

# MILWAUKEE'S TAXATION WITHOUT REPRESENTATION

## BOARDS THAT TAX SHOULD BE ELECTED

MARK KASS

It was just one recommendation in a major report put together by The Greater Milwaukee Committee (GMC) in September 2006 on how to fix Milwaukee County's well-documented financial problems.

But buried in the report was advice by the prominent and powerful group of Milwaukee-area business leaders that a single elected board be set up to oversee all of the non-elected boards and commissions with taxing authority in Milwaukee County.

"This is something we really need to start talking about in this community," said Sheldon Lubar, a Milwaukee business executive, who co-chaired the committee that put together the GMC report with Milwaukee philanthropist Chris Abele.

You're talking about boards with authority over a lot of money and projects in our community. We have to have more accountability for these boards.

In the report, the group stated that the Milwaukee area has a system of separate taxing authorities operating "in an uncoordinated manner—each acts on their own behalf without any central authority accountable to tax payers."



"Other communities have implemented models of an elected oversight board or committee, which approves all expenditures and the resulting property/sales tax levy for the appointed taxing authorities," the group wrote in its report.

Often in times of crisis, a burning platform for change appears and long overdue foundational

change results. This is one of those rare moments for logical and long-term change in Milwaukee County.

This was the first time a prominent community group had lent their support to a push that has been brewing in the state Legislature for several years—one that has been led by State Senator Mary Lazich, who in early 2006 introduced legislation to eliminate appointed boards with taxing authority.

The clear reason from Lazich and the business leaders was how you can have boards making taxing decisions without being held accountable by those people they are taxing.

"It makes no sense that these boards can raise taxes without being held accountable,"

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*Mark L. Kass is Editor of The Business Journal Serving Greater Milwaukee.*

said one political observer. “We’ve fought wars in this country over taxation without representation. But that is clearly what is going on in these boards.”

Lazich said in many cases, there is a “disconnect” between appointed board members and taxpayers.

“Wisconsin taxpayers are fed up with high taxes and are demanding more accountability,” said Lazich.

If boards are going to increase taxes, they must be accountable to the people paying taxes. Right now, taxpayers do not have recourse. It is fundamentally unfair and a violation of one of the basic concepts of good, open, clean government.

If taxes are going to be increased, the boards should have to stand up and defend the increase and then vote to increase taxes. Finally, they need to face the people that pay the taxes in an election. The concept is called taxation with representation, and one that we should always adhere.

Business leaders were quick to point out that they were talking about boards with control and decision-making authority over a large amount of money. For example, in Milwaukee County, the three non-elected boards with taxing authority—Milwaukee Metropolitan Sewerage District (MMSD), Milwaukee Area Technical College (MATC), and the Wisconsin Center District (WCD), which includes the Midwest Airlines Center—oversee annual operations, maintenance, and capital budgets totaling about \$675 million.

In the city of Franklin in 2005, almost 14 percent of a resident’s total tax bill went to MATC and MMSD, even though none of the city’s more than 30,000 residents voted for an elected representative on either board. On a home assessed at \$250,000; that meant about \$1,000 of the homeowner’s tax bill went to those two agencies.

### **Two big targets**

The two biggest targets for changing appointed boards to elected commissions have been MMSD and MATC.

MMSD has one of the largest capital budgets in the entire metropolitan area. In fact, in 2007, the owner of a \$200,000 home in Milwaukee County will pay \$260 towards MMSD’s capital budget of \$285.7 million. That number does not include any local fees or taxes that may be added by a local municipality.

At MMSD, the sewerage agency is overseen by an 11-member board, seven of whom are appointed by the mayor of Milwaukee, with the remaining four appointed by the mayors and the village presidents of the 18 Milwaukee County communities, other than Milwaukee and South Milwaukee.

As I’ve written before for the Wisconsin Public Research Institute, Milwaukee mayors, ranking from Henry Maier to John Norquist to current Mayor Tom Barrett, have used commission appointments as a political thank you to supporters.

As the job pays more than \$10,000 a year, the mayors have appointed political friends, colleagues, and contributors as a way to thank them for past efforts. For example, current members of the MMSD Board include State Representative Pedro Colon and Wallace White, who at one time was executive director of MMSD. Several political sources said the only reason Colon and Wallace were appointed to the board was because of their support for Barrett during the 2004 mayoral race.

Mayoral commission appointees who have crossed the mayor or disagreed with him on a major issue are frequently replaced on the MMSD Commission. The most recent example was in July 2005 when Barrett replaced Milwaukee Alderman Michael D’Amato on the commission with Alderman Ashanti Hamilton.

D’Amato had opposed the high-profile plans from Wispark Corp. for the redevelopment of the Pabst Brewing Co. complex in downtown Milwaukee, a project that Barrett and Hamilton supported.

Jeff Fleming, a public relations consultant and former mayoral aide, said at the time that Barrett’s move was political payback, some-

thing that could not happen on an elected board.

"D'Amato's position on PabstCity was pretty in-your-face," Fleming said. "It may have reached a point where (Barrett's administration) isn't playing softball any more."

In a recent opinion piece in the *Milwaukee Journal Sentinel*, former Wisconsin Governor Anthony Earl called for MMSD to be governed by an elected board.

"It is not enough that a number of the current commissioners are appointed even if some hold elective office elsewhere," wrote Earl, who was also secretary of the Wisconsin Department of Natural Resources. "That alone does not do enough to hold them accountable to service-area taxpayers."

Earl said it is difficult for MMSD officials to hold municipalities accountable when six of the 11 commissioners represent communities the district is suppose to be regulating. And ten of the communities served by MMSD in Waukesha, Ozaukee, Washington and Racine counties do not have any representation as they are not members of the District.

