

State of Wisconsin Task Force on State and Local Government

Tim Sheehy, Chair

January, 2003

The Honorable Jim Doyle
Governor, State of Wisconsin
Room 115 East, State Capitol
Madison, WI 53702

Dear Governor Doyle:

On behalf of the Task Force on State and Local Government, I am pleased to submit our final report in accordance with Executive Order 40, issued March 5, 2002.

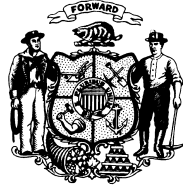
The Task Force met five times in six months, heard 21 informational presentations and drew upon the work of the SAVE and Kettl Commissions. We thank the state employees, local officials, association representatives, businesspersons and others that presented information. The Task Force was asked to make general recommendations. Supporting details to help policy makers are available from Task Force members and presenters. Decision-makers, stakeholders and citizens now have a considerable body of information to make and implement decisions to begin solving the shared revenue, state-local governance and regional economic growth problems that have built over the years. Indeed, Wisconsin's situation has changed profoundly in these years and we now see the compelling need to deliver services and promote growth with regions in mind. This reality requires new policies and new attitudes that result in improved state and local government relations and extraordinary inter-governmental cooperation within every region.

I was impressed with the experience and expertise of Task Force members who worked hard to find common ground and provided a model of civility and productivity. Members will remain engaged on these issues and assist the executive and legislative branches in their work. We are especially eager to work with those champions who will come forward in Madison to deal with these issues that now have reached a tipping point.

The Task Force members appreciate the opportunity to serve the state and served without compensation. Reward enough would be enlightened public policies and the collective will to implement them.

Sincerely,

Tim Sheehy, Chair



State of Wisconsin

Task Force on State and Local Government

Tim Sheehy, Chair

Final Report and Recommendations

January 2003

This final report communicates the Task Force's major and itemized recommendations that are the result of a consensus process. Each recommendation was included because it merited unanimous support or no member felt strongly enough to object to the consensus. Members had the right to offer clarifying or dissenting statements. See Appendix V.

Report Summary

Governing Magazine describes Wisconsin as a state with "declining areas where fights over diminished resources have, perversely, made (inter-governmental) cooperation more difficult." The Task Force was told of an instance where an employer did not want to locate here because of local governmental feuding. The bond market has reached its own negative conclusion regarding Wisconsin self-governance.

This report's theme is simple: New public policies and cooperation should encourage regional service efficiency and regional economic growth. Existing policies favor inefficient independence over efficient interdependence and encourage us to compete against ourselves for jobs. In short, Wisconsin must live within its means at the same time it grows the means to live. If we are successful, investors will eagerly return, our well-employed children will happily remain and our self-confidence will be restored.

It will not be easy. Shared sacrifice is needed to address the budget shortfall and shared commitment to spur economic growth. For sustainable growth to occur, however, we must cooperate within metropolitan and rural regional frameworks, set aside parochial differences and choose long-term good over short-term expediency. The Task Force's major recommendations focus on six actions:

1. Authorizing regional tax-base growth sharing;
2. Modernizing Tax Incremental Financing (TIFs) for metropolitan and rural use;
3. Linking shared revenue growth to the percentage of state budget growth;
4. Achieving greater shared revenue equity;
5. Using shared revenue to reward service sharing;
6. Delivering public services based on the best functional rather than political lines.

These fiscal and governance reforms cannot be done in isolation of other state laws, policies and programs. For example, regulatory, transportation, education and public lands policies as they exist or will evolve can help or hinder cost-effective public service delivery and regional economic growth. They merit examination in that context. The executive and legislative branches should anticipate the consequence of their actions on community cooperation. Mixed signals cost time and money that we cannot spare. Strong, positive signals from the cabinet and legislative committees can instill hope that the future will be marked by cooperation, collaboration and confidence. Likewise, communities are obligated to explore where efficiencies and cost savings are possible through cooperation and consolidation. Communities that have boldly moved forward on their own should be applauded and emulated. However, these matters should not be left to happenstance. State shared revenue, fiscal and administrative policies should encourage and reward these initiatives and discourage and penalize non-cooperative behavior at its origins.

