fields, 12 authorized beaches, 12 gardens, seven golf courses, four outdoor performance stages, 27 public computer labs, and 43 miles of walking/biking paths.
Population served	City of Minneapolis Total population: 382,618
Governance	MPRB serves as an independently elected, semi-autonomous body responsible for governing, maintaining, and developing the park system. Every four years nine commissioners are elected to the board—one from each of the city's park districts and three that serve at large. The Superintendent reports directly to the Board of Commissioners.
Budget process	The MPRB budget is created through a process of community input that also utilizes established goals and comprehensive plans. The Superintendent presents a proposed budget to the MPRB. The budget must then be reviewed and passed by the Commissioners.
Financial planning	Each year the MPRB creates, in addition to its one-year budget document, a five-year implementation plan.
Revenue	The MPRB has the ability to levy taxes but the levy must be within the limits set by the Minneapolis Board of Estimation and Taxation. The majority of the MPRB budget, approximately 69%, is generated from property taxes paid by Minneapolis residents. Additional revenue is generated through local government aid (22%), state grants (3%) and other sources and transfers (5%).

In Milwaukee County, creation of a separate park district to govern and manage the county's parks and recreational facilities previously has been supported by the county executive (conditional on an elected board) and a key friends group (the Park People of Milwaukee County). Several bills to authorize creation of park districts in Wisconsin have been introduced in the Wisconsin Legislature during the past decade, but none have been adopted.

The most recent – sponsored by Senator Alberta Darling and others in 2007 – would have allowed a park district to be created by resolution of a municipal or county government or by referendum. Such districts would be administered by a seven-member elected and unpaid board and would be funded by the property tax previously utilized by the municipality or county to fund the parks, with the stipulation that the levy cap be reduced by an equivalent amount in that municipality or county. Under the legislation, employees of the former parks department would transfer to the new district and would become members of the state retirement system. The legislation contained no provision to transfer legacy costs to either the district or state, thereby leaving them with the municipality or county.

As noted above, a potential park district in Milwaukee County could be organized in many different ways. The following discussion of pros, cons and logistical issues focuses on the general concept.

Key pros

- Creation of a park district with its own dedicated funding source would remove parks and recreational facilities from competition with other county functions for fiscal and other resources, and would eliminate prioritization of mandated county functions over the parks. It also would provide greater certainty about funding, which is essential for long-term planning.

- Some might argue that an independent park district could function more efficiently because it would be freed from having to utilize county internal services (e.g. fleet management, fiscal, human resources and legal). In the Forum's 2008 report on the parks, the parks director argued that "while additional resources likely are necessary, additional independence would be even better. In fact, she says she would welcome a multi-year guarantee of level tax levy support for operations (similar to the 10-year commitment to the Milwaukee Public Museum), if it were accompanied by the authority to lease and manage her own fleet; hire and pay for her own legal, human resources and information technology staff; and privatize concessions and other functions where it would be profitable to do so."

- Housing the parks in a separate authority could heighten prospects for non-public funding from foundations and other sources.

Key cons

- Housing the parks in a separate district could lead to an increase in spending on parks and recreation services because of lack of competition with other locally funded services, which forces policymakers to prioritize among a wide variety of programs and services and make difficult spending choices.

- Some might argue that "if it's not broken, don't fix it." Despite its funding and other challenges, the Milwaukee County Parks recently was awarded the National Recreation and Park Association's Gold Medal Award in the Park and Recreation Management Program. Placing the parks outside of county government and forcing parks department employees to terminate their county employment might lead to the loss of key staff and harm overall parks administration.

- It could be argued that Milwaukee County already has enough separate governmental or quasi-governmental agencies, and creation of a new park district simply would create another layer of unneeded government bureaucracy.

Key logistical questions/obstacles

- The parks department has one of the highest legacy liabilities of any county function, amounting to more than $9.5 million annually for health care and pensions for parks department retirees, and nearly $120 million in outstanding debt on parks facilities and infrastructure. In developing legislation to create a park district in Milwaukee County, the state would need to determine whether the new authority would assume responsibility for the department's legacy liabilities and the outstanding debt on parks facilities.

- The authorizing legislation would need to determine whether county workers moving over to the new park district would be able to remain in the county pension system and receive county health insurance and other benefits, whether they would become members of the state retirement system and receive health care and other benefits from the state, or whether a new benefits structure would need to be created in the district.

- In a memorandum prepared by county board and administrative services staff for the county's Intergovernmental Relations Committee in 2007, concern was expressed over the transfer of equipment and infrastructure to a proposed park district without a similar transfer of debt service, as the county would remain responsible for paying debt service for equipment it no longer owned. Authorizing legislation would need to address that concern.

- The composition of the park district board would need to receive careful deliberation by state officials, who would need to determine whether it should be appointed or elected, whether it would be paid or volunteer, the necessary qualifications of board members, and whether a citizen board could be constructed to have the necessary expertise and experience to oversee a parks and recreational system as immense as that administered by Milwaukee County.

SHERIFF

INTRODUCTION

Milwaukee County's Office of the Sheriff is responsible for a wide range of law enforcement activities, many of which are mandated by state statute, and others of which are not mandated but are authorized under state law. The basis for the position itself is Article IV, section four of the Wisconsin Constitution, which establishes the sheriff as an elected county official and specifies that the sheriff's term of office is four years. Along with most other elected offices, the governor has the power to remove the sheriff (for cause), and the power to appoint a successor in case the office is vacated prior to an election. Otherwise, the state statutes, and not the constitution, establish a county sheriff's duties and obligations.

Chapter 59 of the Wisconsin statutes directs the sheriff to "keep and preserve the peace." The sheriff's principal duties are to operate the county jail, "attend upon the circuit court," and serve and execute processes, writs, warrants and other judicial orders.

As a constitutional officer of the state but an elected official of the county, case law has established the nature and limits of the sheriff's roles and responsibilities. Generally speaking, the sheriff has a degree of autonomy not granted county department heads. The county board has budget authority over the sheriff's office but must fund the office sufficiently to meet state mandates and provide law enforcement. The sheriff also has certain autonomy vis-à-vis state government regulation.

The Office of the Sheriff is divided into four distinct budgetary programs:

- Administration—provides management and operational support such as budget, accounting, personnel, public information, communications and internal audit services. Also provides bailiff services to the county criminal and family courts and provides training of recruits and in-service programs.

- Emergency Management—administers a county-wide emergency plan and conducts related public information activities.

- Police Services—patrols the county grounds, parks, airport, zoo and expressway, and operates drug enforcement units, conducts criminal investigations, and serves civil writs. The unit also operates a SWAT team, dive team and bomb disposal unit.

- Detention Services—includes the county jail, House of Correction (HOC), inmate transportation services and medical and psychiatric services for inmates. Until 2009, the HOC was a separate organizational unit headed by a superintendent who reported directly to the county executive. In 2009, the HOC was renamed the County Correctional Facility-South and placed under the direction of the sheriff. The facility has a design capacity for 1,658 inmates but typically houses approximately 1,900.

While control of the HOC was shifted to the sheriff in 2009, the county's 2009 budget continued to present the two entities as separate budgets. Total budgeted expenditures for the sheriff's office in 2009 were $93.2 million, including $77.5 million in property tax levy and $15.6 million from non-levy revenues. Total budgeted expenditures for the HOC were $50.4 million, including $45.6 million in property tax levy and $4.8 million from non-levy revenues.

The $123.1 million in property tax levy for the combined sheriff/HOC function makes it by far the largest departmental recipient of property tax levy in the county budget. The Behavioral Health Division is second with $57 million of property tax levy. The sheriff/corrections function also is largest in terms of number of employees, with 1,439 FTE's budgeted in 2009.

The following table shows how expenditures and tax levy were distributed across the major programs of the sheriff's office and HOC in the 2009 budget. The totals of the individual programs do not tie to the overall sheriff and corrections budget totals because program expenditures include indirect costs that are budgeted elsewhere in the county budget.

Table 24: 2009 Budgeted Program Expenditures for Sheriff and HOC

Program	Expenditure	Tax levy
Sheriff		
Administration	$7,268,451	$5,840,701
Emergency Management	$1,058,301	$545,762
Police Services	$25,631,698	$11,015,181
Detention	$62,138,183	$55,092,059
Special Operations	$16,380,038	$5,024,029
House of Correction		
Administration	$8,013,098	$7,445,906
Food Service	$3,642,050	$3,642,050
Inmate Industries	$2,430,001	$1,440,222
Adult Correctional Center	$35,903,984	$32,064,800

In recent years, a greater share of Milwaukee County's property tax levy has gone to support the sheriff and corrections. The Public Policy Forum's March 2009 report on the county's fiscal condition found that from 2003 to 2007, corrections received an additional $9.2 million from the tax levy and the sheriff's office received an additional $6.1 million. Only the Behavioral Health Division received a greater increase in levy funding during this time.

It is important to note, however, that the sheriff's office and corrections had substantial increases in health care and pension benefit costs because of the large number of workers they employ. From 2003 to 2007, the sheriff's budget grew by $6.6 million, but fringe benefits grew by $11 million, nearly double the total budget increase. Corrections saw its budget jump by an additional $9.3 million, or 22%, from 2003 to 2007, but $7.7 million of the increase was consumed by additional fringe benefit costs.

BUDGET BREAKDOWN

Table 25 breaks down the Office of the Sheriff's actual expenditures and revenue in 2008 (the sheriff and HOC budgets are combined to reflect the post-2008 merger), showing both total costs and costs when legacy obligations are subtracted. This analysis shows that the sheriff's office spent $17.9 million on central service charges from other county departments, $126.1 million on its own personnel, and $1.2 million on non-personnel expenditures, which include commodities such as food and prescription drugs for inmates.

The analysis also shows that $1.7 million of the sheriff's central service charges and $21.6 million of its personnel expenditures were not directly connected to the cost of providing or administering law enforcement and corrections services, but instead were county legacy costs distributed to the department by the central budget office. **This tells us that if a different entity had provided the same services, secured administrative overhead at the same price, and paid the same wages and benefits to its active employees in 2008, it potentially could have provided law enforcement and corrections services for $23.3 million less if it was not responsible for the sheriff's share of the county's legacy costs**.

In addition, the analysis shows that if legacy costs had been distributed to the sheriff's office on the basis of its actual number of retirees, as opposed to its share of the existing county workforce, those costs would have totaled $12.1 million. This $12.1 million figure represents a more accurate depiction of the approximate annual county legacy obligation held by the sheriff's office. As with every other function analyzed in this report, under a change in governance these legacy costs either could be assumed by the function's new governing body, or they could remain the responsibility of county government or county taxpayers (if county government no longer existed).

Finally, in terms of the sheriff's overall share of the county's outstanding liabilities, its share of the county's OPEB liability is $199 million, its share of the pension fund liability (consisting of both POB debt and the unfunded liability) is $62.6 million, and total General Obligation debt on sheriff/HOC facilities is $31 million.

Table 25: Breakdown of Office of the Sheriff 2008 Actual Expenditures and Revenues and Legacy Costs

Sheriff (with HOC)	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using **2008** fringe allocation method*	*Based on retiree history***
Administrative	$3,788,310	$3,418,532	$369,778	$358,707
Information technology	$5,526,128	$4,986,721	$539,407	$523,257
Legal counsel	$0	$0	$0	$0
Facility management	$6,583,187	$5,940,601	$642,586	$623,348
Fleet management	$2,021,257	$1,823,962	$197,295	$191,388
Central charges/overhead	**$17,918,882**	**$16,169,816**	**$1,749,066**	**$1,696,700**
Salary and wages	$71,842,054	$71,842,054	$0	$0
Social security	$5,432,031	$5,432,031	$0	$0
Employee healthcare	$17,829,213	$17,829,213	$0	$0
Employee pension	$7,521,024	$7,521,024	$0	$0
Retiree healthcare	$17,829,213	$0	$17,829,213	$8,624,913
Retiree pension	$3,760,512	$0	$3,760,512	$1,760,267
Other	$1,867,157	$1,867,157	$0	$0
Personnel costs	**$126,081,204**	**$104,491,479**	**$21,589,725**	**$10,385,180**
Non-personnel expenditures	**$1,193,440**	**$1,193,440**	**$0**	**$0**
TOTAL EXPENDITURES	**$145,193,526**	**$121,854,735**	**$23,338,791**	**$12,081,881**
State revenue	$8,274,543	$8,274,543	$0	$0
Federal revenue	$3,706,523	$3,706,523	$0	$0
Other revenue	$10,640,456	$10,640,456	$0	$0
TOTAL REVENUES	**$22,621,522**	**$22,621,522**	**$0**	**$0**
TOTAL LEVY	**$122,572,004**	**$99,233,213**	**$23,338,791**	**$12,081,881**
Unfunded OPEB liability ***	$199,046,592	$199,046,592	$199,046,592	$199,046,592
Unfunded pension liability***	$62,638,055	$62,638,055	$62,638,055	$62,638,055
Outstanding debt/ interest****	$31,025,227	$31,025,227	$31,025,227	$31,025,227
TOTAL LONG-TERM DEBT	**$292,709,874**	**$292,709,874**	**$292,709,874**	**$292,709,874**

** In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.*

*** This method distributes legacy costs according to a department's retiree history.*

**** Estimated liability allocated to department is based on the department's retiree history.*

*****Includes only HOC debt, as data limitations prevented an accurate calculation of courthouse debt attributed to the sheriff's office.*

POTENTIAL ALTERNATIVE SERVICE PROVIDER

If Milwaukee County government was dissolved, the most natural and logical place to assign sheriff and correctional operations would be the State of Wisconsin. The following provides a brief analysis of that option, and also provides brief discussion of the potential for removing some non-mandated responsibilities from the sheriff's office.

Discussion

The sheriff's office already could be considered an adjunct to state government since it is established under the state constitution. Also, the county's detention programs are part of an overall statewide corrections system, with state prisons dedicated to holding inmates convicted of major crimes, and counties typically incarcerating individuals whose sentence is less than one year in length, or those awaiting trial. The overcrowding of state prisons, however, has blurred this separation of responsibilities, and the state of Wisconsin now contracts with the county to house some of its inmates. In 2009, state inmate counts in Milwaukee County under a contract with the state were estimated at 180 a day, and the county was budgeted to realize $3.4 million from this arrangement.

On its face, transferring the sheriff and corrections to state government encounters one major legal and procedural obstacle: changing the state constitution. Amending the Wisconsin constitution involves a time-consuming and unique three-step process. First, the majority of both houses of the state legislature must approve the amendment; second, the legislature must affirm this action in the next legislative session (in other words, the second vote follows the next general election); and, third, the amendment must be approved in a popular vote of Wisconsin citizens. The constitution also can be amended through a constitutional convention whose convening requires the approval of a majority of state legislators and, then, the approval of Wisconsin voters in a general election.

An approach for Milwaukee County that may not require a constitutional change would be to transfer the office of the sheriff to state government while retaining the sheriff as a countywide elected office. As we discuss in **Section IV**, during the 1990s, Massachusetts dissolved the government of seven of the state's 14 counties and transferred their operations to state government. While sheriffs continued to be elected on a countywide basis, the sheriff and his or her employees were transferred to the state payroll. The sheriff was allowed to retain full administrative control of his or her operations, with appropriations established by legislators as part of the state budget. Whether or not this type of approach would be permissible under the Wisconsin constitution would require further study and deliberation.

Another, more modest restructuring option that could be contemplated under a strategy to downsize (as opposed to eliminate) county government would be to transfer or eliminate sheriff programs that some might consider inconsistent with the office's original state-mandated mission. Perhaps the best candidate for such action would be the expressway patrol unit. In each of Wisconsin's 71 other counties, the State Patrol polices state expressways. In Milwaukee, however, state statutes assign this responsibility to the county, which receives state revenues for its effort.

Originally, the expressway patrol was thought to be a break-even or profitable program for Milwaukee County. However, two internal audits conducted in 2002 and 2006 found that property tax levy funds supported this operation when both direct and indirect costs are considered. The 2006 audit showed that levy costs associated with the $6.5 million program had grown from $286,000 in 2001 to $886,000 in 2004, even though the county had reduced the number of deputies patrolling state highways. A drop-off in citation revenue and intergovernmental grants was responsible for the increasing deficit.

In 2008, actual property tax levy costs associated with expressway patrol had grown to $2.4 million, though about half of that cost was attributed to county legacy costs and would not disappear if expressway patrol was shifted back to the state (unless the legacy costs also were shifted). A state audit in 2002 suggested that the county and state reconsider funding responsibilities for the expressway patrol. The county has not undertaken another study of this program's costs since 2006.

County reorganization also could consider the transfer or elimination of other sheriff services and special operations. The current size and complexity of the sheriff's office is the result of incremental growth in responsibilities, some of which occurred with the encouragement of federal and state grant support in the last few decades when the county's revenue picture was quite different. In the late 1990s, for instance, the county expanded or created new units for water safety, county park law enforcement, expressway patrol and also added an air wing and upgraded narcotics investigation. **Table 26** shows the growth of two discretionary areas of the Sheriff's budget that received significant property tax levy allocations during the past five years as well as the growth in tax levy spending on expressway patrol.

Table 26: Budgeted tax levy allocations to select sheriff units 2006-2010

Unit	2006	2007	2008	2009	2010	5-year change Difference	5-year change % change
Expressway Patrol	$1,414,255	$919,161	$1,464,497	$2,054,008	$2,660,037	**$1,245,782**	**88%**
Tactical Enforcement Unit	$0	$0	$3,044,846	$3,043,536	$3,311,856	**$3,311,856**	**n/a**
Park Patrol	$109,623	$529,814	$261,675	$289,060	$259,306	**$149,683**	**137%**

** 2009 levy amounts are from the 2009 adopted budget.*
*** 2010 levy amounts are from recommended budget and are adjusted to net out recommended salary and fringe reduction.*

It is conceivable that under a scenario in which county government either was eliminated or reduced to its mandated functions, many of the office's detective and policing functions could be transferred to municipal police departments, or perhaps eliminated altogether. In Indianapolis, for example, the Indianapolis Police Department and Marion County Sheriff's Department had maintained separate police agencies. In 2007, however, a new Indianapolis Metropolitan Police Department (IMPD) was formed by adding the law enforcement branch of the Marion County Sheriff Department to the Indianapolis Police Department. IMPD is a distinct agency, while the Sheriff's Department has continued its jail and court functions. IMPD has jurisdiction over those portions of Marion County not explicitly covered by the police of another jurisdiction. IMPD is headed up by the sheriff, who appoints a chief of police to direct department operations.

Key pros

- Placing the Milwaukee County Office of the Sheriff under state government could enhance the synergy and coordination of detention services and policies between the county jail, HOC and the state prison system administered by the Wisconsin Department of Correction. It also could produce better information sharing between the county detention system and state corrections and law enforcement systems.

- While the state certainly has budget challenges of its own, moving sheriff services from county government to the state might enhance those services by shielding them from the county's overall budget difficulties, legacy costs and competition with other county priorities.

- Population pressures and costs incurred at the county jail and HOC can be impacted significantly by modifications to sentencing guidelines and other legislative policy changes adopted by the Wisconsin Legislature. Placing the Milwaukee County sheriff under state government would require state legislators to pay more attention to those pressures and costs in contemplating new criminal justice policies.

- Downsizing the Office of the Sheriff by transferring policing functions to the Milwaukee Police Department or other municipal police departments could reduce redundancy and produce property tax levy savings for county taxpayers.

Key cons

- While it could be argued that the state might have more capacity than Milwaukee County to shield the sheriff's function from budget reductions, it also might be argued that state legislators would be less concerned than county policymakers with appropriately funding local law enforcement activities in one county, and that the Office of the Sheriff might therefore suffer financially if placed under state control.

