

2017 EXECUTIVE BUDGET ADDRESS

Governor Scott Walker
Wednesday, February 8, 2017, 4 P.M.
Wisconsin State Capital

Speaker Vos, Speaker Pro Tem August, President Roth, Majority Leader Fitzgerald, Minority Leader Shilling, Minority Leader Barca, Supreme Court Justices, Constitutional Officers, tribal leaders, members of the Cabinet, members of the Legislature, distinguished guests, and most importantly, fellow citizens of the great State of Wisconsin, it is an honor to appear before you this afternoon to report on our state budget plan.

Before we get started, I would like to recognize the Commander of the Wisconsin National Guard, Major General Donald Dunbar. Thank you to you and the 10,000 strong members of the National Guard from Wisconsin. A special thanks to those deployed, including members of units from Madison and West Bend who departed since the State of the State Address. God be with you and your families until you safely return home.

The state of our state is strong, and the state of our budget is outstanding.

We are Working and Winning for Wisconsin.

This budget includes historic investments in our priorities. [We're putting more money into public education than ever before, making college even more affordable](#), caring for the truly needy, building a stronger infrastructure, rewarding work, and [cutting taxes to the lowest point in decades](#).

This is very good news. But first, let me first tell you how all of this is possible.

Common sense reforms led to a strong economy and wise fiscal management led us to a positive budget outlook.

Specifically, lowering the burden on hardworking taxpayers helped put more money into the economy. [Reducing excessive regulations and frivolous lawsuits helped improve the business climate so employers could add more jobs and offer higher wages](#).

Just look at the results. [During the past year, more people were employed in Wisconsin than ever before. Unemployment is now down to the lowest levels since January of 2001. And the percentage of people working in Wisconsin is among the best in the country](#).

In other words, our economic reforms have been successful.

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In addition, we put in place reforms that helped the government be better stewards of the taxpayers' money. We are able to reduce waste, fraud, and abuse in state government. [Independent studies show our Act 10 reforms have saved schools, local and state](#)

government some \$5 billion. They note that the savings from these reforms more than cover the budgetary changes in the past.

This year, the budget is projected to end with a higher than expected ending balance. Our rainy day fund is the largest in state history – 165 times bigger than when we took office. Our state pension system is one of only a few in the country that is fully funded. And our long-term outstanding debt is one of the lowest (meaning the best) in the nation.

In other words, our fiscal reforms have been successful.

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Overall, our common sense reforms brought us here - to the point where we have a significantly better budget outlook. We call this the Reform Dividend. And wow, as the fiscal bureau pointed out, that's a whole lot of money.

People tell us the reforms were necessary. Now, they want us to move ahead. And we listened. This budget moves Wisconsin forward.

Our priorities fall into three categories: Student Success, Accountable Government, and Rewarding Work. Our budget includes major new investments in each of these areas.

To help improve student success, we are investing more money into education than ever before in the history of Wisconsin. We are putting \$11.5 billion of state support for K-12 education. Specifically, this budget includes a more than half-a-billion dollar increase in per pupil aid for public education.

Let me repeat that - We are investing more money into public education than ever before. Last November, the state Department of Public Instruction requested an increase of \$200 per student in the first year and a \$204 increase per student in the second year of the budget.

At the time, some suggested that we could not get close to that request. Well, this budget provides a \$200 per student increase in the first year and a \$204 increase per student in the second year. Ironically, I don't remember critics saying the budget request from the Department of Public Instruction wasn't enough last fall - which is probably why school leaders are saying good things about our budget proposal.

And because of our Act 10 reforms, these significant new dollars for education will overwhelmingly go into the classroom. In the past, our reforms allowed schools districts to achieve substantial savings. Our budget, however, is not about the past; it is about looking forward to addressing the workforce needs of the future.

In this budget, we used the Reform Dividend to invest more into public schools. We put more into rural schools with unique needs. We do more to improve schools in Milwaukee. We do more to expand programs that help students get early college credits. We do more to expand career and technical education. We do more to help recruit and retain excellent teachers.

In addition to providing major new funding for our public schools, we do more to help charter and choice schools. I want every student to succeed. And I trust parents to make the right decision for their children.

Our reforms make it easier for schools to put these new funds into the classroom. On top of that, we continue funding for Academic and Career Plans, to help students start taking courses that count for graduation and whatever option they choose after school.

