

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.