



# STATE OF WISCONSIN

# Senate Journal

## Ninety–Eighth Regular Session

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6:30 P.M.

TUESDAY, February 13, 2007

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The Senate met.

The Senate was called to order by President Risser.

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### CALL OF ROLL

The roll was called and the following Senators answered to their names:

Senators Breske, Carpenter, Coggs, Cowles, Darling, Decker, Erpenbach, S. Fitzgerald, Grothman, Hansen, Harsdorf, Jauch, Kanavas, Kapanke, Kedzie, Kreitlow, Lassa, Lazich, Lehman, Leibham, Miller, Olsen, Plale, Risser, Robson, Roessler, Schultz, Sullivan, Taylor, Vinehout and Wirch – 33.

Absent – None.

Absent with leave – Senators Ellis and Lasee.

The Senate stood for a moment of silent meditation.

The Senate remained standing and Senator Coggs led the Senate in the pledge of allegiance to the flag of the United States of America.

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### LEAVE OF ABSENCE

Senator Fitzgerald, with unanimous consent, asked that Senators Ellis and Lasee be granted a leave of absence for today's session.

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President Risser appointed Senators Decker and Roessler to escort the Governor to the Assembly Chamber for a Joint Convention of the Legislature.

Senator Robson, with unanimous consent, asked that the Senate adjourn pursuant to **Senate Joint Resolution 1**, upon the rising of the Joint Convention.

The chair, with unanimous consent, asked that the Senate recess for the purpose of awaiting the Governor's Budget Address in Joint Convention in the Assembly Chambers at 7:00 P.M.

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### RECESS

The Senate proceeded in a body to the Assembly Chamber to meet in Joint Convention to receive the Governor's Budget Message.

6:45 P.M.

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### IN ASSEMBLY CHAMBER IN JOINT CONVENTION

Senate President Risser in the Chair.

The committee to wait upon the Governor appeared with his excellency the Governor, who delivered his message as follows:

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### BUDGET ADDRESS

"Speaker Huebsch, Speaker Pro Tem Gottlieb, President Risser, Majority Leader Robson, Lieutenant Governor Lawton, Constitutional Officers, members of the Legislature, tribal leaders, members of the Cabinet, distinguished guests, and fellow citizens of Wisconsin.

Tonight, I come before you to submit my budget for the next two years ... a budget with three goals: being fiscally responsible, investing in our shared priorities, and creating opportunity for working families.

It is a plan that not only invests in the needs of all Wisconsinites, but reflects the greatest hopes and aspirations of our people.

My budget says every child ... every family ... should have a chance to get ahead and live the American dream.

This is not a budget for the big oil companies or the big tobacco companies ... it is a budget for the middle class – and those trying to get there.

An opportunity budget ... that cuts taxes on hardworking families.

An opportunity budget ... that is responsible with taxpayer dollars.

An opportunity budget ... that invests in schools and better jobs for our citizens.

An opportunity budget ... that says health care for all of our citizens is within our grasp ... and now it's time to reach for it.

An opportunity budget ... reflecting Wisconsin's values, protecting Wisconsin's priorities, and investing in Wisconsin's people.

#### Fiscal responsibility

Of course the first thing – the best thing – state government can do to create opportunity for the middle class is to get its own fiscal house in order.

The truth is, this state got itself into a tremendous hole in the 1990s. Expensive new programs, excessive use of one time money, exploding corrections costs, and runaway deficits. To clean up the mess, we sold cars, airplanes, buildings and state property, cut government waste and eliminated overhead. We

used our bargaining power to get discounts on everything from office supplies to prescription drugs.

We cancelled and consolidated government contracts, achieving the first reduction in contracting for at least a decade – and saving taxpayers more than \$40 million dollars.

Together, as Democrats and Republicans, we balanced two straight budgets.

And because we know that Wisconsin families should keep more of what they earn, we did it all without raising income taxes...

...without raising sales taxes...

