



**JIM DOYLE**

**Governor  
State of Wisconsin**

To the Honorable Members of the Assembly:

I have approved Assembly Bill 75 as 2009 Wisconsin Act 28 and deposited it in the Office of the Secretary of State.

In the face of the worst global and national economic conditions in generations, Wisconsin, like most other states, faced the largest deficit in state history – \$6.6 billion – and, despite this challenge, the Legislature finished the budget on time. Today, for the first time since 1977, the budget will be enacted before the start of the new biennium. I hope that future legislatures will continue to meet this deadline.

This budget reflects difficult decisions. State spending is cut by over \$3 billion, the largest cut in state history. All state programs, with very few exceptions, will be cut at least 1 percent from base. Many programs will be cut by an additional 5 percent or more. State employees will be making dramatic sacrifices – 8 furlough days per year, no pay increases, layoffs, and increased contributions to retirement and fringe benefits. The economic conditions facing our state are not the fault of state workers or Wisconsin citizens. Unfortunately, we must now all make sacrifices due to reckless behavior on Wall Street and in real estate markets.

Smaller reductions in key programs such as school aid and shared revenue were made possible through much deeper cuts in other areas. I worked with President Obama and Congressman Dave Obey to shape the federal recovery legislation that delivered over \$2 billion

to protect Wisconsin's schools, property taxpayers and health care programs. Finally, after making deep cuts and securing federal stabilization funds, targeted revenue measures were necessary to keep the global economic crisis from damaging Wisconsin's future economic growth.

This budget protects the middle class. Despite two consecutive years of falling tax collections, there is no sales tax increase. There is no across-the-board income tax increase. The top 1 percent of taxpayers have been asked to pay 1 percent more on income above \$300,000. Wisconsin's generous capital gains exemption will be trimmed back but still remain one of the most favorable in the nation. Collection measures are being enhanced and corporate tax deductions clarified to ensure fairness. Property taxes will be held in check by maintaining tight limits on municipal and school district levies and increasing the first dollar credit on property tax bills. Public health is improved through a 75 cent increase in state tobacco taxes in conjunction with the recently enacted statewide smoking ban.

As a result of 2009 Wisconsin Acts 2 and 11, which I signed earlier this year, along with provisions in this budget, business taxes will be cut by over \$130 million during the next four years. Research and development, job creation, and new business venture investments are given a boost through new tax credits. New jobs are created immediately through an \$823 million increase in state transportation spending from state resources and federal recovery funding. Future economic opportunity is fostered through investments in the Great Lakes Bioenergy Research Center and Wisconsin Institutes for Discovery, along with support for cutting edge research on personalized medicine and genomics and bonding to support UW-Milwaukee's efforts to build its research capacity. Additional state bonding is also

authorized to help keep Wisconsin on-track for federal support to expand passenger rail service from Milwaukee to Madison and beyond.

Our future lies in our children and their education. Despite deep spending cuts in many programs, this budget preserves funding for small class sizes, increases support for schools with high proportions of children in poverty and delivers more resources to rural schools. Access to higher education is enhanced through \$20 million more for financial aid, including holding the line on tuition increases for families making less than \$60,000 per year, and commitment of \$25 million for the Wisconsin Covenant. Through greater operational efficiencies and prioritization, the University of Wisconsin System will manage its share of cuts to state government and maintain modest tuition increases.

The global recession has made access to health care all the more critical for Wisconsin families. This budget preserves the health care safety net by maintaining eligibility and health care benefits provided to the state's most vulnerable citizens under the Medicaid, BadgerCare and SeniorCare programs.

Health care access and costs continue to be a major issue for Wisconsin families and businesses. This budget addresses those health care concerns by identifying new sources of federal revenue to support program expansions covering uninsured children and low-income families and adults, thereby ensuring that 98 percent of Wisconsin citizens will now have access to affordable, high-quality care. However, the sizeable budget deficit will require significant reductions in state health care expenditures. Over the next two years, the Department of Health Services will be implementing initiatives to improve efficiency and quality, reduce unnecessary Medicaid expenditures and limit costs in order to save almost \$200 million

GPR. These reductions, while difficult, are necessary to ensure the long-term financial viability of these essential programs.

