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Text of Governor Doyle's 2009-2011 Budget Address Protects Priorities for Wisconsin's Hardworking Families

Speaker Sheridan, Speaker Pro Tem Staskunas, President Risser, Majority Leader Decker, Minority Leader Fitzgerald, Our other Minority Leader Fitzgerald, Congressman Ron Kind, Congressman Steve Kagen, Supreme Court Justices, Constitutional Officers, tribal leaders, members of the Cabinet, distinguished guests, members of the Legislature, and fellow citizens of Wisconsin,

When I stood before you three weeks ago, I laid out the effects of the national economic crisis on our state. We all know that our country is in tough times and it's probably going to stay tough for a while. We didn't choose these circumstances. But we will choose how to confront them. Together, we are going to address a budget deficit that stands at \$5.7 billion. It will demand hard decisions – but the choices we make will reveal clearly who we are and what we value.

The choices ahead of you aren't the kind that most people run for office hoping to make. I'd bet that no one here campaigned on limiting their favorite program to a five percent cut. But everyone is going to have to share in the sacrifice; and everyone is going to have to have some faith that, if we all work together, we can get through this in a way that will make us stronger in the years ahead.

As I put together the budget I am presenting to you tonight, five principles shaped the decisions I've made.

- First, protect what is most important to Wisconsin – protect education, our health care, our public safety and our ability to create jobs and grow the economy.
- Second, cut what is not essential.
- Third, use the federal money under the American Recovery and Reinvestment Plan wisely.
- Fourth, protect the middle class against tax increases.
- And finally, leave this state in better shape than it was before.

Protecting Priorities

This is clearly a time when we will have to make very deep cuts. This budget makes the largest cuts we've ever seen. It rejects new spending requests, however worthy. At the same time, my first principle is to keep our commitment to Wisconsin's top priorities – priorities that our state has maintained for generations.

To me, that means protecting education. This budget does not fund nearly what was requested, but it provides an increase for our schools when almost everything else is being cut. That has two effects. First, it means we'll invest in students and our teachers, so a second grader gets the education she needs now, not years later when the economy improves. Second, it means that this budget is not just shifting the responsibility of paying for our classrooms to local property taxes. Let me repeat that: By investing in our schools, the state of Wisconsin is protecting the local property tax payer. Property taxes hit families hard – especially families who have lost jobs – and this budget holds the line on property taxes.

This budget does not back away from the gains we have worked so hard to achieve in health care coverage. We are not going to start telling the 70,000 kids who enrolled in BadgerCare Plus this year that, because the economy is bad, they can't see a doctor anymore. We have made Wisconsin a national leader in access to basic, affordable health care coverage. That's not an achievement we can let go of because times are tough.

Our university system is going to have to be more resourceful, but this budget makes sure that more students

in Wisconsin have a shot at a higher education and that tuition stays within the means of Wisconsin families.

We also have an obligation to local governments, so that they can continue to keep their streets safe and their neighborhoods strong. Helping to fund police and fire protection is not only the right thing to do; it also keeps local property taxes down. This budget limits the cut to shared revenue to 1 percent. Because we are holding up our end of the bargain, cities, counties and other municipalities will be able to keep their budgets balanced without resorting to big property tax increases.

This budget recognizes that, now more than ever, this is the time to invest in good Wisconsin businesses to help grow jobs. We can strengthen our efforts to advance our workplaces and our workforce – whether it's in agriculture, manufacturing or biotechnology.

Cuts

This budget keeps these commitments strong, and to do so, it makes a lot of tough cuts. These cuts build on our efforts to reduce spending over the last year.

To begin with, we started by cutting state government spending under our current budget by \$226 million. As the economy slowed, last spring I cut spending by an additional \$270 million. This was followed by freezing state employee bonuses, ordering the sale of 500 state vehicles and slowing grant programs. My cabinet secretaries froze their salaries. In all, we've been able to cut more than \$500 million.

This budget will cut \$2.2 billion more over the next biennium. That means new requests – even very worthy ones that I support were denied or delayed. For example, the expansion of Family Care which helps older people stay in their homes will be slowed down.

We will cut \$931 million from existing programs over the next two years. These are the deepest cuts our state has ever faced. We studied every agency, looking for every possible saving. But even after paring down and slicing away all the agency spending we could find, we still weren't where we needed to be. So – on top of all the other cuts we made – this budget provides for an across-the-board 1 percent reduction in all state spending.