- As noted above, the Office of the Sheriff in Milwaukee County has taken on a much larger role in local policing functions than is mandated by the state, and a larger role than the sheriff plays in other Wisconsin counties. It is possible that state officials would not be supportive of funding those functions so as to ensure uniformity across all counties and in light of the state's fiscal constraints.

- The sheriff's office has achieved notable progress per the National Institute of Corrections in addressing problems at the county jail and HOC, and the current sheriff has successfully balanced his budget each year in contrast to some previous officeholders. While transferring the office to state government likely would not directly impact the sheriff's autonomy, it could be asked whether any change is warranted in light of the office's recent performance.

- Downsizing the Office of the Sheriff by transferring policing functions to the Milwaukee Police Department or other municipal police departments could weaken law enforcement activities in county parks and other county properties and eliminate important specialized law enforcement activities that municipal police departments would not have the capacity to deliver themselves.

Key logistical questions/obstacles

- As noted above, given the sheriff's status as a constitutional officer, attorneys would need to determine the appropriate statutory or constitutional mechanism for transferring the Milwaukee County sheriff's office to state government. This mechanism also would depend on whether legislators wished to retain Milwaukee County's ability to directly elect its sheriff.

- In 2008, Milwaukee County spent more than $99 million of local property tax levy to support non-legacy sheriff services. If the Office of the Sheriff was shifted to state control under an initiative to streamline county government, the state would need to determine whether to seek annual reimbursement from what would be left of county government or assume that significant cost itself. If county government was eliminated, state officials would need to decide either to fill the gap or assess county taxpayers for an equivalent amount.

- The Office of the Sheriff also has considerable legacy liabilities, amounting to more than $12 million annually for the cost of health care and pensions for its retirees, and more than $31 million in outstanding debt on capital infrastructure. The state would need to determine whether those costs would be left with the county (or its taxpayers in the case of elimination), or whether it would assume them.

- State statutes would need to be modified and the state might need to pick up $1-$3 million in costs if the expressway patrol function in Milwaukee County was transferred to state government. Statutory modifications also may be required if certain sheriff's policing functions were transferred to municipalities.

TRANSIT

INTRODUCTION

The Milwaukee County Transit System (MCTS) provides public transit services to the citizens of Milwaukee County. Those services consist of a fixed route system of traditional buses and a paratransit system of demand responsive van-based services that are available to persons with disabilities who qualify under the Americans with Disabilities Act.

Direct management and operation of the transit system is provided by Milwaukee Transport Services, Inc. (MTS), a private non-profit corporation that contracts with the county and is also considered a “legal instrumentality” of the county. This arrangement has existed since 1975, when the county, at its own discretion, acquired ownership of the transit system from a private operator. MTS administers both the traditional fixed route transit service in Milwaukee County and paratransit services. The system’s equipment and facilities are owned by Milwaukee County, but its approximately 1,100 employees work for MTS and are paid by MTS. MTS employees and retirees are not part of the county’s pension system nor do they receive health care benefits from the county.

MCTS operates under the purview of the county’s Department of Transportation and Public Works (DTPW). The DTPW Director’s Office provides oversight over the MTS contract and prepares and administers federal and state transit grants, while other DTPW personnel assist with the acquisition of capital equipment and design and construction for certain transit capital projects.

In 2007, MCTS provided more than 42 million revenue rides on its fixed route services and more than one million additional rides on its paratransit services. MCTS’ 479 buses operate on 52 routes in Milwaukee County. MCTS also runs the Ozaukee County Express under contract to Ozaukee County.

MCTS’ fixed route service is funded by a combination of four primary revenue sources: federal aids (both formula and earmarked funds), state operating assistance, county property tax levy and revenue collected from riders (also known as “farebox revenue”). MCTS also typically receives smaller amounts of other state and federal funding, such as Congestion and Mitigation Air Quality (CMAQ) grants and other special allocations, and it derives small amounts of revenue from advertising and related activities.

The county’s property tax levy allocation to MCTS consists of both a contribution to the direct cost of running the transit system and a contribution that pays for indirect costs such as depreciation, interest on county-issued debt and county service charges. These indirect costs are not controlled by MCTS and essentially are dictated to the system by the county.

Paratransit services also are funded via a combination of the four primary revenue sources used for the fixed route system, though passenger revenue accounts for a much smaller percentage (approximately 15% as compared with approximately 32% for fixed route). The paratransit budget, however, contains significant revenue from the State Medicaid program and from the county's Department on Aging and Disabilities Services Division.

The annual county budget combines the fixed route and paratransit budgets into one unified MCTS budget. However, **Tables 27** and **28** break down actual spending for the 2005-08 period and the adopted 2009 budgets for each program on an individual basis.

Table 27: MCTS Fixed Route Operating Revenue and Expenditures, 2005-2009

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget
Revenue					
Passenger revenue	$38,453,154	$41,038,542	$42,573,787	$45,257,369	$45,579,580
Other transit revenue	$3,717,475	$5,761,414	$3,460,242	$3,049,540	$2,970,000
Total operating revenue	**$42,170,629**	**$46,799,956**	**$46,034,029**	**$48,306,908**	**$48,549,580**
Expenses					
Employee expenses	$104,758,993	$107,315,792	$109,070,643	$107,175,287	$113,228,826
Bus repair parts	$3,214,669	$2,683,266	$3,377,221	$4,058,878	$3,633,001
Fuel	$7,103,595	$8,547,925	$9,060,440	$14,535,517	$14,911,623
Other transit expenses	$4,239,613	$5,716,088	$7,467,343	$7,377,551	$7,510,820
Total operating expenses	**$119,316,870**	**$124,263,071**	**$128,975,647**	**$133,147,232**	**$139,284,270**
Public funding					
Federal (capitalized maint.)	$17,682,260	$17,413,955	$17,750,000	$18,250,000	$18,600,000
State operating assistance	$47,684,220	$49,763,550	$50,806,000	$55,392,000	$56,253,000
Local (Milw. Co. tax levy)	$11,139,459	$9,621,474	$13,548,287	$10,281,371	$15,229,690
Other state and federal	$640,302	$664,136	$837,330	$916,953	$652,000
Total public funding	**$77,146,241**	**$77,463,115**	**$82,941,618**	**$84,840,324**	**$90,734,690**

Table 28: MCTS Paratransit Operating Revenue and Expenditures, 2005-2009

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Budget
Revenue					
Passenger revenue	$3,273,428	$3,343,709	$3,577,102	$3,473,581	$3,637,625
Title XIX	$1,095,720	$1,264,753	$1,344,350	$1,700,659	$1,318,000
Miscellaneous revenue	$31,541	$58,080	$915,813	$2,684,075	$5,499,500
Total operating revenue	**$4,400,689**	**$4,666,541**	**$5,837,265**	**$7,858,315**	**$10,455,125**
Operating expenses					
Employee expenses	$959,105	$906,636	$929,831	$923,957	$997,371
Purchased transportation expense	$18,108,949	$19,078,355	$20,895,592	$22,737,919	$24,063,524
Other paratransit expenses	$134,128	-$2,983	$168,036	$150,257	$151,900
Total operating expenses	**$19,202,183**	**$19,982,008**	**$21,993,459**	**$23,812,133**	**$25,212,795**
Public funding					
Federal (capitalized maintenance)	$0	$0	$1,650,000	$1,750,000	$1,850,000
State	$9,127,561	$8,184,450	$8,301,000	$8,393,000	$9,047,000
State Section 8521	$928,789	$1,265,263	$1,441,028	$1,457,868	$1,494,000
Other federal and state	$0	$0	$0	$0	
Local (Milwaukee County tax levy)	$4,745,144	$5,865,754	$4,764,166	$4,352,950	$2,366,670
Total public funding	**$14,801,494**	**$15,315,467**	**$16,156,194**	**$15,953,818**	**$14,757,670**

As the Public Policy Forum noted in our May 2008 report on MCTS (*Milwaukee County's Transit Crisis: How Did We Get Here and What Do We Do Now?*), each year there is considerable attention focused on the county's property tax levy contribution to MCTS despite its relatively small percentage of MCTS' revenue budget. That attention stems from the method in which MCTS constructs it annual budget and the role of the county as "backstop." MCTS develops its budget first by estimating operating expenditures for the coming year, followed by its anticipated state operating assistance, federal funding and farebox and other miscellaneous revenue. The difference between estimated expenditures and other forms of revenue is the amount to be funded by county property tax levy.

As explained in the May 2008 report, each year the county's property tax requirement tends to be considerably larger than the previous year's because operating needs grow at a significantly higher rate than anticipated state, federal and farebox revenue. Consequently, county policymakers are faced with the dilemma of allocating additional property tax dollars, cutting service and/or raising fares. In light of their reluctance to take any of those steps, during the past several years, county officials instead have depleted reserves and made increasing use of federal "capitalized maintenance" funds to plug holes in MCTS' operating budget (though moderate fare increases and service cuts also have been a staple of MCTS budgets this decade).

According to the Forum's report (and confirmed by MCTS officials), the depletion of reserves and the imminent need to purchase new buses with federal capital dollars now used for maintenance has created a structural hole in MCTS' budget of about $20 million annually. According to MCTS officials, filling such a hole with expenditure cuts would require more than a 30% reduction in transit service, which would involve elimination of all freeway flyer service and one in three local bus routes. While this major structural problem has been averted temporarily because of the availability of federal stimulus funds to purchase new buses, it will re-emerge once those funds disappear unless other revenue sources are implemented.

The total budget for MCTS in 2009 was about $172 million. MCTS' 2009 budgeted property tax levy was $23 million, ranking it fifth among all county departments (behind the Office of the Sheriff, Behavioral Health Division, Courts and Parks). As noted above, MCTS employees are not county employees, but instead work for MTS. If MCTS was a county department, its approximately 1,200 employees would make it second largest after the Office of the Sheriff.

BUDGET BREAKDOWN

Table 29 breaks down MCTS' actual expenditures and revenue in 2008. MCTS' budget looks different from most other county departments and divisions when shown in this format because it does not contain personnel costs. Those costs are folded into the "non-personnel expenditures" category, as the personnel in question are non-county personnel and are funded through the county's direct allocation to MCTS. This analysis does show that MCTS spent $439,000 on central service charges from other county departments and $3.7 million on debt and depreciation on county-owned assets – expenditures that could be impacted if MCTS was transferred outside of county government.

Table 29: Breakdown of MCTS 2008 Actual Expenditures and Revenues and Legacy Costs

Mass Transit	Cost to operate as county department (current practice)	Cost to operate minus legacy costs	Legacy costs	
			Using **2008** fringe allocation method*	*Based on retiree history***
Administrative	$159,671	$144,085	$15,586	$15,119
Information technology	$50,029	$45,146	$4,883	$4,737
Legal counsel	$0	$0	$0	$0
Facility management	$229,281	$206,901	$22,380	$21,710
Fleet management	$0	$0	$0	$0
Central charges/overhead	**$438,981**	**$396,132**	**$42,849**	**$41,566**
Salary and wages	$0	$0	$0	$0
Social security	$0	$0	$0	$0
Employee healthcare	$0	$0	$0	$0
Employee pension	$0	$0	$0	$0
Retiree healthcare	$0	$0	$0	$0
Retiree pension	$0	$0	$0	$0
OPEB liability (proprietary fund)	$0	$0	$0	$0
Other	$0	$0	$0	$0
Personnel costs	**$0**	**$0**	**$0**	**$0**
Debt service	$944,382	$944,382	$0	$0
Depreciation	$2,720,833	$2,720,833	$0	$0
Other expenditures***	$159,882,214	$159,882,214	$0	$0
Other expenditures	**$163,547,429**	**$163,547,429**	**$0**	**$0**
TOTAL EXPENDITURES	**$163,986,410**	**$163,943,561**	**$42,849**	**$41,566**
State revenue	$67,374,662	$67,374,662	$0	$0
Federal revenue	$21,110,292	$21,110,292	$0	$0
Transit revenue	$51,780,490	$51,780,490	$0	$0
Other revenue	$4,672,974	$4,672,974	$0	$0
TOTAL REVENUES	**$144,938,418**	**$144,938,418**	**$0**	**$0**
TOTAL LEVY	**$19,047,992**	**$19,005,143**	**$42,849**	**$41,566**
Unfunded pension liability****	$0	$0	$0	$0
Outstanding debt and interest	$24,220,175	$24,220,175	$24,220,175	$24,220,175
TOTAL LONG-TERM DEBT	**$24,220,175**	**$24,220,175**	**$24,220,175**	**$24,220,175**

* *In 2008, the county distributed legacy costs evenly to all departments based on number of active employees and salary levels.*

** *This method distributes legacy costs according to a department's retiree history.*

*** *These figures include the costs of bus drivers, managers, and other staff that are not county employees but that of MTS, Inc.*

**** *Estimated liability allocated to department is based on the department's retiree history.*

The treatment of legacy costs should administration of the transit system be transferred outside of Milwaukee County is not an issue with MCTS from the county's perspective, as legacy liabilities for bus drivers and other transit employees are held by MTS and not the county.[26] The one outstanding liability that would have to be addressed is county-held General Obligation debt on transit buses, equipment and facilities, which totals $24.2 million.

POTENTIAL ALTERNATIVE GOVERNANCE STRUCTURE

The potential alternative governance structure for mass transit services that has received the most public discussion is creation of a Regional Transit Authority (RTA) to govern transit operations in Milwaukee County and other southeast Wisconsin counties. The section below provides a brief analysis of that option.

Discussion

The concept of an RTA to administer mass transit in southeast Wisconsin has been debated off and on for at least the past two decades. In 1990, the Milwaukee County Board of Supervisors adopted a resolution requesting the Southeastern Wisconsin Regional Planning Commission (SEWRPC) to explore the feasibility of establishing an RTA to administer both transit and other transportation services. According to a SEWRPC memorandum, "the Board's resolution cited, in particular, the difficulty in developing a truly regional mass transit system that would provide effective and efficient area-wide transit service."[27] A similar request was made by the City of Milwaukee's public works director.

SEWRPC conducted the study and found, among other things, that of the nation's 35 largest urban areas, Milwaukee was one of only four with no RTA. Subsequent to the study, the Wisconsin Legislature, as part of the 1991-93 state budget, created a temporary seven-county RTA in Southeast Wisconsin to study the creation of a permanent RTA and to make recommendations regarding how transportation services in the region should be funded.

The temporary RTA issued a report in 1993 that recommended creation of a permanent seven-county RTA with the following characteristics:

- The RTA would collect and distribute revenue for both roads and transit in the region, and potentially administer transit.

- The RTA would be governed by an 11-member board consisting of one representative from each county (Milwaukee, Kenosha, Racine, Waukesha, Ozaukee, Washington, Walworth), three at-large members and the Wisconsin Secretary of Transportation. All members would be appointed by the governor and confirmed by the state senate.

[26] The exception is the $42,000 in legacy costs associated with administrative services for transit that are charged to the MCTS budget, which would have to remain with the county or be assumed by another governing body.
[27] SEWRPC, "A Regional Transportation Authority Feasibility Study for Southeast Wisconsin", 1990.

- The RTA would have a $95 million annual funding target: $57 million to replace property taxes and $38 million for new investment. Funding would be generated from a .4% sales tax and five-cent gas tax in the region.

This recommendation was forwarded to each of the seven counties but rejected by county boards in six of the seven. Only the Milwaukee County board supported the recommendation, though its support was based on the condition that the gasoline tax be increased statewide. Consequently, the temporary RTA was disbanded and a permanent RTA was not created.

The RTA concept resurfaced earlier this decade, when proponents of a new commuter rail line to connect Kenosha, Racine and Milwaukee counties suggested creation of an RTA for those three counties. The proposed RTA would administer and pay for both buses and the new rail line, but not local roads. The Wisconsin Legislature supported the concept by creating a temporary three-county RTA as part of the 2005-07 State budget to explore the creation and funding of a permanent three-county RTA and report back to the Legislature by November 2008.

On November 15, 2008, the Southeastern Wisconsin Regional Transit Authority (SEWRTA) issued recommendations to the governor and Legislature. Three months later, in his 2009-11 State budget request, the governor introduced his own proposal, which encompassed many of the RTA recommendations but also contained some unique provisions. Highlights of the governor's proposal included the following:

- Establishment of a permanent RTA, initially assumed to include the counties of Kenosha and Milwaukee and the urbanized area of Racine, provided that the appropriate governing bodies adopt a resolution to join the RTA.

- The RTA would consist of one representative appointed by the mayor and one by the county executive from Milwaukee and Kenosha; one representative from the city of Racine; and two representatives appointed by the governor, at least one of whom would have to be from Milwaukee County.

- Authorization for the new RTA to levy up to a 0.5 percent sales tax as a dedicated source of funding to support transit, commuter rail and other transit projects in the region. The existing authorization for imposition of a vehicle rental fee of up to a $2 per rental transaction also would be retained.

- The RTA would be required to provide or contract for the provision of transit service within the authority's jurisdictional area. It could acquire an existing local transit system and either run the system itself or contract for its operation, or it could contract with an existing transit operator to run an existing transit system.

The RTA proposal was the subject of fierce debate, and ultimately a modified version emerged as part of the 2009-11 state budget passed by the legislature. However, that version was vetoed by the governor in July 2009. One of the key sticking points is whether the assets of existing transit systems in the region should be transferred to the RTA – thereby establishing it as the transit administrator and/or operator in the region – or whether it should function primarily as the repository of dedicated sales tax revenue that sets broad policy and contracts with existing transit administrators to run the existing systems. If the legislation moves forward, then how that question is resolved obviously would impact the questions addressed in this report, as under the latter scenario the Milwaukee County Transit System would not be transferred out of Milwaukee County government.

To provide additional context, we explored transit authorities in other parts of the country, which have become increasingly popular since the 1970s. Particularly in urban or larger suburban areas, special districts have been allowed to own and operate bus and rail services in place of either general purpose governments or private for-profit companies.

Several transit authorities were examined to shed light on their structure, level of service provision and financing strategies. These include the Massachusetts Bay Transportation Authority, the Alamance County (NC) Transportation Authority, the Orange County (CA) Transportation Authority, and the Mason County (WA) Transportation Authority. The following provides brief individual case studies for the Capital Metro Transportation Authority, the Central Ohio Transit Authority, the Chicago Transit Authority, and the Nashville Metropolitan Transit Authority.

Table 30: A Profile of the Capital Metro Transportation Authority
Metropolitan Austin, Texas

Establishment	Capital Metro was created on January 19, 1985 by a referendum of metropolitan Austin voters. Voters in the 1985 election also approved a service plan that expanded the existing Austin city bus service and called for the development of a light rail transportation system to serve the area (this was not completed until 2008). Operations began on July 1, 1985.
Property	The Authority provides bus and high-speed rail service in and around metropolitan Austin. It owns and operates six operations facilities, 401 buses, 65 paratransit vans, 53 paratransit sedans, nine rail stations, and ten transit centers. The authority also provides 16 park-and-ride facilities around the greater Austin area. Day-to-day services are provided by a contracted organization.
Population served	The municipalities of Austin, San Leanna, Leander, Lago Vista, Anderson Mill, Jonestown, Manor, Volente and Point Venture. Population: 680,887 (approx.)
Governance	Capital Metro is governed by an eight-member board of directors which has governance responsibilities over all activities related to Capital Metro. The Board consists of eight members, three of whom are appointed by the Capital Area Metropolitan Planning Organization, two by the City of Austin mayor, one by Travis County, one by Williamson County, and one by the small city members.
Budget process	State legislation mandates that Capital Metro's board adopt an annual operating budget. This budget is prepared by the Capital Metro President/CEO. The budget must be adopted before the beginning of each fiscal year on October 1st. The board also holds a public hearing on the proposed operating budget and makes the proposed budget available to the public.
Financial planning	In preparing the budget, Capital Metro utilizes a 25 year strategic vision and plan—*All Systems Go!*— that was adopted in 2004. The plan established a set of capital priorities and financing strategies.
Revenue	The Authority obtains revenue from a 1% sales and use tax, passenger fees, freight fees and contract fees. Approximately 70% of the Authority's revenue is obtained from the sales and use tax.