Effective local services are critical to Wisconsin citizens. This budget establishes a new police and fire protection fee to help maintain local law enforcement and emergency response efforts. Reductions to shared revenue are limited to 3.5 percent through use of federal recovery funding.

One of the critical issues facing local government and regional economic development is effective transit systems. My budget recommendations to the Legislature included a comprehensive series of proposals to move forward on regional transit authorities. Those proposals were based on discussion and dialogue by local government officials, business leaders and interested parties.

What I heard and what I have learned about successful regional transit systems in other parts of the country is that it is important to focus efforts and resources solely on transit throughout an economic region. While the Legislature did not adopt all of my recommendations, I commend several of the steps it took. New regional transit authorities were created in the Chippewa Valley, Chequamegon Bay region, Dane County and Southeast Region. My vetoes will improve on those efforts.

Unfortunately, the Legislature chose not to include a transit authority in the Fox Valley, even though government and business leaders in that area have worked cooperatively for many years to create a regional structure to support transit with an eye toward efficient use of taxpayer resources. The Fox Valley deserves to have a regional transit authority.

Economic growth in southeastern Wisconsin, the most populous region of the state, would be enhanced through regional transit efforts. People travel throughout the region to work, seek employment and conduct business. Regional cooperation would enhance and improve those economic development activities.

I recognize that the Legislature's proposal for a Milwaukee Transit Authority and a Southeastern Regional Transit Authority is an attempt to move forward on this issue and while I could have signed these provisions, I believe they would move us in the wrong direction. We must commit from the very beginning to a vision of real regional transit. New revenues must be focused on regional transit, not immediate local transit funding needs. Transit planning and operations must reach across county boundaries in southeastern Wisconsin.

My vetoes remove the Milwaukee Transit Authority but retain the Southeastern Regional Transit Authority and the \$18 vehicle rental fee. This will at least allow important engineering studies for the Kenosha-Racine-Milwaukee rapid rail system to move to the next step in the federal New Starts process. However, I strongly urge the Southeastern Regional Transit Authority to avoid full implementation of the new vehicle rental fee. I also respectfully request the Legislature to build on the positive steps it took in this budget on regional transit. Further efforts and legislation are needed as soon as possible to continue to make progress toward a truly regional transit system in support of economic growth.

Smart and effective use of taxpayer investments in public safety have become a priority in many states, including Wisconsin. This budget represents a carefully measured first step toward comprehensive sentencing reform in Wisconsin. Wisconsin is not alone in passing sentencing reform this budget cycle, but it is important to note that this budget invests

resources to ensure the reforms enacted will maintain public safety by ensuring that the most violent offenders are held accountable while low-risk offenders are offered opportunities for rehabilitation and a chance to resume productive lives in the community.

Not only does this budget enact sentencing reform, but it also strives to make the sentencing process more efficient and streamlined while still maintaining public safety. In the past year, the Council of State Governments' Justice Reinvestment Initiative has been working in Wisconsin to determine what drives growth in our prison population and identify the steps necessary to reduce recidivism and break the cycles of crime and violence. Recommendations have been adopted by the Legislative Council Special Committee on Justice Reinvestment Initiative Oversight. Some of those recommendations are included in this budget and build on the proposals I made in February. My administration will continue to work with the Legislature and the Justice Reinvestment Initiative to identify further reforms that positively impact public safety. As part of these efforts, I urge the Legislature to carefully review the risk reduction measures included in this budget to better address responsible sentence adjustment for nonviolent offenders.

The following is a brief summary of how this budget, including my vetoes, will address some of the key issues facing the citizens of Wisconsin:

### **K-12 Education**

- Provides \$237 million in federal stabilization funds for general equalization aid and \$390 million over the biennium under federal Title 1 (No Child Left Behind) and IDEA (Individuals with Disabilities Education Act), which will protect districts from significant cuts

to staff and programming. As a result, school districts will actually receive a \$107 million increase in state and federal funding compared with the previous biennium.

