

# SOMETHING'S GOT TO GIVE

## LOCAL GOVERNMENT AND THE NEXT GOVERNOR

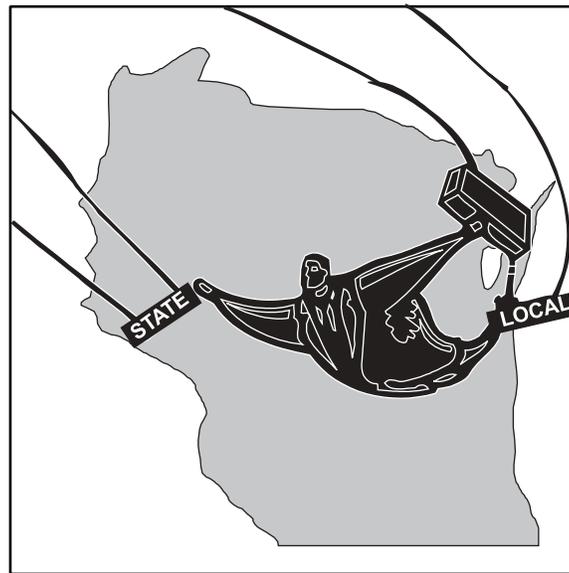
DENNIS A. SHOOK

**I**n the words of the famous lyricist Johnny Mercer, “something’s got to give” when it comes to the consistently strained relations between the state and local units of government.

Like an acrimonious divorce, neither side seems really willing to budge to make their marriage work, despite paying lip service to the hope for an amicable settlement.

But unlike a couple easily able to call it quits, the state cannot divorce itself from the local units of government, which are charged with carrying out the state’s will outside the capital rotunda. And those local units cannot afford to carry out their state-mandated duties—many that are of great benefit to their constituents—without the tax funds they receive back from the state in shared and other revenues.

This unavoidable mutual dependency has caused problems for state and local governments over many years as they wrestle with delivering the services that Wisconsin residents have come to expect while trying to rein in the high taxes that Wisconsin residents have also come to expect—and despise.



### Calling Out the Governor

With November elections coming, it could be the right time for legislators and gubernatorial candidates to tell the public what they can do to heal this growing schism.

There are already several ideas for changing the relationship being fostered by those people who have demonstrated they have an

abiding interest in workable remedies.

Many local officials say the answer is for the state to either relieve its mandates or assume a larger share of the costs of programs it forces local units to provide, such as courts and corrections. Still others believe the state should allow local governments a wider array of revenue-raising options. And there are some who even see the need for a major change in the state constitution, which has survived with only a few changes since the state was formed in 1848.

But the bottom line is really where the most communication is needed . . . at the alpha rather than the omega. Without input and par-

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ticipation by local governmental units at the beginning of the process—when the budget is being formed—it is highly unlikely they will be satisfied when the state legislature and governor finally agree on what the biennial budget should look like.

Legislators who have not served at various levels of local government may not be aware of the impact their budgetary decisions have on the local governments, whether they be school districts, municipalities, or county governments. Having local representatives involved in that process from the beginning is one way to avoid such problems.

One example of how such collaboration can avoid later anxiety occurs in Waukesha County. In recent budgets, the chairman of the Waukesha County Board's Finance Committee has sat in on every meeting between the county executive and the county's department heads. That chairman can comment or make suggestions at this formative point, before the budget assumptions become locked in place. It has been a process that has been praised by the county executive and county board as heading off potential problems in the future. So why not use that concept on the state level?

The main challenge would be how best to allow for such input without legislators bucking at what could be seen as an infringement on their privileges and purview.

Waukesha County Board Chairman Jim Dwyer, a former head of the Wisconsin Counties Association, has been trying to coax state government into making changes for most of the past decade. But he contends it can be frustrating at times. Dwyer admits there is plenty of finger pointing to go around from both sides. But with recent efforts by some legislators designed to limit revenue raising and spending at the local level, Dwyer believes counties and municipalities have been getting most of the negative attention in the rift between state and local governments.

"I think what would be a most refreshing statement from a sitting governor or candidate

is one that understands the problem is not local governments but the problem is in Madison," Dwyer said.

That will happen when someone can realize they can be part of the solution by standing up and saying that, while adding that the state budget is totally out of whack and the state can't continue to push their expenditures down to lower elected governments.

Dwyer compared state government to a person who has taken every credit card offer sent in the mail, used them to their limits, and then passed along the bills to local governments.

One way to reverse that impact and create good will—at least for county governments—would be for the state to take over the full cost of running the court system, Dwyer said.

Another way would be to address the method by which the state creates mandates without funding them, and allow for local governments at all levels to find ways to appeal the implementation or continuation of such mandates.

Dwyer said in the 2006 Waukesha County budget of \$251,215,355, with \$90,172,396 coming from property tax levy, about \$33 million was needed to plug gaps in unfunded or under-funded mandates.

Another solution to the problem would be to make a concerted effort to remove the partisanship involved, he said. Dwyer pointed out that Milwaukee County Executive Scott Walker, a former Republican legislator, is having to wrestle with the same problems that other local governments face even as Milwaukee County is on the verge of bankruptcy, based on Walker's own statements.