...without raising business taxes...

...and we held local property taxes to their smallest increase in a decade. You should take pride in what we did together – providing real property tax relief to Wisconsin families.

As a result, as a percentage of income, the state tax burden in Wisconsin is the lowest in 35 years.

We also stopped the decline in our bond rating. For the first time in six years, our bonds have been given a positive outlook by Standard and Poors.

But despite all of that progress, we still face real, long-term challenges.

Unless we make hard choices now, the choices we'll face in just a few more years will be unbearable: eroding the quality of our schools, laying off thousands of police and firefighters, abandoning our commitment to children and vulnerable families, or higher taxes for everyone.

So this budget begins with more hard cuts – continuing the progress of the last four years. We'll control the cost of prisoner health care, streamline the administration of Medicaid, cut information technology contractors, and sell state property. We'll eliminate duplicative human resource systems and use technology to save almost \$100 million throughout government.

Tonight, I'm sending you supplemental legislation to begin that cutting immediately – reducing spending at our largest agencies by 2 percent this year.

Your state government will be leaner, more efficient, and more focused on the priorities of middle class families.

It's taken a long time to recover from the financial mess created in the 1990s, but this is the budget that turns the corner.

Let me show you the progress we're making:

When I took office, the budget I inherited was projected to end hundreds of millions of dollars in the hole.

We changed course ...

...showed a small surplus in 05 ...

...a surplus for 07 ...

...and the budget I present tonight will have a surplus of \$130 million in 2009. Now that's progress.

We also had to address this state's over-reliance on one-time money to balance the budget. Prior administrations did things like cash in the tobacco settlement for a temporary budget fix.

Over the last four years, we've dramatically reduced the use of one-time spending ... to the lowest amount in years. The budget I present tonight relies on one-time money for less than one percent of the budget – a very responsible level.

Some level of advanced commitments – the so-called structural deficit – is normal in a budget, like tax cuts that grow over time. But you need to keep those in line ... and previous Administrations let this get out of control.

As you can see here, we've dramatically reduced our advanced spending commitments in the last two budgets.

And in this budget, to assure our long term fiscal health, we've kept our advanced spending commitments to their lowest level in 12 years.

The real problem with advanced commitments is how they compare to the growth in revenue.

The red line is advanced spending commitments. The yellow line is projected revenue growth that you need to pay for those commitments. Something's really wrong when the red line is above the yellow line.

Generally, revenue grows at about 5 percent a year. Before I took office, advanced commitments far exceeded revenue growth. In fact, the budget I inherited four years ago had \$2.8 billion in advance spending commitments, but only about \$1 billion in expected new revenue to pay for it. That left us with a huge gap.

The budget I present tonight will leave us with just \$670 million in advanced commitments – and those commitments will be more than covered by the \$2 billion in new revenue projected for the next budget.

### **Tax Cuts**

The progress we've made in the past four years puts us in position to offer Wisconsin something important: real, meaningful middle class tax relief.

Because the middle class is being squeezed ... I propose to make every dollar you pay for health insurance completely tax free.

This simple change will save a typical family more than \$300 dollars annually and help make health care a little bit more affordable. It represents more than \$250 million in middle class tax relief over the next five years.

To keep our commitment to seniors, we'll eliminate the state tax on Social Security next year.

To help working families, we'll make the cost of child care tax deductible, saving parents up to \$400 a year.

And to help our students, we'll dramatically expand the tuition tax deduction ... saving families up to \$400 off their tax bill – and making college more affordable. For the first time in history, students and families throughout the UW system, technical colleges and private colleges will be able to use this deduction not only for tuition, but for fees as well.

All together, my opportunity budget includes more than a dozen separate tax cuts aimed at creating jobs and helping families in their daily lives ... saving the taxpayers of Wisconsin \$1.7 billion over the next four years.

### **Education**

Not only will we provide tax relief, but we'll do it while investing in the priorities of Wisconsin's families. And the first of these is education.