"I believe the people served by the sewerage district deserve better than they have now," he wrote. "Accountability to the state, to the voters and to effective management can greatly improve things."

Colon quickly responded to Earl, saying he believed that switching to an elected board would be a mistake for MMSD, citing the fact that two mayors, two state legislators, and one Milwaukee alderman currently sit on the commission only because they are elected officials.

"Switching to an elected commission would undermine the achievements of a balanced governing body that is the most diverse in the state, representing low- and high-

income districts and suburban and urban interests," he said. "Imagine the disputes that would erupt over how to split the sewerage district into voting districts."

In a 2005 article for the Wisconsin Policy Research Institute, I argued that the MMSD's 420-square-mile service area should be divided into 11 districts based on population, with one representative elected from each district. This would take away an undue influence that the mayor of Milwaukee currently has and put people on the board who really want to be there.

This would also eliminate MMSD's biggest argument against a change in governance: that current representation is based on population.

They argue that more people live in Milwaukee than in the suburbs and therefore should get more representation.

With the one person, one vote in place, that argument would no longer be valid.

#### MATC mess

The MATC Board has made big news in recent years, with fights over its teacher salaries and its budget decisions. In early November, the Citizens for Responsible Government (CRG) group released an audit of MATC that it undertook to try and show what it called fiscal mismanagement.

"Current and past board members of MATC have been irresponsible stewards of greater Milwaukee area property tax dollars," the CRG report stated.

Decisions are based upon maintaining and improving the level of wages and fringe benefits from year to year, which take a larger share of residents' personal incomes

Their focus is generating more revenue, not managing costs. Revenue comes from the student and taxpayer. They suggest,

#### NON-ELECTED BOARD BUDGETS - 2007 (MILLIONS)

MMSD	
Capital	\$285.70
Operations & Management	\$67.60
MATC	\$309.00
Wisconsin Center	\$12.00
<b>Total</b>	<b>674.30</b>

Source: Governmental Agencies

increased taxes and tuition to fund lavish compensation. The taxpayer won't know.

As expected, MATC officials ripped the report, saying it had factual flaws and misguided assertions. The union representing MATC teachers quickly defended the technical college.

"It would be one thing if the CRG Report was inaccurate—that is, just sloppy, with some figures a little high and some a little low," the group said on its website. "But when all the errors make the college and faculty look bad, then random sloppiness cannot be the cause. Rather, CRG's leadership is practicing conscious dishonesty."

But the teachers' union did not comment on the report's proposal to recommend converting the appointed board to an elected.

In the short-term, the CRG report recommended that the board needed to be replaced with a new seven-person board that would include two non-partisan local elected officials, one member from a local business organization, one union representative, one member from a policy research organization, one member from a taxpayer advocate organization, and one high ranking official from the University of Wisconsin-Milwaukee or Milwaukee Public Schools.

"This new Board would have balanced representation with advocates in local politics, public policy, unions, education, and taxpayers," the group said. "A taxpayer advocate would serve as a financial watchdog and spending counter-balance."

In the long-term, CRG did recommend that the entire board be elected.

### **Wisconsin Center**

The board overseeing the Midwest Airlines Center has also come under criticism for some of its decisions to spend taxes collected from sales taxes it has the a power to collect.

WCD is governed by a 15-member board of directors mainly appointed by the governor, the Milwaukee county executive and the

Milwaukee mayor. The co-chairs of the state Legislature's Joint Finance Committee serve on the board, and two members represent the hotel and restaurant industries, which derive the most benefit from a convention center.

Current members include Franklyn Gimbel, a prominent Milwaukee attorney; Jack Weissgerber, a local restaurant operator; Rick Gale, of the Professional Firefighters of Wisconsin; and James C. Kaminski, a local consultant and former commissioner of the Milwaukee Department of Public Works.

The Wisconsin Center's funding comes from operating revenues and special sales taxes on hotel rooms, on prepared food and drinks generally sold in restaurants and taverns, and on car rentals. Within the boundaries of Milwaukee County, the Wisconsin Center collects 2 percent on rooms, 3 percent on car rentals, and 0.25 percent on food and beverage sales. It also receives a 7 percent hotel room tax formerly collected by the City of Milwaukee.

The board's most controversial decision came when it decided to spend more than \$42 million to renovate the former Milwaukee Auditorium into a theatre. The decision angered some in the community because of the competition it has created with other public operations, such as the Milwaukee County-funded Marcus Center for the Performing Arts and private theaters such as the Pabst Theater and the Riverside Theater.

"There was no public debate for the money they spent on the auditorium," said the political source. "It was ridiculous. They wanted to do it and it didn't matter what anyone else said. This was a great example of a board acting without regard to anyone else."

The Milwaukee Theatre has struggled financially since it opened in 2003.

### **Momentum gaining**

Clearly, public opinion is gaining on the issue of eliminating appointed boards with taxing authority as the anti-tax sentiment that has swept southeastern Wisconsin in recent years grows.

In a recent survey on *The Business Journal Serving Greater Milwaukee's* website, 84 percent of the respondents agreed that the state Legislature should pass a bill that would require all boards in Wisconsin with taxing authority to be elected.

A sample of the comments submitted with the survey included:

- Members must be held accountable. Appointees are not held accountable except by the one appointing them.
- This shouldn't even be a discussion. It is an easy choice. We need to pick the people who want to spend our money.

- We have too much taxation without representation in this state.
- If any board is formed for the purpose of representing the people, then it is a no brainer. It needs to be up to the people to decide who will be responsible to represent their best interests.

Now the question facing the state Legislature is: Will they let the Wisconsin residents decide who should make decisions when it comes to their tax dollars?