Some will be more affected by these cuts than others. It's important to recognize that state employees will be among the hardest hit. One in 10 state jobs, or 3,600 overall, will be left unfilled. This budget does not provide for any pay raises, and state workers should expect to make higher contributions for health insurance and retirement. I recognize that these cuts are being felt by people who have done everything asked of them, people who have dedicated much of their lives to public service. The sacrifices that they will face are part of the effects of an economic downturn. Sadly, workers across the state – like the GM assembly plant workers in Janesville – are bearing the costs of risky schemes on Wall Street and eight years of bad decisions in Washington.

As deep as the cuts are to our state workforce, I am working hard to avoid lay offs or furloughs, which many other states are already imposing.

Beyond state workers, many others will be affected by the kinds of cuts we will be forced to make. The state will have to trim back its reimbursement rates for services such as medical care. We will have to cut back on worthy grants that go out, grants that I support -- such as those that aid recycling efforts or help prevent the spread of invasive species.

Under this budget, the department of corrections will continue to protect public safety, but it will do so more efficiently. We will ensure that violent offenders will stay in prison while some nonviolent offenders will be offered opportunities for rehabilitation and a chance to resume productive lives in the community.

This budget is designed to make necessary cuts, but avoid unnecessary pain. That's not to say that people won't experience longer lines or some declines in service.

For example, we will stop selling fishing and hunting licenses at many DNR centers, but we will make sure that they are available at the local bait shop or hardware store. We will stop paying someone to hand out brochures at welcome centers, but we will keep welcoming visitors to Wisconsin. We will close DMV centers, but we will make sure people can still easily get titles and registrations – and while we're at it, we can make do with just one license plate per vehicle. We can cut the number of processors at the Department of Revenue, but still get you a speedy refund thanks to more online filing.

Taken together, the steps in my plan and the actions we have taken in the current budget mean \$1.4 billion in cuts to existing programs. These cuts are huge and unprecedented. They mean we will spend less state tax money this year and next year than we did last year. Many will be called on to share the sacrifices, and I appreciate all those who are tightening their belts to get us through this time.

Recovery Plan

Our choices would be even more difficult without the legislation that President Obama signed today in Denver. The American Recovery and Reinvestment Plan is very important to Wisconsin and every state in our country, and I want to thank all the members of our Congressional Delegation who supported it.

I especially want to thank Congressman Dave Obey for his vital role in shaping the Recovery and Reinvestment Plan. As chairman of the House Appropriations Committee, Congressman Obey was a great ally. We met in Wausau the day after the election – as everyone saw what terrible shape the economy was taking. He fully understood the challenges Wisconsin and every other state in the country faced. He worked closely with other governors and me to protect education and health care.

We now have a Recovery Plan that lets states be partners in moving this country forward. It will be up to us, in this budget, to make sure that we use the stimulus money wisely.

The Recovery Plan very clearly does two things. First, it helps get people to work immediately and lays a foundation for future economic growth. Here in Wisconsin, we are able to increase our funding for transportation by 20 percent in this budget. We will be able to get to work on fixing bridges and roads. We will make sure our cities have clean water. We will connect more of Wisconsin with passenger rail, and we will provide clean, alternative energy to power our state. We will modernize our medical records to make patient treatment safer and more efficient. We will make our communication networks stronger and fix our schools. This state will work hard to meet the challenge of this act to maintain jobs and get people to work on projects that add long-term value to this state.

Second, the Recovery Plan recognizes that during this current economic crisis we cannot let education and access to health care deteriorate. It will help us keep teachers in classrooms. It will help us make sure a sick kid gets to a doctor. It means that, as the economy is trying to recover from a deep recession, we will be in a better position to help move our country forward.

This budget recognizes that the federal spending is one-time assistance to the state. Ordinarily, base budgets grow. But my plan makes cuts that will be in place for years to come. Most economists predict it will take 4 or 5 years to be fully restored to where we were. So, we are preparing now. We are using the stimulus money wisely and holding firm on our future spending commitments.

Protecting Middle Class Families

By making the cuts I outlined and by making wise use of the federal money, we close about two-thirds of the budget deficit over the biennium. If you continued on that course, the gap would have to be closed by nearly doubling the level of cuts.

Let's be clear about what that would mean. You could eliminate the entire Department of Natural Resources, the Department of Revenue, the Department of Workforce Development and the Department of Commerce and not have cut enough.

