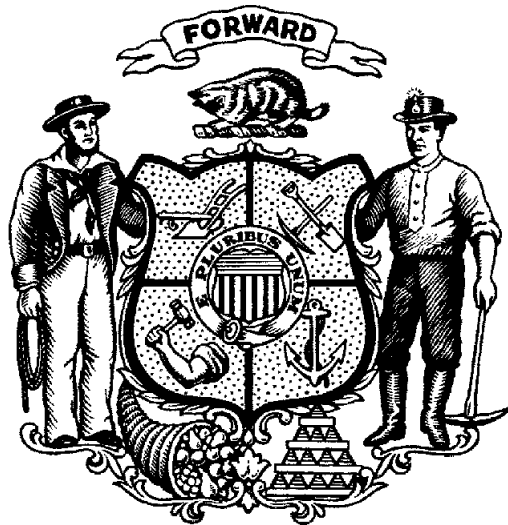


Governor's Blue-Ribbon Commission
on State-Local Partnerships
for the 21st Century

Summary



January 2001

21st Century Government for Wisconsin

In April 2000, Governor Tommy Thompson created this Commission. He charged it with being radical and bold—with conducting a “mini-Constitutional convention” to rethink what Wisconsin government does and how it can do it better. With this report, the Commission lays out a bold strategy for Wisconsin’s government for the 21st century.

The Commission’s proposals lay out a strategy for innovative partnerships among Wisconsin’s state and local governments that will be a national model. They will position Wisconsin to improve the quality of life for all the state’s citizens. They will deliver better value for taxpayers’ dollars. They will reduce tension in the political system and make Wisconsin’s state and local governments genuine partners instead of adversaries.

Almost two-thirds of the state budget goes to aids for local governments. Too much of this money flows without a clear connection to results. That’s not a good deal for taxpayers. It makes it hard for elected officials to ensure accountability. And it increases conflict in the system. The Commission’s proposals:

- ***Protect taxpayers.*** None of the Commission’s recommendations call for more spending or the creation of new bureaucracies.
- ***Focus on results.*** The Commission’s recommendations move the state from battles over formulas to managing for performance. The recommendations answer the basic question: what value do we get for the money we spend?
- ***Reduce duplication and overlap of government services.*** The Commission’s recommendations create strong incentives for governments to collaborate on behalf of their citizens.
- ***Grow 21st century jobs.*** By encouraging collaboration among governments, the Commission’s recommendations will fuel economic growth.
- ***Bring 21st century technology to Wisconsin’s government.*** The Commission’s recommendations bring e-government to W-government.
- ***Make Wisconsin the national leader in state-local partnerships.*** Many keen observers have identified state-local partnerships as the emerging issue of the 21st century. The Commission’s recommendations can make Wisconsin the national leader in this area just as W2 made Wisconsin the national leader in welfare reform.
- ***Draw a road map for the future.*** The report is not so much a detailed handbook as a road map for the 21st century state-local partnership. It is a plan for a fundamental change in the culture of Wisconsin’s government.

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Executive Summary

Wisconsin has a strong system of state and local governments. Virtually everyone in the state appreciates the high level of service they receive. But virtually everyone agrees that the taxes to pay for these services are too high and must come down.

Wisconsin also has a long tradition of delivering these services through a close partnership between the state and local governments. There's no way to keep the level of service high or to bring taxes down without first reforming the state-local partnership. The state returns nearly two-thirds of the revenue it raises to local governments to fund services. It's an historic and deeply rooted partnership, but in recent years that partnership has foundered on serious and growing tensions.

Some of the tension in the system comes from the inescapable need to produce more and better service without raising taxes. Some of it comes from strains that flow from programmatic changes, including the state government's decision to fund two-thirds of the cost of local schools. Some of it has come from a steady slide in the communication among public officials at all levels. Fiscal pressures and deep distrust have frayed the partnership almost to the breaking point.

To solve these tough problems, Governor Tommy Thompson in April 2000 launched the Governor's Blue-Ribbon Commission on State-Local Partnerships for the 21st Century. His charge to the Commission was to think boldly and creatively, to conduct nothing less than a mini-constitutional convention, and to craft solutions that would launch Wisconsin's governments effectively into the 21st century.

Over the last nine months, the Commission has held fifteen meetings, seven Town Meetings throughout the state, countless discussions with citizens and government officials, and electronic forums on the Internet. It has carefully examined the principal issues in the state-local partnership. In the pages that follow, the Commission lays out its recommendations for how best to structure the 21st century state-local partnership.