Like every parent in this state, I can still remember the day I walked our oldest child to school for the very first time.

With a smile on his face and a bookbag on his shoulder, Gus grabbed my hand and we walked a few blocks down to Midvale elementary. By the time we got there, he was bursting with energy, ready to go into that school and begin a whole new chapter in his life.

I'll never forget welling up with tears as I let go of his hand and watched him walk through those doors.

We live our whole lives for moments like that. You're taking a leap of faith with that school, entrusting it with all your hopes for your child.

As Governor, I often think about that day at Midvale Elementary.

We have a special and sacred obligation to the children of this state. This budget is not merely a set of numbers and actuarial tables. It is a statement of priorities and values ... our commitment to nourish the abilities, energy and creativity of every Wisconsin child.

First and foremost, this budget maintains the state's commitment to fund two-thirds of the cost of our kids' education.

Especially when you consider how much more it costs just to fuel the busses and heat the schools, the funding I'm providing is hardly extravagant. Schools will have a modest, 3 percent increase to keep up with inflation – so that our kids continue to get a great education.

Second, we should make a major new investment in school breakfast, four-year-old kindergarten, and smaller class sizes from kindergarten through third grade ... because getting the right start is so critical to our kids' education.

Third, we must reform the school financing formula to make it fairer, more flexible, and more focused on the needs of our kids.

We can start by helping rural districts with transportation costs, providing relief to schools with declining enrollment, and continuing to address the disparity faced by our lowest spending districts.

I believe schools should never have to choose between teachers and police officers. We should give communities the flexibility to partner with local law enforcement ... put more police in the schools ... and protect our kids.

As part of this reform plan, we should allow communities the flexibility to devote more resources to mentoring new teachers...to help young educators be the best they can be.

Fourth, because Wisconsin's kids deserve America's best teachers, we must repeal the outdated, inflexible QEO.

Instead of just paying teachers for seniority, we'll give them the opportunity to get bonus pay of up to \$5,000 a year by upgrading their skills, becoming state or nationally certified, and taking on teaching assignments in the most challenging schools.

Finally, let's make sure that the dream of college remains affordable to all.

My budget launches the Wisconsin Covenant, a guarantee that every young person who is willing to work hard and make the grade will have a spot in college and a financial package to help pay for it.

Tonight, to prepare for the first class of Covenant Scholars – and to help middle class families afford a college education – I propose a major increase in financial aid. In fact, we'll be on pace to triple financial aid since the day I took office.

In addition, we'll make a strong investment in the University of Wisconsin system to hold down tuition. Depending on what decisions are made about faculty raises, the Regents should be able to hold tuition to about 4 percent. And

every student on financial aid will see an increase in their scholarship that will match the tuition increase, dollar for dollar.

I know the cost of college is a big concern for so many families. But everyone should also know that the University of Wisconsin remains the best value anywhere in higher education.

In fact, under this budget, in-state tuition will be \$3,000 less than at the University of Minnesota, \$3,400 less than the University of Michigan, \$3,600 less than Illinois, \$2,300 less than Ohio State and \$6,000 less than Penn State. We're always at the top in football and basketball, but when it comes to tuition, we will be the second lowest of any Big Ten school.

### Health Care

Two weeks ago, I called for bold action to ensure that Wisconsin's citizens have access to affordable, comprehensive health insurance.

For the mother who goes to bed listening to a sick child crying in the next room, wondering if she can afford to take him to the doctor in the morning...

...for the father who worries how he'll support his family if he gets sick...

...for the family that's forced to choose between paying the doctor bill and paying for groceries...

...we must do better. In 2007, in the United States, in our state, we can do better -- and together, we will.

By expanding health coverage to children and adults, and helping reduce the cost for hardworking families, we plan to make Wisconsin America's leader. At least 98 percent of our citizens will have access to health care coverage – more than any other state in the nation.

Tonight, I send you a budget bill that pays for this goal in a responsible way, making health care more affordable for Wisconsin families.