So, making additional cuts of that magnitude would mean many things. We would have to cut our schools by hundreds of millions of dollars, leading to fewer teachers, larger class sizes, and sharp property tax increases. We would have to cut the University of Wisconsin system by 25 percent or more, leading to a steep reduction in quality and access and enormous tuition increases. We would have to cut BadgerCare Plus for children, slash rates paid to hospitals and doctors, and make seniors pay more for prescription drugs. We would have to cut shared revenues, leading to cuts in police and firefighters. And even with all of those cuts, we would still have a deficit.

I don't believe that the people of Wisconsin elected me to watch the University of Wisconsin turn into a second-rate institution. I don't think they'd want us to lay off thousands of teachers, or cut police officers and firefighters. Voters did not elect us to stop kids from getting health insurance. Voters elected us to achieve these victories. We worked hard to get them done, and I am not here to see them overturned.

This is really fundamental for me. I think about my parents and the priorities that Wisconsin held onto through the Great Depression. If they looked at our situation now, saw the way many of us live – the houses we have, the cars we drive, the food we eat – they wouldn't believe that we would turn our backs on kids in the classroom or give up access to basic medical care.

People in this state have reasonable expectations, and we can meet them. We can draw on our resources, and find the revenues we need to keep our priorities whole. And we can do it without raising taxes on middle class families.

So, I am not going to raise taxes in the ways that some have suggested. Some say we should raise the sales tax. I've never done that, and I'm not going to now. Or they say we should back off on recently adopted tax cuts for tuition, child care, social security and health insurance. These tax cuts will save middle class families \$360 million over the next two years – I worked hard for them, and I want them to stay. My budget stands up for the people who earn regular paychecks and the people who, through no fault of their own, have lost theirs.

There are three targeted ways to raise the revenues we need to protect what's important to Wisconsin. First, this budget calls for taxpayers to pay one percent more on any earnings above \$300,000 a year. If you're like 99 percent of Wisconsin, you won't pay this tax.

Second, Wisconsin is the only state with an income tax that exempts 60 percent of capital gains from any tax. This budget would lower the exemption to 40 percent of capital gains earnings – still one of the most favorable exemptions in the country.

Third, we can pass an oil assessment so that big oil companies, which are still making record profits, pay their share for our roads. These companies make money when people drive on our roads, so it is appropriate that they help maintain them – and we will go after companies that break the law by passing that assessment on to consumers.

By making these decisions, we will not just protect the basic expectations people have of state government, we will put our state in a position to move forward and be able to make some valuable investments today. We can help grow our businesses, get people back to work and strengthen the engines that drive Wisconsin's economy.

A Budget That Moves the State Forward

The fifth principle I followed in preparing this budget was to make decisions that would leave Wisconsin on better financial ground and lead to future growth.

We're starting with a \$5.7 billion dollar deficit, but under this plan, we will finish the biennium with a positive balance of about \$270 million. We will put our tax collections in line with our future spending commitments and cut what is called the "structural deficit" to its lowest level in 10 years. And while we strengthen our financial position, we will make key investments in our state.

This budget continues my commitment to build strong Wisconsin businesses that create jobs. It strengthens high-tech companies and medical research. It invests in our farms and our shop floors. It streamlines economic development programs, and it focuses on manufacturing. It awards a tax credit equal to 10 percent of payroll after new jobs are created.

In the bill approved by the Joint Finance Committee today, we will triple the amount of support for angel and early-seed stage investors who help launch Wisconsin businesses and allow them to grow. We will also increase our commitment to worker training.

Our state has always been home to innovation, and we can make Wisconsin a center for research and development. We are proposing tax credits for companies that significantly increase their commitment to research and development. Their equipment would also be exempt from property and sales tax, just as it is for manufacturers. Our public institutions have gotten a lot of attention for their research. And our private businesses should, too. Wisconsin is where the supercomputer came from. It's the home of the outboard motor and stem cell science. We can be the state where companies want to put their new labs. Let's act now, so that Wisconsin will be home to the next generation of technological advances.

As we prepare our businesses to succeed, we can give cities and counties the ability to plan better transportation systems – better ways to get people to work. If a region agrees to cooperate on building rail

lines or coordinating bus service, we can help make that happen. This budget allows Wisconsin communities to form Regional Transportation Authorities, which will be important tools in driving economic development and adding jobs.

Wisconsin's farms are an essential part of our economy. Under the Working Lands Program, this budget will slow the loss of good farm land. We are also going to work to upgrade and modernize our dairy and meat processing industries.