One of those options is attending a technical college. This budget freezes tuition for technical college students. At the same time, we increase support for technical colleges and improve the performance system.

We need to get more people into manufacturing, agriculture, transportation, health care, information technology, and other key areas. Wisconsin's sixteen technical colleges are helping us fill high-demand career areas.

Another great option is the University of Wisconsin System. To help improve student success, the UW System will receive an increase of more than \$100 million in this state budget.

Working with the UW Board of Regents, we are building a performance-based system for new funds. This will include criteria like the number of graduates, the length of time to graduate, how many graduates are employed, and how many are in high-demand areas within the state. We want student success to help fuel the growth of the Wisconsin economy.

We also include a system to reward professors who spend more time teaching. This will reverse a nationwide trend where professor time in the undergraduate classroom is down while tuition has gone up - about four times the rate of inflation since 1978. Wisconsin needs to be a leader in providing quality higher education that is affordable.

That's why our budget also includes the largest investment in history for need-based financial assistance for students at colleges and universities all across the state.

And to make our public institutions even more affordable, I am proud to announce our budget reduces tuition for undergraduates from Wisconsin by 5% at all UW campuses.

During the decade before our freeze, tuition went up 118%. If that trend had continued, a typical UW student would be paying \$6,300 more over the past four years. We froze tuition four years in a row and that helped turn the trend around, but students, parents, and others are telling me that they are concerned about the high cost of higher education. Our reduction in tuition will save an average student \$360 per year, and that's on top of the benefits of the freeze.

To cover the reduction in tuition, we specifically put \$35 million more into the UW System. To be clear, that's on top of the more than \$100 million in new state funding we are putting into the UW System. Reducing tuition by putting more money into the UW is very much like lowering property taxes by putting more money into public schools in the state. This budget does both.

Our budget also includes a bonus payment for public education that supports student success through accountable government. Following up on a promise I made in the 2016 State of the State Address, we spent more than a year examining ways to improve how government provides health insurance to state employees.

The Commission on Government Reform, Efficiency and Performance reports that 46 states have some form of a self-insured plan and nearly half of the states are fully self-insured - including our neighbor Minnesota. As you think about this reform - consider this - across our state, employers, health care systems, schools, institutions of higher education, and others are successfully using self-insurance plans to make health care affordable for their employees, and to make their dollars go further. We can do the same.

Moving the state to a self-insured plan, we believe will save Wisconsin taxpayers at least \$60 million during this budget cycle. As promised, we put that money entirely into public education - part of it will go to our K-12 public schools and part of it will go to the UW System.

We are working and winning for Wisconsin.

Student success is a priority which is why we reinvest the Reform Dividend into our schools, our technical colleges, and our University of Wisconsin System. We will also use the Reform Dividend to help reduce the burden on the hard-working taxpayers.

First, we will continue to lower property taxes. As promised, property taxes on a median-valued home will be lower in 2018 than they were in 2010. As a percentage of personal income, they are the lowest since World War II. To drive them down even further, we are getting rid of the state portion of your property tax bill. For the first time since 1931, there will be no state tax collected on your property tax bill.

Second, we fully implemented the manufacturing and agriculture production tax credit. Over the past year, we ranked first in the Midwest for new manufacturing jobs. We want that trend to continue, plus we want to help our family farmers.

Third, we help working families with a sales tax holiday on school supplies and clothing. This will encourage people to shop at businesses that employ people right here in Wisconsin while helping working families with children in school.

Fourth, we cut income taxes. As promised, income taxes in 2018 will be less than they were in 2010. Overall, income taxes on a typical family will go down more than \$130 in this budget - so cumulatively from 2010 to 2018, that's a savings of \$1,542.

Overall, the total new tax relief in our budget is \$592.7 million.

We are Working and Winning for Wisconsin.

At a time when we have significant new revenues, we need to lower the overall tax burden on the hard-working people of Wisconsin. Reinvesting in you - the taxpayers - will ensure that our economy continues to grow.

So let me be clear. Now is not the time to raise taxes.

We should not raise taxes on farmers and manufacturers. We should not raise the income tax. We should not raise the gas tax.

Instead, now that we have higher than expected revenues from the Reform Dividend, we need to use those dollars to fund our priorities. That's exactly what this budget does for the people of Wisconsin.

Accountable government also means investing resources where they are needed.

