

Governor Scott Walker
State of Wisconsin

Thank you for your service to your state and your fellow citizens. I know that you have worked hard during this economic downturn to ensure that our citizens continue to receive great service, despite our state having fewer and fewer resources. I, like all Wisconsinites, am grateful for your professionalism and commitment to public service.

Like almost every state across the nation, our state faces some very serious and undeniable financial challenges. Over the last three months, I have worked diligently to review the status of our state finances and to put forward a plan that balances our budget now and will create stability in future budgets.

Many of you are aware of the immediate challenges facing our state. In the current fiscal year which ends on June 30, 2011, we face a budget deficit of \$136.7 million. We also owe more than \$200 million to the Injured Patients and Families Compensation Fund. Failure to immediately address this shortfall could result in the state being unable to pay for health services to thousands of children and families in Wisconsin's BadgerCare program.

Looking to the future, our challenges are even greater. Over the next two years, the State of Wisconsin faces a biennial budget deficit of \$3.6 billion.

While some of these financial challenges may be attributed to the slowing of our economy, the reality is that these problems were exacerbated by poor budgeting decisions approved and promoted by past elected leaders, Republicans and Democrats alike. By relying on the use of one-time money, segregated fund raids, and increases in taxes and fees, past leaders have focused on short term solutions without looking toward the future.

While these decisions may have appeared to be the easiest solution, or the path of least resistance, the bills for these decisions have come due and the path to long term financial solvency for our state requires shared sacrifices from everyone.

Today, I am introducing a Budget Repair Bill to address our current fiscal year deficit of \$136.7 million. Later this month, I will introduce my 2011-2013 Biennial Budget proposal to address the pending \$3.6 billion deficit.

The Budget Repair Bill will include a number of reform measures focused on bringing government employee benefits closer to the private sector, including:

* Pension Contributions - Currently, state, school district and municipal employees who are members of the Wisconsin Retirement System contribute very little toward their pensions. The bill requires that WRS employees, including myself and my cabinet officers, as well as employees of the City and County of Milwaukee, contribute 50 percent of their monthly pension contributions. This amount is estimated to be 5.8 percent of salary for 2011, which is about the national average for private sector employees.

* **Health Insurance Contributions** - Currently, state employees pay approximately 6 percent of annual health insurance premiums. This bill requires that state employees, again including myself and my cabinet officers, pay at least 12 percent of monthly premiums, which is still less than half of what the private sector pays. In addition, the bill directs the Group Insurance Board to implement changes to health insurance plan designs to further reduce premiums by 5 percent and will implement health risk assessments for all state employees beginning on January 1, 2012. Local employers participating in the Public Employers Group Health insurance program operated by the state will be prohibited from paying more than 88 percent of the lowest cost plan.

Collective Bargaining - Given the above changes, the bill also makes various changes to limit collective bargaining to the base pay rate. Total increases cannot exceed the Consumer Price Index (CPI) unless approved by a referendum. Contracts will be limited to one year and wages will be frozen until the new contract is settled. Collective bargaining units will have to take annual votes to maintain certification as a union. Employers will be prohibited from collecting union dues and members of collective bargaining units will not be required to pay dues. These changes take effect upon the expiration of existing contracts. Local police and fire employees and State Patrol Troopers and Inspectors are exempted from these changes.

Collectively, these changes will result in savings of approximately \$30 million in the remaining few months of the current fiscal year.

In the days ahead, some may attempt to misrepresent these reform measures, spreading inaccurate or misleading information. To ensure that you know the facts, I would like to proactively address these issues.

Furloughs - Over the last several years, state employees have been required to take furloughs resulting in an across the board pay cut of approximately 3 percent. The Budget Repair Bill and my 2011-2013 Biennial Budget proposal will not include additional furlough days for state employees.

Layoffs - Without the pension and health care reforms described above, saving \$30 million over the last three months of the current fiscal year would require laying-off more than 1,500 state government employees. By implementing these reforms, the provisions contained in both my Budget Repair Bill and my 2011-13 Biennial Budget proposal are focused on avoiding layoffs for state employees.

Wisconsin's Civil Service System -The Budget Repair Bill and my 2011-2013 Biennial Budget proposal will not include any provisions to alter or modify the main tenets of Wisconsin's Civil Service System, one of the strongest in the nation. The grievance and dispute resolution systems currently in place, as well as all employee protections, will remain.

Vacation and Sick Leave Policy - Recent news stories have suggested that I am considering altering the state's vacation or sick leave policy. The Budget Repair Bill and my 2011-13 Biennial Budget proposal will not include any provisions to alter or modify state employees' vacation or sick leave policy. In addition, benefits currently accrued by any state employees will not be altered in any way.

Last week in my State of the State Address, I shared my belief that government employees are among some of the most honest, hard working, dedicated, professional workers in this state. I sincerely believe that.

We all recognize that these are historic times that require us to rethink how government operates. I ask that we continue to work together to do what is necessary to bring the state's spending in line with our taxpayers' ability to pay.

Wisconsin's state employees are second to none in our nation. Our citizens expect great service, and you have delivered. I know you will continue to deliver top-notch programs for Wisconsin's taxpayers. Thank you again for your service to our state.

Sincerely,

Governor Scott Walker