In making its recommendations, the Commission recognizes that it faced a huge challenge in a very short time. The Commission has faced large expectations to produce detailed solutions to very difficult problems. The Commission's recommendations, we believe, will go a very long way toward restructuring the state-local partnership.

In the long run, however, the most important elements of the Commission's work consist of two things:

- *Providing a road map for the future.* Trying to resolve these issues by digging into detail is a prescription for failure. Not in nine months—or in ninety months—could any group of people hope to write prescriptions to cure the ailments plaguing the state-local partnership. The Commission seeks to draw the map, not outline the itinerary. The success of the Lewis

and Clark expedition hinged not on the explorers' plotting each step but on focusing laser-like on their ultimate goal.

- *Starting the work with the Commission's finish.* Some observers looked on the Commission's work as the beginning—and end—of the process. The Commission believes that the real work begins as it submits its report. Indeed, its work will never end. All good partnerships require constant nurturing. Wisconsin's state and local governments need to get into the habit of continuously improving the partnerships on which the state's citizens depend.

In framing its recommendations, the Commission did not sit in solitude to devise solutions. The Commission's recommendations are built on solutions already tested and proven in Wisconsin. We have identified what already works—and how to spread these best practices throughout the state. In short,

The Commission calls for common sense solutions built on proven results. The Commission calls for pursuing these solutions through collaborative partnerships among state and local governments. The Commission calls for making citizens the center of government's work.

To pursue this goal, the Commission concludes that Wisconsin's state and local governments ought to dedicate themselves to four principles:

1. *Economic growth.* Wisconsin's citizens deserve a high quality of life. The state's children deserve a bright and promising future that builds on high-quality jobs of the future. Too often, competition among communities hinders Wisconsin's ability to achieve this future. Wisconsin's state-local partnership must be strengthened to create strong incentives for governments to collaborate with each other toward our shared future.
2. *Citizens at the center.* Wisconsin's citizens deserve service that doesn't stop at governmental boundaries. Citizens shouldn't have to pay for more government than they need because services overlap. They shouldn't slip through the cracks between programs. Citizens' needs, not governmental boundaries, ought to drive public services. Wisconsin's state-local partnership must be strengthened by putting citizens at the center of everything government does.
3. *Performance-driven government.* Wisconsin's citizens deserve efficient, effective government. Too often, battles over inputs and formulas get in the way of producing outcomes and performance. The system should focus on results, not formulas. Wisconsin's state-local partnership must ensure that an obsession for high performance drives the system.

4. *Maximum local flexibility in pursuing statewide goals.* Wisconsin’s citizens deserve public programs that meet their needs. Throughout its work, the Commission heard one refrain above all others: “One size doesn’t fit all.” Wisconsin residents have ambitious goals for state policy—but they rely heavily on local governments to bring these goals to life. Wisconsin’s state-local partnership must ensure that local governments have maximum flexibility in pursuing statewide goals.

How should Wisconsin pursue these principles? To accomplish its work, the Commission lays out a three-part strategy:

- *Badger Basics.* The Commission has identified a set of basic services—education, municipal, transportation, justice services, and human services—that it believes Wisconsin residents should receive. These services should define the relationship between state and local governments in funding and delivering those services.
- *Economic development.* The Commission believes that Wisconsin needs a strong state-local partnership to grow the state’s economy for the 21st century. That is the foundation of the state’s long-term success and of the quality of life of its next generations. The Commission recommends an innovative and aggressive strategy to focus the state-local partnership on producing quality jobs for Wisconsin’s citizens.
- *Renew Wisconsin.* The Commission has concluded that the state-local system needs a thorough top-to-bottom performance scrub. This performance review should be driven by citizens and those who understand the system best. The Commission views this process of engaging citizens, around the state, not only as a major investment in civic capital. It is also a process to improve the productivity of the state-local system and yield substantial cost savings.

To pursue this strategy, the Commission most notably recommends:

- Creating a cradle-to-grave “Badger Basics” educational system that prepares Wisconsin’s students for 21st century jobs. This system should better integrate pre-kindergarten programs, technical colleges, the university system, and supporting human service programs with the K-12 system. It should also promote site-based management of schools.
- Transforming the municipal shared revenue program into a program that equalizes communities’ ability to provide a “Badger Basics” package of services. In addition, the per capita portion of the shared revenue program should be transformed to give municipalities strong incentives to work collaboratively in providing public services—and to share in the economic growth that their collaboration produces.

