Plan to Merge State Agencies Raises Many Questions

By State Senator Julie Lassa

In his State of the State address, the Governor called on the Legislature to pass provisions that would combine the Department of Financial Institutions (DFI) with the Department of Safety and Professional Services (DSPS), and to merge the Wisconsin Housing and Economic Development Authority with the Wisconsin Economic Development Corporation (WEDC). The Governor said that while "the mergers will provide savings in the next state budget, the real objective is to improve services, while being better stewards of the taxpayers' money."

I believe Wisconsin should strive to improve services and save taxpayers money. But our recent experience shows that without proper planning, restructuring state agencies can lead to chaos and waste instead. The creation of WEDC from the old Department of Commerce should serve as a cautionary lesson as the Governor considers his next steps.

One of the Governor’s first acts upon taking office in 2011 was to eliminate the Department of Commerce and set up a new, quasi-private corporation in just six months. At the time, my Democratic colleagues and I warned that making such a major change so hastily was likely to result in confusion and disorder. Those warnings were unfortunately ignored as political expediency trumped necessary preparation.

As a result, WEDC made headlines throughout the first three years of its existence with problems ranging from loss of experienced employees, continual turnover in senior management positions, misuse of federal funds, and failure to keep track of tens of millions of dollars in loans. Reports by both the Legislative Audit Bureau and WEDC’s own consultants pinned the blame for the problems on not having sufficient plans and policies in place in the transition from Commerce.

Now, just four years later, the Governor wants to shake things up again, reorganizing the state’s job creation programs by integrating them with WHEDA, which manages state and federal home loan guarantees. While I appreciate the Governor's willingness to think outside the box, I believe the move raises some serious questions. When WEDC was formed, the administration said Wisconsin needed a quasi-private corporation focused solely on job creation. Less than a year from now, however, the Governor wants to abolish that corporation and combine it with an agency that has a substantially different mission. What will be left in its place? Where will the budget savings come from? How is combining two such different organizations going to improve service delivery and boost job creation in Wisconsin?

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Furthermore, the Governor has said that he wants the new agency’s governing board to exclude the legislative appointees that currently serve on both the WEDC and WHEDA boards. With this loss of legislative oversight, the new agency would be controlled entirely by the Governor’s hand-picked appointees who answer only to him. No appointee would have any direct responsibility to taxpayers.

I think that would be a serious mistake. Given WEDC’s past difficulties, I can’t understand why we would move to have less transparency and accountability over the taxpayers’ $55.5 million annual investment in our job creation programs.

I have similar questions about merging DFI, which regulates our state banking institutions, with DSPS, which provides licenses for various professions and reviews and inspects building plans and toxic waste cleanups. It’s just not clear what benefit we will achieve by combining agencies with such different responsibilities.

It is clear, however, that if we don’t start with detailed transition plans for these mergers, we risk having the same kind of problems that marked WEDC’s formative years – only this time on a much larger scale. When the Governor introduces his agency merger proposal, I'll be looking for comprehensive plans that emphasize independent accountability, transparency and effectiveness. I look forward to working with my colleagues in assessing his plan.

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