Table 31: A Profile of the Central Ohio Transit Authority
Metropolitan Columbus, Ohio

Establishment	In 1971, when 11 municipalities and one county in metropolitan Columbus area were threatened by the loss of bus service from the privately owned Columbus Transit Company (CTC), the governments came together to form the Central Ohio Transit Authority (COTA). COTA began providing service in Franklin County on January 1, 1974.
Property	The Authority owns and operates all services and fixed capital related to bus transit within its 556 square mile boundaries. The Authority utilizes 234 buses to serve 55 bus routes and provides 4,216 bus stops, 387 passenger shelters and 26 park-and-ride facilities.
Population served	Municipalities of Bexley, Columbus, Gahanna, Grandview Heights, Grove City, Hilliard, Reynoldsburg, Upper Arlington, Westerville, Whitehall, Worthington and Franklin County Population: 949,708 (approx.)
Governance	A 13-member board of trustees oversees the transit system and appoints a president/CEO to manage the day-to-day operations of the authority. Trustees represent 11 municipalities and Franklin County. The City of Columbus has seven trustees that are appointed by the mayor. The 10 other member municipalities are divided into four groups with each group appointing representatives to the board on an alternating basis (also mayoral appointments). Finally, the Franklin County Commissioners appoint two trustees to the board.
Budget process	The president/CEO works with staff members to create a yearly budget. These budgets, including any fare increases, are then examined and approved by the board prior to their implementation.
Financial planning	In 2006 the Authority created and passed a Long-Range Transit Plan that analyzed, predicted and provided preliminary budget allocations through 2030.
Revenue	Franklin County voters approved a 0.25 percent permanent sales tax for COTA in November 1999, and another 0.25 sales and use tax in 2006. This has allowed the Authority to supplement its user fees with revenue from the 0.5 percent total sales and use tax.

Table 32: A Profile of the Chicago Transit Authority
Metropolitan Chicago, Illinois

Establishment	The Chicago Transit Authority (CTA) began operating in 1947 after it acquired the properties of the Chicago Rapid Transit Company and the Chicago Surface Lines. In 1952, CTA became the primary operator of Chicago transit when it purchased the Chicago Motor Coach system.
Property	The Authority has 1,971 buses that operate more than 150 routes and 2,517 route miles. Additionally, the Authority operates a rapid transit system which includes 1,190 rail cars that operate over eight routes and 224.1 miles of track. The rapid transit system also serves both Chicago area airports- O'Hare International Airport and Midway Airport.
Population served	The City of Chicago and 40 suburban municipalities in the metropolitan area. Population: 3,900,000 (approx.)
Governance	The CTA is governed by the Chicago Transit Board. The board consists of seven members: four appointed by the Mayor of Chicago and three by the Governor of Illinois. The Mayor's appointees are subject to the approval of the Governor and the Chicago City Council; the Governor's appointees are subject to the approval of the Mayor and the Illinois State Senate. CTA's day-to-day operations are directed by a president.
Budget process	The president works with staff members to create annual budget recommendation reports. These budget recommendations, including any fare increases, are then examined and approved by the board.
Financial planning	In addition to an annual budget, the president and CTA staff also develop annual capital budgets. These capital budgets are informed by several long-term planning and expansion plans for various segments of the Authority's operations (e.g. rails lines, bus routes, facilities).
Revenue	The Authority obtains revenue from both user fees and supplemental funding for operating expenses from the Regional Transportation Authority (RTA). The supplemental funding amounted to nearly 50 percent of total revenues in 2007.

Table 33: A Profile of the Nashville Metropolitan Transit Authority
Metropolitan Nashville, Tennessee

Establishment	In early 1973, the Metropolitan Government of Nashville and Davidson County applied for a federal grant for the purchase of the privately owned Nashville Transit Company. By September of 1973, the transfer from private to public ownership was completed and the Metropolitan Transit Authority (MTA) was officially chartered.
Property	The Nashville MTA provides bus-related services to the greater Nashville-Davidson County metropolitan area. The Authority currently has 137 fixed route buses, 63 AccessRide buses, several primary terminals and 475 employees. The Authority also provides 17 park-and-ride lots located throughout the Nashville-Davidson County metropolitan area. Day-to-day services are provided by a contracted nonprofit firm.
Population served	Nashville/Davidson County Population: 569,891
Governance	A five-member board of directors, appointed by the Mayor and approved by the City Council, governs the Nashville MTA. A management team, headed by a Chief Executive Officer (CEO), oversees the day-to day operations.
Budget process	The CEO, with the assistance of financial staff and an executive finance committee, prepares an annual budget. The budget, once presented to the board, must then be passed by a majority vote. An annual capital budget is also prepared by the CEO and passed by the board.
Financial planning	In 2009, the Nashville MTA adopted a strategic master plan. The plan outlined priorities for short (2009-2015), mid (2015-2025) and long (2025-2035) term. The plan outlined specific capital and organizational priorities as well as corresponding financing strategies.
Revenue	The Authority generates revenue by utilizing state and federal government grants, financial assistance from the Metropolitan Government of Nashville and Davidson County, and self-generated income. The self-generated income comes from fares, advertising revenue, and revenues from contracts and special events.

These four districts and others analyzed share several structural similarities. First, the services provided by each district are limited to transit, i.e. bus, rail, and shuttle systems as opposed to roads or airports. Second, similar to other special districts, each authority is governed by an executive board. The board members generally are appointed by elected officials from the municipalities within the districts. Third, all of the above districts operate on a regional scale. Whether primarily on a county-wide basis (e.g. Orange, Alamance, and Mason Counties) or a much larger metropolitan scale (e.g. Chicago, Massachusetts, or central Ohio), the services provided by the districts are not confined to a single municipality. Thus, the existence of a transportation district appears to also require a certain degree of regional cooperation.

In terms of structural differences, the scope of each district varies extensively. As one would assume, the total amount of services provided by the Massachusetts Bay Transportation Authority of metropolitan Boston is much larger than the total amount provided by the more rural Mason County Transportation Authority. The size of the served communities guarantees that service levels vary across each district. Also, the types of transit services vary. In particular, rail service is provided by some authorities, while bus systems are the sole concentration of others. Additionally, some districts (e.g. Mason County Transportation Authority) tend to have a greater focus on shuttle or van services for the elderly and disabled.

The financial strategies and revenue streams of the examined districts are relatively similar. Each authority is required to develop operations and capital budgets on an annual basis. Additionally, the majority of the districts currently utilize some type of long-range comprehensive plan to structure future service and financial priorities. Revenue sources also are similar across the authorities. With the exception of the Nashville Metropolitan Transit Authority, each district relies on a sales and use tax to fund general operations and small capital projects. These transit-specific sales taxes range from .25% to 1%. Additional revenues are obtained from passenger fees, freight fees, rents, and various types of state and federal grants.

Key pros

- Creation of a regional transit authority or district in southeast Wisconsin – particularly one with its own dedicated funding source – would remove transit services from competition with other county functions for fiscal and other resources, and would eliminate prioritization of mandated county functions over transit. It also would provide greater certainty about funding, which is essential for long-term planning.

- If the special transit district was created as a multi-county regional transit authority, it would be able to coordinate services across county boundaries and potentially reduce duplication of administrative and overhead functions.

- Metro Milwaukee not only is one of the only major metropolitan areas in the country that does not administer mass transit services with a regional transit authority, but it also is one of the only metro areas that utilizes the property tax as its sole source of local funding. Implementing a dedicated non-property tax revenue source is considered by many to be critical to the survival of MCTS, and it could be argued that it makes the most sense to do so on a regional basis in order to avoid “tax island” impacts on Milwaukee County and in order to fund streamlined, regional service with such a revenue source.

- Unlike the county board, a transit authority board would be more likely to focus on enhancing transit operations and not as heavily influenced by the parochial concerns of individual elected officials regarding transit routes.

Key cons

- Federal audits repeatedly have shown MCTS to be one of the most cost effective and efficient transit systems in the country. It has been argued that changing the governance structure makes little sense in light of that success.

- Some might argue that direct oversight of Milwaukee County’s transit system by elected officials leads to greater accountability to taxpayers and the general public than would occur under an appointed board.

- Most transit authorities are almost entirely dependent upon sales and use taxes, which have declined precipitously during the economic downturn. Nearly every district we examined was engaging in some type of service or personnel cuts to compensate for the revenue shortfalls. Thus, creation of an RTA that would be funded by a regional sales tax may not provide the type of fiscal stability envisioned.

- Housing transit in a separate district could lead to a significant increase in taxing and spending on transit services because of lack of competition with other locally funded services, which forces policymakers to prioritize among a wide variety of programs and services and make difficult spending choices. Also, less competition for funding could produce less incentive for transit officials to identify and implement administrative and operational efficiencies and generate revenue from outside funding sources.

- It could be argued that Milwaukee County already has enough separate governmental or quasi-governmental agencies, and creation of a new transit authority simply would create another layer of unneeded government bureaucracy.

Key logistical questions/obstacles

- As noted above, perhaps the key logistical question would be whether a new transit authority would receive the assets and/or liabilities of MCTS and essentially take over both ownership and operation of the transit system, or simply contract with the county to continue its ownership and governance role.

- Depending on the answer to the above question, authorizing legislation may need to determine whether a new authority would assume responsibility for the outstanding General Obligation debt on county buses, equipment and facilities, or leave that debt with the county. In addition, it would need to determine whether the county would receive any compensation from the new authority for transit system assets.

- There is a legal question as to whether the pension and retiree health care liabilities held by MTS would fall to Milwaukee County if MTS ceased to exist. That question would need to be answered in the context of deciding whether the new transit authority would be a direct provider of transit services, directly contract with MTS, or simply contract with the county to maintain the existing arrangement.

- There also is a legal question regarding collective bargaining agreements in place for MTS employees and whether those would necessarily transfer to the new authority, as well as the MTS employees themselves.

OTHER COUNTY FUNCTIONS

This section reviews most of the remaining functions of Milwaukee County government, but in a less comprehensive manner than the functions discussed above. That does not mean these functions are not significant, but simply that they do not involve as much staff or funding, or that the issues surrounding their transfer are not as complex. Departments or divisions that exist primarily to serve other units of county government are not discussed in this section, as it is assumed that those departments and divisions would cease to exist if Milwaukee County government was eliminated, or would be downsized in a roughly equivalent ratio to the reduction in county staff and services that would result from various streamlining strategies.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Department of Health and Human Services (DHHS) is one of the largest in county government, with a 2009 adopted budget totaling $198 million and 682 FTEs. While this would suggest that attempting to transfer its functions out of county government would be an extremely complicated endeavor, that might not necessarily be the case given the state's recent actions to assume administration of other human services functions in Milwaukee County.

DHHS is comprised of four programmatic divisions: Economic Support, Delinquency and Court Services, Disabilities Services and Housing. The following describes the functions of each division and the potential assignment of those functions should county government be eliminated.

- **Economic Support Division (ESD)**. Per Chapters 46 and 49 of the Wisconsin Statutes, ESD traditionally has administered eligibility determination and related functions on behalf of the state for public assistance programs in Milwaukee County, including Food Share, Medicaid, Child Day Care and Home Energy Assistance. The division had a budget of $55 million in 2009, most of which was comprised of state and federal revenue allocated to the county to carry out these functions, as well as $1.7 million of property tax levy. In terms of staff level, ESD was the second largest DHHS division in 2009 (after BHD) with 333 budgeted FTEs.

  In the spring of 2009, the State of Wisconsin announced its intention to assume the administration of all public assistance programs in Milwaukee County, with the exception of the energy program and general assistance burials. This intent was codified with adoption of Wisconsin Act 15 this past summer, which placed the administration of these programs under the control of state government, but which also stipulated that the programs would continue to be staffed by county union-represented positions under the supervision of state managers. Act 15 also defined the financial terms and conditions of the arrangement.

  In light of this development, if county government was eliminated, it would be logical simply to complete the state's takeover of public assistance programs by transferring the remaining county positions in ESD (including positions associated with the energy and general assistance burial programs) to state government. Among the key logistical/fiscal issues that would need to be worked out would be whether the state would assume the significant legacy costs associated with retired ESD workers; whether the state would replace county property tax levy (which increases to $3.7 million in the 2010 budget); and whether the state would assume debt service costs associated with the Marcia P. Coggs Human Services Building. If the state was unwilling to assume such costs, then it potentially could seek to assess county taxpayers for them, or intercept shared revenue or other state aids if parts of county government remained intact.

- **Delinquency and Court Services Division (DCSD).** Per Chapters 46, 48 and 938 of the Wisconsin Statutes, DCSD provides juvenile court intake and disposition services for youth referred for delinquency and youth in need of protection and services; administers a broad range of services designed to divert delinquent youth from the state juvenile corrections system; administers a 120-bed Juvenile Detention Center; and provides probation and related services to youth adjudicated delinquent. The division had a budget of $41 million in 2009, with about $23 million comprised of state revenue and $18 million of property tax levy (making it one of the largest departmental recipients of property tax levy in the county). DCSD had 188 budgeted FTEs in 2009.

  In addition to providing and contracting for delinquency services, DCSD pays the state for Milwaukee County youth sentenced to state juvenile corrections institutions per a daily rate established in the state budget. DCSD's budget does not include those charges, however, which are intercepted from the county's Youth Aids allocation from the state. In 2009, the county was budgeted to pay approximately $28 million of state Department of Corrections charges, while its Youth Aids allocation was projected at $38 million. The remaining $10 million is reflected as revenue in DCSD's budget and is used to fund part of the cost of community-based delinquency programming.

  If Milwaukee County government was eliminated, DCSD's functions logically could be taken over by state government. Because many of the division's functions could be considered judicial/correctional in nature, those functions potentially could be spread across the Wisconsin departments of health services and corrections, as well as the circuit courts. Pros, cons and logistical issues associated with such a transfer would be similar to those cited earlier for behavioral health services, the courts and other social services, and would need to include consideration of how to replace the significant county property tax levy contribution to delinquency programming.

- **Disabilities Services Division (DSD).** Per Chapters 46 and 51 of the Wisconsin Statutes, DSD provides services to adults and children with physical and developmental disabilities, with an emphasis on community-based services that allow such individuals to live independent lives in the community.

  DSD was the second largest component of the DHHS budget in 2009 (after BHD), with expenditures of $84 million. All of the division's expenditures were offset with state and federal revenue, primarily consisting of federal Medicaid waiver revenue that is provided to reimburse local governments for costs associated with providing services for persons with disabilities in the community, as opposed to nursing homes or other institutions. However, the full offset also reflects the county's discretionary decision to allocate a significant portion of its state Community Aids allocation to disabilities services, as opposed to delinquency or other social services. DSD had 90 budgeted FTEs in 2009.

As discussed in the earlier section on the Family Care CMO, Milwaukee County currently is transitioning most of the adult population served by DSD to the Family Care program. Once that transition is complete, DSD will be reduced to a relatively small set of fully reimbursed programs and services for children with disabilities; a small set of contracted services for individuals with disabilities who do not qualify for Family Care; a small contingent of staff to conduct investigations regarding potential abuse or neglect of individuals with disabilities; and operation of the $4 million Disabilities Resource Center, which serves as the intake and referral mechanism for individuals with disabilities who may be eligible for Family Care.

If county government ceased to exist, it would be logical to transfer administration of those functions to the state with other remaining county social service functions. The state would not have to be a direct provider of services, but could instead contract with community-based providers to operate these services, including the Resource Center. Pros, cons and logistical issues associated with such a transfer would be similar to those cited earlier for behavioral health services and other social services, and would need to include consideration of how to address legacy costs associated with hundreds of retired DSD employees.

- **Housing Division.** The Housing Division administers programs funded with Milwaukee County's allocation of federal Department of Housing and Urban Development (HUD) grant dollars, including the Section 8 Rent Assistance program, HOME/Home Repair, Community Development Block Grant (CDBG) and special needs housing programs. The division also administers a set of small contracts that provide general operational support to local homeless shelters, and it administers supportive housing programs for individuals served by BHD. The division had a budget of $21 million in 2009, with most consisting of HUD dollars and $2.3 million of property tax levy. The Housing Division had 31 budgeted FTEs in 2009.

  The City of Milwaukee receives even greater allocations of Section 8, HOME/Home Repair and CDBG dollars from HUD and has a larger infrastructure to administer those programs. Other Milwaukee County municipalities – including West Allis, Wauwatosa and South Milwaukee – also receive allocations from HUD.

  If county government was eliminated, it would be logical to shift the county's HUD allocations to city government and have it expand its reach to Milwaukee County suburbs, and/or distribute portions of the HUD allocations to those municipalities that already administer HUD grants. A similar concept also could be undertaken under an initiative to streamline county government, as was suggested by the Forum in its May 2009 report on Milwaukee County's affordable housing landscape (*Give Me Shelter: Responding to Milwaukee County's Affordable Housing Challenges*). The funding and services provided by the division to BHD clients, meanwhile, could be shifted to the state or a mental health authority with other mental health functions. A key logistical consideration would be addressing the legacy costs associated with Housing Division retirees (which municipal governments would be highly unlikely to assume), as well as replacing the $2.3 million of county property tax levy dedicated to housing programs.

DEPARTMENT ON AGING

The Department on Aging was created in 1991 to be the designated Area Agency on Aging for Milwaukee County under the Older Americans Act, and to carry out other programs for the county's older adult population. It houses the Aging Resource Center, which serves as the point of entry for Family Care for older adults, and it also provides a network of support services funded through a combination of Older Americans Act funds, state revenue and property tax levy, including the Senior Meal Program and five county-owned senior centers. The department had a budget of $19.1 million in 2009 (including $2.9 million in property tax levy) and 83 FTEs.

If county government ceased to exist, it would be logical simply to transfer administration of aging programs to the state along with other remaining county social service functions. Pros, cons and logistical issues associated with such a transfer would be similar to those cited earlier for behavioral health services and other social services, and would need to include consideration of whether state government would be willing to fill the $2.9 million property tax levy gap and assume the legacy costs associated with dozens of retired Department on Aging employees.

EMERGENCY MEDICAL SERVICES

The Milwaukee County Emergency Medical Services (EMS) system was established in the 1970s under Chapter 97 of the Milwaukee County Code of General Ordinances in order to establish a coordinated, countywide approach to providing paramedic and other emergency medical services in the county. Under this coordinated approach, Milwaukee County provides medical direction for the system (through a contract with the Medical College of Wisconsin) and certain centralized support functions, while municipal fire departments deliver actual paramedic services.

The system includes 14 paramedic units and multiple paramedic first response units operated by municipalities; a communications base that provides the communication link between paramedic units, receiving hospitals and medical staff; an education center that provides paramedic training and continuing education; and other support functions, including quality assurance, supply purchasing and recordkeeping. Milwaukee County property tax levy supports the centralized, system-wide functions, and the county also provides a $3 million tax levy appropriation to help offset the cost of paramedic services incurred by municipalities. Municipalities split the $3 million via a formula agreed to by the Intergovernmental Coordinating Council (ICC) and also retain reimbursement revenue from health insurance companies and individuals to offset costs. The EMS function had a budget of $7.6 million in 2009 (including $6.9 million in property tax levy) and 25 FTEs.

