Reforms and Results

OFFICE OF THE GOVERNOR
Scott Walker

In January 2011, the State of Wisconsin faced a state budget deficit of $3.6 billion.

According to the PEW Center on the States Wisconsin was a state in fiscal peril.[1] Per capita, Wisconsin had one of the largest deficits in the nation at $3.6 billion. In mid-2010, Wisconsin's fiscal health was the fifth worst in the nation according to the Wisconsin Taxpayers Alliance. Only Illinois, California, New York, and Connecticut were worse.

> ***"We must take immediate action to ensure fiscal stability in our state."***
> Governor Scott Walker
> February 10, 2011

To make matters worse, the state faced millions in outstanding bills created by poor fiscal management in the past. Bills and fund raids totaling over $800 million had piled up. Wisconsin owed Minnesota a $60 million tax payment. An unconstitutional raid of $200 million from the Injured Patients and Family Compensation Fund by the previous administration had to be paid back. These bills were accruing interest every day.

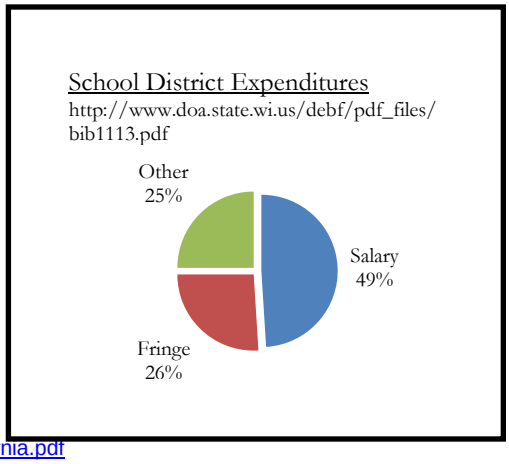
Other states across the nation faced similar challenges. Some states responded with massive tax increases, while other states sharply reduced government services. To move Wisconsin forward, Governor Walker chose a third, better way. He proposed structural reforms that would help maintain services, respect the taxpayers, and end wasteful spending.

Reforms

1. Structural Reform – 2011 Wisconsin Act 10

Unlike past years, there was no one-time federal stimulus money to balance the budget and the funds that had been raided in the past were in deficit. Pushing the tough decisions off into the future for Wisconsin's children to solve wasn't an option and wasn't acceptable.

To deal with the fiscal crisis Wisconsin faced, Governor Walker chose to do something truly innovative: reduce government spending, while



[1] http://www.pewcenteronthestates.org/uploadedFiles/BeyondCalifornia.pdf

giving government increased flexibility to provide services.

Wisconsin spends more than $14 billion annually in state general purpose revenue. More than half of that money is spent on assistance to local governments such as schools, counties, and municipalities. Much of this goes to personnel costs which rise as high as 75 to 80 percent on average in school districts. In order to reduce state spending state aids to local governments also had to be reduced.

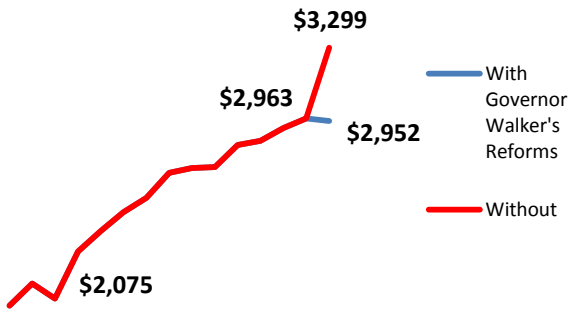
The Governor's reforms allowed state and local government to save millions of dollars by utilizing the cost-savings of the free-market system and competitively bidding on their health insurance programs, curbing over-time abuses, aligning staff with service needs, and asking employees to contribute a portion toward their pension and health insurance.

The reforms also allowed government to reward employees and make staffing decisions based on merit, not union contracts.

2. Controlling Property Taxes

Governor Walker's reforms have controlled Wisconsin's property taxes. Since 1998, property taxes for the median-value property taxpayer have risen 43 percent. In 2010, property taxes as a percentage of personal income rose to their highest level since 1996. The budget and reforms protected property taxpayers by preventing an increase of over $700 per homeowner. In fact, for the first time in over a decade the median-value property taxpayer saw their taxes go down.