First, we'll work through the Medicaid system to get more federal revenue – an additional \$575 million of federal money. Other states use financing tools that generate substantially more money than Wisconsin receives ... and I believe we shouldn't let any special interest group stand in the way of getting our fair share from Washington.

As another example, by extending health care coverage to 71,000 hardworking men and women making up to \$20,000 a year, we'll receive an extra \$100 million from Washington.

Second, just like we've done since day one, we're streamlining administration, cutting paperwork and slashing red tape.

For example, right now, when families apply for BadgerCare, a computer writes them a 12 page letter so complicated you might need a lawyer to understand it. We're going to simplify it dramatically ... giving families a straight answer and giving taxpayers a break.

We'll require people's eligibility for BadgerCare to be checked at least once a year ... and rechecked whenever their income goes up substantially. But we'll reform rules written in the 1960's that last year required state workers to perform more than 300,000 needless eligibility checks that never resulted in a single change in coverage.

This streamlining of the program, combined with other reforms, will generate at least \$40 million in savings ... enough to pay the state's full share of extending health care coverage to every Wisconsin child.

Third, building on the progress we've already made in BadgerCare, I'm ordering a top to bottom review of the entire \$9 billion Medicaid program to find cost savings. This effort will be led by our new Secretary of Health and Family Services, Kevin Hayden – the former President of Dean Health Systems.

Fourth, we're creating a new Health Care Trust Fund, and putting all of the proceeds from the tobacco tax in this fund to pay Medicaid costs that are directly related to smoking.

Through refinancing, we will restore \$650 million of the tobacco settlement. And let me be clear, that money has to be set aside forever, with only the interest being used to fight against tobacco. I think you know how strongly I feel about this, and wherever you go with this budget, I will not allow the mistakes of the past to ever be repeated.

Fifth, we need to help the 75 percent of low-income kids who don't have access to dental care. They can't concentrate in class because they've got a mouthful of painful cavities, and oftentimes they end up in the emergency room. It's time to reform our broken system of serving these kids by opening community dental clinics and partnering with existing clinics to get kids the care they need.

Finally, this budget fully funds the Senior Care program ... the best prescription drug plan anywhere in America.

Over the next few months, we'll have to work together as Democrats and Republicans to save this program in Washington. We have a great case to make: people like the program, it saves money for taxpayers and seniors alike and best of all, it doesn't come with a donut hole.

### **Jobs**

Ultimately, whether you're talking about getting health care, sending your kid to college or having a secure retirement, it comes down to one thing: jobs.

The fact is, there's no social program that is better than a good paying job.

To create more opportunity for the middle class, my budget will make sure that our industries and our workers can compete in the changing world.

As a first step, we'll continue to lower the tax burden ... so that Wisconsin remains a great place to do business. My budget fully implements the single sales tax reform – ending the tax on job creation for good.

California thinks it can get the edge on us in cheese production ... but we have news for them. Using significant new tax credits, we'll upgrade, modernize and expand our cheese production facilities so they remain the best in the world. With all due respect to our friends in California, the happiest cows come from Wisconsin, because we're still number one.

We'll launch a new partnership with manufacturers to help them become more efficient and productive ... and then we'll help them compete by completely exempting their energy costs from the sales tax.

Next, we'll quadruple our support for worker training ... and dedicate 75 percent of that funding to make sure Wisconsin has the best trained manufacturing workforce anywhere in the world.

We will consolidate our economic development programs, to make them more focused on putting our people to work. And with a new Wisconsin Venture Center, we will connect our entrepreneurs with investors from around the country ... so they can turn their ideas into new companies and new jobs.

We also have a chance to make Wisconsin the leader in energy independence ... starting with America's first cellulosic ethanol plant. With tax credits for bioindustry, and new investments in solar, ethanol, wind and hydrogen power, we will do our part to fight global warming, while creating jobs and helping the nation kick its addiction to foreign oil.

