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## **Joint Finance Committee Budget Testimony**

*Secretary Mike Huebsch  
Wisconsin Department of Administration  
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Good morning and thank you for the invitation to discuss the Governor's Budget. I have an even greater appreciation for the importance of this process having sat where you are all sitting, as well as where I sit today.

Governor Walker has set three goals for this biennial budget: more prosperity for Wisconsin, better performance by state government, and true independence for Wisconsin citizens. With these goals in mind, the Governor and the Department of Administration have put forth a budget that will keep Wisconsin moving forward.

Before we discuss where we are going, it is important to review where we have been. When this Administration took office in January 2011, the state had a \$3.6 billion deficit coupled with outstanding debt.

Hundreds of millions of dollars had been shifted from the transportation fund to pay bills in the general fund. There were no reserves in the rainy day fund, and the State had accepted one-time money from the federal government to plug holes in on-going state programs.

We were required to restore the raid of the patient compensation fund of \$200 million plus interest, had failed to meet our financial obligations – such as paying Minnesota for our reciprocity agreement, and state employees were required to help make up the difference through forced furloughs. All these combined left Wisconsin with a decade of deficits and a devastating outlook for how to fund crucial programs for our citizens in the future.

From his first day in office Governor Walker told the people of Wisconsin that we are going to turn this around through a common sense approach: we will not spend more money than we have to spend. It is a simple principle that we all use in our own budgets, but the State had failed with its own spending.

Today, that \$3.6 billion deficit is a \$450 million surplus. We have paid our outstanding bills. We finished fiscal year 2012 with more than \$125 million in the rainy day fund – making the largest deposit in state history while contributing in consecutive years. And for the first time in a very long time, state employees will see a pay increase and agencies are able to reward outstanding performance through merit pay increases.

Under Governor Walker's leadership, we have become good stewards of the taxpayers' money and have put the state on sound fiscal ground for generations to come. He has a clear vision for the future, and this biennial budget is built around five key priorities.

The first priority is creating jobs. Government itself does not create jobs – people create jobs. What government *can* create is the environment where businesses can develop and grow, and we do this by reforming our economic culture. We have begun to reform taxation and regulation in the state, while

maintaining the appropriate amount of oversight. We are finding ways to simplify our regulatory processes and make it easier for companies to do business in Wisconsin.

When Governor Walker took office, he promised to create 250,000 jobs. This is a promise he has not backed down from because for him this is not a political goal; it is about changing the lives of our citizens. Each job we create changes the life of one person, and likely changes that family. When we change a family, we have impacted a community. By improving the lives of our families and communities, we can turn Wisconsin's economy around.

For the first time in nearly 15 years, we are reinvesting in the citizens of Wisconsin. We are giving back our budget surplus through lowering the middle class tax brackets. As this puts more money back into the pocketbooks of our families, they begin to spend more. As they spend, our economy expands and gets strong. Since 85% of the State's GPR tax revenue comes from income and sales taxes, it is crucial we provide the opportunity to strengthen our economy.

The second priority is workforce development. In Wisconsin, we make things and we grow things. As our manufacturing and agricultural industries evolve to incorporate new technology, we must ensure that our workforce of today and tomorrow has the necessary skills to meet those challenges. That is why this budget puts more money into technical colleges and universities. We are providing training opportunities today...so our workers have the skills for tomorrow.

Workforce training is not enough – we must also create the foundation for our young people to gain the life skills they need to be successful. That is why the third priority is reforming education. Our schools must provide the necessary education and tools for our students, our children, to grow.

Governor Walker and Department of Public Instruction (DPI) Superintendent Tony Evers began reforming education by implementing a school report card. As a parent myself, I wanted to see how my sons' schools were graded so that I had a better understanding about their education when compared to other schools across our state and nation.

For decades, we have funded our schools by using a formula based upon the population and property tax rate. With almost 50 cents of every dollar going back into education, providing school aide based upon population figures is not enough. We must examine the performance of schools to ensure our children are getting the quality education they deserve.

Schools that exceed expectations will get additional money in this budget. They can use the funds as they wish – to develop new programs or reward outstanding teachers. Those schools are already doing the right things to be successful, and Governor Walker's budget will support their progress.

For those schools that are failing to meet expectations we will invest in them so they can improve. But parents should not, and cannot, wait for that improvement. Our children need a quality education today. That is why this budget expands the school choice program. The DPI report cards show that we have nine school districts in Wisconsin with at least two failing schools within their district. This represents at least 1000 students in a failing school in each of those school districts.

Governor Walker believes those families should have a choice – a choice for a better school, a better education and a brighter future. That is why this budget expands the voucher program – so our children have the best education possible to achieve their fullest potential.