- Defining statewide “Badger Basics” goals for human and justice services programs. The state ought to fund the statewide goals. It ought to give those who manage the programs—typically the counties—great flexibility in determining how best to do so and it ought to hold them accountable through performance contracts.
- Bringing e-government into all parts of Wisconsin’s state-local partnership. Reengineering governmental practices and incorporating cutting-edge Internet strategies will make government more responsive to citizens and more efficient for taxpayers.

Throughout the country, government leaders have recognized the central importance that state-local partnerships must play in providing a high quality of life for their citizens. It’s tempting to redraw governmental boundaries or, perhaps, abolish an entire level of government. However, the Commission concluded, that’s a 19th century answer to 21st century problems. The problems of the information age do not need new boundaries. Rather, they need innovative strategies to create seamless government for Wisconsin’s citizens.

In the course of its discussions, the Commission has been quite clear that it would not recommend putting more money into the state-local system. The Commission has been concerned that Wisconsin’s taxpayers already pay some of the nation’s highest taxes and the members of the Commission have no desire to increase that burden. On the other hand, the Commission never heard any testimony about public programs that ought to be abolished or governmental services that ought to be scaled back. It is important to underline that the Commission does not seek to resolve the tensions in the state-local partnership by spending more money.

That leaves only two alternatives: making government far more productive; and growing the economy. The Commission believes that Wisconsin ought aggressively to pursue both of these strategies through a stronger state-local partnership. That, in the end, is the foundation for a better quality of life for Wisconsin’s citizens, now and in the future.

The Commission’s charge was to be bold and innovative. The recommendations that follow will make Wisconsin the unquestioned national leader in building a government for the future. The Commission believes that it is important to adopt and implement these recommendations as a package; each element supports the others.

However, the Commissioners also recognize that at the bottom of the state-local partnership is an eternal dilemma. Wisconsin has long committed itself to a complex state-local partnership in which the state raises much of the money and local governments administer the programs. Wisconsin is also deeply committed to the idea of equalization, in which the state seeks to ensure that how rich a community is does not determine the quality of basic services that citizens receive. On the other hand, since pioneer days

Wisconsin citizens have valued local self-government and autonomy. The Commission heard repeatedly how much those in small towns value the right to gather in fire halls to debate local programs.

That frames the dilemma: pursuing equalization inevitably brings a state voice in local affairs; promoting local autonomy inevitably reduces equalization. One of the Commission's most important conclusions has been to avoid trying to fix what can't—and shouldn't—be fixed. Much of the recent tension in the state-local partnership has revolved around this dilemma. It can't be solved without undermining Wisconsin's historic principles. However, the tensions can be greatly reduced by seeking a better balance between these principles; by reinventing governmental programs and processes to promote stronger partnerships; and by putting government performance for the sake of citizens—not budget battles over formulas—at the center of everything Wisconsin's governments do.

That, in turn, is why the Commission's strongest finding is that the real work begins, not ends, with the issuance of its report. The Commission has crafted a road map for strong, effective 21st century governance. From here, success—and the quality of life for Wisconsin's citizens—depends on how energetically Wisconsin's state and local partners follow it.

Highlights of the Commission's Recommendations

The Commission's report contains 139 recommendations, big and small. Together, they are nothing less than a road map for 21st century government in Wisconsin. Among the report's most important recommendations are proposals:

- To restructure the state's shared revenue program for municipalities into a new program that encourages communities to reduce duplicating and overlapping services.
- To transform the state's shared revenue and targeted aid programs for counties into purchase-of-service contracts for human services and criminal justice, in which: the state defines the outcomes; the state contracts with the counties to deliver them; the counties have great flexibility in how to produce those outcomes; and the counties report to taxpayers on the results they achieve.
- To focus the state's aid for education on improving the quality of education and building a strong pre-kindergarten through technical college/university system.
- To launch a top-to-bottom scrub of the performance of Wisconsin's state and local governments: rooting out obsolete and unproductive regulations; and introducing 21st century technology.

These recommendations have the potential to save Wisconsin taxpayers hundreds of millions of dollars and to improve the quality of service for all Badgers.

These recommendations focus on *common-sense government*. They are drawn from what already works in Wisconsin—and what, the Commission concludes, ought to work *everywhere* in Wisconsin, for the benefit of the state's citizens.