Finally, we'll commit \$105 million more to secure our hunting and fishing heritage – and all of the jobs that depend on it – by reauthorizing and expanding the Stewardship program.

### **Transportation**

A strong economy also depends on a sound infrastructure.

Over the last four years we've embarked on the largest and most ambitious road-building program in Wisconsin history – a 23 percent increase.

The Marquette Interchange – an \$810 million endeavor – is on time and on budget.

We connected Eau Claire and Wausau with four lanes along Highway 29 and completed the Highway 53 bypass around Eau Claire.

Four lanes from Dubuque to Fond du Lac, a new bridge in Sturgeon Bay, new bypasses in Whitewater, Burlington, and Oconomowoc, and a rail connection between Mitchell and O'Hare. Altogether, we built or improved more than 2,400 miles of roads – that's one out of every five miles of roadway in the entire state.

Tonight, I'm sending you a budget that will take the next steps for Wisconsin's economy.

The I-94 corridor in Southeast Wisconsin and the Zoo Interchange will be accelerated. We'll move ahead on Highways 51 and 29 in Wausau, and Highway 41 between Milwaukee and Green Bay. From East Washington Avenue in Madison to Highway 107 in Marathon, we'll make smart and strategic investments in our future.

Fiscal responsibility demands that we be honest about the choices we make. Investments in infrastructure will require more resources. And in the last few years, road building has become dramatically more expensive ... largely because the oil companies have driven up the price.

Raw materials like asphalt have gone up about 15 percent in the last few years.

Some have said the answer is raising the gas tax, or asking Wisconsin's citizens to pay tolls.

I don't know about you, but driving up from Illinois, I am so relieved when we hit the border, because there aren't tolls in Wisconsin. And let me be clear: as long as I am Governor, there never will be.

I think there is a better answer ... a fairer answer.

From the price of gas to the price of asphalt, the oil companies have gouged this country in every way they can think of. Earlier this month, Exxon announced \$40 billion in profits ... the largest profits of any company in history.

In the next 24 hours, the oil companies will make \$310 million in profit. That's not their expenses; ... that's just pure profit, and it's coming right out of our pockets.

I believe Wisconsin's consumers deserve a refund on what they've overpaid, and I've found a way to give it to them.

Instead of asking our citizens to pay more in tolls or higher gas taxes, I think we should ask the oil companies to pay more.

Tonight, I propose an oil company assessment of two and a half percent per barrel to support our transportation needs. It

will be illegal for them to pass the fee on to consumers ... with criminal penalties if they break the law.

Let's turn the tables on big oil, and give Wisconsin families a break.

We're looking out for taxpayers here in Wisconsin, but unfortunately, Washington has not done the same. Congress has imposed sweeping new requirements on states to overhaul the way we issue drivers licenses and maintain vital records, but hasn't provided the funding to pay for it.

As a result, Wisconsin's citizens are going to have to pay some new fees in this budget ... fees that could have been avoided if Washington had paid for the mandates it has imposed on our state.

### **Property Taxes**

I spoke earlier about taxes. But there's one more tax we need to address ... the property tax.

For the last two years, we've clamped down on local property taxes while protecting education. The average homeowner saw only a very small increase. And a lot of people got a nice surprise this December, when their property tax bill actually went down.

But I'm not kidding myself ... I know property taxes on homeowners are still too high in Wisconsin. Tonight, building on the progress of the last two years, I am proposing an aggressive plan to hold down property taxes without hurting schools or endangering public safety.

First, under my budget, two-thirds of every dollar for our schools will come from the state – taking the burden off property taxpayers.

Second, I am increasing aid to local governments for the first time in years. It's a \$15 million investment to support police and firefighters and hold down property taxes.

Third, having met our obligation to fund schools and local services, we will keep the caps on school levies in place, and impose a new set of strict limits on property taxes by local governments.