For much of its existence, EMS has been housed in the county's County Health Programs Division, which also housed the General Assistance Medical Program (GAMP). GAMP was eliminated in 2009 because of the state's implementation of a new Badger Care benefit for childless adults. Consequently, EMS was shifted in the 2010 budget to the Behavioral Health Division.

If county government ceased to exist, municipal paramedic providers could provide for their own medical direction and other supports, though such an approach could require each municipality to establish its own infrastructure, thereby reducing economies of scale and producing greater inefficiency. An alternative approach might be to turn to the City of Milwaukee or another municipal provider to purchase medical direction services and fulfill the coordination and centralization functions currently provided by Milwaukee County, or perhaps attempt to house that function in the ICC. Under any of those alternatives, the county's significant property tax levy contribution would need to be replaced, and legacy costs associated with dozens of retired EMS employees would need to be addressed.

DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS (DTPW)

The largest divisions of DTPW – Airport and the Milwaukee County Transit System – have been covered earlier in this report. Remaining divisions consist primarily of services that support other county operations and those that support state and county highways. The former set of services likely would not be needed if county government was eliminated, though legacy costs associated with those services would need to be addressed, and the entities inheriting county buildings and equipment (to the extent those would not be sold or mothballed) would need to determine how to provide the services needed to maintain them. The highway functions, meanwhile, could be shifted to the state or to municipalities.

DTPW divisions that support other county operations are Architectural, Engineering and Environmental Services, Fleet Management and Facilities Management. Brief summaries of those divisions are provided below.

- **Architectural, Engineering and Environmental Services (A, E & E).** The A, E & E division provides architectural and engineering services related to the county's infrastructure and new capital projects, as well as environmental services largely related to county land and facilities. The division had a $6.3 million budget in 2009 (including $665,000 of property tax levy) and 38 FTEs. The functions of this division could be eliminated if county government was dissolved, though the entity that assumed ownership of the county's physical assets ostensibly would have to assume and pay for architectural, engineering and environmental services related to those assets. This division also houses the Milwaukee County Automated Mapping and Land Information System, which functions as the county's Land Information Office. That function likely would have to be picked up by the state or perhaps SEWRPC.

- **Fleet Management.** This division purchases and maintains vehicles and major equipment used by most county departments, including vehicles related to the sheriff's office, zoo and parks. The airport assumed responsibility for its own fleet maintenance in 2009, and MCTS also maintains its own fleet. The division had a $9.4 million budget in 2009 and 43 FTEs. Virtually all costs are recovered through charges to county departments that utilize the division's services. The functions of this division could be eliminated if county government was dissolved, though the entities that assumed administration of functions that possess vehicles and equipment would need to pay for their own fleet management services.

- **Facilities Management.** This division provides maintenance operations and property management functions for most county departments and buildings (including the Courthouse, Criminal Justice Facility, Vel R. Phillips Juvenile Justice Center and Mental Health Complex), as well as for buildings on the Milwaukee County Grounds owned by the Milwaukee County Research Park. Those functions include security and skilled trades services. The division had a $23 million budget in 2009 and 150 FTEs. Virtually all costs are recovered through charges to county departments that utilize the division's services. The functions of this division could be eliminated if county government was dissolved, though the entities that assumed ownership of the county's buildings and properties would have to assume and pay for maintenance operations and property management. A particular challenge would be the numerous buildings and vast property on the County Grounds.

The other two DTPW divisions are Transportation Services and Highway Maintenance, which are devoted largely to construction, engineering and maintenance activities related to county-owned highways and bridges, as well as maintenance and plowing of state highways in Milwaukee County. Per Chapter 86 of the Wisconsin Statutes, each county in Wisconsin maintains its own county highway system, which is known by routes that are designated by letters instead of numbers. Milwaukee County's county trunk highways consist of 343 lane miles.

Transportation Services provides planning, design and management for construction projects on county trunk highways and bridges. The division had a $2.3 million budget in 2009 (including $228,000 in property tax levy) and 12 FTEs. Highway Maintenance, meanwhile, provides general and winter maintenance on state expressways and state trunk highways in Milwaukee County (for which it is fully reimbursed from state revenue), and similar functions plus major improvements for county trunk highways (for which considerable reimbursement is available through state General Transportation Aids and the state's Local Road Improvement Program). The division had a $17.6 million budget in 2009 (including $855,000 in property tax levy) and 136 FTEs.

The elimination of county government obviously would raise the question of which entity should be charged with maintaining state expressways and highways in Milwaukee County, as well as who should own and maintain the county trunk highways. The state highway maintenance question is a difficult one because, according to the Wisconsin Legislative Audit Bureau, "Wisconsin is the only state to rely exclusively on counties to perform maintenance on state highways."[28] The state might logically seek to transfer state highway maintenance to the City of Milwaukee, which has its own significant public works department. Another option would be to contract with private firms, which is an alternative that has been employed in varying degrees in other states.

With regard to county trunk highways, a logical alternative would be to determine which of those serve a localized function and should simply be broken up and transferred to the municipal governments through which they traverse, and which fall more appropriately under the category of state trunk highway and should revert back to the state. The general question of whether certain elements of Milwaukee County's county trunk highway system should be re-designated

[28] Wisconsin Legislative Audit Bureau Report No. 97-4.

or maintained by other entities has been discussed at various times in the past several years outside of the context of eliminating county government. For example, in July 2009, the current county executive "floated the idea of county government giving up its responsibilities for county highways and giving its share of state transportation money to municipalities to do the job."[29] SEWRPC also currently is examining this issue.

Municipal officials have expressed concern, however, about the sufficiency of state reimbursement to fully offset their costs should they assume elements of the county trunk highway system, and about the ability of small municipal public works departments to assume this responsibility. Another key set of questions would revolve around who would assume outstanding debt on county trunk highway construction projects, whether pending capital projects should be completed and paid for by the county prior to transfer, and how to address legacy costs associated with retired county highway workers.

DEPARTMENT OF CHILD SUPPORT ENFORCEMENT

Per Sections 49 and 59 of the Wisconsin Statutes, the Department of Child Support Enforcement (CSE) implements and administers federal child support enforcement regulations in Milwaukee County. Those regulations require the department to provide services to locate parents, establish paternity and enforce and establish child support and medical support orders on cases referred by county, state and private social service agencies. The department's legal division represents the state before Family Court judges and commissioners. The department had a budget of $17.6 million in 2009 (including $1.2 million in property tax levy) and 131 FTEs.

If county government ceased to exist, it would be logical simply to transfer administration of child support enforcement functions to the state. Delegation of child support enforcement responsibilities varies from state to state, but many states do administer this function themselves. According to a recent consultant's report developed for the Minnesota Department of Human Services, "24 states have some form of service delivery in which local services are delivered by an independent local governmental agency," while the remainder are administered at the state level.[30]

The Minnesota consultant's report recommends that Minnesota move from its current county-operated child support enforcement system to a state-administered system. Among the reasons cited are enhanced consistency in service delivery, reduced costs and greater accountability.

Pros, cons and logistical issues associated with such a transfer in Milwaukee County would be similar to those cited earlier for behavioral health services and other social services, and would need to include consideration of whether state government would be willing to fill the $1.2 million property tax levy gap and assume the legacy costs associated with hundreds of retired CSE employees.

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[29] "Public works projects defy partnerships," *The Daily Reporter*, July 21, 2009.

[30] Executive Summary, Minnesota Department of Human Services Child Support Enforcement Division (CSED) Analysis of Service Delivery Model (ASDM) Project, October 2009, p. 15.

MEDICAL EXAMINER

Per Chapters 59, 69, 157 and 979 of the Wisconsin Statutes, the Milwaukee County Medical Examiner's Office (ME) is charged with responsibilities involving the investigation of sudden, unexpected or unusual deaths, detection of communicable diseases, issuance of death certificates and maintenance of a forensic toxicology laboratory. The position of County Coroner was once a constitutionally required position, but the Legislature adopted a change in 1978 abolishing the elected office of coroner in counties with more than 500,000 citizens (i.e. Milwaukee County) and allowing other counties to do likewise. In place of an elected coroner, counties can establish a system with an appointed medical examiner. Milwaukee County's ME office had a budget of $4.6 million in 2009 (including $3.5 million in property tax levy) and 29 FTEs.

If county government ceased to exist, it would be logical simply to transfer the ME's office to state government similar to the sheriff, district attorney and other public safety functions. A similar approach was proposed by Milwaukee County's ME in 2002 in a detailed position paper calling for creation of a state-administered medical examiner system implemented through seven regional offices. He argued that such an approach would standardize policies and procedures at a more appropriate level across all counties, create higher standards and better quality control, and produce administrative efficiencies.

Pros, cons and logistical issues associated with such a transfer only in Milwaukee County would be similar to those cited for other public safety services, and would need to include consideration of whether state government would be willing to fill the $3.5 million property tax levy gap and assume the legacy costs associated with retired ME employees.

ELECTION COMMISSION

Chapter 7.20 of the Wisconsin Statutes stipulates that each county and municipality with 500,000 or more citizens shall have a three-member election commission board and shall be empowered to hire staff to carry out the commission's duties. In Milwaukee County, the Election Commission prepares, prints, distributes and maintains custody of ballots, canvasses and certifies returns, advertises federal, state and countywide elections, and administers ethics and campaign-related oversight functions pertaining to county elected officials. The commission had a budget of $603,000 in 2009, though the budget is dependent upon the number and scope of elections in a given year, and is typically slightly over $1 million in even-numbered years. Most of that allocation is property tax levy. FTE levels typically fluctuate between six and eight.

If county government ceased to exist, one option would be to transfer the Milwaukee County Election Commission to state government under the Wisconsin Government Accountability Board – Elections Division. The office still could be housed in Milwaukee County and carry out the same functions, and commissioners could be selected in the same manner as they are today, but employees would be state employees. The state would need to determine whether it would be willing to fill the property tax levy gap and assume any potential legacy costs associated with commission employees. Another option would be to have municipalities handle this function within their own jurisdictions, with the City of Milwaukee assuming responsibility for countywide elections pertaining to constitutional officers.

CONSTITUTIONAL OFFICERS

The Wisconsin Constitution establishes the positions of County Clerk, Register of Deeds and County Treasurer in Milwaukee County (as well as the previously discussed positions of Sheriff, Clerk of Court and District Attorney). The following is a brief summary of each office.

- **County Clerk.** The County Clerk supports the legislative activities of the Milwaukee County Board of Supervisors by maintaining records of county board actions and updating and publishing county ordinances. The clerk's office also issues marriage licenses and regulates lobbyists and lobbying activities pertaining to county government. The office had a budget of $802,000 in 2009 (including $321,000 in property tax levy) and 7 FTEs.

- **County Treasurer.** The County Treasurer performs cash, investment management and banking functions for the county and collects delinquent property taxes for 18 of its 19 municipalities (the City of Milwaukee collects its own). The treasurer's office had an expenditure budget of $1.5 million in 2009 and 9 FTEs. Because interest collected on delinquent property taxes is housed in this budget, there is no expenditure of property tax levy.

- **Register of Deeds.** The Register of Deeds records, indexes and maintains a variety of official documents, including real estate documents, corporation papers, and birth, marriage and death certificates. The office also collects the real estate transfer tax. The office had an expenditure budget of $4.3 million in 2009 and 43 FTEs. Because real estate transfer and general recording fee revenues are housed in this budget, there is no expenditure of property tax levy.

If county government ceased to exist, the fact that these positions are constitutionally established would create a challenge. If there was a desire to maintain the positions, they potentially could continue to be elected on a countywide basis, but the positions and the office's employees and budgets could be placed in state government. Alternatively, they could simply remain as independent offices. As discussed in a later section of this report, Massachusetts elected to move constitutional officers to state government when it eliminated several of its county governments. Whether such an approach would be legally permissible under the Wisconsin Constitution would have to be determined by state attorneys. The question of legacy costs also would have to be addressed. Another option might be to abolish the County Clerk and County Treasurer positions in light of the elimination of many of their functions should county government no longer exist.

SECTION III

THREE GOVERNANCE REFORM MODELS

The preceding functional analysis of Milwaukee County government yields insight into the complexity involved with transferring its functions elsewhere, as well as the arguments that could be made for and against alternative governance options for individual functions. It also shows that for virtually every set of services delivered by Milwaukee County, there *is* an example of a state or metropolitan area that delivers those services under a different structure.

While not wishing to minimize the complexities associated with transferring major functions out of county government, this section takes into account the insights gained in **Section II** to develop and provide a broad fiscal analysis of three alternative restructuring scenarios:

- Scenario 1 is the complete elimination of Milwaukee County government, an option this report specifically was commissioned to explore.

- Scenario 2 returns county government to its "roots", consisting only of its constitutional and statutory mandates. The one exception is health and human services. While this largely is a mandated service, Scenario 2 returns it to the state in light of the state's previous takeover of several human service functions in Milwaukee County, and the rationale that it may be beneficial to have all county human services administered and coordinated by one entity.

- Scenario 3 removes only the transit system, airport, parks and cultural facilities from county government. This scenario differs from the second scenario in that all existing health and human services functions remain with the county. The functions that are removed are not mandated and already have been subject to considerable discussion regarding new governance options. In addition, these are functions for which new regional approaches to governance may be viable.

Table 34 summarizes the three scenarios, including fiscal summaries that will be explained in this section.

Table 34: Summary of Three County Government Restructuring Scenarios

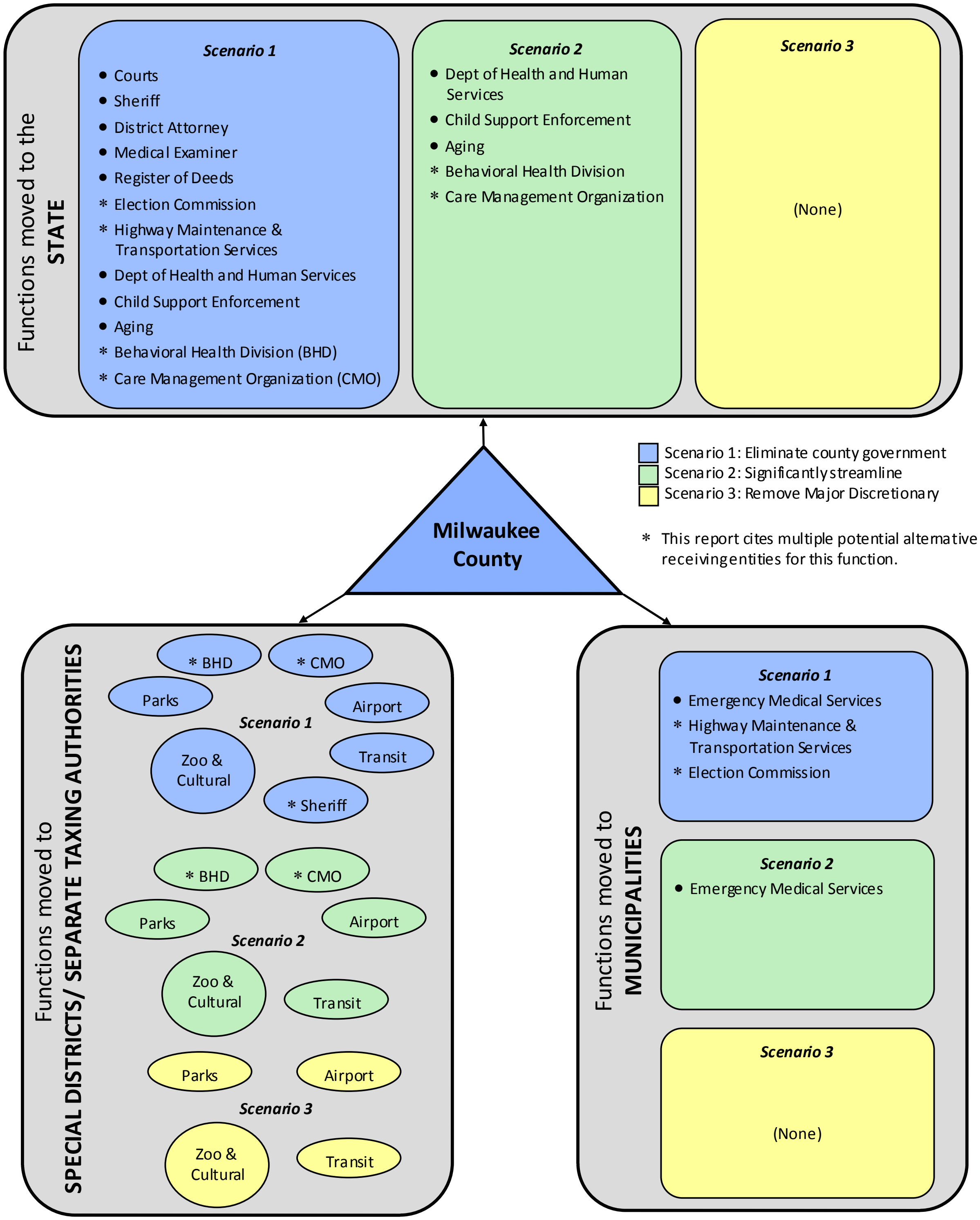
	Key functions removed	Estimated remaining expenditure budget	Estimated remaining property tax levy*	Legacy costs as % of remaining tax levy	Estimated remaining FTEs
2008 County government**	None	$1,340,250,497	$236,268,763	34.2%	5,707
Scenario 1 – Eliminate county government	All	$85,685,857	$80,685,858	100.0%	0
Scenario 2 – Significantly streamline	Parks, Culture, Airport, Transit, Health & Human Services, CMO, Aging, CSE	$370,377,101	$104,423,293	77.3%	2,424
Scenario 3 – Remove major discretionary	Parks, Culture, Airport, Transit	$1,014,430,758	$181,790,833	44.4%	4,567

** Under each of the three scenarios, policymakers would need to determine whether and to what extent the existing .5% Milwaukee County sales tax would remain in place and continue to be utilized to offset debt service. That decision could significantly impact the property tax levy amounts shown for each scenario.*
*** 2008 expenditure totals do not include expenditures on the General Assistance Medical Program, as that program has since been eliminated and would no longer factor into this analysis.*

Fiscal data utilized in analyzing the three scenarios is based on 2008 actual spending, which is the last full year for which actual, audited financial data is available. This provides an accurate starting point to consider potential fiscal impacts, but it must be understood that those impacts will change from year to year because of changes to the county's annual budget. For example, the annual legacy costs associated with each function likely are understated in this report, as they are based in part on the county's actual 2008 pension expenditure of $41 million, as opposed to the 2010 budgeted expenditure of $68 million.

Diagram 1 on the next page provides a flow chart depicting the movement of county functions under the three restructuring scenarios.

Diagram 1: Summary of Flow of Functions in Restructuring Scenarios



Note: As discussed in Section II of this report, an alternative to creating separate special districts for parks and zoo/cultural would be to create one special district for parks and cultural services. The same holds for the airport and transit system—those two functions could fall under one umbrella transportation district.

SCENARIO 1 – ELIMINATE MILWAUKEE COUNTY GOVERNMENT

Under a scenario in which Milwaukee County government is eliminated entirely, we assume that all of its existing functions would be moved either to state government, municipal governments or new special purpose districts or authorities. In determining whether any fiscal savings would result, it is necessary to make additional assumptions regarding administrative services, elected offices, county assets and liabilities (including legacy), and labor costs.