Median Value Property Tax Bill 1997-2012



The most notable savings for taxpayers occurred with school districts. Tax levy numbers for the 2011-12 school year show the total tax levy is down more than $47 million for K-12 schools. This is only the second time the total school tax levy has dropped since 1996.

Over the previous five years the school tax levy, on average, increased by $220 million each year. When compared to the status quo of the last five years, Governor Walker's reforms are keeping an extra **$300 million in Wisconsin property taxpayers' pockets** from school district levy savings**.**

3. Ending Wasteful Spending

Governor Walker's reforms went beyond the budget and have ended other wasteful practices that cost taxpayers millions. Collectively bargaining abuses such as stacking overtime hours to inflate salaries at our state correctional institutions are now gone, which is

estimated to save taxpayers $5 million annually. For decades, these had been protected by union contracts. Wisconsin can now pay for performance and eliminate seniority in overtime which will save millions more. The new reforms were put in place January 2012 and have already reduced overtime at the Department of Corrections by $2,108,556 in just three months compared to the previous year.

Results

The results of Governor Walker's budget and budget reforms are clear. The budget was rated credit positive by Moody's while other states such as Minnesota and Illinois saw their credit rating downgraded. After years of billion dollar deficits, Wisconsin passed a budget that projected a surplus.

Instead of double digit tax increases, Governor Walker held the line on taxes that threaten Wisconsin's economic growth. In 2010, ten percent of employers said Wisconsin was on the right path. Now, after Governor Walker's reforms, 94 percent say the state is on the right path. Wisconsin's unemployment rate of 6.8 percent is now at its lowest level since 2008.

Governor Walker's reforms have saved taxpayers over $1 billion, improved education, and made government more efficient.

1. Saving Taxpayers Over $1 Billion

Documented savings show statewide Governor Walker's reforms are saving taxpayers over $1 billion dollars annually and other estimates place that total much higher. Media reports, local budgets, and surveys have shown state aid reductions have more than been made up by savings related to Act 10 in jurisdictions that used Governor Walker's tools.

The Legislative Fiscal Bureau has estimated pension savings alone over the biennium saving school districts nearly $600 million without including savings on health insurance.

School districts that reported competitively bidding out their health insurance plan with modest design changes saved $220 saved per pupil per year on average.

These savings do not include uncollected data from health insurance savings at CESA's, special districts, 68% of school districts, and many local governments in Wisconsin.

Extending the documented savings experienced from school districts that are documented, would add an additional $100 million of taxpayer savings.

A Case Study: Beyond Pensions and Health Care Saving Taxpayers' Money

Manitowoc County saved over $1 million through employee pension contributions. It saved another $1 million through employee contributions to health insurance. The savings though did not end with just pension and health insurance contributions.

Manitowoc County aligned their overtime pay more closely with the Federal, "Fair Labor Standards Act." In fact, the county will continue to pay in excess of the FLSA minimums, but is still anticipating saving hundreds of thousands of dollars.

The County originally projected overtime savings of $372,091, but in the first quarter of 2012 alone, realized $150,000 in savings. The County is now projecting **$500,000 in savings through overtime reform** alone.

The additional savings went beyond overtime reform. By phasing out "Longevity" pay, the practice of paying employees additional amounts solely because of the length of their service, the County anticipates saving $116,214. The County is now conducting a comprehensive salary study to align employee pay with the private and public marketplace.

All of these savings have allowed Manitowoc County to save jobs and hold the line on property taxes.