- Repeals the Qualified Economic Offer to create equity between teachers and other public employees in collective bargaining, increases the allowable length of teacher contracts to four years, and authorizes the creation of bargaining units consisting of school district employees from multiple districts.
- Creates new requirements for private schools participating in the Milwaukee Parental Choice Program to significantly strengthen program accountability and the quality of schools participating in the program. Among these provisions are requirements on schools to employ teachers with bachelor's degrees, adopt academic standards and schedule the same number of hours of instruction as in public schools.
- Increases high-poverty aid by \$13.4 million over the biennium to reduce the property tax burden in high-poverty school districts where at least 50 percent of pupils qualify for free or reduced-price lunch.
- Increases sparsity aid by \$11.3 million and increases the per pupil aid amount to \$300. This program provides additional aid to low enrollment, rural school districts where offering a high-quality curriculum poses greater fiscal challenges.
- Creates a new revenue limit increase beginning in the 2009-10 school year for school district spending on energy efficiency measures and renewable energy products that result

in cost savings, and additional revenue limit increases for school safety, transportation and nursing costs beginning in the 2011-12 school year.

## **Higher Education**

- Helps ensure that college remains affordable for lower income Wisconsin residents by increasing support for financial aid programs by \$20.3 million over the biennium.
- Strengthens Wisconsin's leadership role in medical research by providing \$2 million GPR in fiscal year 2009-10 for the Wisconsin Genomics Initiative, a collaborative public-private initiative at the forefront of personalized health care research.
- Places Wisconsin at the leading edge of renewable energy science by investing \$4.05 million annually in research and development projects at the Great Lakes Bioenergy Research Center at the University of Wisconsin-Madison and related bio-energy projects at the University of Wisconsin campuses in Milwaukee, Stevens Point, River Falls and Green Bay. The projects are developing the next generation of bio-based fuels and energy that promise to free us from our dependence on foreign oil.
- Provides \$8.2 million GPR in fiscal year 2010-11 to support biotechnology, nanotechnology and information technologies research at the Wisconsin Institutes for Discovery, a visionary public research institute at the University of Wisconsin-Madison charged with enhancing human health and welfare through interdisciplinary research.
- Provides an additional \$15 million over the biennium to strengthen the University of Wisconsin System's ability to retain high-demand faculty.

- Increases funding for general state aid to technical colleges by \$1.8 million GPR to help support critical front line worker retraining and job readiness efforts.
- Provides \$25 million GPR in fiscal year 2010-11 to establish a funding base for Wisconsin Covenant Grants. Beginning in fiscal year 2011-12, the grants will help all qualified Covenant scholars pursue a postsecondary education.

### **Children and Families**

- Ensures that access to affordable child care for low-income working families will be maintained by providing \$67.8 million in additional funding over the biennium for subsidized child care.
- Provides \$38.6 million GPR to fully fund projected costs of out-of-home care in the Bureau of Milwaukee Child Welfare and to fill the gap caused by diminishing federal support.
- Provides \$3.9 million GPR to help strengthen and improve the service mission of the Bureau of Milwaukee Child Welfare. This includes initiatives to reduce staff turnover and improve skills by hiring additional child protective services staff and implementing a career ladder. It also includes on-call reimbursement and technical assistance for supervisory staff. In addition, funding is provided to hire nurses to monitor the health and safety of children in out-of-home care and to expand the Mobile Urgent Treatment team, which provides crisis intervention services.

- Provides \$1.9 million GPR to implement a graduated foster care licensing system. This system will create five licensing levels with increasing licensing requirements. It will also provide an assessment for children placed in out-of-home care and monthly rates of reimbursement to providers commensurate with the level of care the provider is licensed for and the needs of the child placed in the home.
- Provides \$766,000 GPR to increase the uniform foster care rate by 5 percent in 2011 along with a 2.5 percent increase to kinship care providers, as well as increases to the one-time clothing allowance for foster families.
- Expands oversight of the Wisconsin Shares child care subsidy program by providing \$900,000 GPR in additional funding over the biennium for the child care program integrity unit and strengthening state laws to better prevent overpayments and fraud.
- Expands Wisconsin Works (W-2) placement opportunities by creating a subsidized private sector employment initiative that will provide private sector work experience to W-2 participants, enabling them to more easily transition to full-time employment.