The discussion of consolidation of government services on a regional or county level also needs to continue, and the state can play a role in those changes by offering incentives, Dwyer said. He added:

We need to get people from both parties who will be willing to stand up for these

reforms, saying, "I'm Spartacus" . . . and not be afraid of not being a part of their party's inner circles any longer.

But Dwyer said of the split between state and local governments:

I don't believe there is one single answer. It will take a lot of people with strong will at the state level along with counties, cities, villages, and towns. There are a lot of people who care about this but good things will not happen if they simply give up and walk away.

### **Radical Surgery: A Constitutional Convention**

Another view on solving this problem might already be making some progress.

Ed Huck, executive director of the Wisconsin Alliance of Cities, is pushing for a constitutional convention to address many of these issues of conflict between state and local governments. His hope is that such a gathering of all the players will result in meaningful changes in the relationship; maybe even a reconciliation.

The Alliance is taking the first step by setting a meeting in October, working with Marquette University and the University of Wisconsin's La Follette Institute, and a wide range of government officials, to consider solutions to the fracture between governments and the immediate problems facing the cities the group represents.

Huck asked:

Is the Wisconsin Constitution obsolete? I believe there are some things that are necessary to do to make us competitive on personal taxes.

Huck asserts that the root of the disconnect between state and local government is the lack

of funding overall and the unequal distribution of funds by the state to local units of government.

He adds that local units of government have very little control of their own economic situation and should have more latitude to raise revenues locally through methods other than personal income tax or the property taxes. Huck said in other states, local units of government have the latitude to charge more in fees for certain services, helping to alleviate some of the cost burden from the property tax.

If you take a look at the (Wisconsin) cities, you will find we are below average of capacity for cities in other states to raise

revenues at local level. We have very high property taxes and very low fees.

Also, our income tax is not set up to be competitive and the sales tax is outdated and obsolete. The taxing base is too narrow and the property tax is too damn high because we have a relatively lousy mix of revenue sources.

The state could do much to change that by enacting new laws, whether they are forged

in the crucible of a constitutional convention or not, he said.

But that does little to provide local units of government with access to the budget process itself, which could prove to be the best answer of all.

### **Tough Love**

One person who spent a major amount of time trying to unravel the knotty relationship between state and local governments is Don Kettl, formerly a political science professor at the University of Wisconsin-Madison in the La Follette School of Public Affairs. The Kettl Commission, appointed in 2000 by then-Governor Tommy Thompson and instructed

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to find solutions to the contention between state and local governments, provided a series of ideas for changing the relationship at the end of more than a year of meetings.

Among the ideas contained in the final Kettl Commission report were:

- Restructuring the state's shared revenue program in a manner that streamlines services and reduces duplication;
- Transforming the state's shared revenue and targeted aid programs for counties in a manner that gives more flexibility to counties while defining extent of expected outcomes;
- Focusing the state's aid on education (pre-kindergarten through secondary education); and
- Evaluating from "top-to-bottom" the performance of Wisconsin's state and local governments; eliminating unnecessary regulations and updating government with twenty-first century technology.

Yet the ideas never were seriously considered for legislation, much less implemented. Kettl, now a professor of political science at the University of Pennsylvania, says the key for any meaningful change is to get political clout behind changes. And he believes the best way for the next governor to accomplish this will be one issue at a time, rather than trying to make a whole range of changes as his commission proposed.

"Perhaps the first one to tackle would be offering incentive grants for governments to collaborate," Kettl said, echoing one of the commission's recommendations. He believes that will help reduce some of the schism between state and local governments that is caused by a growing lack of funds. Those funds would come from the state shared revenue pot and lead to reductions for those local governments that refuse to cooperate. "That may sound like tough love but (cooperation) is the toughest issue and there really is not an alternative," he said.

Kettl also sees value in regionalization of many governmental functions. The key ones are providing sewerage treatment and water supplies, fostering economic development, and providing for coordinated emergency communications that transcend governmental borders.

He compared it to the aftermath of Hurricane Katrina, where most people recognize the need to make substantial infrastructural repairs and adjustments but nobody seems to want to champion such an expensive course of action.

### **A Seat at the Table**

State government officials and those who serve in local government often have divergent frames of reference on who should take charge and which level of government is responsible for taking action, as can be expected. And that has often made it difficult for state and local government to communicate without being confrontational.

Yet by fostering that cooperation at the beginning of the process, many such issues could be dealt with collaboratively, allowing the final budget to be a joint document that is a product of cooperation and not a focus for feuds.

One of those who has seen the issue from both sides is Margaret Farrow, and she believes there are some important things the next governor can accomplish to change the relationship. As a former village of Elm Grove president, Farrow saw firsthand the difficulties local governments have in dealing with state rules and funding. As a long time state legislator and lieutenant governor, she also saw the problems from the state's perspective.

Farrow also has one of the most extensive resumes of any person in the state in trying to address the issues that separate state and local governments. She served on the SAVE Commission, the Kettl Commission, and a group formed by Kettl and Tim Sheehy, head of the Metropolitan Milwaukee Association of Commerce. Each group tried and had limited or little success in bringing state and local governments closer together.