Radical Ideas, Bold Innovations

At the Commission's first meeting in April 2000, Governor Thompson challenged the Commissioners. "Don't come back to me with the status quo. I want everything looked at," he said at the Commission's first meeting. What did he call on the Commission to produce? "Radical ideas? You bet. Controversial? You better believe it," he said.

The Commission's proposals include world-class innovations:

Incentives to collaborate. Making sure citizens' problems don't fall through the cracks and making sure that neighboring governments don't duplicate services are problems governments face everywhere. Other governments have talked endlessly about these problems. The Commission's proposal for collaboration among local governments puts Wisconsin's money where everyone's mouth is—in a way that no other government anywhere has done.

Performance contracts for accountability. Local governments everywhere complain that their state governments mandate programs without providing enough money. State governments complain that they provide money without getting accountability. The Commission's proposals for performance contracts for criminal justice and human services give the state clear responsibility for defining what outcomes it wants to buy—and local governments great operating flexibility in delivering those outcomes. Performance contracts define how much money the state spends and what results local governments produce. No other state has launched such a broad performance-driven system.

Performance-based education. Wisconsin's education system is already among the envy of the rest of the country. The Commission's recommendations would further strengthen it by pushing more operating flexibility down to the school building; and by making the system more seamless for students from pre-kindergarten programs and K-12 schooling through the technical college and university system.

E-government. Governments everywhere are deploying Internet and Web technologies to increase their efficiency and improve their service. The Commission's recommendations would put Wisconsin among the leaders in this effort.

Performance review. Governments everywhere are trying to reinvent their operations so that they work better and cost less. The Commission's proposal for a top-to-bottom performance scrub of Wisconsin's state and local governments would reduce costs, improve service, and make Wisconsin's governments a model for 21st century governance.

Building Collaboration among Local Governments

Problem: Wisconsin's state system of aids for municipalities is perhaps the most deeply rooted—and most troubled—piece of the state-local financial partnership. Expenditures for the program have been frozen since the mid-1990s. Local officials have been increasingly pressed to make ends meet and state officials have been concerned about lack of accountability for the money. For the sake of Wisconsin's citizens, the relationship between the state and local governments ought to be one of a genuine partnership.

Solution: The equalization component of the current state shared-revenue program ought to be transformed into a new program that equalizes communities' ability to provide a "Badger Basics" package of services to their citizens.

The per capita portion of the shared-revenue program ought to be transformed into a new program in which municipalities have strong incentives to work together to promote the economic growth of their area.

- Wisconsin should create growth-sharing areas within which local governments should collaborate to serve the needs of their citizens.
- Local governments should write Area Cooperation Compacts with at least two other governments in at least two functional areas (including law enforcement, housing, emergency services, fire, solid waste, recycling, public health, animal control, transportation, mass transit, land-use planning, boundary agreements, libraries, parks, recreation, culture, purchasing, or e-government).
- These compacts will specify a collaboration plan, performance benchmarks, and cost savings for taxpayers. There is no state bureaucratic oversight—accountability is locally, to taxpayers.
- Communities that do so will receive growth-sharing payments, which will be distributed on a per capita basis to their citizens.
- As the economy in their area grows, they will share in the growth that their collaboration helps generate.
- The program will be funded by dedicating the revenue derived from 0.25 percent of the state sales tax. This is not an increase in spending—it is a transformation of the existing per capita program into a new program to encourage collaboration.
- After five years, the state legislature ought to examine the program to see if it ought to be expanded.

Creating Performance Contracts for Human Services and Criminal Justice

Problem: Conflict in the state-local partnership in human services and criminal justice ranks with municipal shared revenue as the toughest problems the Commission faced. County officials, charged by law with running the human services and criminal justice programs, complain that the state has not provided enough money to meet state mandates. State officials complain that local officials are not sufficiently accountable for the money they do spend. Struggles over funding and formulas, not performance and results, dominate the system.

Solution: Both human services and the state justice services programs should be state responsibilities. Wisconsin ought to move, as soon as possible, to state funding for these functions.

The Commission recommends:

- Funding the first stage by combining state shared revenue for counties and all existing aids for criminal justice and human services programs.
- Having the state take over the cost of the circuit court system in 2002.
- Having the state take over the cost of juvenile justice programs in 2002.
- Having the state take over the cost of child welfare programs in 2003.
- Launching a strategic planning process to determine what outcomes the state wants to produce in each of these programs. The ultimate goal ought to be to move to full state takeover of the cost of all human services and criminal justice programs. For now, the strategy would have a dollar-for-dollar swap of current state aids for state takeover of the costs of these programs.
- Negotiating performance contracts between the state government and counties—the state would define what outcomes it wants to purchase; the counties would have flexibility in determining how best to deliver those outcomes; and the counties would report on their performance in producing those outcomes.