Fourth, to give local leaders an incentive to cut costs and cut taxes, we'll provide bonus payments to communities that set property taxes even lower than our limits.

Fifth, we'll give seniors on fixed incomes a break ... by letting the homestead tax credit grow every year by the rate of inflation.

Finally, tonight I am announcing a major new effort to ease the property tax burden on homeowners. By reforming the school levy credit to protect homeowners, we can exempt the first \$5,500 of your home value from the school property tax – a savings of \$100 million for the taxpayers of Wisconsin.

We can bring real, meaningful relief to homeowners without abandoning Wisconsin priorities like education and police protection. Under my plan, the typical property tax bill will go up less than two percent over the next couple of years – holding property taxes to less than the rate of inflation.

### **Children**

Finally, my opportunity budget will make sure that in Wisconsin, opportunity begins with our youngest citizens.

We'll help upgrade the skills and training of child care workers, and provide bonus pay to those who complete a rigorous early childhood education degree.

Parents often struggle to find the right child care center for their kid. Unfortunately, we live in a world where it's easier to find information about the quality of hotels than the quality of day care. And so tonight, I propose working with experts in the field to rate the quality of child care centers on a system of one to five stars. With this rating system, parents will have all the information to make the right decision ... and child care centers will have clear benchmarks and a powerful financial incentive to improve.

Finally, we need to protect our kids from dangerous sex predators.

Tonight, I propose a significant expansion of the Sand Ridge facility, so that we can keep more of the most dangerous serial child predators away from our kids.

We also have to recognize that in the high tech world, sex predators don't have to be lurking around the playground to cause trouble. Thousands of them are finding and victimizing kids through the Internet.

As Attorney General, I launched one of the first efforts in the nation to track down online sex predators.

But because more and more of our kids are now at risk, it's time to expand these efforts with more criminal investigators. They'll go undercover, find these predators, and bring them to justice.

I also recognize that the situation at the crime lab is a major concern for law enforcement. As the former Attorney General who started the DNA program, I understand it's not only an issue of resources. It's an issue of management ... and setting the right priorities. Let's all commit ourselves to working with the Attorney General to clean up this backlog.

You have an important task ahead you in the coming months. I understand we have a Democratic Senate and a Republican Assembly, but that shouldn't stop anyone from working together to get this budget done on time. We shouldn't go back to the days when legislators in different parties would barely talk to each other and budgets could never get finished.

Let's get this job done for the people of Wisconsin.

I've given you a lot of numbers tonight, but ultimately, this isn't about numbers. It's about the hardworking people of Wisconsin ... some of whom are with us tonight.

Let me introduce them.

This is about Amanda Otteson, a worker at Nu Pak in Prairie du Chien who took advantage of our job training programs, helping grow the company as well as her paycheck.

It's about Jacie LaVaughn Gamroth, a student at UW-La Crosse who is getting a great education because of the commitment we've made to financial aid.

It's about Quentin Stacy, a maintenance worker, and his wife Tracy who is studying at MATC to become an engineer. They will have health insurance ... if you approve BadgerCare Plus.

It's about Victor Barnett, the founder of Running Rebels in Milwaukee. He has spent the last 20 years devoted to creating positive opportunities for young people ... and hopes the state can step up and do more.

And it's about Cliff Syverud, a veteran of World War II who is proud to live in Wisconsin, where we have made a commitment to the best veterans program in the nation.

Thanks for being here, folks.

These are the families of Wisconsin. Hardworking, innovative, courageous, optimistic people.

Like generations before them, they get up every day and work to make this a stronger, safer, and more vibrant state ... the very best place to live and work and raise a family.

Tonight, here in this room, let us commit ourselves to resolve differences, come together, and do what we must ... so that this great state always supports their great dreams.

An opportunity budget for the middle class ... is a budget

worthy of our best effort ... and worthy of Wisconsin's families.

Thank you ... and On, Wisconsin."

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**ADJOURNMENT**

Adjourned.

7:56 P.M.