## **Health Care**

- Funds the expansion of Medicaid coverage to income-eligible adults without children. This expansion will help cover over 98 percent of Wisconsin residents and, through use of managed care, help hold down unreimbursed costs for health care providers.

- Continues to expand Family Care, with over 20 additional counties starting up over the next two years, funded in large part by the savings achieved through relocating and diverting residents from nursing homes to community placements.
- Adds 1,000 long-term support waiver slots for children with disabilities over the next four years.
- Creates opportunities for residents of the Southern Wisconsin Center for the Developmentally Disabled to relocate to less restrictive community placements in a safe and measured manner.
- Provides new federal Medicaid funding for the Birth-to-Three program to increase early intervention services to young children with developmental delays and disabilities.
- Reduces county costs for placing children and the elderly at state mental health institutions by permitting counties to benefit from the enhanced federal medical assistance percentage.
- Provides \$10.2 million GPR in fiscal year 2008-09 and \$1 million GPR annually starting in fiscal year 2009-10 to increase supplemental Medicaid payments to county and municipal nursing homes.
- Provides additional funding and positions to improve care to residents at the veterans nursing home facilities.

- Provides \$500,000 GPR to study the feasibility of expanding access to dental education and the state's role in increasing dental care in rural and underserved areas.
- Provides \$200,000 GPR as a one-time grant to Milwaukee Health Services to purchase equipment and provide dental services at the Isaac Coggs Heritage Health Center.
- Establishes a Wisconsin Quality Home Care Authority to provide services to recipients and providers of home care services.

## **Insurance**

- Reforms motor vehicle insurance requirements to ensure that policyholders get the full benefit of their automobile insurance and to mandate that all drivers maintain vehicle liability insurance at a level adequate to meet growing health care costs. I have vetoed several related provisions that, while well-intentioned, could have the effect of unreasonably increasing premiums for liability insurance coverage. These vetoes balance the need for ensuring adequate coverage with maintaining the affordability of liability insurance premiums.
- Ensures that health insurance meets the needs of policyholders and protects consumers through changes in plans offered by regulated insurers, including:
  - Mandating coverage of autism services to children.
  - Covering dependents up to age 27 under group health policies.
  - Clarifying the coverage of mental health services provided by mental health professionals.

- Mandating coverage of contraceptive services.
- Improving consumer protections in the small group and individual health insurance markets.

## **Economic Development**

- Creates a new refundable jobs tax credit program aimed at attracting and expanding business. The new program provides up to \$10 million per year in payroll credits to businesses. A portion of the wages paid toward new family supporting jobs would be eligible for up to a 10 percent credit.
- Creates a flexible and streamlined forward innovation fund to support the start-up, expansion or retention of minority businesses; businesses in economically distressed areas; and innovative proposals to strengthen inner cities, rural communities, industry clusters and entrepreneurships.
- Provides tax incentives to accelerate new business growth, including a tax break for investors who reinvest their capital gains into Wisconsin start-up businesses and an income tax credit to businesses that significantly increase their research and development efforts.
- Encourages economic and business development by creating income tax credits that support market entry for new farmers.
- Supports the strategic industrial sectors of biotechnology and manufacturing by creating sales and use tax exemptions for machinery and equipment devoted to research and development.

- Launches a more efficient and effective business model for tourism in the state by closing the Wisconsin Welcome Centers and creating new grants for municipalities and tourism information organizations.
- Expands the scope of Wisconsin's prevailing wage law to assure that Wisconsin workers receive fair and reasonable pay for their labor.