The Wisconsin Task Force on State and Local Government

Major Recommendations

- **Major Recommendation #1: Authorize regional tax base growth sharing.** Wisconsin must grow economically to address its fiscal problems. Regional tax base growth-sharing laws should be enacted to support metropolitan and rural regional growth and cooperation. The state should strongly promote these agreements, especially in troubled economic times like these or in troubled regions and counties be they metro or rural. The increase in property values would contribute to the tax sharing pool. **Background:** The economic dynamic has changed considerably over the years with regional economies becoming a major factor in business decisions and community growth. State policies have not kept pace with this transformation and should reflect the reality that Wisconsin's economic strength begins in the communities and regions, and that regions compete globally. Growth sharing tax policies have been successful in other states such as Minnesota and are easily applied to metropolitan areas. Growth sharing also can be tied to support for regional services or infrastructure and therefore encourage service sharing. Authorizing regional tax base growth sharing will invite communities to talk about "what is good for us rather than me." Regional tax-based growth sharing decisions also provide a focus for state government's executive branch to align its administrative, fiscal and regulatory policies with the seven regional economies that define our state, a point made in Economic Summit III. By being sensitive to regional growth needs, state agencies will be appreciated for their ability to put people first.
- **Major Recommendation #2: Modernize Tax Incremental Financing (TIF) to meet metropolitan and rural needs.** TIF laws should support multi-jurisdictional, regional and mixed-use projects. In the case of urban/downtown TIFs, increased sales tax receipts generated within the TIF district should be authorized to retire TIF debt in the same fashion as increased property taxes. The program would only apply to already developed areas (80% or higher) and would not create an incentive to attract more retail to greenfield developments. In rural areas, the focus should be on core industries that depend upon regional commerce centers. TIFs or similar tools should be authorized to support the Tourism, Agricultural and Forestry industries. State agencies with tourism, agricultural and natural resources responsibilities would be better able to support the modernization those sectors need to remain viable in a competitive marketplace. In all cases, the state should support the use of TIFs where they meet criteria and also ensure their use is in accordance with the law. **Background:** Wisconsin communities' economic development and revenue generating tools compare unfavorably to neighboring states. Communities outside Wisconsin have more tools and more flexibility to use them. Wisconsin's main local economic development tool is the TIF. Yet, our TIF laws have not kept pace with trends in the global economy, cluster economic development, transportation corridors, mixed-use development, in-fill re-development, new urbanism, restorative development, supply chain management, etc. Nor has their potential been fully realized in older downtown areas or neighborhood commercial districts of mature communities. By allowing any increase in the sales tax revenue to be utilized to pay the capital costs to rehabilitate older downtown areas, the state would be embarking on a long-term economic stimulus package to increase income tax revenue and retail sales. It also would send a message to investors, developers, citizens and businesses that the door is open to community entrepreneurship. In a larger sense, modernizing TIFs could allow communities to take advantage of growth in Southeast Wisconsin, the Fox Valley, Minnesota and Illinois. It also could allow rural areas dependent upon Tourism, Agriculture and Forestry (TAF) to support growth center investments for those industries.
- **Major Recommendation #3: Link shared revenue to a fixed percentage of the state budget with biennial adjustments.** Shared revenue is a partnership between state and local governments. They share the good times and bad times together. Shared revenue funding should be fixed at the current percentage of state budget as a base and biennially increased only if the state budget increases and then only at the percentage increase approved for that budget. This will signal local governments' willingness to link their well being to that of the state and vice versa. **Background:** The shared revenue account is unlikely to grow and its value erodes with inflation. Erosion of shared revenue's value affects different communities in different ways. It is clear that the current system does not address the issue of whether the fund is producing the greatest value in terms of its original goals, including equity of service and attention to the poorer communities. Also clear is that expectations for state aid to the local level should be linked to the fiscal reality of the times, rejecting politics as usual among competing state, local and educational interests. An increasing number of examples exist of different units of government that are cooperating to save public funds and provide the level and quality of service required by their constituencies. As state government operations consolidate to live within reduced resources, a parallel effort can exist on the local level, recognizing the shared fate of not only state and local governments, but different types of public services, including K-12 education and sewers.

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- **Major Recommendation #4: Correct the shared revenue formula to support basic service equity.** The shared revenue formula should be revised to promote greater service equity with a special focus on those property-poor communities that depend in great part on shared revenue to fund basic services. The revised formula should support a basic level of services. The new formula should reflect changes in responsibilities, such as the state's takeover of financial responsibility for the court system and it should be sensitive to local government's responsibility to achieve service efficiency and quality through cooperative and regional efforts. **Background:** Wisconsin's heavy reliance on the property tax to support local services and education is at variance with the practices of neighboring states. The result is that our local governments have fewer options to raise the revenue they need for basic services, most significantly affecting property poor communities, many of them in rural areas. Equity issues also exist in metropolitan regions. However, these areas possess greater potential for growth sharing, which should be a focus of local governments with strong state support.
- **Major Recommendation #5: Use shared revenue to reward service sharing and penalize inefficient independence.** The Legislature's well-intentioned action that set aside \$45 million in shared revenue funds to support local government consolidations and mergers should not be implemented. Rather, a new shared revenue formula should be designed to foster cross-community service sharing and discourage service independence. By setting a deadline or providing a sunset on incentives or delayed disincentives, the Legislature could send a message about rewarding improved efficiency through cooperation or penalizing inefficiency that jurisdictions protect. It could look to how the state signaled and pressured for desirable changes in K-12 education. A revolving loan fund should be created to support financing of one-time costs tied to service consolidation, such as construction or remodeling of facilities. **Background:** Shared revenue policies, by their nature, send signals to local governments, taxpayers and stakeholders. A comment offered by a local official to the SAVE Commission describes the status quo: "It is hard to imagine a local government structure that does more to encourage conflict and discourage cooperation than the one in Wisconsin." Shared revenue's absence of incentives for efficiency, cooperation, coordination and performance metrics sends a message. So do the legislatively created policies, and fiscal and bureaucratic silos that separate the costs of general government, educational government and special purpose government, even though the functions have common needs for facilities and support services. There are examples of school districts cooperating with general purpose government, towns and villages sharing services and counties playing a special role as service coordinator or provider.
- **Major Recommendation #6: Deliver public services through functional, not political, service lines.** Local governments should create functional service delivery lines without regard to their political boundaries. The state should support this cooperation through its shared revenue policies, by providing information to decision-makers and by removing state statute and state agency created obstacles to more efficient service delivery. Cost-saving opportunities may exist in providing and paying for services or facilities, including schools, in developing areas within one or adjacent jurisdictions. Laws authorizing fees against property owners and/or developers should be expanded to more easily allow for recovery of direct service costs to affected properties, with emphasis on cost management, inter-jurisdictional cooperation and fairness. **Background:** The Task Force's recommendations are not meant to threaten any specific local entity or class of government. They are meant to signal all levels and types of government that business as usual will not meet the goal of improving service efficiency and containing costs. For the state that may mean changing laws, rules, government aid policies and agency approaches. For communities it may mean establishing functional governance that crosses political lines, ceding functional (but not political) authority to another jurisdiction or re-negotiating labor agreements. In some cases this is already happening. Leadership at the state and local level often is the key ingredient in making things happen. Such was the case in Racine County where communities produced a Greater Racine Area Intergovernmental Cooperation Agreement that identified services and infrastructure that would be supported by the region. State limits on wastewater treatment facility proliferation and the need for expanded sewer service provided motivation for inter-governmental cooperation. In Milwaukee's North Shore suburbs, fire services were consolidated for Bayside, Brown Deer, Fox Point, Glendale, River Hills, Shorewood and Whitefish Bay. A higher level of service is being provided and four communities are actually paying less per capita than before; one is paying slightly more and two are paying more. In Marathon County, the Everest Metro Police Dept. was created, merging protective services for the Village of Weston, Town of Weston and City of Schofield. The Wisconsin Taxpayers Alliance said the new department was the most fiscally responsible in the state. This recommendation invites local government associations serving towns, cities, municipalities, and counties to expand their roles in helping members work across jurisdictional lines.