That's why we are expanding broadband internet services to every part of the state. It means helping family farmers improve their operations to limit runoff. And it is about improving staffing and facilities at our state veterans' homes.

A solid transportation system is also part of being accountable to the taxpayers. Our budget includes more funding for local governments to fix roads and bridges and potholes than they've seen in more than a decade and a half. It also includes the largest amount ever for rehabilitation of state highways.

This budget gets all of the active major projects outside of southeastern Wisconsin back on track. It adds funding for the work on Interstate 94 from the state line north through Kenosha and Racine counties. And it frees up resources to address the long-term transportation needs of the state, putting in place new reforms that help lower the cost of building our infrastructure.

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Another part of making government more accountable to the taxpayers comes from rewarding work.

We want everyone who wants a job, to find a job - and a career. For all who are able, we will enable them to work.

Wisconsin Works for Everyone builds off of the positive welfare reform started by former Governor Tommy Thompson under Wisconsin Works or commonly called W-2. We want to ensure that people who are able to work actually enter the workforce.

For starters, that means that able-bodied adults will need to be employed at least 80 hours a month to receive things like food stamps. If not, they will need to be enrolled in our job training program.

On top of that, we are working with the new administration and Congress to get approval to expand drug testing for people seeking public assistance. If they fail the test, we provide treatment to get them healthy and back into the workforce.

Employers are eager to find individuals with fundamental employability skills who can pass a drug test. We want to get people back on their feet again and into the workforce.

But let me be clear: Wisconsin Works for Everyone goes beyond traditional welfare reform.

We extend child care benefits so people don't hit a certain income level and then immediately drop off of any assistance. For many, this becomes a deterrent to working more hours or taking a promotion. Our reforms will eliminate the so-called "cliff."

In addition to removing barriers to work, we know that strengthening strong, two-parent families is another key to success. With this in mind, we expand the Earned Income Tax Credit to make it more attractive to work and fix the marriage penalty.

The Commission on the Future of the Family reminded us to focus early and often on the "Success Sequence." It is simple: graduate from school, get a job, and wait until you're 21 and married to have a child. Research shows that those who do so are overwhelmingly more likely to succeed.

Another way to reduce poverty is to expand a successful program in Kenosha and Brown counties that works with parents who owe child support to get them employed and paying child support. This is good for the taxpayers, but most of all, it is good for the children.

Wisconsin Works for Everyone also includes changes to make it easier for people with disabilities to enter the workforce without fear of quickly losing assistance. Similarly, we provide a new way to help young adults who age out of Foster Care to enter the workforce.

We also propose expanding career and technical training in our correctional facilities to help transition offenders into the workforce. A good job is one of the best ways to keep people from re-entering the system.

People want to work. It goes against our human nature to think that we should permanently be dependent on the government.

Here in Wisconsin, we are good and decent people. We will help our fellow citizen when they are down and out. But public assistance should be a trampoline, not a hammock.

Part of expanding our workforce also requires removing barriers to employment and to people starting their own small businesses. Our budget creates a panel to review occupational licenses to determine which are truly needed to protect public health and safety and which of those are just barriers to employment.

Wisconsin Works for Everyone will help all those who are able to enter the workforce and pursue a career that is right for them. It's just one more way we are Working and Winning for Wisconsin.

Think about it: More people were employed last year in Wisconsin than at any point in our history. We have one of the highest percentages of people working of any state in the nation. And our unemployment rate is the lowest it's been - well - since Tommy Thompson was governor.

We are Working and Winning for Wisconsin.

With this budget, we are adding another \$20 million to the rainy day fund, making it 178 times larger than when we took office. Our outstanding long-term debt is some of the lowest in the country. Our state has one of the only fully funded pension systems in the nation. And our budgets continue to end with surpluses.

We are Working and Winning for Wisconsin.

The common sense reforms that helped build this healthy economy and strong management of our state resources created our positive budget outlook. That's the Reform Dividend.

Now, we are investing the Reform Dividend into our priorities: student success, reduced college costs, care for the needy, maintenance of our roads and bridges, ways to reward work, and lower taxes.

This is a solid budget built on a strong foundation. The Reform Dividend gives us plenty of ways to support our priorities. I ask for your support of this budget. Working together, let's keep moving Wisconsin forward.

Indeed, we are Working and Winning for Wisconsin.

Thank you. God bless you. God bless our men and women in the uniform. God bless Wisconsin. And may God continue to bless the United States of America.