### **Transportation**

- Adds over \$823 million of state funds and federal recovery grants for major highways, highway rehabilitation and local transportation infrastructure improvements over three construction seasons.
- Increases general transportation aids and transit aids to local governments by 2 percent in 2010 and 3 percent in 2011.
- Funds the next phase of reconstruction of the north-south I-94 segment in Milwaukee, Racine and Kenosha counties with over \$270 million of state funding and federal recovery resources. Provides \$6 million in new funding to continue preliminary work on the Zoo Interchange.
- Lays the framework for regional cooperation on transit issues by creating regional transit authorities in the Chippewa Valley, Chequamegon Bay region, Dane County and the Southeast Region.

- Provides \$100 million in general obligation bonding authority for freight and passenger rail and \$12.7 million in general obligation bonding authority for harbor assistance grants in recognition of the diversity of means to transport goods and products to and from Wisconsin.

### **Shared Revenue and Property Tax Relief**

- Returns excess wireless 911 funds to local governments in support of emergency services.
- Supports local governments by averting deep shared revenue cuts through the use of \$76.1 million of the state's American Recovery and Reinvestment Act allocation.
- Creates a police and fire protection fee coupled with a maintenance of effort requirement to preserve local emergency services.
- Continues the municipal levy limit program to protect property taxpayers while increasing the limit from 2 percent to 3 percent to help local governments meet essential service needs.
- Encourages the creation of low-income housing by exempting certain projects from property tax and permitting local governments to extend the life of a tax incremental district to fund improvements to low-income housing stock.
- Expands the premier resort area tax to foster growth in tourism areas.

## **Environment**

- Guarantees continued access to Wisconsin's vast outdoor recreational opportunities without general increases to hunting and fishing license fees.
- Encourages the long-term preservation of Wisconsin's fertile farmland and supports commitments by farmers to manage their land in an environmentally friendly manner by adopting key recommendations of the Working Lands Initiative.
- Protects Wisconsin lakes and rivers and improves water quality in Wisconsin by providing an additional \$20 million SEG and bonding over the biennium to reduce nonpoint source water pollution through increased nutrient management planning and other pollution abatement practices.

## **Justice**

- Increases funding for civil legal services to indigent persons to help on targeted issues, including guardian ad litem and obtaining child support.
- Provides funding and positions to improve mental health care for female inmates.
- Provides funding and positions to ensure that serious child sex offenders are closely supervised in the community and offenders comply with sex offender registration requirements.
- Increases staffing for the Internet Crimes Against Children Task Force.

- Implements a smarter criminal justice policy that holds individuals accountable for their crimes, but also better prepares and supports those individuals when they re-enter the community so that they do not return to the criminal justice system. Provisions in the budget include the following:
  - Allows certain offenders to earn positive adjustment time for good behavior and progress toward rehabilitation.
  - Provides the Earned Release Review Commission (formerly the Parole Commission) with the authority to release inmates with extraordinary health conditions to extended supervision so long as public safety is maintained.
  - Allows the secretary of the Department of Corrections to release to extended supervision offenders serving the confinement portion of a bifurcated sentence for a misdemeanor or nonviolent Class F to I felony who are within 12 months of release to extended supervision and who meet certain eligibility criteria.
  - Expands the Earned Release Program and the Challenge Incarceration Program to include inmates with programming needs other than substance abuse, to allow the inmates deemed eligible at sentencing to earn early release by fulfilling certain requirements while in prison.
  - Allows the Department of Corrections to manage offenders on community supervision by prioritizing resources and discharging offenders who are no longer a threat to public safety.

- Permits judges to order risk reduction sentences to provide offenders with a chance to redeem themselves and decrease time spent in prison, while learning skills and receiving services that will prepare them for successful reintegration into the community.
- Provides \$10 million GPR for community services to reduce recidivism and provide offenders with treatment, employment services and access to mental health care.