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Issue #1

Invest shared revenue in innovation, equity and growth

Shared revenue and other incentives such as tax base growth sharing are tools to foster innovation, equity and economic growth. An understanding of regional differences and how communities could relate to each other within regions is important to achieving economic growth and service efficiency.

- 1.1 Shared revenue should honor its original intent to share taxes with local governments where the taxes were collected. This sharing should be fixed at the current percentage of the total state tax collections and increased only by the percentage increase approved for the overall budget.
- 1.2 Shared revenue, through the formula, should enable poorer communities, determined by dollars of equalized value per capita, to provide a basic level of services without having to place an unbearable tax burden on property taxpayers. It levels the playing field so communities can pay for quality of life.
- 1.3 Shared revenue should not foster jurisdictional disagreements between communities that should cooperate on services, boundaries and economic growth, taking into account rural and urban factors. A specific recommendation would be to amend Section 66.0305 that allows revenue sharing between municipalities but requires a Class 3 legal notice and an advisory referendum. A Class 1 legal notice would suffice.
- 1.4 Shared revenue should use the strength of the state as an efficient collector of state taxes.
- 1.5 Shared revenue should support economic growth through cooperative efforts among local jurisdictions in relation to a state strategy.
- 1.6 The general objectives of the shared revenue program should be framed with the clear understanding it is just that – shared revenue that originates in the communities and is redistributed by the state.
- 1.7 Statewide goals should provide the framework and priorities for shared revenue.
- 1.8 Revise current shared revenue formulas to better equalize the fiscal capacity of Wisconsin municipalities.
- 1.9 Shared revenue from the state to local government should be based on a formula that measures the fiscal capacity of municipalities, expressed in dollars of equalized value per capita, a measure of a community's ability to afford municipal services and acknowledges low population levels.
- 1.10 Provide state grants, including shared revenue, as incentives for resolving boundary disputes.
- 1.11 A state goal should be to have an efficient tax collection system that is best demonstrated in the collection of income and sales taxes. These taxes should be expanded to more items and services. The state should collect the sales and income taxes for 1800 local jurisdictions. This does not include the property tax. It should distribute the revenue based on the fiscal capacity of a community. A strategy may include growth sharing from a sales tax within a region such as a metropolitan area or a county.
- 1.12 The state should take over financial responsibility of the court system. A long-term solution for counties in the area of shared revenue is to trade a portion of their shared revenue in order for the state to take over the court system. This would improve accountability and line up taxing and spending with the entity that makes the decisions.
- 1.13 Counties are very different from municipalities, as they are an administrative arm of the state. As a result, the shared revenue goals for counties may not be the same as for municipalities. Counties need to be separated out under shared revenue.
- 1.14 Utility aid payments should be maintained in the interest of equity and a state growth strategy that requires a reliable energy supply.

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ISSUE #2

Take a cooperative systems approach

Issue: Hard lines and fixed positions cost everyone. A new system is needed to support state and local government effectiveness and efficiency. A systematic approach with professional evaluation supports decisions to improve quality of life and services as well as efficiency. Such a system also can foster trust.

- 2.1 Create functional service lines that support integrated decisions and systems approaches. State policies, practices and budget lines should support these functional lines, decisions and systems. This includes state grants that can have an impact on spending by supporting inefficient practices or, conversely, promoting approaches based on functional logic rather than jurisdictional authority.
- 2.2 State government should decentralize policies or rules to the regional level in the spirit of searching for jurisdictional lines and service delivery systems that make sense in today's world. One, state uniform approach may be out of line. For example, seven regional economies defined in Economic Summit III require different state program approaches. Community pride has value and should be remembered, but all government functions should be seen as opportunities to make them more efficient and effective.
- 2.3 Put the judicial branch and justice system under the same cost control spotlight as everyone else. The Legislature should require that the six state agencies and judicial branch in state government with justice duties integrate their information technology and other systems to improve efficiency. For example, there are independent automated systems for juvenile delinquent and child welfare cases.
- 2.4 Overhead, common services and facilities could be shared across different levels and types of governments, including, state, local, county, schools and special districts. State policies should encourage all governments to cooperate by pooling common services and facilities that are now duplicative. These services or facilities might include: Risk management, Purchasing, Human resources, Training and testing facilities, Computer systems, technical personnel, Web site creation and maintenance, Billing, Assessing, Tax collection, Public safety, Records management, Licensing and permitting, Parks and recreation, Inspections, Mass transit, Land use planning and Smart Growth implementation, Sewer and water systems, Buildings and facilities use, Capital equipment, Road maintenance and snow removal, Health care and public health and Special services (i.e. SWAT teams, Hazmat, confined space rescue, Emergency Government).