So if she was to consult the next governor, what would she say?

She said:

The next governor ought to create a cabinet level position, filled with someone from local government, to help deal with these issues.

The next governor might view things differently if there was someone who could be consulted about the impact of state government on local government.

She similarly believes the next administration needs a central bureau that will assist local governments on issues like combining with neighboring municipalities, dealing with labor issues, and easing problems with state mandates and regulations.

When Farrow was lieutenant governor, then Governor Scott McCallum raised the rancor level for local government in his well-remembered State of the State speech, during which he called local governments “big spenders.”

But Farrow said many people forget that McCallum also created an opportunity for local governments to come and ask for a waiver from certain state mandates, in an effort to streamline government.

Farrow says the next governor ought to once again provide such an opportunity.

A key element to changing the relationship between state and local leaders would also be to provide incentives for local governments to cooperate and even join together to more efficiently and cheaply provide certain services.

Farrow said the Kettl Commission she served on developed many of these ideas but

many of them lacked the financial underpinning to make them reality.

Yet with growing efforts to cap government spending on all levels, that might prove to be even more difficult.

One answer Farrow supports would be increasing flexibility for local governments to collect increased revenues locally through sales taxes and other means, taking some of the pressure off of the state shared revenue system that is a main sticking point in the relations between local governments and Madison.

But Huck doubts if there is the political will to make any significant changes.

#### STEPS PROPOSED TO IMPROVE THE RELATIONSHIP BETWEEN STATE AND LOCAL GOVERNMENTS

- Hold a state constitutional convention to consider how state and local governments function together and how they spend and raise revenue.
- Create some government mechanism for meaningful appeal of state mandates.
- Put in place spending caps on all forms of government.
- Allow for more flexibility for raising local fees and taxes.
- Incentivize the regionalization of local government functions.
- Create a cabinet level position on local government relations.

“If we want to heal state and local relationships, we need to consider changes,” Huck believes.

But nothing has ever happened because of a huge gap of leadership. It takes a lot of work to get to where we’re talking about, and there are no champions out there any more.

So far, Governors Tommy Thompson, Scott McCallum, and Jim Doyle have all failed to adopt the basic tenets of governmental reform that the Kettl Commission recommended to help heal the break between state and local governments. And Kettl doubts whether

such changes could be proposed "during campaign mode" because they are not the kinds of ideas that many people immediately support.

"The hardest thing is to get these kinds of change issues on people's agendas," Kettl said.

This is a slow motion type of crisis. But people in Wisconsin don't want to wake up in 10 or 15 years and find they don't have the kind of society or government they want.

### **Promises, Promises**

So the effort towards change needs to begin with the person who is elected to lead the state this November. Yet changing the relationship seems clearly to be on the back burner for both candidates seeking to lead the state.

Current Governor Jim Doyle believes he has made major inroads into improving the relationship between state and local government, based on comments from his spokesman, Dan Leistikow.

"The governor has already done a lot to improve the situation and he remains willing to look at any idea," Leistikow said.

When the last governor, Scott McCallum, pointed his finger at local governments and called them "big spenders," Governor Doyle's approach has been to try to help local government.

Leistikow said Doyle's version of a property tax freeze actually helped drive down the property tax burden for most school systems.

"He has also opened up the state's procurement contacts to local governments in an effort to help them save money," Leistikow said.

And he said "the governor fully funded state shared revenues," which is the major source of revenue for many municipalities and had been threatened with cuts in recent years.

But local municipalities and counties have complained that much of the assistance has not targeted them but has been funneled to school districts, where Doyle draws considerable political support. Many local officials would also point out that despite Doyle's efforts, the

problems remain and challenges seem to grow even larger with the rising costs of energy and of providing health care for employees.

The man who will oppose Doyle in the fall elections, U.S. Representative Mark Green, R-Wis., said he would treat local officials as "partners in providing representation for our mutual constituents."

A former state legislator, Green said he would call a special session of the state Legislature soon after being elected to address mandate relief.

Green added:

One of the first things I plan to do is sit down with county leaders and we're going to work together to get the state court system off of the property tax. We may have to have some give and take to get there, but the system as it is currently designed simply does not make sense.

Yet Green has said he supports a constitutional amendment to put a cap on state and local spending. So there is considerable doubt that having the state assume some major program costs could be accomplished even as the state tries to tighten its own fiscal belt.

Green said he would have the state adhere to the same Generally Accepted Accounting Principles (GAAP) that govern county governments, adding, "It's state government that needs the biggest dose of fiscal discipline."

On the local level, Green said he would ask the state legislature to identify and vote on "every unfunded mandate the state places on local units of government."

Whether the next governor is Doyle or Green, it seems clear that much work remains to be tackled if the relationship between state and local governments is to become less acrimonious and more collaborative. Maybe a larger commitment will be made after the dust from the election settles. Just like in that contentious divorce, some of the healing might begin if both sides were willing and able to cut through the emotions and have a meaningful discussion about what is really important to both sides.