Public Policy Forum

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Executive Summary

Open Spaces, Cultural Places:

Exploring Culture & Recreation Funding in Waukesha, Ozaukee, and Washington Counties

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While considerable attention has been devoted to the needs of cultural, recreational, and entertainment assets in Milwaukee County, little attention has been paid to such needs in adjacent counties. This is despite continued discussions among civic leaders regarding a possible regional source of public funding that would help support assets throughout the broader metropolitan Milwaukee area.

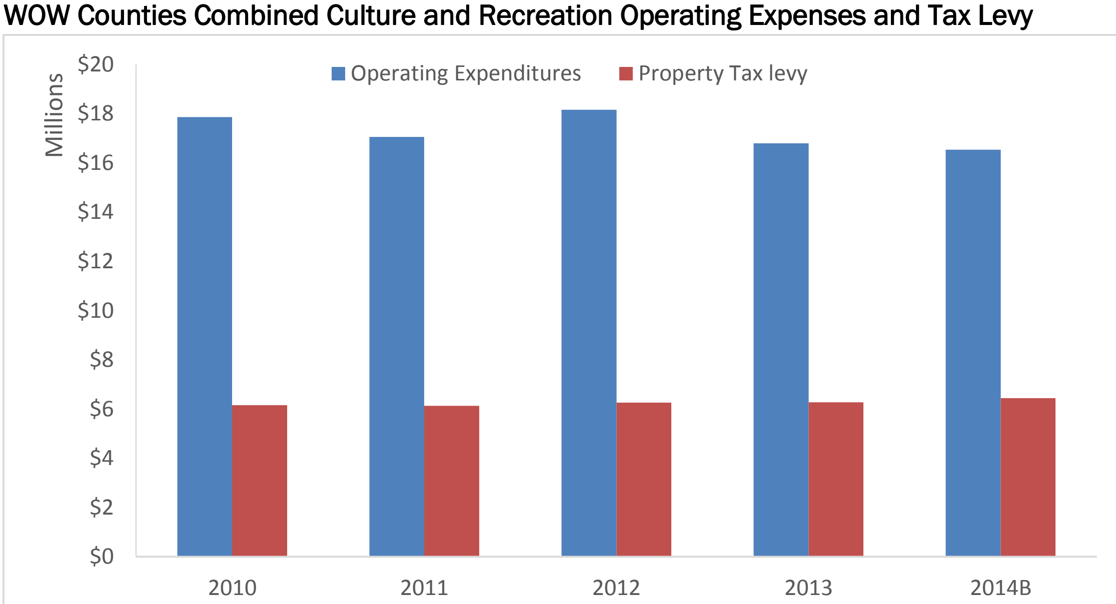
To what extent do other county governments in metro Milwaukee provide cultural and recreational opportunities for their citizens, and how much local tax money are they spending to do so? What is the condition of publicly- and privately-owned cultural and recreational assets in suburban counties, and would they benefit from a regional culture and entertainment funding source?

In this report, the Public Policy Forum attempts to answer those questions by examining culture and recreation in the "WOW" (Waukesha, Ozaukee, and Washington) counties. Our research is a follow-up to two recent reports released by the Forum that assessed the needs of cultural and entertainment assets in Milwaukee County, and explored funding models from other metro areas. Those reports have framed the deliberations of the Metropolitan Milwaukee Association of Commerce's Culture and Entertainment Capital Needs Task Force.

We begin by examining culture and recreation budgets for the WOW county governments. For each government, we first provide an overview of the overall budget environment. We then hone in on specific cultural and recreational activities provided by each county, detailing such matters as local property and sales tax commitments, capital financing strategies, staffing levels, and five-year needs. Finally, we offer brief perspective on the potential use of revenue from a new regional culture and entertainment funding source.