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ISSUE #3

Foster innovation and cooperation

Issue: Statutory, regulatory and other barriers may inhibit innovation and cooperation at all levels. Barriers and boundaries, erected with good intentions are an historical fact. Removing those barriers can save money, force decisions and tap community talent. State and local policies and authorities should encourage flexibility in how goals can be achieved within a jurisdiction, between jurisdictions and between the public and private sectors. New flexibility and local authority will provide opportunities for associations serving local government to enhance services for their members and to work together on solving problems and sharing best practices.

3.1 State policies allow multi-jurisdiction cooperation but need to directly promote multi-jurisdictional cooperation among general purpose units of government and between local governments and other units such as K-12 school systems, special districts and technical colleges, all of which are taxpayer supported. The Task Force recommends these ideas and principles:

- State statutes and fiscal policies should foster multi-jurisdictional cooperation to achieve efficient and quality service, giving flexibility to local governments to do the job.
- Executive and legislative actions should eliminate state barriers and disincentives to cooperation within regions, be they metropolitan or rural in nature. These state actions should promote: a. Economies of scale; b. Elimination of overlapping services; c. Elimination of the statutory timeline governing each step of the cooperative agreement process between jurisdictions.
- Counties, which are administrative arms of the state, should be catalysts for inter-governmental cooperation and support problem solving at the local level. Implementing this concept requires the attention of the counties' association and state government.

3.2 State government oversees changes in the status or boundaries of local governments, at times causing unnecessary conflict and avoidable delays in decisions. The Task Force supports public involvement, noticed hearings, transparency and appeal opportunities to protect citizen and statewide interests. However, it also believes in modernizing state policies and practices regarding oversight of decisions that are largely local in nature. The Task Force recommends these ideas and principles:

- Convert the Dept. of Administration (DOA) review of annexation control point to a service that helps communities make annexation and consolidation decisions.
- Simplify statutes governing changes in boundaries and municipal relationships and modernize the state's review function. Recognize the ability of communities to work things out cooperatively by: a. Amending 66.0301 to remove uncertainty prompted by judicial decisions regarding boundary agreements involving towns. The amendment would permit adjacent municipalities to agree on common boundaries, coupled with the necessary public hearing and, if threshold tests are met, advisory referendum. Grandfather in agreements which established boundaries or dealt with annexations; b. Simplifying boundary changes authorized by preparation of cooperative plans, amending 66.0307 to provide local officials more authority but still guaranteeing input; c. Allowing local governments to agree on boundary changes and consolidations with conditions for notice, input, referendum (with a threshold such as two-thirds) and due process, with an appeal option at the state level.
- Within DOA's existing statutory role, require time limits that DOA has to decide on incorporating, consolidating and merging and allow towns seeking to incorporate to amend their petitions rather than having to file new petitions.
- Towns with qualifying population, tax base and levels of service should have easier criteria and processes for incorporating in the context of mutually-beneficial inter-community service agreements, shared growth strategies and tax base sharing.

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- 3.3 State laws are unnecessarily proscriptive in how local government should do its job. This is especially apparent when evaluating the different needs of rural and metropolitan communities. It also is apparent when viewing the greater flexibility local governments in neighboring states have in raising revenue and provide local services. The Task Force recommends these ideas and principles:
- Give greater taxing and spending authority to local governments for: a. Services they provide within their borders; b. Agreed-upon services that cover multiple jurisdictions; c. Service consolidation and streamlining.
 - Generally increase local authority over providing, supporting and financing services.
 - Don't treat all communities alike, especially rural and urban.
- 3.4 Mandates from one level of government to another create substantive problems and political tension. The legislature is pressured to mandate services. But neither the legislative nor executive branch has a way to routinely evaluate those service demands in relation to each other, to past decisions and to local ability to pay. Nor do they have an adaptive and collaborative management system (audits are retrospective) to measure performance and make adjustments. The Task Force recommends these ideas and principles:
- The entity that mandates the service should pay for it.
 - Statutes and fiscal policies should clarify and align taxing and spending authority, while finding ways that short and long term risk can be shared with accountability.
 - Mandates, some of which are not funded, require local government to evaluate comparative needs in light of fiscal necessity. The state should be partners with local governments in encouraging innovation, consolidation and coordination of efforts.
 - Revise mandates that measure inputs (eg. money spent) to measure results. Target those mandates that discourage or do not promote innovation, efficiency and/or cooperation (eg. library mandates, stormwater runoff). Give flexibility and protection to municipalities that experiment and meet goals in ways that are more efficient than those proscribed by state agencies.
 - Review the range of social service / community service / human service mandates that tie to out of synch block grants and decide what should be mandated and funded and what should be optional for counties.
- 3.5 Regulatory processes were created to protect the public. However, at times those processes may inhibit projects that benefit the public in terms of the services they provide or the economic opportunities they represent, especially in urban areas. In the context of the need to help municipalities save time and money, cities create in-fill growth and citizens an opportunity to monitor government, the Task Force recommends these ideas and principles:
- Remove unnecessary, duplicative, irrelevant and conflicting rules that block development.
 - Authorize municipalities to use the design build contracts on public construction projects.
 - Allow municipalities to publish summaries of newly enacted ordinances with information on how citizens can view entire ordinances on the web site of all municipal offices.
 - Speed the regulatory approval process with state and local agencies.
 - Allow for problem-solving flexibility in the development approval process.
- 3.6 Local officials have a responsibility to contain costs by improving efficiency in their own jurisdictions and through inter-jurisdictional cooperation. Just as the state should reduce barriers to cooperation, local officials should eschew turf-protection that discourages savings. They also should identify costs that are regional in nature or problems – such as housing, environmental management and transportation – that can only be fairly and effectively addressed regionally. The Task Force recommends these ideas and principles:

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- By local decision, communities should share the cost of museums, recreational facilities, airports, zoos, etc. that are presently paid for by central cities but enjoyed and used by citizens regionally. Communities that share the cost of these facilities should have a voice in their construction and management, a governance issue that needs discussion. Care should be taken not to create more layers of government. There should be a way for communities to easily make decisions on supporting regional assets and promoting regional economic growth.
 - Define what services are appropriate to be funded by the community, such as property-related services that are funded by property taxes and which are best funded by state sales and incomes taxes and user fees. Then align the service with the method of support.
 - Expand the imposition of fees against property owners and/or developers to recover costs of making certain services available to affected properties, including education, with an emphasis on cost management, community cooperation and fairness.
 - Reduce general property tax exemptions (i.e. align service provided with specific revenue source).
 - Honor the principle of elected official accountability for taxation. The state should cap spending of taxing authorities that are composed of non-elected officials. Authorities that are composed of elected officials should be exempt from caps. Taxing authorities such as tech colleges, sewer districts and convention centers may or may not be subject to statutory taxing limits but should include local elected officials.
- 3.7 Local government associations will become more important under Task Force recommendations. The emphasis on regional tax base growth-sharing, economic growth and functional public service areas creates a need for association collaborative as well as advocacy functions locally and in Madison. Also, the executive and legislative branches will engage these associations differently, looking to them as partners, problem-solvers, educators and even decision-makers that waive mandates in search of innovation and efficiency. The Task Force recommends these ideas and principles:
- Create a best practices function involving existing local government associations. The function evaluates examples of service delivery based on: customer service, costs, efficiency, effectiveness and other factors such as rural-urban differences. Such a function can foster trust.
 - Create a “waiver committee” of local government associations. The committee provides advice and may take action on waivers of mandates, if authorized by statute, drawing upon consensus models that already have achieved state goals through regulatory flexibility (e.g. brownfields). The committee would allow local governments to waive rules to innovate, cooperate and more efficiently achieve the public policy goal. It would encourage local governments to “think outside of the box” by authorizing waivers to achieve a specific result within a defined period of time.
- 3.8 Voters should be allowed to choose whether certain county offices such as sheriff and clerk should remain elected or be appointed.
- 3.9 Increase the threshold from \$15,000 to \$30,000 when competitive bidding is used.

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ISSUE #4

Create policies to support regional economic growth

Issue: The state's economic health begins within communities and in regions. Communities must grow economically to support public services and quality of life at existing levels. But local government essentially has "a one tool tool-box" for growth: the TIF. Tax Incremental Financing policies are out-of-synch with economic and political reality. We need policies that help metro and rural areas grow. Without good jobs, children leave after getting a state-supported education, exacerbating the problem of funding services for an aging population.

- 4.1 The state should increase the number of and focus of economic development tools and incentives that can be used for metropolitan and rural regional economic growth:
 - Create regional tax base growth sharing laws to promote government cooperation and regional growth agreements which should be easy to adopt and available to all governments; be designed to generate and share economic growth, share overhead or other services and encourage boundary certainty; be promoted to help achieve economic or efficiency goals during troubled times or in troubled regions/counties;
 - Eliminate disincentives to cooperative growth, including statutory and state fiscal incentives that encourage communities to compete for growth;
 - Share the tax-base revenue from growth among communities in defined regions.
- 4.2 Create incentives for cooperative growth by:
 - Building a growth-sharing system that helps communities make economic decisions that benefit each other, be they in metropolitan regional shells or rural regions that depend upon rural regional centers.
 - Establishing a test for local economic investments with this first question: Are communities cooperating within a defined area of interest?
- 4.3 Develop a regional finance policy that supports the infrastructure necessary for growth that is driven by the market, complements local smart-growth and state economic strategy.
 - Mix a portfolio of funding sources to support regional, cluster or business sector growth.
 - Align state fiscal policy (i.e. housing, training, environmental, transport aids, grants and investments) with regional growth strategies. Align planning, regional economies and fiscal incentives to promote efficient land use, services and infrastructure that contribute to the state growth strategy, using data that benefit all parties in making and implementing decisions.
 - The state should encourage and support economic planning and cooperation that reaches beyond the borders of local governments and counties. This can happen in connection with regional development strategies, growth-sharing decision-making or smart growth discussions.
- 4.4 Make tax credit incentives in development and enterprise zones more usable by allowing the credits to be sold to another firm that could make better use of them. The reform also should review use of the existing law to insure uses were in accordance with the law. The reform should include authority to penalize fore violations. Attention is needed for rural enterprises.
- 4.5 Reform the Tax Incremental Financing Law to:
 - a. Support multi-jurisdictional projects;
 - b. Support mixed use development like projects involving commercial, residential and public facilities;
 - c. Support a mix of business types and services that constitute clusters;
 - d. Allow for the collection of increased incremental sales taxes within redevelopment TIFs.
- 4.6 Broaden the mix of state-revenue sources that support metropolitan and rural regional economies:
 - a. Use funds from sale of excess properties to invest in economic development, where appropriate;
 - b. Encourage focused investment of new state revenue sources and existing development tools on metro and rural economic priorities.
- 4.7 The state should create new business incentives, not necessarily through new money, or apply existing tools in a specialized way to promote economic development in rural regions and economic sectors such as tourism, agriculture and forestry (TAF).