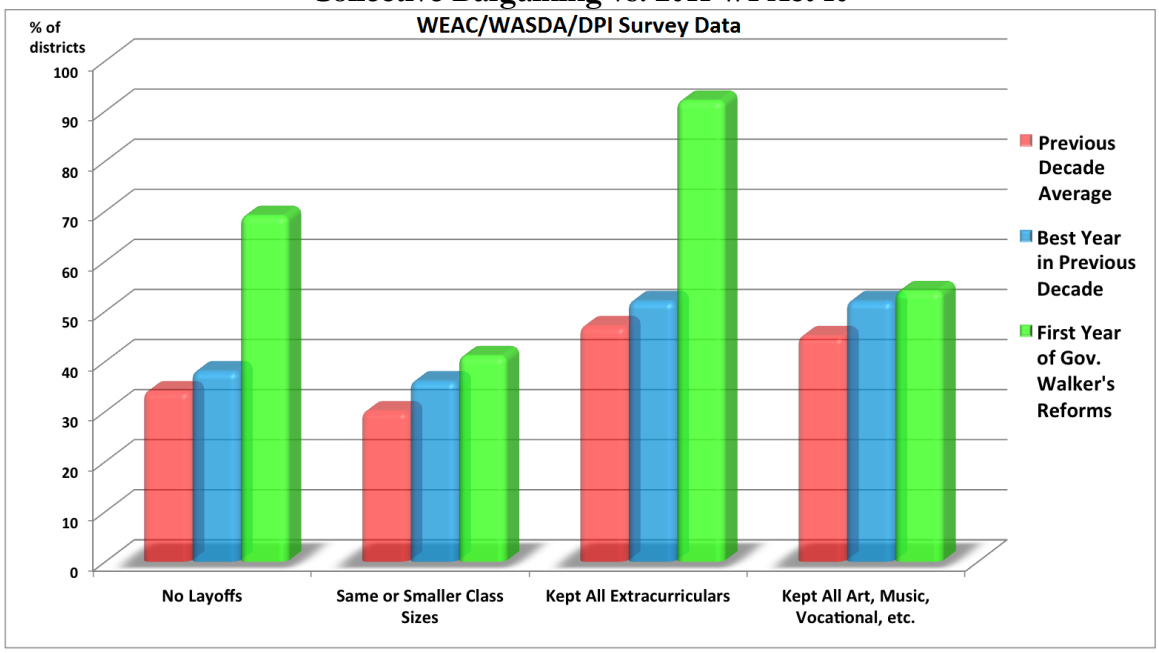
2. Improving Education

The Governor's reforms are also improving education in the state, particularly in the districts utilizing the tools that are now available to them. According to a survey by the Wisconsin Association of School District Administrators (WASDA) released by the Department of Public Instruction:

- **New teacher hires outnumber layoffs and non-renewals by 1,799 positions**
- Roughly three quarters of K-6 grades have the same class sizes or are decreasing them
- Extracurriculars are protected with 92% of districts keeping sports programs the same or expanding them

Comparing the 2011-12 WASDA/DPI survey with recently uncovered surveys conducted by the Wisconsin Education Association Council (WEAC) and WASDA show districts are facing the best financial and educational outlook in at least a decade. This new ability to compare current data with historical data shows dramatically positive trends for school districts overall.

Historical Survey Comparison
Collective Bargaining vs. 2011 WI Act 10



The data demonstrates that Governor Walker's reforms are working. District leaders can now balance their budgets without mass layoffs or property tax increases. They can also focus on student achievement and improving curriculum instead of union grievances.

The surveys show from 2001 until the current school year, the percentage of responding districts that increased class sizes rose to as high as 75% in 2006-07 and averaged 70% from 2001 to 2009. This year, with Act 10 the percentage dropped 11 points below the average and 15 below the 2006-07 high.

Teacher layoff results from the most recent survey are even more compelling compared to the historical data. **The percentage of responding districts that laid off teachers never dropped below 62% in the past decade. This year, with Governor Walker's reforms that result was cut in half to 31%.**

Other categories surveyed such as whether a district used fund balances or increased student fees to balance budgets and reduced extracurricular programs showed positive change this school year when compared to historical data. Districts that reduced extracurriculars dropped to 8% from over 50% in previous available surveys.

Additionally, the Governor's reforms allow school districts and municipalities to manage staffing based on merit and performance**.** Previously, under union contracts, school districts and municipalities were required to arbitrarily layoff the newest employees first. Also, pay increases were dictated by years of service and level of schooling, not on an employee's performance.

Layoffs may now be moderated. Previously, because staff salaries and fringe benefits were untouchable due to collective bargaining, districts facing shortfalls were forced to cut from

the remaining fraction of the budget (programs, supplies) or layoff staff. School leaders may now consider changes in benefit packages, bidding out insurance, sharing services between governments, and other options to keep teachers on the job and save taxpayers money.

