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Regional assets study cites “immense” capital needs

Support for infrastructure should trump operating assistance for those considering new funding

The Public Policy Forum’s comprehensive analysis of the financial and physical health of major arts, cultural, recreational, and entertainment institutions in Milwaukee County reveals considerable infrastructure needs, which in many cases are tied to long-term budgetary solvency for the institutions.

“Overall, there is little question that Milwaukee County’s quality-of-life amenities have substantial facility needs, and that those needs are exacerbating operating challenges,” said Forum President Rob Henken.

“Whether the needs of these institutions rise above those facing other important community assets – such as schools, transportation systems, and law enforcement agencies – is a subjective question that is beyond the scope of our assessment,” he added. “Our findings do suggest, however, that if Milwaukee is interested in building upon its national reputation as a city that mixes small-town virtues with big-city amenities, then additional public investment in its existing array of arts, cultural, and entertainment venues likely will be required.”

The report is the first of two comprehensive analyses by the Forum that will provide perspective on whether a new source of dedicated public funding for arts, cultural, recreational, and entertainment institutions should be considered in Greater Milwaukee. The first report – released today – focuses on the finances and physical needs of cultural and recreational assets owned by Milwaukee County, as well as a handful of major privately-owned arts and cultural amenities. The report also contains an overview of major sports and convention facilities to provide a broader perspective for policymakers and citizens who soon may be asked to weigh in on new approaches for publicly supporting those assets.

The second report – to be released early next year – will explore how other metropolitan areas have addressed the need for dedicated funding for their quality-of-life assets and then model some possible approaches for Metropolitan Milwaukee.

“Ultimately, the decision about whether to pursue new or enhanced dedicated public funding sources to support quality-of-life assets in Milwaukee County will be determined not only by residents’ views on the importance of those assets to the region’s economy and livability, but also by their perceptions of the institutions’ needs, and of the fairness and affordability of proposed funding sources,” states the report. “Our research is intended to inform those perceptions by providing a clearer picture of the fiscal condition of Milwaukee County’s major cultural and entertainment institutions, and greater insight into the ways other metro areas have grappled with similar challenges.”

The following summarizes the report’s key findings:

- **The five-year capital needs of the Milwaukee County-owned arts and cultural facilities and parks are immense.** From 2008 through 2012, \$103 million was spent to address capital needs at the county-owned facilities. For the next five years, capital needs totaling \$246 million have been identified. In light of the vast infrastructure needs facing other county departments and its ongoing efforts to control its debt, it is highly questionable whether Milwaukee County government has the capacity to address that magnitude of need.

- **Operating needs for the major county-owned arts and cultural facilities and parks generally are less acute than capital needs.** Recent funding agreements for the Milwaukee Public Museum and the War Memorial Center/Milwaukee Art Museum minimize the need for *additional* county funds to support those entities. The parks and zoo have greater operating needs, but even for those entities, capital needs appear to be more urgent, and in some cases are tied directly to the sustainability of business models. This finding suggests that discussions about enhanced public funding for the county-owned entities should focus first on the capital side of the budget ledger.
- **Five of the six privately-owned arts and cultural organizations analyzed in the report are in sound financial operating condition, though each would benefit from enhanced endowments or reserves to help them withstand cyclical swings in earned revenue and pay for preventive maintenance and minor facility needs.** This finding suggests that *if* additional public funding is considered for both public and privately-owned arts and cultural entities in metro Milwaukee, then a short-term and time-limited source of support for privately-owned organizations might be most appropriate, as opposed to ongoing public funding.
- **The privately-owned organizations generally have been successful in securing partnerships and philanthropic support to advance major capital projects, but the private fundraising acumen of those organizations will be tested in the future.** Three of the six private institutions analyzed in the report are contemplating ambitious new capital improvement projects. Those projects not only may compete against one another, but they also may need to compete with private fundraising to support major capital initiatives at the county-owned public museum, zoo, and War Memorial Center/Milwaukee Art Museum.
- **While most of the county- and privately-owned arts and cultural institutions and parks have some form of pressing capital need, there is wide divergence in terms of their need for basic repairs and replacement versus new improvements.** Of the \$310 million in capital needs identified for the public and private facilities analyzed in the report, \$113 million fall under the category of basic repair and replacement, while \$197 million would be spent on new

facilities or major improvements. This is an important distinction that will need to be considered in any discussion of dedicated funding sources.

- **The BMO Harris Bradley Center and Wisconsin Center District have experienced severe operating budget challenges during the past five years, and the long-term stability of each may be tied to substantial new capital investment.** The problem is particularly acute for the BMO Harris Bradley Center, which lacks options to supplement earned revenue and faces the prospect of losing its largest tenant (the Milwaukee Bucks) after 2017. The report takes no position on whether a major renovation or new arena should be pursued, but it does indicate that should the Bucks leave, the center itself would face an uncertain financial future.

“We have observed that major investments periodically are required for those metro areas that wish to maintain a broad and diverse array of cultural and entertainment opportunities,” the report states. “That does not necessarily mean that public funding must be the primary means of investment, nor that discussion should not take place with regard to the number of major cultural and entertainment assets each metro area needs... It does suggest, however, that much like a region’s transportation infrastructure, its cultural and entertainment infrastructure will require cyclical major investment that demands ongoing attention and careful planning.”

The report was commissioned by the Spirit of Milwaukee. Copies of the executive summary and full report can be downloaded at the Forum’s web site, www.publicpolicyforum.org.

The Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of public policy issues.

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