ADMINISTRATIVE SERVICES

In 2008, Milwaukee County spent about $78 million on central charges/overhead, which we define as administrative (e.g. budget/accounting, audit, financial services, risk management, procurement, employee benefits, human resources), information technology, legal counsel, facilities management (including architectural, engineering and environmental services) and fleet management. **Table 35** shows the breakdown of those expenditures.

Table 35: Central Cross-charging Department Expenditure Breakdown, 2008

	Expenditures
Admin	$13,073,533
Information technology	$17,884,938
Legal counsel	$1,577,128
Facilities management	$34,544,230
Fleet management	$10,436,699
Total central service crosscharge	**$77,516,528**

As described elsewhere in this report, the county currently "charges out" most of the cost of those services to user departments (including the share of legacy costs held by central service divisions). Thus, the current budget of each department contains administrative services/overhead costs. In attempting to calculate cost savings associated with eliminating county government, the question becomes whether the administrative services/overhead costs currently budgeted in each function would be greater than the costs of administration incurred by an alternative governing body.

In the Forum's 2008 report on Milwaukee County parks and cultural institutions, the county's parks and zoo directors both argued that if they were independent, they could secure administrative overhead at a much lower rate than the existing county cross-charge for such services. That argument was based on their belief that they were being charged too much for the level of service they were receiving.

While that argument may have merit, it is important to consider the economies of scale associated with providing administrative services centrally, which holds down the cost of those services for county departments. In addition, while county departments may believe they pay more for central service charges than they receive in return, it is quite possible that purchasing legal, accounting, information technology and other services outside of county government would cost more on a per unit basis in light of the higher salaries paid to those professions in the private sector.

Any attempt to accurately quantify potential administrative overhead savings would require analyzing the specific administrative support services required by each individual function and attempting to calculate how much it would cost the receiving entity to secure those services outside of the county. Because such an analysis would be extremely speculative and would have to be conducted on a service-by-service basis, we do not assign an overall cost savings to the elimination of county administrative services/overhead departments. If policymakers continue to discuss the elimination of county government or the transfer of certain functions, then individual analyses should be undertaken for the various functions in order to attempt to quantify any such savings or added costs.

ELECTED OFFICES

As discussed elsewhere in this report, a key question surrounding the possible elimination or streamlining of county government is the legality of abolishing or transferring certain elected officials (and their offices) that are established in the Wisconsin Constitution. A constitutional conflict would not preclude abolishment of the office, but would necessitate undertaking the time-consuming process of amending the Constitution.

Notwithstanding that question, we assume that if county government was eliminated, then the offices of county executive, county board of supervisors, county clerk and county treasurer would become obsolete and logically would disappear. We are able, therefore, to calculate a savings associated with the elimination of those offices, which is reflected in **Table 36** below. It should be noted that the marriage license function performed by the county clerk and the delinquent property tax collection function performed by the county treasurer would have to be assigned elsewhere, but we assume for the purposes of discussion that the savings reflected in **Table 36** would not be offset with additional costs.

COUNTY ASSETS AND LIABILITIES

As noted repeatedly throughout this report, perhaps the key question in attempting to determine the fiscal impacts of eliminating county government is determining how to address the county's pension fund and retiree health liabilities (including nearly $400 million in outstanding pension obligation bond debt). Another critical question is how to handle the approximately $504 million in outstanding bonds and notes held by the county for capital projects, which will require a net debt service payment of $65 million in 2010.

Those questions likely would need to be decided on an individual basis for each county function, based in large measure on the willingness and capacity of the receiving government to accommodate legacy costs and the extent to which capital assets are transferred. For the sake of analysis and discussion, however, we assume the following:

- Legacy costs associated with benefits for those who already have retired from or otherwise left Milwaukee County government would not be transferred. That means that under a scenario in which county government is eliminated, those retirement liabilities would need to be assumed and managed by an alternative entity (likely the State of Wisconsin, though

Section IV suggests a potential alternative approach). The alternative entity then could be empowered to assess county taxpayers for the annual costs associated with those liabilities.

- Retirement liabilities associated with *active* county employees who become employed by the alternative governing body would be assumed by that new entity.[31] We assume that most of those employees would become members of the Wisconsin Retirement System, either because they would become employees of the state or of special districts. State policymakers would need to decide under such a scenario whether to seek reimbursement from county taxpayers by assessing them for the annual cost associated with such liabilities (or withholding an equivalent amount from the county's shared revenue payment under a scenario in which county government remains).

- Outstanding debt on capital assets would be transferred to the receiving governments along with capital assets (e.g. parks facilities and any debt on those facilities would be transferred to a new parks district). There is a relatively small portion of county debt, however, that could not readily be transferred because the projects on which the debt is held are not related to an existing function of county government. Examples include $27 million in debt related to Doyne Hospital and the former County Stadium. It also would be impossible to transfer debt related to central service departments (e.g. information technology, human resources and financial services hardware and software). In both instances, such debt logically would need to be assumed by the state, which again could be empowered to assess county taxpayers on an annual basis for debt service costs.

We make this collective set of assumptions not because they necessarily represent the most appropriate public policy, but because we consider this to be the most realistic starting point for debate based on recent legislative proposals regarding parks and airport districts, and our examination of other scenarios in which functions have been transferred outside of Milwaukee County government (including the Milwaukee Public Museum and district attorneys, which are detailed elsewhere in this report).

Finally, an important source of potential savings should Milwaukee County government be eliminated would be reduced obligations toward the management of county buildings and property and/or revenues realized from the sale of such assets. The extent of such savings cannot be calculated at this time, however, because they would largely depend on whether receiving governments would need to utilize and manage existing county infrastructure for their own use. While we do not, therefore, assign a dollar amount to this potential savings, we assume the elimination or streamlining of county government would create an opportunity to strategically divest some of the county's physical infrastructure in a manner that would yield significant revenues and offset leftover liabilities.

[31] Our modeling uses the county's budgetary methodology for distinguishing between pension costs linked to active employees and those linked to retirees. This topic likely would be the subject of considerable debate if county employees were transferred to alternative government bodies.

POTENTIAL SAVINGS IN LABOR COSTS

Some have argued that one of the primary benefits associated with moving certain functions outside of county government would be the ability to hire new employees with lower wages and benefits. An attempt to quantify such potential savings again would be purely speculative, however, and also must weigh the following:

- There is no certainty that significant wage and benefit savings would be experienced by alternative government entities once county retiree legacy costs are removed from the equation.
- Receiving governments may wish to retain county workers to perform their existing jobs in a new district or in state government, and previous transfers of county functions (e.g. Milwaukee Public Museum and child welfare), as well as proposed and adopted legislation regarding authorities and special districts, have guaranteed similar wage and benefit levels for transferred employees.

Consequently, we do not cite any savings in labor costs from moving functions outside of Milwaukee County government. If policymakers are serious about pursuing the transfer of certain functions, then individual analyses could be undertaken for the various functions in order to attempt to quantify any such savings.

FISCAL IMPACTS

In light of the above assumptions and determinations, we present in **Table 36** those annual savings resulting from the elimination of Milwaukee County government (based on 2008 actual spending) that we can approximate with some degree of certainty.

Table 36: 2008 Levy Savings from Eliminating County Government

	Levy savings (legacy already netted out)
County Executive	($831,826)
County Board	($5,459,700)
County Treasurer*	($1,185,901)
County Clerk	($310,195)
Election Commission	($1,155,025)
Community Business Development Partners	($417,841)
Personnel Review Board	($171,347)
Civil Service Commission	($27,596)
Total	**($9,559,432)**

**Treasurer only includes expenditure savings. Figures assume no revenue impact as revenue would likely be collected by an alternate entity.*

As the table indicates, we estimate that annual property tax levy savings of about $9.6 million could be recognized from eliminating the elected offices of the county executive, county board, county clerk and county treasurer, and also from eliminating certain central services that would not need to be replicated in receiving governments.

As noted above, these potential savings should not be viewed as the definitive statement of savings associated with the elimination of county government. Instead, they should be seen as a starting point for further analysis if there is an interest in pursuing this scenario.

Table 37, meanwhile, illustrates the total legacy obligations that would remain if county government is eliminated, but those costs are not distributed to the governments that receive county functions. This table estimates that almost $81 million of the county's $236 million in property tax levy expenditures in 2008 was attributed to such legacy costs.

Consequently, if county government had been eliminated in that year, $155.6 million in property taxes levied by county government ostensibly would have disappeared, though we assume that all but the $9.6 million in savings outlined in **Table 37** would have to be raised in some other fashion by receiving entities in order to provide similar levels of service. A legacy cost of $80.7 million would have remained, likely as an obligation for county taxpayers.

It should be noted that this $80.7 million projection likely understates the amount that would be required if county government was eliminated in 2010, as not only have the county's annual pension costs grown considerably in the past two years, but the county's ability to charge a portion of that $80.7 million to state or federal contracts or other sources (such as GMIA's signatory airlines) also would be eliminated under this scenario. It is also important to recognize – as we discussed in **Section I** – that this annual obligation would grow for several years before gradually declining and ultimately disappearing.

Table 37: Legacy Obligations Remaining after Elimination of County Government

	2008 County budget*
Total expenditures	**$1,340,250,497**
Total levy	**$236,268,763**
Legacy	**$80,685,858**
Expenditures (w/out legacy)	$1,259,564,639
Levy (w/out legacy)	$155,582,905

** GAMP deducted from 2008 budget.*

In addition to the legacy liability, a sizable obligation would remain for outstanding debt that could not logically be transferred to receiving governments. We estimate that approximately $5 million of the county's $43 million net debt service payment in 2008 would have been attributed to such debt. Combined, then, approximately $86 million in legacy costs and debt service would have remained as an obligation for county taxpayers in 2008 had county government been eliminated.

As a point of reference, we calculated what the impact would have been on the owner of a Milwaukee County home assessed at $150,000, assuming that state government elected to assess the county's property taxpayers for that cost in the absence of county government. **We found that under such a scenario, the owner of a $150,000 home would have seen a line item of $197 on his or her property tax bill.** That compares to the $543 county property tax bill actually paid by that homeowner in 2008.

A potential alternative might be to use revenues generated from the county's existing .5% sales tax to partially offset that cost. Based on our assumption that debt service costs would be spread out to receiving entities (when possible), if we were also to assume that those entities would pay for debt service out of new or existing revenue streams, then most of the $65 million per year generated by the county sales tax could be utilized to offset the annual legacy payment, as opposed to its current use of paying for debt service.[32] That possibility, of course, would be dependent upon a decision by policymakers to leave the county sales tax in place even if county government no longer was in existence.

Finally, as noted above, the remaining obligations of county government potentially could be reduced by using the proceeds from the sale or lease of county assets to pay down pension or health care liabilities or general obligation debt. If county government was eliminated, it would be logical to assume that state government would assume the assets not transferred to new authorities or municipal governments and would develop a plan for managing those assets in a manner that would seek to maximize the reduction of county liabilities.

[32] County ordinances require all county sales tax revenue in a given year to be used first to pay for general obligation debt service. In recent years, the county has used any remaining sales tax revenue to pay for fringe benefit liabilities.

SCENARIO 2 – SIGNIFICANTLY STREAMLINE MILWAUKEE COUNTY GOVERNMENT

Under this scenario, we envision a county government that consists only of its constitutional and statutorily mandated functions in the areas of courts, public safety and public works, as well as other constitutional offices. We also envision a smaller administrative services function that is commensurate with the size of the new government. On the revenue side, we assume that all revenue from the existing .5% sales tax is retained by the smaller county government (despite the fact that debt service on capital projects associated with transferred functions is transferred out), and we assume that the county's shared revenue payment from the state is decreased by a percentage equivalent to the reduction in the county's overall expenditures.

This scenario essentially creates a county government that focuses solely on those functions that are typically thought of as "county functions." The National Association of Counties (NACo), for example, lists property assessment, record-keeping, road maintenance, elections, courts, social services and public safety as "historic services" performed by counties throughout the United States.[33]

We do not include mandated health and human service functions in this scenario (which we define to include child support enforcement and Family Care). Our rationale is that state government already has assumed administrative responsibility for several health and human services in Milwaukee County, and it is perhaps more plausible than for other mandated functions that the state could be convinced to take over the remainder. Also, NACo notes that social services are provided with "wide variations" throughout the country, and therefore could be considered less of a traditional county function than the others noted above.[34] Scenario 3 is identical to this scenario but retains Milwaukee County's existing role in administering health and human services.

Table 38 lists the functions that would be included in Milwaukee County government under this scenario and the amount of actual expenditures and property tax levy associated with each function. The total county budget under this scenario would have been $370 million in 2008, or about 28% of the actual $1.3 billion total.

[33] National Association of Counties, "County Government in America", www.naco.org
[34] National Association of Counties, "An Overview of County Government", www.naco.org

Table 38: County Functional Expenses – Scenario 2

Breakdown of county functions…		All Exp	Levy	Legacy
Legislative & executive	• County executive • County board	$383,702 $1,634,646	$377,223 $1,625,936	$181,287 $530,913
Central services	• Community business development partners • Personnel review board • Civil service commission	$712,289 $225,600 $53,639	$494,914 $225,578 $53,639	$64,746 $51,796 $25,898
General government	• County treasurer • County clerk • Election commission • Register of deeds	$1,342,309 $850,920 $1,148,848 $4,385,345	($950,813) $427,458 $1,055,758 $208,446	$142,440 $103,593 $90,644 $414,371
Judiciary & public safety	• Courts • Sheriff • District attorney • Medical examiner	$51,399,202 $145,193,526 $19,109,930 $4,322,407	$40,560,428 $122,572,004 $10,647,210 $3,658,303	$3,522,156 $10,385,180 $1,139,521 $310,778
Highway	• Highway maintenance & transportation services	$20,091,976	$583,704	$1,761,078
Debt service	• Debt service (Total 2008 = exp $54,261,536/ levy = $43,072,369)	$27,628,697	$21,931,436	
Revenues	• State shared revenue (2008 - $37,133,490) • Sales tax revenue (2008 - $66,695,072)		($9,825,557) ($66,695,072)	
Retained legacy	• Legacy related to departing depts • Legacy related to Doyne retirees	$33,810,958 $13,790,794		$33,810,958 $13,790,794
Miscellaneous	• Miscellaneous	$44,292,312	($22,527,302)	$14,359,703
	Option 2 exp & levy	**$370,377,101**	**$104,423,293**	**$80,685,858**

In considering the fiscal impacts of this scenario, we utilize similar assumptions to those outlined for Scenario 1. We need to diverge from those assumptions, however, in considering the offices of county executive, county board and county clerk, which presumably would need to exist in a streamlined county government. For purposes of estimating a savings, we assume that the budget for the office of county executive would be reduced to approximately $175,000 to reflect the cost of that position and one assistant that would be needed in light of the vastly reduced size of county government. It is also possible that policymakers would wish to consider an appointed county administrator model for this scenario.

With regard to the county board, we assume that a 19-member full-time board would be inappropriate for a much smaller county government that is limited only to state-mandated administrative functions. We assume, therefore, that the county board budget would be reduced by the percentage that overall county expenditures are reduced. The reduced budget would support a county board consisting of six members if supervisors were to retain full-time status, or a larger number if policymakers elected to go with a part-time board.

Finally, we assume that a reduction in the size of the county board would not significantly impact the duties of the county clerk – as a need for legislative and other recordkeeping would remain in a streamlined county government – so we assume no cost savings in that office, nor in the offices of county treasurer, civil service commission, personnel review board and community development business partners, which would need to exist in a county government of any size. **Table 39** shows the $5.1 million projected savings that would have occurred had this government structure been in place in 2008, as compared to the $9.6 million projected savings under Scenario 1.

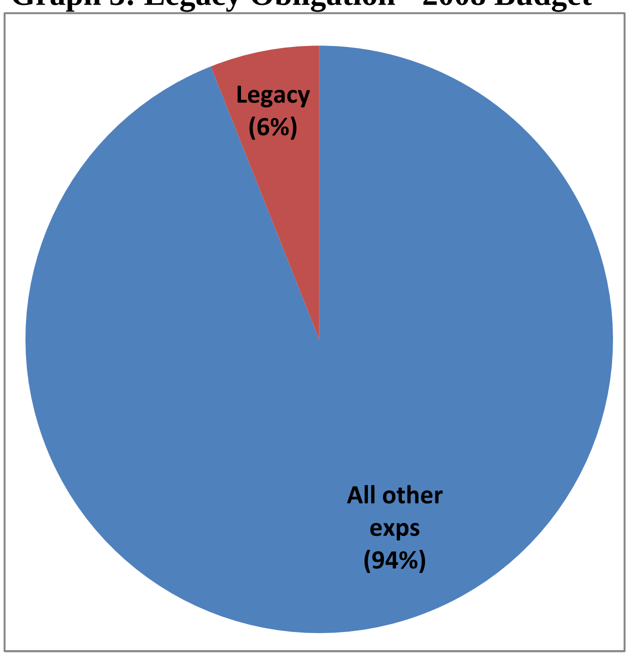
Table 39: Comparison of 2008 Levy Savings, Scenarios 1 and 2

	Scenario 1: Levy savings	Scenario 2: Levy savings
County Executive	($831,826)	($656,711)
County Board	($5,459,700)	($4,438,180)
County Treasurer*	($1,185,901)	--
County Clerk	($310,195)	--
Election Commission	($1,155,025)	--
Community Business Development Partners	($417,841)	--
Personnel Review Board	($171,347)	--
Civil Service Commission	($27,596)	--
Total	**($9,559,432)**	**($5,094,891)**

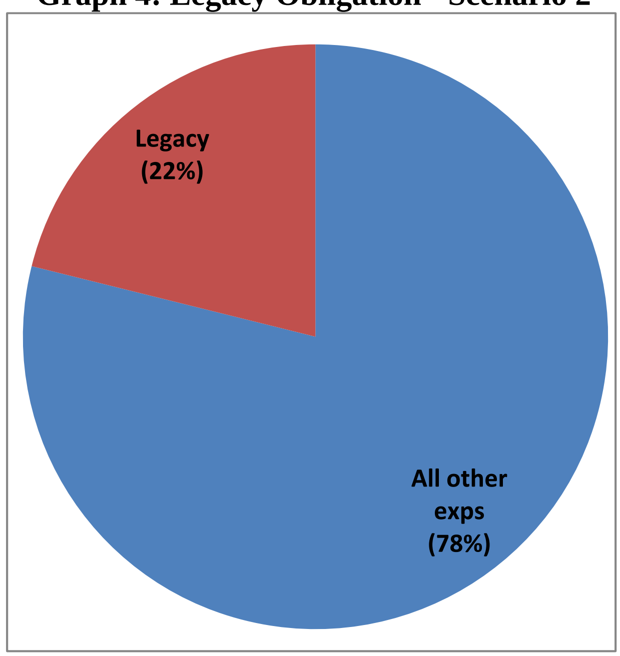
**Treasurer only includes expenditure savings. Figures assume no revenue impact as revenue would likely be collected by an alternate entity.*

To determine the impact of liabilities, we again assume that retirement liabilities associated with retired and inactive county employees for functions removed from county government are left with the county, while debt service linked to those functions is transferred to receiving governments. This produces a situation in which legacy costs would represent 22% of overall annual expenditures in Milwaukee County government and 77% of the county's total property tax levy. **Graphs 3** and **4** illustrate the significant proportional growth of the legacy obligation under Scenario 2 by first showing actual legacy costs as a percentage of county expenditures in 2008, and then showing what that percentage would look like in the government structure outlined under Scenario 2.