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ISSUE #5

Inventory government properties and decide on ownership

Issue: Government has millions of dollars in real estate, assets that tie up capital, incur expenses and require the hiring of employees. There is a need to know the nature and extent of these assets and determine which are essential and which can be liquidated to produce cash flow and reduced costs. Selling outright or doing sale-leasebacks on select government real estate would generate funds, eliminate holding costs and return properties to the tax rolls. Assets may not be fully used in the short or long term or may deteriorate through poor care. Here is an approach to help make rational decisions on assets that may or may not be best held by various levels of government:

- Inventory: Create a template to audit and inventory properties so the question can be answered: How much land and buildings should be in public ownership;
- Engage a team of independent experts to evaluate public lands, especially in heavily impacted counties;
- Identify excess properties, being mindful of statutorily directed initiatives such as Stewardship;
- Engage a separate team of independent building experts to evaluate building candidates for sale or sale/leaseback;
- Create and execute a disposition program to put selected property back in the private sector and on the tax rolls;
- Invest the disposition proceeds to encourage new or expanded development on these properties.

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ISSUE #6

Foster civic-entrepreneurship

Issue: In America, society has been held together by citizen engagement in community and government affairs. This form of social capital has always been important. But it is especially critical in difficult times. Shared revenue growth is unlikely and the need for economic growth clear. With fiscal constraints affecting government everywhere, citizens are challenged to become more innovative in meeting the community needs. Civic entrepreneurship can produce ideas and commitments to reduce government costs, create economic opportunity and build community. Here is general advice for citizens, businesses, community organizations and governments themselves that want to foster civic entrepreneurship:

- Increase the number of civic-minded entrepreneurs drawn to local government services.
- Establish and maintain support systems for civic engagement.
- Provide more tools to local governments and citizens to work together in entrepreneurship networks, to build their communities and manage their quality of life.
- Provide training and educational programs that develop local leadership, citizenship and initiative with the interest of working within and between communities.
- Document the results of and honor successes in civic accomplishment and progress.

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Appendix I

EXECUTIVE ORDER #40

Relating to the Creation of the Task Force on State and Local Government

WHEREAS, Wisconsin is facing a budget shortfall that may reach beyond \$1.1 billion in the 2001 - 2003 Biennium; and

WHEREAS, the Budget Reform Bill of 2002 was introduced to rectify this shortfall; and

WHEREAS, one provision of the Budget Reform Bill of 2002 is to phase out shared revenue with repeal of the program completed by fiscal year 2005; and

WHEREAS, it is important to have a forum for discussing and addressing fundamental change to the state and local governments relationship; and

NOW, THEREFORE, I, SCOTT McCALLUM, Governor of the State of Wisconsin, by the authority vested in me by the Constitution and the laws of this State, and specifically by section 14.019 of the Wisconsin Statutes, do hereby:

1. Create the Task Force on State and Local Government (hereinafter, "Task Force"); and
2. Provide that the Task Force members are appointed by the Governor to serve at the pleasure of the Governor; and
3. Provide that the Governor shall designate one (1) member on the Task Force as its chair to serve in that capacity at the pleasure of the Governor; and
4. Provide that the Task Force shall review and answer questions in the following areas:
 - A. To review government organization, including the size and number of governments;
 - B. To review efficiency and consolidation of government services;
 - C. To review land use, boundaries and annexation;
 - D. To review finances and taxations of state and local government;
 - E. To review state mandates that are barriers to consolidation; and
 - F. To identify financial incentives for local governments to consolidate services, where possible; and
5. Make recommendations to strengthen the partnership between the state and local governments to ensure Wisconsin is fully prepared to meet the challenges of the Twenty-First Century; and
6. Require the Task Force to submit to the Governor a final report on its findings and recommendations by February 2003; and
7. Direct the Secretary of the Department of Administration and all other state agencies to provide the Task Force with administrative and support services and with such sums of money as are necessary for travel and operating expenses in accordance with section 20.505(4)(ba) of the Wisconsin Statutes; and
8. Require the Task Force to disband once the Governor has accepted its final report.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of Wisconsin to be affixed. Done at the Capitol in the City of Madison this fifth day of March in the year two thousand two.

Scott McCallum
Governor

The Wisconsin Task Force on State and Local Government

Appendix II

MISSION

To provide a governmental framework and concrete actions that will enable us to grow our communities in an orderly manner, grow and maintain our economy and provide for communication, cooperation and adoption of needed changes as time passes.

GOALS

1. We will contribute productive and non-partisan ideas, actions and recommendations to the 2002 general election debate;
2. We will explore best practices that can be applied immediately and for the long term in the new system we will create;
3. We will improve the use of revenue to local government as a tool to innovate, equalize and support quality services;
4. We will make recommendations that have a long enough horizon to achieve our vision but short enough view to make a tangible impact. We reject quick fixes!
5. We will create an effort that prompts governments to evaluate what they are doing and helps them do it better - continuously;
6. We will identify statutory, regulatory and other barriers to implementing better practices and the new system and ways to eliminate those barriers;
7. We will support state economic growth with policies and practices that help communities grow so they can improve their quality of life and provide job opportunities for our children.