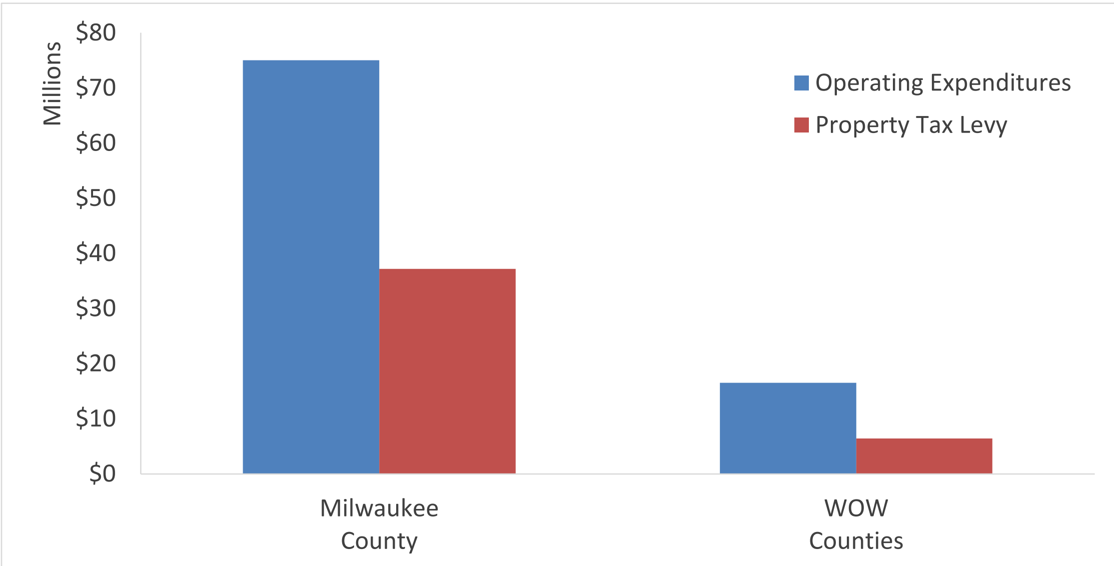
Our analysis shows that the three county governments spend a combined $16-$18 million on culture and recreation operations annually, with about $6 million of that derived from local property taxes. The three counties also spend a combined $3-$4 million on capital needs annually.

WOW Counties Combined Culture and Recreation Operating Expenses and Tax Levy



Those amounts pale in comparison to similar amounts spent annually in Milwaukee County and they account for only a fraction of overall annual spending in the three counties. Yet, this level of expenditure also would suggest there is merit in considering how a regional source of public funding might supplement, relieve, or supplant the current financial effort.

Culture and Recreation Spending in Milwaukee County vs. the WOW Counties (2014 Budget)



Next, we consider the needs of private cultural organizations in the WOW counties. Such consideration gives us a better understanding of the overall picture of culture and recreation in each county and also provides context for possible consideration of funding models from other metro regions. In the Denver and Pittsburgh regions, for example, a share of regional public funding is set aside for competitive grants for private organizations that typically can be accessed for programs, special projects, or one-time capital needs.

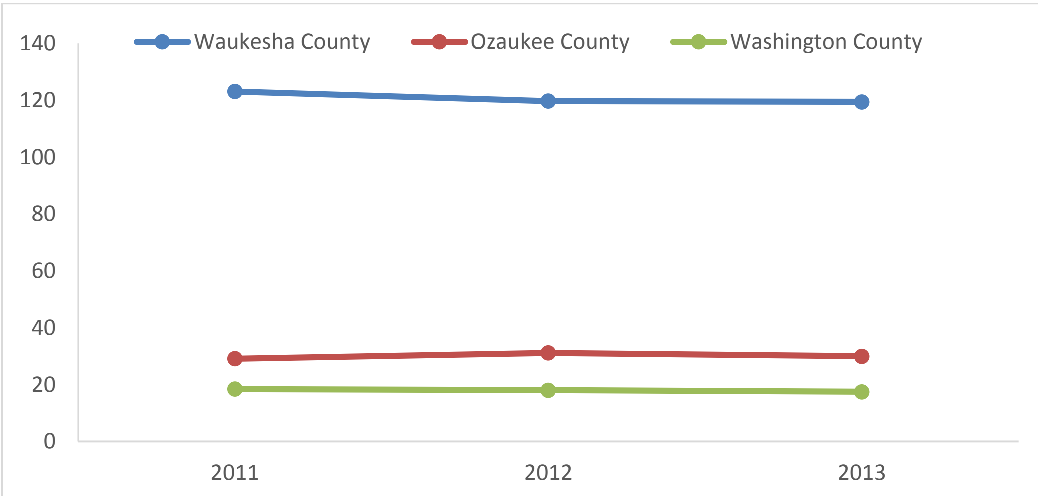
The three entities that we analyze – the Sharon Lynne Wilson Center for the Arts, Ozaukee County Historical Society, and Museum of Wisconsin Art – were selected because of their prominence and their regional nature. We find similarities among the three as well as with private cultural organizations in Milwaukee County. In general, the private organizations in the WOW counties do not face substantial immediate infrastructure challenges. But all will be challenged to generate resources for various programmatic needs, including desired improvements that could boost earned revenues and basic repair needs as their facilities age.