Graph 3: Legacy Obligation - 2008 Budget



Graph 4: Legacy Obligation - Scenario 2



A potential rationale for Scenario 2 would be the opportunity to reinstate the focus of Milwaukee County government to the functions it was created to deliver on behalf of state government in the first place. Such a transformation to the traditional role of "administrative arm" of state government – if accompanied by a similar transformation of the governance structure to a much smaller or part-time county board and smaller county executive's office (or perhaps an appointed county administrator), plus a commitment to hire and place faith in professional administrators as the county recently did for its employee benefits division – might significantly reduce the politics and dissention that characterize Milwaukee County government today. The outcome could be more stable and functional governance of core county services.

Meanwhile, as discussed in **Section II**, a rationale exists for the provision of transit, aviation, parks and cultural services in special districts and/or on a regional level given the discretionary nature and regional breadth of such services. Also, as discussed previously, the administration of all health and human services at the state level might be justified as a means of ensuring better accountability for social service outcomes in Milwaukee County.

Of course, creating regional authorities or special districts, and transferring health and human services to the state, also would require consideration of the "cons" and logistical considerations cited in **Section II**, including difficult questions regarding establishment of new funding sources and potential assumption of significant costs by state government. And, our analysis demonstrates the additional challenge that would be created by the notion of creating a streamlined county government that would have a proportional legacy burden that is nearly triple the size of the current liability.

As with Scenario 1, policymakers would have the option to continue using the property tax to fund that burden, though that would produce a situation in which, according to our analysis, legacy costs would be equivalent to 77% of the county property tax levy. A critical question is whether policymakers and county taxpayers would be willing to accept such a framework knowing that, eventually, legacy obligations would dissipate and ultimately disappear as county retirees and their beneficiaries pass away.

SCENARIO 3 – REMOVE MAJOR DISCRETIONARY FUNCTIONS FROM MILWAUKEE COUNTY GOVERNMENT

Scenario 3 differs from Scenario 2 only in its assumption that the health and human services function would remain with county government. Because health and human services is by far the largest function in county government, however, that assumption changes the complexion of this scenario dramatically.

Table 40 lists the functions that would be included in Milwaukee County government under Scenario 3 and the amount of actual expenditures and property tax levy associated with each function. The total county budget under this scenario would have been just over $1 billion, a reduction of 24% from actual 2008 expenditures.

Table 40: County Functional Expenses – Scenario 3

Breakdown of county functions…		All Exp	Levy	Legacy
Legislative & executive	• County executive	$766,820	$749,306	$181,287
	• County board	$4,418,287	$4,394,746	$530,913
Central services	• Community business development partners	$712,289	$494,914	$64,746
	• Personnel review board	$225,600	$225,578	$51,796
	• Civil service commission	$53,639	$53,639	$25,898
General government	• County treasurer	$1,342,309	($950,813)	$142,440
	• County clerk	$850,920	$427,458	$103,593
	• Election commission	$1,148,848	$1,055,758	$90,644
	• Register of deeds	$4,385,345	$208,446	$414,371
Judiciary & public safety	• Courts	$51,399,202	$40,560,428	$3,522,156
	• Sheriff	$145,193,526	$122,572,004	$10,385,180
	• District attorney	$19,109,930	$10,647,210	$1,139,521
	• Medical examiner	$4,322,407	$3,658,303	$310,778
Highway	• Highway maintenance & transportation services	$20,091,976	$583,704	$1,761,078
Social services	• Behavioral health division (only BHD)	$175,064,628	$48,648,689	$11,628,949
	• GAMP payment & EMS	$6,775,347	$5,654,201	$450,063
	• Dept of health and human services	$211,481,786	$20,749,011	$841,692
	• Child support enforcement	$18,696,449	$889,294	$1,307,859
	• Aging	$19,044,230	$2,698,084	$130,321
	• CMO	$198,570,114	$440,984	$1,358,826
Debt service	• Debt service (Total 2008 = exp $54,261,536/ levy = $43,072,369)	$32,010,421	$25,409,614	
Revenues	• State shared revenue (2008 - $37,133,490)		($26,911,349)	
	• Sales tax revenue (2008 - $66,695,072)		($66,695,072)	
Retained legacy	• Legacy related to departing depts	$18,093,248		$18,093,248
	• Legacy related to Doyne retirees	$13,790,794		$13,790,794
Miscellaneous	• Miscellaneous	$66,882,642	($13,773,304)	$14,359,703
	Option 3 exp & levy	**$1,014,430,758**	**$181,790,833**	**$80,685,858**

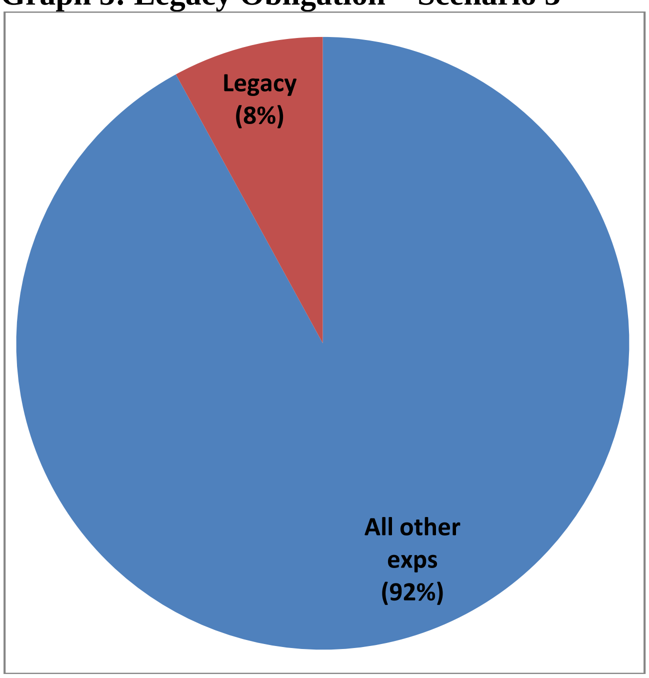
In considering the fiscal impacts of this scenario, we utilize similar assumptions as those outlined for Scenario 2. For example, we assume that the offices of the county executive and county board would be reduced by the percentage that overall county expenditures are reduced. The reduced budget would support a county board consisting of 14 members if supervisors retain full-time status. **Table 41** indicates the projected savings that would have occurred had this government structure been in place in 2008, as compared to the levy savings in Scenarios 1 and 2. **Graph 5**, meanwhile, shows legacy costs as a percentage of county expenditures in the new government structure.

Table 41: Comparison of 2008 Levy Savings, Scenarios 1, 2 and 3

	Scenario 1: Levy savings	Scenario 2: Levy savings	Scenario 3: Levy savings
County Executive	($831,826)	($656,711)	($284,628)
County Board	($5,459,700)	($4,438,180)	($1,669,370)
County Treasurer*	($1,185,901)	--	--
County Clerk	($310,195)	--	--
Election Commission	($1,155,025)	--	--
Community Business Development Partners	($417,841)	--	--
Personnel Review Board	($171,347)	--	--
Civil Service Commission	($27,596)	--	--
Total	**($9,559,432)**	**($5,094,891)**	**($1,953,999)**

**Treasurer only includes expenditure savings. Figures assume no revenue impact as revenue would likely be collected by an alternate entity.*

Graph 5: Legacy Obligation – Scenario 3



This analysis indicates that the legacy issues created by Scenarios 1 and 2 are not as severe for this scenario. While legacy costs as a percentage of the county's overall expenditure budget would be higher than they are today, they would not be substantially higher. That is because transit system workers are not county employees, and because the overall size of the county budget would not shrink nearly as dramatically as under the other two scenarios.

A rationale for this scenario would include the following:

- It could be argued that the county's severe financial challenges have had the greatest negative impact during the past two decades on parks, culture and transit in light of their discretionary status. Consequently, there is appeal in separating those functions from county government in order to eliminate their uphill struggle to compete for scarce resources and restore the county's focus to its mandated services.

- If the four discretionary functions were transferred with similar functions from other counties into new *regional* authorities, then new administrative efficiencies might be created by consolidating functions administered at lower levels of government into higher levels. Also, as discussed in **Section II**, an argument can be made that transit and aviation services are best provided on a regional level because of their significance to the regional economy and residents from throughout southeast Wisconsin; and that a regional parks and culture district is appropriate in light of the regional importance and usage of cultural amenities and several Milwaukee County parks.

- In light of the considerable debt service obligations associated with parks and cultural facilities, a scenario in which debt service is transferred to a new authority would free up significant sales tax dollars that could enable the county to offset a considerable amount of its legacy obligations associated with those functions.

- As with Scenario 2, this scenario would offer the opportunity to streamline the legislative and executive structure and transform the mission of county government into operating as a professionally administered service arm of the state.

A negative is that while the legacy problem is not as severe under this scenario, it still exists. As discussed in **Section I**, legacy costs would continue to grow during the next several years, and Scenario 3 would require them to be absorbed by a smaller government with far fewer employees and with less ability to charge out the cost to revenue-generating entities, such as the airport. In addition, the policy-oriented and political arguments against the establishment of new authorities for parks, cultural and transportation functions that are outlined in **Section II** still would need to be addressed and/or overcome in order to pursue this scenario.

SECTION IV

THE MASSACHUSETTS EXAMPLE

Previous discussion of a possible new government structure in Milwaukee County often has focused on the notion of combining the governments of the City of Milwaukee and Milwaukee County. Two of the most commonly referenced examples of city-county consolidations are Indianapolis and Marion County, Indiana, which merged in 1969; and Louisville and Jefferson County, Kentucky, which merged in 2003.

It is important, however, not to confuse consolidation with the concept that is now being discussed by business leaders and the county executive in Milwaukee County. In Indianapolis and Louisville, city and county governments merged to form a larger government that provides both traditional municipal and traditional county services to a county-wide population of citizens. Efficiencies and dollar savings were pursued by merging administrative functions, eliminating one of two chief executive officers and consolidating legislative boards. Nevertheless, the same functions previously provided by each level of government still are provided at the local level, only by a single, unified entity.

As the adjacent text box indicates, another alternative governance approach – employed most notably in the Minneapolis-St. Paul region – is metro governance. That approach involves creating an additional level of government across an entire region that governs certain services as an alternative to counties or municipalities, but does not replace them.

Here in Milwaukee, the concept under discussion would have the county transfer some of its existing services to the state, some to its various

ALTERNATIVE OPTIONS FOR GOVERNANCE REFORM

Shedding or diminishing a layer of local government can take one of several forms. The two most common methods are consolidation and metro governance. Consolidation focuses on eliminating duplication by sharing services. Metro government focuses on sharing governance across a region in order to balance disparities in service. The method being debated and researched here in Milwaukee is neither consolidation nor metro governance.

Consolidation reduces the number of governmental units active in a geographic area and is best exemplified by the case of Indianapolis. The 1970 merger of governments in Marion County, Indiana combined 57 local governments (22 cities and towns, 9 townships, 11 school districts, and 15 special-purpose districts) and one county government into one unit, Unigov, headed by the mayor of Indianapolis and a city-county council. Voters in Marion County never voted whether to merge with the city of Indianapolis; the merger was a result of state legislation, which provides for automatic consolidation of first-class cities and their counties. As a result, all residents of Marion County vote for the mayor and the city-county council, who provide all services and governmental responsibilities normally mandated to county governments in Indiana. These services are funded by county-wide property tax revenues.

The prime example of metro governance is in the Minneapolis-St. Paul metro area, with its Twin Cities Metropolitan Council providing regional governance. The Council was created in 1967. Its members are appointed by the governor and confirmed by the state senate. It has the ability to levy property taxes and issue bonds and performs governance functions and services of a regional nature, such as land use and transportation planning, transit services, economic development, storm water management and affordable housing, as well as facilitating shared services on the local level. While the creation of the Council did not eliminate any other level of government in the region, the statutory powers of the Council do supersede the powers of the municipal and county governments within its boundaries, allowing for enhanced regional decision-making and cooperation.

municipalities, and others to newly formed authorities or districts. In addition, according to a proposal put forward by the current county executive in the summer of 2009, the duties of constitutional officers such as the sheriff and register of deeds would remain with those offices, which would function independently from any other government. Rather than creating one large government – such as Indianapolis' UniGov – to provide both municipal and county services to residents of the county, the concept being discussed in Milwaukee County would create additional "mini" governments while turning back human services and courts to the state.

In searching for examples of similar approaches elsewhere in the country, the closest and most recent we could find was Massachusetts, which in the late 1990s eliminated several of its county governments. The Massachusetts example does not provide an exact parallel with the concept suggested for Milwaukee County because its counties had far fewer responsibilities to begin with, making elimination a far less complicated endeavor. Nevertheless, this example does offer several important insights into how a significant level of government can be made to disappear.

RATIONALE FOR ACTION

County governments have never played a prominent role in Massachusetts, nor in other New England states. As the Massachusetts Secretary of State's web site puts it:

"Generally speaking, New England states do not have as active a county government system as compared to the rest of the nation. In Massachusetts for example, state roads (usually numbered routes) are cared for by the state highway department (MassHighway), while individual communities care for non-state roads within their borders. This can cause some confusion for folks who move here from other parts of the nation as the opposite appears true in their former home state."

Massachusetts has 14 counties, which according to the Massachusetts League of Women Voters (LWV) web site were "regional administrative districts before the Revolutionary War." The primary role of counties from that time until the 1970s primarily was to administer jails, health facilities, agricultural schools, registries of deeds and probate, county courts and courthouses, county roads and extension services.

In 1978, the role of counties in Massachusetts was further diminished with enactment of legislation creating the Massachusetts Trial Court to administer trial courts statewide. Before that time, all trial courts in the state either were county courts or local courts funded through the counties. With adoption of this legislation, all trial court judges became state judges and received their salary and benefits from the state. Also, a newly created state Administrative Office of the Trial Court took responsibility for a wide range of centralized functions, including budget development, central accounting and procurement systems and personnel policies. The only remaining role for counties was ownership of the court buildings.

Consideration of completely eliminating county governments in Massachusetts began in earnest shortly thereafter. The LWV notes that "for many years, there was criticism of county governments as wasteful and inefficient." In addition to being seen as duplicative, some county governments also developed reputations for "cronyism and corruption, with a parade of veteran county officials caught on the take," according to the *Boston Globe*.[35]

This criticism accelerated as several counties experienced fiscal problems and turned to the state for emergency assistance in the early 1990s. One county in particular – Middlesex County, the state's largest with 1.4 million citizens – became the subject of public ridicule after defaulting on $4.6 million of hospital loans and teetering on the brink of bankruptcy.

The push to eliminate county governments also was fueled by the state's governor, William Weld, who was elected in 1990 and re-elected in 1994 in part on promises to rein in "big government" and eliminate unneeded layers of bureaucracy. Weld began pushing to abolish some counties in his first term, and he first introduced legislation to abolish all counties in January 1996. While the legislation initially did not fare well, by late 1996 momentum had built in support of it, driven largely by the chaos surrounding Middlesex County. As the *Globe* editorialized in December 1996:

"The coming bankruptcy of (Middlesex) county…will force the Legislature to consider something it should have done decades ago: abolish all the existing county governments so cities and towns can decide the shape of any future regional governments…Even though the counties are controlled by elected officials, few voters pay attention to county races, with the occasional exception of contests for sheriff and district attorney. The few people who do care about county elections are the candidates' friends and relatives and job supplicants. The result is government that caters to the needs of the few at the expense of the common good….Governor Weld is ready to abolish the counties; it's time for the Legislature to send him a bill to do so."[36]

LEGISLATIVE ACTION

On January 7, 1997, Governor Weld and his Lieutenant Governor, Paul Cellucci, re-introduced legislation to abolish county governments.

"Rather than learning to control spending within their means, the counties have developed kind of a chronic addiction to state bailouts," Weld told the *Globe*. "I think we've reached a consensus at the state level that this is a fifth wheel…that has outlived its usefulness, if it ever had one."[37]

The *Globe* noted that county government had become "costly for the state, which pays between 85 percent and 90 percent of the costs of the 14 county governments," and which had been forced to pay "an additional $25 million to bail out county governments 22 times over the past six years." It reported further that county governments had accumulated $45 million in debt and $125 million in unfunded pension liabilities despite the bailouts.

[35] "State's Counties are Failing Throughout Massachusetts", *Boston Globe*, December 24, 1996.
[36] "The Woeful Counties", *Boston Globe*, December 27, 1996.
[37] "Weld Bill Would Phase Out County Government", *Boston Globe*, January 8, 1997.

Weld's bill called for the following:

- Abolition of county taxes as of July 1, 1998, unless the state auditor determined that a county's liabilities exceeded its assets, in which case a county tax could be continued for up to 20 years to pay off the debt.
- Transfer of the registries of deeds to the secretary of state's office.
- Retain elected sheriffs but move them under the State Executive Office of Public Safety, and convert Sheriff's employees to state employees.

Weld's initial proposal in 1996 had been the subject of acrimonious debate in the Massachusetts Legislature, with several legislators contesting the notion that it would produce long-term cost savings. Some county officials also opposed the transfer of county employees to the state health care plan, arguing that the state plan was "less flexible and more expensive than the one now in use."[38] While the new version enjoyed greater support, the House Ways and Means Committee "ultimately decided that the financial crisis in Middlesex County demands immediate attention, while there are too many unanswered questions about the other 13 counties."[39]

On July 11, 1997, Governor Weld signed legislation that immediately abolished Middlesex County, eliminated two more counties within one year, and put into place a series of mechanisms designed to lead to the abolishment of all county governments within two years. While not as far-reaching as he would have liked, Weld declared that "the legislation that we are signing today is a good first step in eliminating a vestige of Massachusetts colonial government."[40]

Under the legislation, the state agreed to pay off $24.6 million in Middlesex County debt and assumed responsibility for its estimated $38 million in unfunded pension liabilities. The legislation also empowered state officials to levy an annual assessment upon the property taxpayers of Middlesex County to pay off costs incurred by the state over a 30-year period (see the subsection below for more information about the mechanics of the legislation).

Over the next two years, Massachusetts eliminated half of its 14 county governments. Those eliminated were north and west of Boston, while those spared were south of Boston, including four small counties on Cape Cod. The *Globe* pointed out in a 1999 article that "there was relatively little resistance" to the elimination of the seven to the north and west, as "some were facing financial crises, while others were discredited by scandal. Many local officials in the central and western counties were eyeing forming new regional governments anyway to provide services in rural communities."[41]

Weld's successor as governor, Cellucci, introduced a plan to eliminate two additional counties in 1999, but the plan was successfully resisted by the Legislature. The *Globe* pointed out that in contrast to the counties that had been eliminated previously, those counties "have been largely free of scandal and have not had any severe financial problems in recent years. They offer a

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[38] "Massachusetts Governor Proposes Eliminating Counties," *County News*, National Association of Counties, February 19, 1996.
[39] "Panel OK's Bill to Abolish Middlesex County", *Boston Globe*, June 12, 1997.
[40] "Weld Signs Law Ending all County Government", *Boston Herald*, July 12, 1997.
[41] "Proposal to Scrap Counties Resisted", *Boston Globe*, February 7, 1999.

number of locally popular programs, from agricultural extension services to mosquito spraying to forest firefighting units."[42]

While talk has surfaced occasionally since then of reviving the movement to eliminate county governments, no formal action has been taken. When a candidate for the Legislature proposed abolishing Norfolk County – one of the largest remaining in the state – in 2006, the co-chairman of the Legislature's Committee on Municipalities and Regional Government cited its "highway engineering and public safety dispatch systems as valuable services" and called it a "well-run regional government that provides benefits that towns otherwise couldn't provide."[43]

MECHANICS OF MASSACHUSETTS LEGISLATION

The process for abolishing counties is laid out in Chapter 34B of the General Laws of Massachusetts. Of specific relevance to the discussion of abolishing Milwaukee County government are the following provisions:

- All abolished counties' functions, duties and responsibilities are transferred to the state, including operation and management of jails and houses of correction, registries of deeds and courthouses. The law also stipulates that all employees whose work involves the operation and maintenance of county courthouses are transferred to the state "with no impairment of employment rights…without interruption of service, without loss of earned vacation and sick time, without reduction in compensation or salary grade, and without impairment of seniority, retirement or other rights of employees."