The Wisconsin Task Force on State and Local Government

APPENDIX III TASK FORCE MEMBERS

Timothy R. Sheehy (Chair)
Metropolitan Milwaukee Association
of Commerce

Lt. Governor Margaret A. Farrow
State of Wisconsin

Ron Corn
Menominee County Coordinator

Mark Dahlberg
President, Village of Grantsburg

Rick Gale
President, Professional Firefighters of
Wisconsin

Mayor Timothy M. Hanna
City of Appleton

B. Jane Hoyt
Dunn County Supervisor

Jean M. Jacobson
Racine County Executive

Daniel E. Kapanke
Chairman, Town of Campbell

Tom Leverich
Chairman, Town of Angelo

Representative Dan Meyer
Wisconsin State Assembly

William J. Mielke
President, CEO

J. Michael Mooney
NAI MLG Commercial

Mayor Christine E. Nuernberg
City of Mequon

Rep. Anthony J. Staskunas
Wisconsin State Assembly

Edwin J. Zagzebski
Wisconsin Housing and Economic
Development Authority

Staff Contacts

Jeff Smoller
Department of Natural Resources

John Reinemann and Ken Harwood
Office of the Governor

The Wisconsin Task Force on State and Local Government

APPENDIX IV

SUMMARY OF APPEARANCES

Presentations and messages to
The Governor's Task Force on State and Local Government
June-September, 2002
A summary

June 12, 2002
Madison

Gov. Scott McCallum: The task force should focus on forging a new relationship between state and local government at a time when the state faces a fiscal challenge. There is a recognition that change must happen and getting change to happen will be difficult. Society moves forward and government must, too.

Lt. Gov. Margaret Farrow: This task force builds on SAVE and Kettl Commission efforts. Government must develop ways of self-renewal. The failure of past reforms such as the Kellett Commission to provide for this renewal is unfortunate. The challenge of creating a state-local government relationship that is self-renewing is considerable but it must be met.

Jeff Smoller, task force staff: Restoring trust between levels of government and among governments is an important challenge. Without trust, the system may be unable to make decisions in its self-interest. Former SAVE Commission chair Jim Burgess advised that members should understand that their work is not done with the task force's final report; they must become its advocates.

July 10, 2002
Madison

Dennis Collier, Dept. of Revenue: Compared to other states, Wisconsin has a relatively large number of general purpose and special purpose districts per 1 million residences. However, every state is different.

Eng Braun, Dept. of Revenue: Wisconsin depends less on federal aid than other states, more on property taxes and much more on shared revenue. Others use various fees and focused taxes. It is difficult to compare costs between units of government between states and in the state.

Brian Pahnke, Dept. of Revenue: Since 1996-97 the state has financed schools by two thirds and needs to add roughly \$150-175 million annually to keep pace, without adding new programs.

Dan Huegel, Dept. of Revenue: Shared revenue changes in the budget bill: Total shared revenue funding is decreased by \$40 million shared equally between municipalities and counties. There was a sweetener for communities that want to consolidate services.

Mike Pollack, former Village President, Fox Point and Rick Gale, Professional Fire Fighters: As a result of consolidation of fire services in Bayside, Brown Deer, Fox Point, Glendale, Rivers Hills, Shorewood and Whitefish Bay, four communities are paying less per capita than before; one is paying slightly more and two are paying more. The funding formula takes into account population, property values and number of calls. The focus is on service delivery.

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Vilas Machmueller, president, Village of Weston; Dan Vergin, chief, Everest Metro Police; Dean Zuleger, administrator, Village of Weston: Weston village, Weston town and City of Schofield merged police services in 1993. Per capita costs were \$120, winning a Taxpayers Alliance award. Joint governance may take more time but is supportive. Incentives are important.

Prof. Sammis White, UW-Milwaukee: Reasons consolidation and cooperation do not happen: home rule, differentiation among communities; autonomy; fear of cheating on each other; parochialism; personalities; need for services. There is a need for incentives. Time is important.

Pam Walgren and Rebecca Boldt, Dept. of Revenue: Tax incentives available for business include exemptions, credits and other special corporate tax treatment. Also TIFs and technology zones. Property tax incentives include specific exemptions and special tax districts. Exemptions include machinery and equipment, merchants and manufacturers inventories, pollution abatement equipment and computer equipment. Since 1997, municipalities have had the authority to create environmental remediation TIF districts. Sales tax incentives include these exemptions: machinery and equipment; manufacturers' raw materials; pollution abatement; waste treatment and recycling equipment.

William Mielke and Jean Jacobson, Greater Racine Area Intergovernmental Cooperation Agreement: The driving force was the need to fairly allocate capital costs for wastewater treatment and fund regional services such as the zoo, library and museum. A driving force on the wastewater issue was the state's non-proliferation policy. It is important to have neutral ground for inter-community discussions. The process takes time and needs a driving force.

Mark O'Connell, Wisconsin Counties Association: The state and counties should work together. With revenue scarcity, decisions will have to be made on what services to reduce or drop. In some cases there can be merger of services to include school districts.

Rick Stadelman, Wisconsin Towns Association: There are 1,264 towns and in these towns there is closeness between officials and the people. These towns cooperate with each other and others, such as in recycling.

Ed Huck, Wisconsin Alliance of Cities: Regional economies depend upon healthy cities. Shared revenue is a core element in promoting economic health. If the economy grows, the state should benefit but so should the local community. That means growth sharing.

Dan Thompson, League of Wisconsin Municipalities: There are 4,017 policy makers in the league's membership. There is great turnover, which challenges the league to provide simple training. However, simply providing more efficient service will not restore the state to fiscal health.

August 8-9, 2002
DePere

Paul Jadin, mayor of Green Bay: The big challenge is to address the root causes of government non-cooperation. First, officials must take the long view and the system must reward 30-year decisions. Second, elected officials must overcome professional turf protection in and between their jurisdictions. Third, legislative policies must favor growth in cities over green fields. Fourth, create regional "shells" to address issues such as housing, schools, poverty and safety. Fifth, stop subsidizing sprawl. Sixth, differentiate between basic services in rural vs. urban areas.

