

Prior to meeting to discuss the issue of the proposed Downtown Connector, I thought it would be useful for you to understand my concerns. I look forward to discussing these with you.

A memo was sent to the MMAC Board of Directors prior to the February 27, 2006 meeting that discussed the reasons for supporting a guided transit system for downtown Milwaukee (often referred to as the Downtown Connector). Here are my responses to the points raised in that memo (points from the MMAC memo are listed in *italics* and copy of memo attached for reference):

“1. The County bus system’s operating costs are rising (pension, high fuel). Fares are increasing, routes are being cut, and local revenue share is flat. By 2009, with no significant changes, the system will be in “financial crisis.””

The Milwaukee County Transit System will face serious financial challenges in the future. High fuel costs and flat or even reduced funding from the county are the main reasons for these challenges. Since the employees of the transit system are not county employees, they do not receive the same retirement benefits, so the pension is not a pressing issue.

Per the local funding source, Milwaukee County government does face a very serious financial situation. The county will face an \$80+ million shortfall for the 2007 budget. Of that, \$50 million covers pension costs and \$29 million is for OPEB (other post employment benefits).

The OPEB costs are mandated by new, federal accounting requirements and cover the three main enterprise funds for the county: transit, behavioral health and the airport. Of the \$29 million, the transit system is responsible for \$17 million.

Some may suggest that the county look to raise the property tax levy to cover this gap in the budget. Besides my concerns about the impact on jobs and residents (which I will mention later), current state law would only allow the county to increase the tax levy by \$7 million in the 2007 budget. That amount is far short of the amount needed to balance the budget.

“2. Milwaukee is one of two cities in the top 20 that does not have a fixed rail transit system.”

In 2005, the Milwaukee metropolitan (four-county) area lost more jobs than all but three of the other metropolitan areas in the country. Through February, we lost 7,500 jobs in the metro area since last February. Only two areas that were hit by hurricanes (New Orleans and Gulfport) and Detroit lost more jobs.

When I talk to CEOs about their concerns for jobs in this region, they do not talk about a fixed rail transit system as one of their major concerns. In stead, they talk about these five issues (I call them the “Big Five”) as the challenges for job retention and growth in this region:

Tax Burden: Overall, Wisconsin has the 5th highest state and local tax burden in the country. We have one of the highest gas taxes in the United States.

Locally, Milwaukee County has the highest combined sales tax in the state. And many of the highest local property tax levels are in southeastern Wisconsin.

Health Care Costs: Southeastern Wisconsin has some of the highest health care costs in the country. As an employer, I know this first hand. Six years ago, health care costs made up 29% of our total tax levy. Today, it is over 50%. By 2011, that amount will double.

Labor Costs: Wages and benefits are higher for employees in southeastern Wisconsin than in most parts of the country. When working with a major employer in South Milwaukee last year, we had to help bridge the gap between lower labor costs in other states.

Government Regulation: Many businesses cite the concerns over the time it takes to get approvals from local and state government as a major barrier to job retention and growth in the region.

Lawsuits: Concerns over the negative impact of excessive lawsuits have long been a problem for business, but the actions of the state Supreme Court last summer make the matters much worse today. Thankfully, a cap on non-economic damages in medical malpractice cases was signed into law, but the issue of a reasonable cap on product liability cases must be resolved soon or it will have a negative impact on jobs – from traditional manufacturers to medical technology start ups.

These are the areas we really need to focus on to compete with other metro areas.

“3. It’s important to downtown development – housing, commercial and tourism.”

Clearly, housing and commercial development in the downtown area is doing well today. As for tourism, I would argue that finishing the job on the full size of the Midwest Airlines Center will do more for bringing tourism dollars to the area than a downtown rail line.

The revenue sources identified with funding the Downtown Connector would prevent a full expansion of the convention center as they are the same funding sources identified for that project. Car rental fees and a hotel charge are already high and could not be used for both the convention center expansion and the rail service.

“4. We’re the only major city to use property tax as the sole local funding source.”

True. Still, I don’t have people beating down my door asking me to find more ways to take money out of their pockets. A new tax or fee is not the answer.

In addition, any new tax would require the approval of state government. Both candidates for Governor and the majority of members of the State Legislature have stated their opposition to approving new taxes.

For the past several years, I have proposed an alternative to provide more state support for the transit system. Like many other states, Wisconsin could use the current sales tax collected on the purchase of automobiles to add additional funding source to the Transportation Fund.

As long as a future Governor and Legislature do not raid the fund, a percentage of the new (transferred from the general fund) revenues for transportation could be designated for transit systems. This would provide a stable addition to local property tax funding. Rep. Jeff Stone included this item in the state budget two years ago, but the Governor vetoed it.

“5. It affects our image as an urban market without modern mass transit – especially for young professionals.”

What I hear most from young professionals is that they are looking for an area that has a vibrant economy. They want jobs – decent, good paying jobs.

This goes back to my earlier point about the “Big Five” issues we have to address to keep and get more jobs in our region. Getting companies like GE Healthcare to expand in our region is a good start, but we have to do more.

“6. There is no integrated urban transportation plan.”

Our first priority is to keep the Milwaukee County Transit System alive. While the proposed Downtown Connector would provide transportation for people in the downtown area, the vast majority of workers in the region will depend on the bus system – if not cars and trucks that use our streets and freeways.

With the continued albatross of the pension and benefits deals, the county will have limited resources to support the system. This is why we sounded the warning about the status of our budget for years to come and why we need help to alter our current contracts.

Still, working with the municipalities in our county and the state, we do have an integrated transportation plan. It incorporates freeways, county highways, municipal streets, our growing airport, the Port of Milwaukee and various existing rail lines (for commercial purposes) in the county.

Besides, the Downtown Connector is not an integrated system. It services a limited number of people in the downtown area. The vast majority of people who need access to public transportation in the region will be far removed from the line.

The memo then goes on to address some downsides for the project:

“1. Politically this has the prospect of being a divisive and highly-charged discussion.”

Yes. At a time when the job numbers are so stark in the region, a fierce debate over the Downtown Connector will distract from the attention needed to focus on the “Big Five” issues that most employers state are the true barriers to job retention and growth.

“2. A potential uphill battle with public opinion.”

As mentioned, I don't have people beating down my door asking me to find new ways to take money out of their pockets. The members of MMAC earned so much good will with the public for the principled fight on the school choice caps, it would be sad to waste it on this fight.

“3. Concerns that the system will not, in fact, save money and both operating and capital costs will be higher than anticipated.”

The information attached to the February 23, 2006 memo from MMAC acknowledges that the Downtown Connector will cost more than the current bus system. Specifically, the document mentions an annual operations difference of \$2.4 million. Listed below that statement is a list of “Additional Finance Options for \$2.4 million annual operating differential” with a list of various fee and tax increase ideas.

In addition, our office reviewed numerous systems across the country where the federal share projected prior to the start of construction dropped and the local government was stuck with a higher share of the costs. As more areas seek New Starts funds, the pot of money shrinks for each new project.

Even Alderman Bob Bauman, a long-time rail advocate, calls the Downtown Connector a “boondoggle” that taxpayers cannot afford.

Having said all of that, I hope that it is clear that my view on the Downtown Connector remains constant – I oppose it. While I view transportation as an important part of our economic growth in the region, I believe that it must be reasonable.

Instead, I would like to work with the members of the MMAC to address the “Big Five” issues I believe are the greater barriers to job retention and growth in this region.