Through the federal stimulus package, we will also be able to make major investments that will help Wisconsin lead the country in clean energy. We will go farther with our efforts to develop renewable fuels, harness alternative sources of energy and create better ways to conserve.

These are some of the steps that give us confidence. It is never time to curl up and hide under the covers – especially not now. Our economy is tough – and it's likely to stay tough for a while. But any state that doesn't prepare itself to come out of this recession stronger than it went in is making a serious mistake. Now is our chance to get stronger and get ready for better days to come.

If we want our economy to flourish – if we want to help attract and retain talented workers – it is also time to make sure our state takes some basic steps toward fairness and decency. First, we can make sure that domestic partners who work for the state have access to benefits. We can also make sure that a committed couple has visitation rights at a hospital, and the right to take the appropriate leave if one has a serious illness. This isn't an issue of being gay or straight – we are not judging people's lives here. But I don't want the state to stand in the way of someone being able to care for their long-term partner. And I don't want the state to be less competitive at our university and other institutions because we don't treat people fairly.

We can keep working on breaking the addiction to tobacco. This budget finally puts in place a statewide smoking ban. Our neighbors have done it; half of the country has done it. We can do this now, and make Wisconsin's workplaces smoke-free.

As we confront tobacco, this budget recognizes that when the cost of cigarettes goes up, fewer teenagers start smoking. The research there is clear. And we also know that more people decide to quit. When we raised the tax on cigarettes last year, more people called the state quit line during the first week of 2008 than normally call during an entire year. I am proposing an additional 75 cent tax on a pack of cigarettes. I hope that's a tax we don't collect for long. All of my career, I have been fighting big tobacco, and the purpose here is to stop kids from smoking, to help people quit, to improve public health and to drive down our state's health care costs.

Not only can we make our state healthier, we can make it safer by providing more help to our most vulnerable children. This budget increases the quality of childcare and makes it more accountable.

And, last, yet most important, we can show our commitment to education. Our universities and our schools have always been the engines that drive Wisconsin. My budget sees education as our most important function – education, again, is the one primary area that is receiving any increases.

I am making that choice because our schools have to remain accessible and they have to be able to prepare our students to compete with the world. More students will be able to attend our universities under the UW Growth Agenda. One of the few areas this budget increases is financial aid. Under my plan, families with incomes less than \$60,000 will not face tuition increases. For those earning more, tuition increases will be modest and in line with what we have seen in recent years. Best of all, this budget makes sure that students will be going to cutting-edge institutions that continue to lead the world in medical technology and biotechnology research. We will move forward with major advancements.

The Wisconsin Institutes for Discovery at UW-Madison will help our state stay on the forefront of life-saving research and help scientists bring their discoveries to the market. The Great Lakes Bio-energy Research Center is one of only three nationally recognized centers in bio-fuels. With our help, and major funding from the federal government, researchers there can unlock new frontiers in renewable sources of energy. The Wisconsin Genomics Initiative draws upon four of our leading institutions to provide individualized treatment based on a patient's DNA. It is a groundbreaking collaboration that promises to save lives and treat diseases more effectively than ever. And, at UW-Milwaukee, we are moving ahead with the School of Freshwater Science and School of Public Health.

The plan I am proposing also strengthens our pledge to Wisconsin eighth graders. Under the Wisconsin

Covenant, we promised them that if they maintain good grades, take the right classes and be good citizens, they will have a place at one of our campuses. The budget I am presenting you prepares for the first class of Wisconsin Covenant scholars, who will be graduating high school in 2011. It identifies \$25 million that can augment standard financial aid and the private funding that will ensure they have the resources they need to get a college degree.

Good schools mean kids can get off to a good start and go as far in life as their talent and hard work will take them. Good schools build strong neighborhoods and give families strength and hope. In the coming months, I am going to present separate legislation that will allow schools more flexibility in funding if they agree to collaborate, if they find and retain the best teachers and if they commit to becoming more efficient. I believe that together we can take real action to make our schools even better for our kids, our teachers and our taxpayers.

Closing

At its most basic, this is a budget about what we believe is important for our future.

The people of Wisconsin elected us to lead. They expect us to confront our problems, make hard choices and put our state on a path that makes us stronger.

We can do that with a budget that keeps what's important; cuts what isn't needed; protects middle class taxpayers; and builds towards a better future.

Thank you everyone and On, Wisconsin.

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