Kathryn Bloomberg, former mayor of Brookfield: Mayors nationally say they need numerous tax options. Wisconsin cities have lagged because there are few revenue options and they are so dependent upon the property tax. However, in some communities half the property is off the rolls because of state decisions. The opportunity for

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local or regional taxes would reduce the dependency on the state, improve economic growth and encourage regional cooperation. Regional TIFs could partner communities, the region, the counties and the state.

J. Michael Mooney, NAI MLG Commercial: It is time for civic entrepreneurship, which is the process of recruiting, empowering and enabling the talent necessary to grow communities and the state. Growth happens locally, which is why Wisconsin grew in the 1990s. Local communities need more authority to control their own destiny.

Keith Korb, Robert W. Baird and Co.: Generally speaking, the states of Iowa, Illinois, Michigan and Minnesota have more economic development tools than Wisconsin. Some, like Michigan, already have multi-jurisdiction TIFs.

Michael Harrigan and David Anderson, Ehlers and Associates: Wisconsin communities suffer from a lack of home rule, unlike Illinois. The uniform taxation clause of the Constitution is inhibiting as are TIF limits. In the area of governing, elected officials don't always control their own cities. Police and fire commissions have a ruling authority. Libraries are not under the elected official and there are unfunded mandates such as storm water runoff control.

September 13, 2002
Madison

Paul DeLong, deputy state forester: Forest products and forest-based recreation account for 12% of the Gross State Product and 18% of its jobs. The majority of forest products industry jobs are not in the forested portion of the state. Some 42% are in Southeast Wisconsin, including 7% in Milwaukee County. The state changed the Constitution after the northern forests were logged; the result of the change was to help the landowner to manage timber to maturity and then pay taxes on harvest.

James Robson, CEO, Wisconsin Milk Marketing Board: The annual economic value of dairy agriculture to the state is \$20 billion, and includes 5.1% of its jobs. The dairy business is 3.6% of the Gross State Product. The future of the dairy industry is tied to milk production and cheese making. The future of cheese is bright; but there needs to be more milk. Modernization is needed to remain competitive.

Sharon Folcey, executive director, Sparta Area Chamber of Commerce: In 2002, travelers spent nearly \$11.4 billion in the state. Summer is the busiest with \$11.4 billion in spending. Tourism is particularly important to rural Wisconsin. Rural tourism takes a number of forms, including Heritage Tourism that recognizes the cultural and community attractions as opposed to so-called major destinations. This kind of tourism is especially important to rural Wisconsin.

The Wisconsin Task Force on State and Local Government

APPENDIX V

COMMENTS BY MEMBERS

January 13, 2003

Mr. Tim Sheehy
Task Force on State and Local Government
P.O. Box 7863
Madison, WI 53707

Dear Tim:

I wanted to again thank you for the opportunity to serve on the Task Force on State and Local Government.

I am writing to offer a dissenting opinion on the shared revenue recommendations contained in the task force's report. Although I support many of the task force's recommendations, when it comes to shared revenue I do not believe that the task force's recommendations fully address what needs to be done to improve the shared revenue formula.

In addition, I am concerned with the approach taken that penalizes local governments who have already taken steps to operate efficiently by consolidating services on a local level. I do not believe that we should penalize those who were ahead of the curve, while rewarding municipalities who only now are beginning to explore ways to save money through consolidation.

Again, thank you for the opportunity to serve as a member of the Sheehy Commission.

Sincerely,

Dan Meyer
State Representative
34th Assembly District

The Wisconsin Task Force on State and Local Government

Sparta, Wisconsin
January 12, 2003

To: Tim Sheehy

From: Tom Leverich, Member
Task Force On State And Local Government

Re: Comments on Task Force Final Report and Recommendations

My general observation over the years has been that a government is no better or worse than those who create and implement its programs. Also, like most businesses, the farther away from the stockholders or electors those in charge are the greater the probability that waste and poor management will occur.

The Task Force Report suggests a regional approach to government be considered. I am concerned with this since how it will be administered is not defined. Our present governmental structure fails to meet our need mainly due to the lack of any direct relationship between local governmental bodies. Early in this last century a county government was essentially a gathering together of the heads of the county's local governments. A worthwhile relationship did exist. Solutions to common problems were cooperatively sought after. This relationship drastically changed when the court ordered the election of county supervisors by districts. Today, solutions are not hammered out cooperatively. More often than not they are left to dangle indefinitely. A somewhat similar situation now exists due to the consolidation of school districts. Local government no longer has much voice in the budgeting process for schools, Vocational School and other special purpose levies (and) are also no longer subject to any local control or interrelated.

Is it any wonder we have fiscal problems? How a regional approach will cut taxes and improve our economy remains in my mind very much in doubt. It could well prove just one more hand in the taxpayer pocket.

Throughout our discussions I reached one conclusion. Our state needs to improve communications between all layers and units of government. We especially need to search out and eliminate or provide for the better administration of specialized programs and or laws that enable one layer of government to benefit at the expense of another. The TIF district is one example. The government game ought to have one set of rules that all play by! We also need some way to limit the load that can be placed on the local taxpayer.

Overall, I commend those Tack Force recommendations, which promote local government cooperation and understanding! The public should evaluate them with one thought, "Does this proposal serve to improve and make our state a better place to live?"

Respectfully submitted,

Tom Leverich

The Wisconsin Task Force on State and Local Government

APPENDIX VI

WEB SITE FOR SAVE, KETTL and SHEEHY COMMISSIONS

www.lafollette.wisc.edu/reform/library/

Draft 10.0 01.27.03
Sheehy final report 12.23.02.doc
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