

House Committee on Oversight and Government Reform
Testimony of Governor Scott Walker (R-WI)
Thursday, April 14, 2011

Chairman Issa and Distinguished Committee Members, I appreciate this opportunity to testify before you today and look forward to our discussion regarding the budget challenges faced by states across this nation, Wisconsin's current state budget deficit and our committed approach to putting our state back on the path to prosperity.

In nearly every state across America, Governors are facing major budget deficits. In fact, according to the Center on Budget and Policy Priorities, 44 states and the District of Columbia face shortfalls in Fiscal year 2012 totaling more than \$111 billion and ranging from 2 to 45% of their total state budgets. In Wisconsin, we are currently facing a biennial budget deficit of \$3.6 billion.

Many Governors, Democrat and Republican alike, are cutting state aid to schools and other local governments - which forces massive layoffs, massive property tax increases or both.

In Wisconsin, we are doing something truly progressive. In addition to holding the line on spending and finding efficiencies in state government, we are implementing long term budget reforms focused on protecting middle class jobs and middle class taxpayers.

While our idea may be a bold political move it is a very modest request of our employees. We are reforming the collective bargaining system so our state and local governments can ask employees to contribute 5.8% for pension and 12.6% for health insurance premiums. These reforms will help them balance their budgets. In total, our collective bargaining reforms save local governments more than \$700 million each year.

Most workers outside of government would love our proposal. For example, my brother David works as a banquet manager and as a part-time bartender. His wife works at a local department store. They have two beautiful children. They are a typical middle class family.

He told me that he pays about \$800 a month for his health insurance and the little he can set aside in his 401(k). Like many other workers in our state, he would love a deal like the one I offered government workers.

Over the past several months, I have visited numerous factories and small businesses across Wisconsin. On these tours, workers tell me that they pay anywhere from 15% to 50% of their health insurance premium costs. The average middle class worker is paying more than 20% of his or her premium. Like my brother, they would love a plan like the one we are offering.

Even federal employees pay more than twice what we are asking state and local government workers to pay and most of them don't have collective bargaining for wages or benefits. These facts beg the question as to why the protesters are in Wisconsin and not in Washington, D.C. By nearly any measure, our requests are quite reasonable.

Beyond helping to balance current and future budgets, our reforms will also make our government work better.

In 2010, Megan Sampson was named an Outstanding First Year Teacher in Wisconsin. A week later, she received a layoff notice from the Milwaukee Public Schools. So why would one of the best new teachers be one of the first let go? Because her collective bargaining contract requires staffing decisions to be made based on seniority.

Ms. Sampson received a layoff notice because the union leadership would not accept reasonable changes to their contract. Instead, they hid behind a collective bargaining agreement that costs the taxpayers more than \$101,000 per year for each teacher; a contract which protects a 0% contribution for health insurance premiums; and a contract that forces schools to staff based on seniority and union rules.

Our budget reforms allow school districts to assign staff based on merit and performance. That keeps great teachers like Ms. Sampson in the classroom.

And it works at the state level too. In 2005, Governor Mitch Daniels reformed collective bargaining in Indiana. In turn, the government became more efficient, more effective and more accountable to the public. Governor Daniels even encouraged employees to come forward with ways to save taxpayer dollars and they responded. Eventually, the state was able to reward top performing employees. This is true reform – making government work for the people.

Since January 3rd, we passed some of the most aggressive economic development legislation in the country. And on nearly every measure, many Democrats joined with all of the Republicans and an Independent to vote in favor of the various pieces of legislation. The Wisconsin legislature recognized that we are growing, not Republican or Democratic jobs, but Wisconsin jobs. Together, we worked to show that Wisconsin is open for business.

But sometimes, bi-partisanship is not so good. During several of the past budgets, members of both political parties raided segregated funds, used questionable accounting principles and deferred tough decisions. This, along with the use of billions of dollars worth of one-time federal stimulus money for the budget two years ago, left Wisconsin with the current \$3.6 billion deficit.

Our reforms allow us to take a new and better approach. Instead of avoiding the hard decisions and searching for short-term solutions, we make a commitment to the future. The choices we are making now in Wisconsin will make sure our children are not left picking up the pieces of the broken state budget others left behind. Our reforms create the lowest structural deficit in recent history ensuring our budget is stable for decades to come. Moody's called our budget proposal "credit positive" because of our dynamic efforts to reduce the structural deficit.

These changes do more than just balance the budget; they give small businesses the confidence they need to grow and invest in our state. Investors want stability and our budget provides long-term fiscal certainty for our state and local governments.

We live in the greatest nation on earth. For more than 200 years we've had leaders who cared more about their children and grandchildren than themselves – leaders who have demonstrated the courage to make decisions in the best interest of the next generation – and not just the next election. This is truly a concept that America has always admired, but many have now forgotten as we face our greatest challenge – balancing our budgets.

My hope is that our actions in Wisconsin will remind the rest of the nation what makes our country great, but more importantly my sincere hope is that by reforming our state budget for the long haul we will be sending a strong signal to job creators from around the world that Wisconsin is Open for Business.