These performance contracts will strengthen the state-local partnership by making the roles of the state and county governments clearer. Funding will be aligned with policy goals. Programs with true statewide impact will be delivered on a more uniform basis. Performance contracts will hold program managers responsible for the outcomes they produce while giving them far greater flexibility in determining how best to meet them.

As a result, the Commission concludes, Wisconsin's citizens—especially the state's most needy and vulnerable citizens—will receive far better services. Wisconsin's taxpayers will get a better deal. And the state-local partnership will be far more effective in delivering services that enhance the state's quality of life, for all citizens.

Strengthening School Aids to Increase Educational Performance

Problem: Wisconsin’s public education system works very well. However, the state’s schools work better for some students than others. The education system’s biggest challenge is eliminating the large achievement gap among some racial and ethnic groups. Wisconsin needs to make the system work better for *all* students. It needs to ensure that standards produce graduates who have the necessary skills and knowledge to meet the needs of the 21st century: in maximizing their career and educational alternatives; and in incorporating the value—and necessity—of life-long learning. It needs to make the educational system more of a system and to increase operating flexibility at the school level.

Solution: The Commission recommends:

- Pushing more operating flexibility down to the school building.
- Providing a “Badger Basics” package of educational services by knitting together the educational system into a genuine PK-16 system, from pre-kindergarten programs and the K-12 system to the technical college and university systems.
- Driving dollars to students to improve performance and encourage parental involvement in education.

Wisconsin ought to launch a strategic planning process for education. This process ought to examine: which educational outcomes the state seeks; the desired level of these outcomes; who ought to have responsibility for delivering outcomes and how this process ought to work; who ought to pay for which outcomes; and how to hold the process accountable, including how to assess performance. And it ought to strengthen a system based on equity, flexibility, and accountability. In addition,

- The state’s programs to help students who are not English-proficient ought to be based on the number of students working to learn English.
- The state’s programs to help special-needs students ought to be aligned with the census-based formula in recent federal legislation.
- The state ought to expand the options for creating charter schools.
- Schools should write and aggressively pursue performance plans that engage both parents and policy makers.
- Schools should have the flexibility to create site-based management systems.
- Wisconsin should create a comprehensive K-16 system by strengthening the partnerships between the K-12 system and the pre-kindergarten, technical college, and state university systems. It should also improve the links between the educational system and the human services system.

Launching a Top-to-Bottom Performance Scrub of Wisconsin's Governments

Problem: The entire state-local system needs a “performance scrub,” from top to bottom, to ensure that Wisconsin’s state and local governments deploy the most effective strategies to get the most return from scarce taxpayer dollars. The Commission has discovered numerous opportunities to save money while improving service. Wisconsin’s taxpayers deserve the most efficient and responsive government possible.

Solution: Wisconsin ought to launch immediately a statewide performance review of all state agencies and local governments. This performance review, christened “*Renew Wisconsin*,” ought to be a top-to-bottom “performance scrub” of Wisconsin’s state and local governments. It ought to identify opportunities for improving the governments’ responsiveness and reducing their cost.

In other states—notably Oregon and Texas—such efforts have greatly increased public participation in government and produced substantial cost savings. Texas officials, for example, estimate that aggressive use of e-government could save \$1.2 billion in its \$54 billion biennial budget.

Renew Wisconsin ought to be a citizen-based, bottom-up effort. It ought to combine an ongoing team of state and local officials with citizen volunteers to devise strategies and tactics for performance improvement. Its mission ought to be creating teams in every jurisdiction to conduct a “performance scrub” of every state and local agency.

The performance review ought to include these elements:

- Introduce a performance management system for state government.
- Identify “best practices” that could reduce government’s costs and increase its responsiveness to citizens.
- Launch a “search and destroy” mission to wipe out regulations that have outlived their usefulness.
- Aggressively develop an e-government system:
 - Web-based portals that make it easier for citizens to navigate government services.
 - Internet-based procurement and online catalogs that reduce the cost of the goods that Wisconsin’s governments buy.
 - Improved data systems so citizens have to report information to state and local government agencies only once.