As we reform our education system, we must also strengthen our infrastructure, which is the fourth priority of this budget. Governor Walker knows a strong, safe transportation system is essential to economic growth. This budget invests in our system that helps Wisconsin businesses get their products to the market and workers to their offices.

Lastly, we focus on priority number five, which is reforming state government. We need to reform how government operates so that our citizens have true independence, our government is more customer-focused and we deliver the best value possible for each dollar taxpayers entrust to us.

Some people will need government services and programs, and that fact will never change. We must support our most needy, and that is why Governor Walker removed the Medicaid cap and allows individuals to get insurance through private healthcare system. This ensures that people who do not have access to health care can get the medical services they need.

At the same time, we all read stories across the nation every day about people who abuse the system. One of the first areas that the Governor looked at when he took office was waste, fraud and abuse in state government programs. We found nearly \$300 million worth of suggestions to reduce fraud in our state, and many of those recommendations have already been implemented.

But that important work cannot stop. This biennial budget includes the recommendation to create the Office of Inspector General at the Department of Health Services. This Office will safeguard that people get the services they need, while identifying individuals who are not eligible. The budget also includes more positions for the Department of Revenue to stop money from going out the door to ineligible recipients, while collecting money that is owed to the State.

Reforming government includes efficiencies and stopping fraud, and it also includes changing our culture. This Administration recognizes that the taxpayers are our clients – we serve *them*. All agencies have been charged with finding ways to become more client-focused in serving the people of Wisconsin.

This leads to me to several key initiatives at the Department of Administration.

First, the Governor has set aside \$25 million one-time funding to create an investment capital fund for co-investments with business start-ups and investment capital projects. This fund will help create the next generation of successful start-up companies that will create new jobs and build a foundation of economic growth for years to come. In partnership with the legislature and support of the Wisconsin Economic Development Corporation and our agency's Office of Business Development, the Governor looks forward to developing the best approach to deploy this fund to meet our shared objective of job growth in Wisconsin.

The second initiative I will highlight is the potential sale of certain state-owned property, which in turn utilizes the net proceeds to pay down debt - notably debt incurred to improve vital components of our transportation infrastructure. All sales would be approved by State Building Commission, and would be reported to the Joint Finance Committee.

Before discussing what property is under consideration for sale, let's be clear about what is *not* under consideration. The State Capitol is not for sale. We are not proposing to sell state prisons. We are not selling state parks.

Instead, these are logical and practical transactions, such as land that the State purchased when a new highway was being proposed, but the route went a different direction.

The wisdom of the state being in the heating plant business has been debated for decades. Federal environmental regulation changes have increased the operational and litigation risk associated with the continued operation of the smaller, older plants that make up the majority of the state's fleet. This is the time to explore the potential for selling these plants to an entity that can better mitigate these risks through economies of scale and scope, while still providing reliable, economic energy and capturing an opportunity to fund critical transportation infrastructure upgrades.

Next, I'd like to focus on our agency's support of the state building program. Our goal is to ensure each project is completed on time and on budget, but also recognize that the buildings that are constructed create a legacy that lives on long after the details of this budget are forgotten. The professional support and customer service we provide to our clients is a critical part of ensuring that legacy is positive.

The division's number of field staff has remained at 2001 levels at 23 full-time positions, while the number of projects has steadily risen. Over time, there has been a significant successful effort to improve efficiency and productivity, but we have reached a point where the number of projects assigned to each member of our field staff has exceeded their ability to provide that level of professional support and customer service our clients need and deserve. This budget will protect the Department's ability to deliver on that commitment to customer service.

Lastly, while we look to make our capital projects run more smoothly, we must also upgrade the State's information technology systems which have been neglected for far too long. While other businesses have invested in and upgraded their technology systems – and maybe some of you have been bought some new technology in the past few years yourselves – the state remains woefully behind the times.

The department is embarking on a strategy to consolidate IT staff and equipment for improved efficiency, consistency among state agencies, and modernization of the State's IT system. This approach is more cost-effective than having each agency purchase, maintain and support its own IT infrastructure. We can combine resources to make the best use of technology so that government is more efficient and can better serve our customers.

Therefore, we are undertaking a project to implement a powerful enterprise resource planning system to effectively manage our finance, budget, procurement, business intelligence and human resource functions and deliver better value to taxpayers.

Increasingly, our presence on the web is the virtual front door to state government and we need that first impression to be a positive one. We will implement a self-funded portal to help meet this objective. This portal will provide one-stop business functionality for the citizens of Wisconsin, as well as the mechanism to streamline and modernize agency services and data provided through the Internet.

In conclusion, this budget makes smart choices, while investing in priorities necessary to serve our citizens: creating jobs, reforming education and a making government more efficient. The Governor was right: by making smart choices and limiting our spending to what we can actually afford, we will keep Wisconsin moving forward.

Thank you for your attention and I look forward to answering your questions.