- For the most part, all "valid" liabilities and debts of an abolished county as of the date of abolishment are transferred to the state, while all assets (including revenue received immediately before the transfer date) also are transferred to the state. Some specific exceptions are cited in the statute (e.g. the state agreed to allow one county to retain an historic courthouse for use by its regional council of government).

- Included in the transfer of assets is "all rights, title and interest in real and personal property owned or held by an abolished county immediately before the transfer date." This includes county roads, but the law stipulates that those are then transferred back to the successor council of governments (if one exists) or to the town in which the road (or road segment) is located.

- All "valid leases and contracts" held by the abolished county are transferred to the state, which also has authority to exercise all rights "and enjoy all interests" associated with such leases and contracts.

- The Massachusetts Secretary of Administration and Finance is empowered to "establish a plan" for the state to recover "amounts expended…for the liabilities and other debts assumed and paid for" by the state on behalf of an abolished county. The plan involves the following stipulations:

[42] Ibid.
[43] "Push to Scrap County System Revives Debate", *Boston Globe*, June 1, 2006

- The secretary shall determine "said amounts by comparing the gross liabilities of an abolished county assumed by the commonwealth with the gross assets received by the commonwealth from said county and recovering the difference from the member municipalities of said counties."

- Liabilities shall specifically include, but not be limited to, the salary of the county treasurer, bonded debt and unfunded pension liabilities.

- Specific assets include cash on hand at the time of transfer and the value of real estate transferred to the state (net any state dollars previously provided for the asset and state payments for debt service).

- Real estate value is determined as 75% of the assessed value as of the transfer date, subject to adjustment if the state appraises the real estate at a higher value within four years. Also, if the state sells any of the transferred property and realizes a greater sum than the value at which the property was assessed, then the difference is credited against the net liabilities of the county.

- The secretary is charged with establishing an amortization schedule to recover any amounts expended by the state that reflect the difference between the gross liabilities and assets of the county. The state treasurer is then empowered to assess upon each city and town of the abolished county a tax up to or equal to the county tax paid by each city or town in the year immediately preceding the county's abolishment.

• County treasurers are allowed to remain in office for the duration of their existing term, and then their positions are eliminated.

• Registers of deeds are immediately transferred to the payroll of state government under the supervision of the secretary of state, but the position remains an elected position on a countywide basis. Budgets for the registries are to be determined by the secretary of state (subject to appropriations). Employees of register of deeds offices are immediately transferred to state employment with no change in union representation.

• Sheriffs also are immediately transferred to the state payroll and continue to be elected by the citizens of the county in which they preside. Unlike the registers of deeds, sheriffs retain administrative and operational control of their office and jail/house of correction. All deputies, jailers, superintendents and other employees are transferred to the state payroll with "no impairment of employment rights" held immediately preceding the transfer.

• An abolished county's retirees and inactive members as of the date of abolishment become members of the regional retirement system, which is responsible for any unfunded liabilities attributable to the service of such individuals. In Massachusetts, a primary responsibility of counties previously had been to administer a regional retirement system for their employees and municipal employees from within their counties. The legislation stipulates that those regional retirement systems remain in existence, though they are no longer part of county government and instead are managed by a new retirement board, whose membership is specified in the legislation.

- Employees of an abolished county who become state employees join the state retirement system. The state system picks up all liabilities associated with those employees, but those liabilities are then subject to recovery from county taxpayers per the mechanisms described above. Also, the accumulated deductions and employer contribution (including interest) credited to the accounts of members who switch from a county system to the state system are credited to members' accounts in the state system. Finally, there are provisions to assure that the amount of assets transferred between the two systems maintains a funded ratio for active employees in the regional retirement system that is no less than the funded ratio prior to the transfer. The law further stipulates that any calculations performed to carry out these provisions be performed by the actuary that performed the most recent valuation of the regional retirement system using the same assumptions previously utilized.

- Cities and towns within or contiguous to abolished counties are authorized to vote to join a regional charter commission. Each such city and town can then send a representative to the commission, which is empowered to design a charter proposal recommending establishment of a regional council of government. That charter must then be placed before the voters of each individual city or town whose leaders wish it to join the regional council of government.

- The regional council of government is envisioned as an entity that would provide certain government services on a regional basis, somewhat similar to the role counties previously played. However, the voters of each city and town would have to vote to take part in the council, and each represented municipality that did so would then elect one individual to serve as its representative on the council. The council would decide on an annual budget, including assessment of fees or assessments, acceptance of grants, and other revenue sources. The council is authorized to provide any government services it so chooses – whether previously provided by the county government or not – with the exception of services specifically transferred from counties to the state. Also, the council is forbidden from levying a county-wide tax.

INSIGHTS FOR MILWAUKEE COUNTY

As noted at the beginning of this section, any comparison between Massachusetts' efforts to eliminate its county governments and a potential effort to eliminate Milwaukee County government must be tempered by the realization that Milwaukee County provides far more services, has many more employees and retirees, owns much more real estate and property, and possesses much larger liabilities than any Massachusetts county. Consequently, in terms of both logistics and legal/political issues, the challenges faced by those desiring to undertake such an endeavor in Milwaukee would be far more daunting and take considerably more time to address.

Nevertheless, the Massachusetts approach includes some interesting elements that could be relevant not only to the discussion of abolishing Milwaukee County government, but also to discussion about removing only some of its functions or leaving it largely as is. The remainder of this section discusses those elements of the Massachusetts example that are deemed most relevant to the discussion of downsizing or eliminating Milwaukee County government.

TREATMENT OF CONSTITUTIONAL OFFICERS

Massachusetts utilized three different approaches for three positions that are constitutional officers in Wisconsin: it transferred the register of deeds and that office's employees to the state payroll, and specified that while the position still would be elected on a countywide basis, it would be part of the secretary of state's office and under the domain of the secretary; it transferred the sheriff and that office's employees to the state payroll, also specified that the position would be elected on a countywide basis, but allowed the sheriff to retain full administrative control of his operations (with appropriations established by legislators as part of the state budget); and it allowed the treasurer to remain in office for the remainder of his term to tend to fiscal matters still impacting the county, but then abolished the position.

Each of those approaches could have applicability to Milwaukee County's constitutional officers, which also include the clerk of circuit court, district attorney (who is already a state employee) and county clerk. If policymakers decided to remove the positions from county government (either because county government was being eliminated or for other reasons), it would be fiscally prudent to avoid requiring each office to establish its own internal services apparatus to provide human resources, accounting, information technology, etc. Housing each office in a state government department could accomplish that goal.

In terms of budgetary control, if the constitutional officers were to remain as freestanding independent offices, it likely would be necessary to grant each with some form of taxation authority or a dedicated revenue source (e.g. the register of deeds office could be funded with some of the proceeds from the real estate transfer fee). However, if each instead was assigned to a state government department, budgets and revenue sources would be established as part of the state budget process, which could ensure greater fiscal oversight and accountability.

Some may argue that while placing the constitutional officers in state departments would be appropriate from a fiscal perspective, it would be inappropriate to have some or all of these officers relinquish programmatic autonomy to state officials. If that were the case, then for those positions in which administrative autonomy was deemed programmatically and/or legally necessary and appropriate, administrative control over operations could be granted to the constitutional officer similar to the manner in which sheriffs are granted such authority in Massachusetts.

Finally, similar to Massachusetts' approach with the treasurer position, Wisconsin policymakers could consider eliminating certain constitutional officers after a transition period should Milwaukee County government be eliminated. In particular, as discussed elsewhere in this report, the treasurer and county clerk positions would appear to be unnecessary under such a scenario. If the state took over all court functions in the county, then it also might be logical to abolish the clerk of circuit court position, or simply to make it an unelected state position. Under each of those scenarios, of course, the Wisconsin Constitution likely would need to be amended.

TREATMENT OF ASSETS AND LIABILITIES

As discussed throughout this report, the determination of how to value assets and liabilities that would be shifted to other governments – and the corresponding determination of who would pay for differences between the two – poses one of the most challenging aspects of any move to downsize or eliminate Milwaukee County government. In Massachusetts, the solution was to lay out a relatively prescriptive process in state statutes and then entrust the state director of administration to carry out the process in an impartial manner.

The prescriptive process – as described above – essentially called for creation of a balance sheet in which liabilities of the former county government would be listed and valued on one side, and assets on the other. A methodology for valuing real estate assets was established in the legislation, as was an approach for determining pension-related liabilities. Upon determining the net cost to the state (i.e. the value of liabilities incurred in excess of assets obtained), the secretary of administration was empowered to develop a schedule under which the state would be fully reimbursed over a period of several years via an assessment on taxpayers of the former county. The length of the reimbursement period was to be determined by the secretary with the stipulation that county taxpayers would never pay an annual assessment that was greater than the amount they had been taxed by the county government in its last year of existence.

The adoption of such an approach in Milwaukee County could be considerably more contentious than it was in Massachusetts, as county elected officials and citizens would need to place considerable faith in state government to treat it equitably. In light of the acrimony that has characterized the state-county relationship in Milwaukee over the years, this leap of faith could be bitterly contested at the local level.

There is precedence for such an approach on a smaller scale, however, with the state takeover of child welfare services early in the decade and its more recent takeover of income maintenance services. In both cases, financial agreements on matters such as the county's continuing property tax levy contributions to the programs were not subject to negotiation, but instead were largely dictated by the state. If attempted on a larger scale, it would be similarly difficult to imagine a true negotiation between the state and county given the multitude of complicated issues that would be involved and the unlikely prospect that those could be successfully negotiated on a timely basis without one party being in charge. A key question is whether such an approach would be accepted by citizens and local policymakers in Milwaukee County and, if not, whether they and their elected representatives at the state level could successfully oppose it.

Notwithstanding the policy and political issues involved, an approach in which the state would tally assets and liabilities of the county and attempt to reimburse itself for any net costs incurred could produce benefits to county taxpayers. For example, while Milwaukee County obviously is saddled with huge retirement liabilities, it also possesses significant real estate assets that might be leveraged by the state to pay down those costs if county government ceased to exist.

In particular, the elimination of central administrative staff and transfer of parks, public works and social services personnel to other entities could free up considerable county office space. While most of the former county functions still would be provided by other entities that would have space needs of their own, there still could be considerable opportunity for significant consolidation at the courthouse (which presumably still would be the appropriate location for circuit court functions) and at county-owned buildings that have the least re-sale value (e.g. the Marcia P. Coggs Human Services Building). That, in turn, could free up more valuable real estate on the County Grounds (e.g. Children's Court, Parks Administration or excess Mental Health Complex space) for possible sale or lease.

Other potential sale or lease opportunities include parking structures (e.g. O'Donnell Park and 6th and State), cultural facilities (e.g. the Milwaukee Public Museum and Marcus Center for the Performing Arts to the non-profit organizations that currently run them) and, of course, General Mitchell International Airport.

The appropriate ownership of these facilities should county government cease to exist obviously is a complex question. What is clear, however, is that while the county board has shown little disposition to consider sale or lease strategies on its own despite its fiscal challenges, state government officials would have less reason to retain control of such assets if they ended up in the state's hands as part of an elimination plan, and they would have significant incentive to sell or lease parcels that hold the most value in order to reduce the assessment burden on county taxpayers.

TREATMENT OF PENSION BENEFITS AND FUNDING

Massachusetts implemented dual strategies for addressing the pension-related issues created by elimination of counties: it moved those employees transferred to the state payroll to the state retirement system, and left the regional retirement system in place to continue to serve retirees and inactive members. Both strategies hold relevance for the Milwaukee County discussion.

With regard to active Milwaukee County employees who are transferred to the state, new regional authorities, or municipal governments other than the City of Milwaukee, it may be most logical for those employees simply to become part of the state retirement system (which currently houses all county and municipal workers in the state except those working for Milwaukee County and the City, both of which administer their own systems). County workers who are transferred to the City of Milwaukee logically would become part of that system.

Like the Commonwealth of Massachusetts, the State of Wisconsin and City of Milwaukee undoubtedly would want to be held harmless for any unfunded pension liabilities associated with former county workers. Consequently, a calculation similar to that prescribed in the Massachusetts legislation could be established, under which the cost of the liability for transferred workers could be calculated by the county's pension fund actuary and county taxpayers would be assessed for that cost over a period of years. In the case of those transferred to the state, the liability would be added to the overall calculation of county liabilities performed by the secretary of administration. In the case of those transferred to the city, a separate arrangement would need to be worked out.

The treatment of Milwaukee County retirees and inactive vested employees could be more difficult to reconcile given the even more significant dollar amounts involved and the lack of a logical home for their pension earnings and liabilities. In Massachusetts, the solution to retain the former county pension system and transform it into a regional system was simplified by the fact that the system included municipal workers – as well as county workers – and therefore needed to exist in some form after elimination of the county government.

While that is not the case in Milwaukee County, it still might be logical and desirable simply to maintain the existing county retirement system and have it professionally managed by an appointed board until such time as it is no longer needed because all members and their dependents are deceased. Under such an approach, the board could be appointed by the state and/or former constitutional officers and municipal officials. It could be empowered to oversee fund investments and levy an assessment on county taxpayers for any annual actuarially determined unfunded liability payment and/or debt service payment on existing pension obligation bonds (POBs). The liability could be reduced from the sale or lease of county assets, which could be credited both to the system and to the net liability calculated by the secretary of administration based on a ratio of the size of the pension fund liability to the total net liability.

This overall approach is one that county and/or state officials may wish to contemplate regardless of whether Milwaukee County government is abolished. After the county pension scandal emerged in 2002, some policymakers discussed ending the county retirement system and moving all county employees and retirees into the state system. While this idea was not embraced at the time by either the state or county, its reconsideration may be in order in light of the size of the unfunded liability and the extent to which it is negatively impacting every county service.

Indeed, there may be logic to the notion of *immediately* closing the county retirement system to new members and additional employee earnings, turning it over to a group of appointed managers to administer, and empowering them to assess county taxpayers for any liability/POB payments as a separate line item on the annual property tax bill. In this manner, the cost of this liability would be removed from county government per se, thereby allowing county services to be managed free from the crushing weight of pension liabilities. While county taxpayers still would be required to fund the liability, they would do so with the knowledge that it would gradually be eliminated over time.

In the meantime, under such an approach, all existing county employees would become members of the state retirement system and any future benefits earned would be at the reduced (but still generous) level enjoyed by state employees. Previously accrued pension earnings and liabilities for these active workers could be transferred to the state (though this may be subject to legal challenge), which could be empowered to deduct any annual cost associated with the net liability from shared revenue payments or other state aids.

REGIONAL COUNCIL OF GOVERNMENT

Another intriguing component of the Massachusetts approach was its mechanism to allow the cities and towns of counties whose governments had been eliminated to form regional councils of government to provide shared services. According to a Massachusetts state senator interviewed for this report, this mechanism reflected a belief by many who supported eliminating county governments that regional service delivery still made sense in many instances. Their objection was to having a county government with its own elected officials, political bureaucracy and taxing authority to administer those services.

The key differences between a regional council of governments and a county government, as laid out by the Massachusetts Legislature and later implemented in some regions, are as follows:

1. Each municipality within the former county (or other municipalities contiguous to it) could "opt in" per a vote of their citizens, but was not required to have services performed by the regional council.

2. The council consists of one member from each participating municipality voted in by the citizens of that municipality, as opposed to county commissioners voted in countywide. These council members presumably would not have staff and would not constitute a legislative branch of government that required legislative support services, etc.

3. The council would decide for itself what services it wished to provide (as opposed to having certain services mandated by the state) and would determine how to pay for those services, but only could assess citizens from municipalities that had opted in, as opposed to all of the county's citizens.

4. Mechanisms were established whereby a participating municipality could "opt out" if it was not satisfied with its participation.

It is critical to note that in practice, the only regional councils formed in Massachusetts to succeed county governments have been in rural areas of the state, as more densely populated municipalities in urban counties opted to provide services on their own. This might call into question whether such an approach would be attractive to Milwaukee County municipalities, which already provide a wide range of municipal services and may elect to keep things that way even if required to adopt some former county services (such as county trunk highway maintenance) should the county cease to exist.

However, it is clear that there are a broad range of municipal services for which such an approach might be warranted, such as public health, general road and street maintenance, housing, economic development, local parks maintenance and even special public safety services. The combination of the county's elimination and the need to identify efficiencies in the face of significant budget challenges of their own could spur some Milwaukee County municipalities to consider a regional council approach, particularly given the existence of an Intergovernmental Cooperation Council that already has spearheaded some shared service initiatives.

CONCLUSION

Despite the much smaller scope of county governments in Massachusetts, the Massachusetts experience demonstrates that the daunting logistical challenges associated with eliminating a significant level of government can be met successfully if the political resolve exists to do so. It is critical to recognize, however, that in Massachusetts, that resolve came from the governor and state legislative leaders, who not only led the push to abolish counties, but also established a framework that put the state firmly in charge of the mechanics of the dissolution. While ensuring that the process of dismantling counties would not be bogged down by state-local conflict, that approach left state policymakers accountable for any potential political backlash from county taxpayers and added another set of complicated and contentious issues to state government's agenda.

Elimination of counties in Massachusetts did remain a controversial issue well after adoption of the 1997 legislation. For example, according to the *Boston Globe*, when the Legislature considered a bill to finalize the elimination of Essex County in 1998, the Senate reversed course from the earlier legislation and favored having the state assume the retirement costs of county retirees.[44] After the House rejected that approach, the two bodies agreed on a compromise under which the state would foot the initial bill and assess the county communities for reimbursement over a 30-year period (similar to the original framework established the previous year). Governor Cellucci then vetoed the compromise, creating panic among the county's 34 cities and towns that they would have to assume immediate responsibility for the liability. After some significant additional legislative tussling, the original compromise was adopted.

Not only did the details of eliminating county governments remain contentious for months, but the overall wisdom of the approach also continues to be debated. A *Globe* op ed piece penned by a state university professor in 2006 argued that elimination of counties had placed Massachusetts outside of the mainstream of government reform.

"It (is) hard to explain why Massachusetts has pretty much dismantled county government as another wasteful example of too much government. What continues to dominate the governing scene in Massachusetts are cities and small towns – 351 of them, in fact – with a full range of services and people to run those services…not surprisingly, the cost of keeping small-size government with all these services continues to rise, in large part because regionalization and consolidation have little support. While the corporate world is awash in mergers and cost efficiency brought about by consolidation, Massachusetts holds true to local government operations."[45]

While it is beyond the scope of this paper to determine whether elimination of counties in Massachusetts turned out to be a success or failure, **a primary lesson learned is that undertaking a government reform that is so complex and contentious requires resolute leadership from state government and a willingness by the state to devote considerable human resources and an up-front financial investment to the endeavor**. In Milwaukee County, the current county executive has expressed support for abolishing county government, but the governor and legislative leaders thus far have been largely absent from any discussion about significant downsizing or outright elimination. The Massachusetts example teaches us that state elected officials not only would have to be *in* on the discussion, but they would have to *lead it*.

