

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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