### **General Fund Taxes**

- Provides targeted individual income tax increases by creating a new tax bracket that collects an additional 1 percent on income over \$300,000. The new bracket is estimated to impact only the highest 1 percent of income earners and increases state revenue by \$163.4 million in fiscal year 2009-10 and \$124 million in fiscal year 2010-11.
- Improves public health outcomes by increasing the cigarette tax by \$0.75 to \$2.52 per pack and provides targeted tax increases on certain other tobacco products to increase state revenue by \$166.1 million in fiscal year 2009-10 and \$171.1 million in fiscal year 2010-11.
- Encourages individual savings and investment by maintaining one of the most generous tax treatments nationally for capital gains income. The long-term capital gains exclusion from taxable income is reduced from 60 percent to 30 percent, increasing state revenue by \$115.1 million in fiscal year 2009-10 and \$127.4 million in fiscal year 2010-11. The long-term capital gains exclusion for farm assets is continued at 60 percent.
- Promotes tax equity by realigning tax treatment of nonresident members of pass-through entities with resident members and by eliminating the deduction for corporations' qualified

domestic production activities, a deduction that provided a tax subsidy for business activity outside the state.

- Enhances debt collection efforts at the Department of Revenue by streamlining business processes and authorizing new partnerships for increased efficiency and revenue generation.

### **General Government**

- Provides group health insurance and retirement survivor benefits to domestic partners of state employees and University of Wisconsin faculty and staff.
- Extends certain dependent and survivor protections to domestic partners.
- Provides the faculty, academic staff and research assistants of the University of Wisconsin System the right to collectively bargain.
- Allows for the consolidation of human resource services at executive branch agencies to gain efficiencies in delivering consistent and quality employee services.
- Reorganizes attorneys and legal support staff in order to improve the provision of legal services, including contract negotiations, in state government.

## **Building Program**

- Creates the Milwaukee Initiative program, providing financial support through general fund supported borrowing to attract federal and private funds to construct research and academic facilities to spur science education and research activities at the University of Wisconsin-Milwaukee in the areas of freshwater science, engineering, public health and integrated research.
- Authorizes \$6.6 million general fund supported borrowing to aid Dane County in the construction of anaerobic digesters for the Dane County Yahara Watershed Project to protect water quality through reduction of nutrient loads from agricultural enterprises.
- Enumerates \$250 million program revenue supported borrowing for the renovation of the Charter Street heating and cooling plant at the University of Wisconsin-Madison to increase fuel diversity through inclusion of renewable biomass fuels, thereby eliminating the use of coal.
- Enumerates \$18 million program revenue supported borrowing for the University of Wisconsin-Stout Memorial Student Center renovation.
- Enumerates over \$6.1 million Stewardship borrowing for a new park entrance and visitor station, and water and sewer utilities at Rib Mountain State Park in Wausau.

I have made 81 vetoes to the budget. These vetoes remove unnecessary reports and requirements, clarify program implementation timelines, and improve the intended focus of certain programs. These vetoes reduce spending by over \$10 million.

This budget has been forged in the worst economic conditions in many years. Already gloomy revenue forecasts made in January were reduced by another \$1.6 billion in May. Despite these challenges, the Legislature worked diligently to make the difficult decisions necessary to deliver a balanced budget on time.

I commend the leadership of the Legislature for maintaining a balanced approach to addressing the global and national economic recession. I know the process toward reaching this remarkable achievement required compromises and consensus. In the end, the goals I set out in February were achieved – protect the middle class, make deep cuts, implement targeted revenue increases and preserve education, critical local services and health care access.

I remain concerned about the fragility of the global and national economies and the impact of further weakness on Wisconsin's economy. The budget I introduced included a \$270 million balance on June 30, 2011. This margin is critical given the continuing uncertain economic outlook.

The Legislature's budget has an ending balance of \$65 million on June 30, 2011. In order to protect the budget from further global and national economic weakness, I have vetoed approximately \$10 million in new GPR spending. I have also, through veto, restored authority from the 2007-09 budget to make an additional \$200 million in state agency cuts during the 2009-11 biennium.

Taken together, these actions will set the general fund ending balance at approximately the \$270 million level included in my budget recommendations to the Legislature.

Wisconsin is a great state. We help each other in tough times. We protect the most vulnerable. The budget I sign today, after vetoes, protects our priorities in the face of unprecedented financial uncertainty and sets the stage for a strong recovery for all Wisconsin citizens.

On Wisconsin.

Respectfully submitted,

JIM DOYLE  
Governor

Date: June 29, 2009