[44] "County Pension Issue is a Nagging Concern for 19 Towns in Essex", *Boston Globe*, March 21, 1999.
[45] Kryzanek, Michael, "Could County System Work Here", Boston Globe, May 11, 2006.

SECTION V

FINDINGS AND POLICY OPTIONS

FINDINGS

As stated in the introduction, the overall intent of this report is to provide community leaders and elected officials with a level of analysis that will allow them to reasonably debate whether downsizing or eliminating Milwaukee County government is a viable and desired option. The following is a brief summary of the report's major findings:

- **Retiree fringe benefit liabilities are a legal obligation and must be financed regardless of any county governance change that may (or may not) be implemented.** The county's pension and health care expenditures nearly tripled during the first eight years of this decade, from $67 million in 2000 to $179 million in 2008. About 46% of those costs are "legacy costs" attributed to retirees. Retiree fringe benefit increases will continue to accumulate in future years, driven by unfunded pension liabilities and the rising cost of health care, and will continue to have a huge impact on county taxpayers for the foreseeable future. Prompt action is needed to isolate and control those costs.

- **The treatment of the county's fringe benefit obligations would be a key factor in reorganization deliberations.** If consensus was achieved to remove certain functions from Milwaukee County government, the magnitude of the retiree legacy liabilities attached to such functions makes it unlikely that any other government would readily accept them. Moving those functions to another government while leaving their associated legacy liabilities with the county, however, could result in a much smaller county government even less capable of affording its legacy-related costs.

- **Milwaukee County operates a vast array of diverse programs that must compete for a shrinking set of resources.** Milwaukee County was created as an "administrative arm" to manage programs locally on behalf of the state, but it has taken on significant discretionary programs over the years. This creates a level of competition for county taxpayer resources among diverse programs that is somewhat unique and that perhaps was not intended by those who founded Milwaukee County's current governance structure.

- **Transferring functions like parks and transit to special districts with a dedicated funding source would enhance funding stability but also would produce new government bodies with their own funding demands.** In other states, the primary rationale for creating special districts has been to provide services more effectively at a regional level and/or to prevent certain services from being negatively affected by the budget difficulties facing a municipal or county government. Before taking a similar approach, Milwaukee County citizens should weigh the potential for stable funding and better quality versus the creation of new, independent government bodies that claim a share of taxpayer resources. Citizens also should weigh the potential benefits of creating a streamlined county government that is able to focus solely on its mandated services.

- **Potential savings associated with government restructuring are difficult to measure precisely but merit further exploration.** Restructuring could produce several sources of potential savings that could not be quantified in this report. Those include reduced overhead costs, profits from liquidating unneeded buildings and equipment, and the opportunity to negotiate lower wage and benefit costs. The report models three restructuring scenarios and reports savings that *can* be reliably estimated ranging from $2 million to $9.6 million annually. Restructuring also could produce new possibilities for funding the county's long-term liabilities if state elected officials create new funding sources for transferred functions while allowing existing county revenue streams to remain intact. In particular, the county's .5% sales tax could be a funding contributor to its legacy obligations if it is no longer responsible for debt service on physical assets transferred to the state or special districts.

- **Massachusetts overcame similar (though much smaller-scale) complexities to eliminate several county governments** and could be a model for how such an endeavor might be undertaken in Milwaukee. The Massachusetts example also demonstrates the extraordinary amount of leadership, resources and attention that would be required by state government.

POLICY OPTIONS

While governance reform promises to be complicated and in need of strong state leadership, local leaders should not abandon efforts to pursue comprehensive structural change in Milwaukee County government. On the contrary, the county's fiscal condition demands consideration of structural change, though the specific shape of such change should weigh the findings contained in this report and needs to be addressed on a function-by-function basis.

In the meantime, a set of critical issues has emerged from this and previous Public Policy Forum analyses that require immediate decision-making regardless of whether and what type of governance changes are pursued.

DECISION 1: THE FUTURE OF DISCRETIONARY COUNTY PROGRAMS

As far back as 1996, the Milwaukee County Commission for the 21st Century raised serious concern about Milwaukee County's ability to provide sufficient resources for services other than those specifically mandated by state government. Today, it could be argued that unsustainable budget strategies are the only means through which the county is able to provide its three major areas of property tax-funded discretionary services (parks, zoo/cultural facilities and transit).

Those strategies include depletion of reserves and deferral of bus purchases – combined with use of one-time stimulus funds – to temporarily avert a gaping structural deficit in the transit system budget; and enactment of sizeable property tax levy cuts and deferral of major maintenance in parks and cultural facilities, which cannot continue without causing severe degradation to those facilities. In addition, discretionary functions benefited from the downsizing and gradual elimination of GAMP – a fourth major discretionary program.

Now, having exhausted those strategies, and facing the likelihood of continued cuts or flat funding from the state for mandated programs, the county cannot continue to provide these discretionary services at a level even approximating the expectations of their users while also accommodating its growing legacy costs. Simply put, county government and its citizens are at a crossroads. They can choose to dramatically increase property tax levy support for parks, cultural and transit services; identify new sources of revenue to support those services; or accept a significant decline in their breadth and quality.

The urgency of this situation obviously has not been lost on several county and state elected officials, who have been pushing for a dedicated sales tax for some or all of these functions. Nor has that urgency been lost on a majority of the county's voters, who supported an advisory referendum calling for a 1% sales tax for parks, culture, transit and Emergency Medical Services (with some offsetting property tax relief) in November 2008.

To date, however, the sales tax debate has largely ignored how a dedicated funding source for discretionary programs could impact the severe budget issues facing other county services. Indeed, how the nearly $130 million in annual revenue from the proposed sales tax specifically would be allocated to the discretionary services for which it is intended – and how those specific uses would impact the county's larger fiscal issues – has not been discussed (see adjacent sidebar).

The decision on how to fund parks, cultural facilities and transit must be made soon, and should be considered in the larger context of how to address county government's overall fiscal challenges. At the same time, **it also could be the starting point for the necessary debate on the county's long-term governance structure**.

This report shows there is not a clear-cut resolution to the issue of where to house the discretionary functions. Transferring functions into special districts is not likely to significantly reduce their costs, which means a value judgment must be made as to whether certain sets of services are

USING THE SALES TAX

While proposals for dedicated sales taxes have been debated in Madison and put to voters, specific details on how the dollars would be allocated, how they would be restricted, and how they potentially would be offset with property tax decreases have been lacking. Such details, however, may be critical to the county's larger fiscal issues, as illustrated by a hypothetical approach that could be taken with regard to a proposed half-cent sales tax for parks and culture.

As this report has discussed, the county assigns legacy costs to departments based on their number of active employees, as opposed to actual legacy costs associated with the retirees of that department. Debt service, meanwhile, is *not* charged to most individual departments, but is budgeted in a separate organizational unit. If, after adoption of a half-cent sales tax for parks and culture, the county elected to change its legacy methodology to charge departments based on their own retirees, and to use revenue from the new tax to pay for both legacy costs and parks and culture-related debt service, then more than a third of the estimated $65 million in new revenue would be used up without paying for a single additional parks worker or repairing a single playground.

While such a scenario likely would not sit well with parks supporters, it might represent the optimal scenario for those who are most concerned with addressing the county's structural deficit. Indeed, the county's financial picture would benefit greatly from the above scenario, which could free up about $5 million in property tax levy annually and nearly $20 million of revenue from the county's existing half-cent sales tax to pay for other needs.

sufficiently important or distinct from the primary mission of county government to justify not only their own segregated funding sources, but also separate governance. Whether the services might be more effectively delivered on a multi-county regional basis also should factor into the equation, as should consideration of whether other counties have interest in such an approach.

From the perspective of the county's governance challenges, another question emerges: Could a reduction in the size and scope of Milwaukee County government, while not solving its fiscal problems, produce less political and more professional governance that would lead to better planning and decision-making?

We have observed that other county and municipal governments in southeast Wisconsin generally function with greater focus and far less acrimony than Milwaukee County. Whether this greater cohesion and problem-solving capacity is linked to size and structure needs to be contemplated.

When we look at other county governments that do not administer transit systems, airports, comprehensive parks systems and regional cultural attractions – in other words, county governments whose primary focus is to effectively manage services as an administrative arm of state government – we see:

- Greater emphasis on hiring professional administrators and greater deference to those administrators.

- Greater focus on nuts-and-bolts administrative strategies – how to more effectively reduce jail populations, process individuals through the courts, achieve higher bond ratings, fill potholes – and less ideological debate.

- Greater emphasis on broad program oversight and program outcomes, and far less on program mechanics, staffing and contracts.

Consequently, the debate over how to *pay* for discretionary functions also must ask whether *removing* those functions and redesigning the administrative and legislative structure accordingly (as described in **Section III)** would produce the focused and professional approach to governance that is required to right the county's financial ship.

In the end, of course, creating a streamlined county government that focuses only on its state mandates might lead, as it did in Massachusetts, to more rigorous debate about the need for county government at all. In the meantime, it would provide actual experience with which to evaluate the pros and cons of streamlining versus elimination, and to engage state government about the practical and political efficacy of its takeover of remaining human service, courts and public safety functions in Milwaukee County.

DECISION 2: ISOLATE AND CONTROL LEGACY COSTS

Whether or not they pursue major organizational change, Milwaukee County leaders would be wise to consider a shift in philosophy and methodology with regard to legacy costs. That shift would reflect the fact that legacy costs are a legal obligation to past employees that must be met (notwithstanding reasonable efforts to reduce it), but that must not impact the effectiveness of government functions without consideration of programmatic needs and priorities. Different options and considerations for pursuing such a shift are discussed below.

Pension Liability

A September 2002 Wisconsin Legislative Audit Bureau (LAB) report examined ending the county pension system and shifting county employees and retirees to the Wisconsin Retirement System (WRS). While that option was not pursued largely because of its legal, financial and administrative complexity, its reconsideration may be warranted.

In light of previous legal opinions, and per the Massachusetts example, instead of attempting to shift the entire county pension system to the WRS, policymakers could consider closing the county pension system but only shifting future costs and liabilities to the state system. All new employees, plus all future pension earnings of existing employees, would be covered by the WRS, thereby not impacting retirement benefits previously earned. The assets and liabilities associated with existing workers also could be shifted into the WRS, which then could assess the county annually to cover the actuarially determined liability and normal costs. Meanwhile, the existing county pension fund could be professionally managed until it eventually faded away.

This approach not only could produce long-term savings for the county, but it also could enable the county to finally get past its 2000-2001 pension scandal. Shutting down the county pension system might make it easier for taxpayers to understand and accept the notion of paying off its liabilities. While the cost of the liabilities would not be diminished, taxpayers could take comfort in the knowledge that, barring future investment losses, they would not grow and the legally required payments eventually would disappear.

Another approach could be to establish a defined contribution plan (i.e. 401(k)-type approach) for new county employees and for future pension benefits earned by existing employees. Again, this might entail closing the existing pension fund and isolating and managing it under the existing or a new management structure. A new defined contribution fund then could be established to manage employer and employee contributions under the new plan.

Pursuit of either option likely would be contingent upon collective bargaining and require significant administrative deliberation. In addition, removal of active members and their pension assets and liabilities from the existing pension fund could draw legal challenges, and could require the county to weigh larger near-term contributions to the remaining fund. Nonetheless, the WRS has absorbed other public pension funds over the years, so the task is not impossible.

While it explores those more complex options, the county might meanwhile consider the simple act of isolating the legacy share of its annual pension costs and determining how to address those costs centrally. As discussed previously, this would help ensure that the county copes with legacy costs based on its priorities and its legal mandates, as opposed to allocating those costs to departments at the beginning of the budget process as if they were directly related to departmental operations.

Retiree Health Care

Similar to pension costs and for the reasons discussed above, the county could benefit from isolating health care costs and liabilities associated with retired employees and addressing those costs centrally. There are also other reasons to consider such a move. First, separating those costs from other health care costs would allow for the singular, priority focus they deserve. As noted earlier in this report, annual health care costs for retirees are nearly equivalent to those for active employees, and they are projected to grow dramatically for several years. Because many retirees are not required to pay a share of health care premiums, strategies utilized to control costs for employees have had limited impact on the retiree population, yet that population has not received specialized focus by policymakers or as part of collective bargaining.

In addition, isolating the retiree health care liability could encourage greater focus on potential long-term fiscal management options. The $1.5 billion retiree health care liability discussed in **Section I** has not received much attention from county officials because of its pay-as-you-go status. Hence, in contrast to the county's pension bonding strategy, which resulted from lengthy deliberation regarding management of long-term pension liabilities, similar long-term financing strategies for addressing the retiree health liability have received little consideration.

Finally, just as consideration could be given to combining elements of the county and state pension systems, county and state officials could explore requiring county employees and retirees to access health insurance through the state's employee health care plans. Under such an arrangement, the county undoubtedly would be required to reimburse the state for the cost of such coverage, but it is possible that purchasing health insurance in this manner would be less expensive than its existing self-insured arrangement.

Exploring Legacy Benefit Modifications

Based on Milwaukee County's previous judgment that little can be done legally to modify retirement benefits already earned by its employees, this report assumes that whether or not county government is restructured or eliminated, legacy liabilities are unlikely to be reduced significantly and will need to be paid.

In light of the substantial and escalating impact of those liabilities, however, possibilities for reducing the cost of previously earned county retirement benefits should be re-evaluated. Any such consideration must take into account not only the legal ramifications, but the moral implications associated with such action. Indeed, a compelling argument can be made that retirement benefits earned by county workers during their employment reflect a promise that should not be modified or broken. From a fiscal management standpoint, however, putting that question on the table is necessary and appropriate.

In 2002, the Greater Milwaukee Committee convened a special committee to explore options for improving administrative oversight of the county's pension system and reducing its costs. Broad recommendations were made regarding procedural matters, some of which have been adopted and have improved oversight, but none of which produced changes to benefit levels for groups other than new employees.

Since 2002, the county has seen the prosecution of a key county pension official and settlement of its lawsuit against the pension board actuary, and it has adopted reductions in prospective pension earnings for non-union employees. Those actions may have altered the legal landscape. Furthermore, the cost of retiree health benefits was not considered by the 2002 committee, and a recent court ruling involving City of Milwaukee retiree health care benefits may have altered the legal landscape in that area as well.

Those factors suggest the time may be ripe for civic leaders to consider enlisting the best legal, actuarial and employee benefits professionals from Milwaukee's private sector to form a new task force to assist the county in re-exploring possibilities for reducing its legacy costs. Alternatively, or perhaps in addition to such an effort, the county could retain outside legal counsel to review both its own previous legal opinions and recent legal developments.

DECISION 3: A PLAN FOR THE COUNTY'S PHYSICAL ASSETS/INFRASTRUCTURE

A private business faced with growing post-retirement liabilities that are wreaking havoc on its annual balance sheet first would seek to address the factors that are causing those liabilities to grow. Next, it likely would take stock of its assets and contemplate how those might be strategically utilized to reduce annual operating costs or pay down its liabilities. In light of the impact Milwaukee County's legacy costs are having on its fiscal health, it would be logical for it to consider a similar approach.

The discussion in **Section IV** explains that if county government was eliminated, such an approach would be guaranteed. If, as occurred in Massachusetts, the county's physical assets (with the exception of those transferred to new authorities) were turned over to state government, then the state logically would seek to determine in a strategic manner which of those assets it needed to carry out the county functions it was assuming, and which might be liquidated to eliminate maintenance costs and offset some of the liabilities it also was inheriting.

A similar approach, of course, could be taken now. That does not imply a "fire sale" of county property, but it does suggest the need for a strategic plan for the county's physical assets that takes into account the vastly reduced size of its workforce and its severe operating challenges. Quite simply, county taxpayers and elected officials need to determine the appropriate size of Milwaukee County government not only from an operational perspective, but also from a physical one.

Among the first issues the county might consider is the future of the land and buildings it owns and occupies on the already-developed portion of the Milwaukee County Grounds in Wauwatosa. Several years ago, the county had a major presence on the County Grounds, including Doyne Hospital and a 900-bed mental health complex. Today, Doyne Hospital is gone, and the mental health complex is down to 250 beds. In addition, a Children and Adolescent Treatment Center that once housed mental health units and GAMP now houses largely vacant office space and day treatment programs for delinquent youth.

The county's 2008 budget contained a provision calling for joint planning between the county and its Milwaukee Regional Medical Center partners to consider the future of the County Grounds, including whether and to what extent the county's ongoing presence as a property owner and manager is appropriate. That planning has not yet taken place, but it would appear appropriate to initiate it now in light of the county's reduced space needs and the potential value of the real estate on which several of its Watertown Plank Road buildings are located.

The strategic space plan also could look at potential long-term leases of valuable assets to secure resources to pay down county liabilities. A potential long-term lease of General Mitchell International Airport has received the most attention to date in light of its tremendous value, but the county also owns parking lots, a marina and other land and structures that could be contemplated for lease arrangements, provided that the operation of those assets for their established public purposes could be maintained appropriately. Also, as discussed in **Section II**, the county could contemplate transferring ownership of cultural institutions to the non-profit organizations that administer them in order to relieve itself of major maintenance and capital improvement needs and/or to generate new revenues.

DECISION 4: ALTERNATIVE APPROACHES TO GOVERNMENT REORGANIZATION

While the Greater Milwaukee Committee commissioned this report to explore the possibility of downsizing or eliminating Milwaukee County government, other metropolitan areas have pursued different forms of governance change, including city-county consolidation and metro government. Detailed consideration of such alternative forms of governance also may be warranted in Milwaukee County.

Consideration also might be given to simply consolidating additional municipal functions at the county level without turning to a merger of governments. Such services logically might include public health, economic development, housing, property assessment and "back office" administrative functions such as information technology, property tax collection, debt issuance/management and procurement.

In light of the issues and problems currently facing the county, municipal leaders are not likely to view county government as an entity that could effectively serve as regional coordinator or provider of additional municipal services (as it currently does for EMS). However, a streamlined county government with a governance structure that is established to be administrative and non-political in nature could be the perfect home for such functions. This scenario also could offer an opportunity to pursue a "regional council of governments" approach (as described in **Section IV)**, in which municipal governments could "opt in" to certain service provision by the county and have a voice in the oversight and administration of those services.

Ultimately, a top-to-bottom review of all municipal services should occur that is similar to that performed for county services in this report. That review should consider which services might be more efficiently provided at a regional or state level, and whether there is political will to include jurisdictions outside of Milwaukee County in the definition of "regional."

CONCLUSION

Whether to embark on a lengthy process to streamline and potentially eliminate Milwaukee County government cannot be determined conclusively by research and fiscal analysis alone; that determination also requires value judgments regarding the importance of various county services as well as to the leadership abilities of current and future county leaders.

The research and analysis contained in this report suggests a need for immediate decision-making in four key areas regardless of whether comprehensive governance changes are pursued. To summarize, those areas are as follows:

1. Immediately determine the future of parks, culture and transit services – both how to fund them and whether to continue to house them in county government. Within the context of that decision, revisit the appropriate purpose of Milwaukee County government and consider creating an executive and legislative structure that befits that purpose.

2. Isolate the county's pension and retiree health care liabilities in order to more effectively manage them and to allow for better decision-making regarding the cost and priority of individual county services.

3. Determine the appropriate physical size of Milwaukee County government and its assets.

4. Explore consolidation of municipal services at the county or other levels of government.

There are no silver bullets that will magically solve the financial problems facing Milwaukee County government and relieve taxpayers from obligations already incurred. The depth of those problems and obligations, however, does create an imperative to consider how government structure influences fiscal health and impacts fiscal management and decision-making.