The report concludes with discussion of four policy observations that emanate from our research. We hope these will be instructive to civic leaders and policymakers as they continue to consider options for supporting the region's cultural and entertainment infrastructure:

- **Overall, there does not appear to be a pressing need for a new source of public funding to support county government's provision of culture and recreation services in the WOW counties.** Our research shows that each of the three county governments has kept annual property tax increases to a minimum (Washington County actually has decreased its levy in each of the past five years); enjoys healthy reserves and/or undesignated annual fund balances; maintains modest debt loads; and uses long-term planning to stay on top of infrastructure needs. These are all indicators of strong overall fiscal health that suggest new or enhanced public funding sources are not a necessity.

With respect to the specific needs of cultural and recreational facilities owned or operated by the three counties, each has been spared from large budget or staffing reductions in the aftermath of the economic downturn, and each continues to use a combination of user fees and public funding to accommodate inflationary operating expenditure pressures. Meanwhile, costs associated with prioritized items in five-year capital plans appear to be manageable. The only unmet need identified in our research involves a few ambitious projects and improvements within two of the three governments that might improve opportunities for revenue generation but that have not yet been prioritized in five-year plans.

WOW Counties Culture and Recreation Budgeted Staffing



- **Private cultural organizations in the WOW counties could benefit from opportunities for grant funding from a new public funding source.** While not necessarily representative of all privately-owned cultural organizations in the WOW counties, the three organizations we analyzed each has a desire to improve its facilities in ways that could substantially enhance the visitor experience and maximize earned revenue. Each already plays an important role in the cultural and recreational fabric of its community, but each also has aspirations that could noticeably augment community value. Those aspirations, however, may be challenging to fulfill within existing revenue structures.

  Our analysis indicates that – if a regional public funding source were pursued – it would be logical to consider giving each of the WOW county governments an annual share to design a competitive grants process, similar to those in the Denver and Pittsburgh regions. Not only would the availability of such grants potentially boost efforts to implement projects like Pioneer Village Hall in Ozaukee County, a pedestrian bridge adjacent to the Museum of Wisconsin Art in Washington County, and an outdoor Arts Park at the Sharon Lynne Wilson Center in Waukesha County, but it also could allow grant recipients to re-focus fundraising efforts on other capital needs or on enhancing endowments.

- **Capital planning in the WOW counties should serve as a model for Milwaukee County.** There is no question that the strength of their economies and the much lower levels of public safety and human services needs provide the WOW county governments with tremendous financial advantages over their counterpart in Milwaukee County. There also is no question that Milwaukee County's capital planning process – highlighted by the creation of a Capital Improvements Committee – has improved in recent years.

Nevertheless, review of capital improvements planning in the WOW counties reveals several important practices that Milwaukee County leaders would be wise to emulate. Examples include efforts to diligently assess the condition of county assets and plan improvements well in advance of necessary appropriations; strategically anticipate and mix the use of bond proceeds, property tax levy, user fees, and grants based on the prioritization and timing of key projects; and build reserves for unanticipated major capital needs. While such practices obviously are easier to implement and follow when overall fiscal conditions are strong, they also reflect a commitment to fiscal planning and discipline that should exist regardless of resources.

- **Need is not the only reason to consider the use of non-property tax public resources to support culture and recreation in the WOW counties.** In *The Show Must Go On?*, our March 2014 report on potential funding models to support cultural and entertainment assets in Milwaukee County, we asked whether the funding debate should be "solely about finding ways to address the immediate needs of valued regional assets, or should it be a loftier discussion about ways to permanently transform the method of financing those assets?" We now ask the same question with regard to the WOW counties.

  While our analysis has shown there is not a pressing need for *additional* public support for culture and recreational services provided by the three county governments, the ability to draw resources from a regional culture and entertainment sales tax, for example, could allow each government to replace property tax levy funding. As noted above, more than $6 million in local property tax dollars is spent annually to support culture and recreation in the WOW counties, and those funds could be returned to taxpayers or redirected to other priorities. Officials may wish to consider whether a sales tax would be a more effective and appropriate means of financing such activities given its closer linkage to economic activity that is generated from quality of life amenities, and given its greater potential for annual inflationary growth in light of state-imposed property tax limits.

Our intention in conducting this analysis is not to suggest that a regional public funding source for cultural and entertainment assets *should* be pursued, but rather to provide factual context for any such consideration by assessing the need for additional sources of culture and recreation funding in the WOW counties. The findings and observations described above suggest that this need likely is to be determined by how elected officials and citizens view the role of government in providing and expanding cultural and recreational opportunities for its citizens, and which forms of public revenue they deem most appropriate for fulfilling that role.