It is also important to note, the three districts with the most teacher layoffs (Milwaukee, Kenosha, and Janesville) **didn't adopt the reforms** made available by Governor Walker. Those districts account for more than 40% of teacher layoffs for the entire state, but only contain 12.8% of Wisconsin students.

A Case Study: Improving Education: New Berlin

School officials in the New Berlin School District report that they were able to attain the following accomplishments by making use of the Governor's reforms:

- Increased efficiency as a whole by being able to focus work on student learning and make real-time changes without the burden of collective bargaining, which in turn, allows the district to make decisions which are truly based on what's best for students.
- Implemented a first-year strategic compensation model to pay staff for supporting the work of the district's Vision and the district goals, projects, and initiatives (GPIs)
- **Increased teaching staff by 8.0 full-time equivalents** (FTE), reduced class sizes, increased program options for students, and provided additional supports for students.
- Implemented a **teacher supervision and evaluation model based on research that provides supports for teachers and focused on best practices**.
- Increased teacher work time for collaboration, professional training, curriculum development, and additional time to support students, additional time to meet with families from 7 hours per day for elementary teachers & 7.5 hours per day for secondary teachers to 8 hours/day, **increasing staff time by almost 46,000 hours for the current school year.**
- Implemented a Student-Family Assistance Program (SFAP) that provides additional support for district families for counseling, financial support, legal services, child-care support, among others.
- Reduced health insurance costs by $2.3 million.
- Reduced Other Post Employment Benefit (OPEB) Liability costs from $31 million to $16 million.
- Reduced contributions for employee retirement by almost $1.25 million

In the next year, the school district will continue to refine its work in the areas stated above while continuing to achieve levels of excellence and will look to:

- **Increase student contact time with teachers by 30 minutes per day**. This adds up to approximately **12 days of instruction gained, with no added costs to the district**.

In the elementary schools, the increased teacher and student contact time will be utilized for increasing the reading and writing block, as well as offering science and social studies on a daily basis (which is currently not taking place). The added time will also provide enhanced

interventions and enrichment opportunities for students at both the secondary and elementary levels.

A Case Study: Health Insurance Competition Saves Millions

Many school districts were also able to save a substantial amount of money by changing or restructuring their health insurance plans.

Based on media reports and survey results from 55 school districts with over 140,000 pupils, savings in these districts through competitively bidding health insurance providers were over $220 per pupil. Statewide, if all school districts used similar approaches and had similar results, savings would exceed $150 million. These savings are in addition to the pension and health premium potential also available for districts to save costs.

Not only do these savings bode well for taxpayers, but these positive reforms free up more dollars for teacher wages and classroom development. Prior to 2011 Wisconsin Act 10 health insurance costs were consuming larger and larger portions of schools' budgets. From 2002 to 2011, average school district family plan health premiums had risen by 65% to a level $6,700 higher than the average health insurance plan in Wisconsin.

Districts such as Kaukauna and Mequon-Theinsville saved 8 and 8.9 percent respectively on health insurance premium costs largely due to competition over their health insurance provider. According to the *Shorewood Patch*, as recently as April 17th, Shorewood schools reported saving $537,000 by bidding out its health insurance. In addition to saving the district money, the changes also resulted in premiums falling by over $100 for individual coverage and over $200 for family coverage.

> ***"Prior to the state's elimination of most collective bargaining rights by public employees, district insurance benefits were not subject to competitive bids."***
> Hudson Star Observer
> April 11, 2011

Not only are schools saving, but counties and other municipalities are as well. Portage County is saving $1.7 million due to competition and a switch in health insurance providers.

3. Making Government More Efficient

Governments may now make improvements previously blocked because of union contracts. These changes are improving public services and saving tax dollars all across Wisconsin. Here are a few examples:

- Racine County is saving money by offering jail inmates the option of giving back to the community by mowing medians and shoveling sidewalks in exchange for a reduced sentence.
- The Village of Richfield is now able to share services with other local governments such as schools to save costs on snow plowing.

- The City of Plymouth is now able to maintain services and pay off debt whereas before they were piling debt on top of debt using reserves year after year.
- The Department of Corrections has been able to utilize the reforms to not only save money on overtime, but also to distribute overtime more equitably. In the past overtime was offered to the most senior employees first. Now overtime is offered on a rotating basis, so more junior workers also have the opportunity.