



**SCOTT WALKER**  
**OFFICE OF THE GOVERNOR**  
**STATE OF WISCONSIN**

P.O. Box 7863  
MADISON, WI 53707

July 9, 2014

Dear Agency Head:

Our administration took office at a critical time in Wisconsin's history. Budget deficits, unemployment, low wages, and general stagnation created a fiscal and economic crisis. The situation was made even worse by poor planning. After years of past administrations kicking the can down the road, our team implemented long overdue reforms to put Wisconsin on the path to prosperity.

Together, we eliminated a \$3.6 billion deficit. We truly balanced the state budget without tax increases or gimmicks and one-time fixes. We reached a balance of \$279 million in the Budget Stabilization Fund, the largest fund balance in its history.

Today, Wisconsin's future is bright. Our state's economy is improving, over 100,000 new jobs have been created and wages are rising. General manufacturing is again on the rise, as Wisconsin is one of the two most manufacturing intensive states and has achieved top-tier status for manufacturing job growth according to the U.S. Bureau of Labor Statistics, while our agricultural roots continue to provide prosperity across the state, feeding millions and leading the dairy industry. These two sectors are often linked to our great state, but we are seeing significant growth in other fields, such as medical technology, software, and electrical equipment.

Most importantly, our families are enjoying good news in the economic indicators that matter most to them. The unemployment rate continues to decline, hitting 5.7 percent in May, the lowest point since 2008, and remains below the national rate; personal income increased at a rate of 2.7 percent, above the national average; and property values are on the rise, restoring our ability to successfully pursue the American Dream.

Wisconsinites know best how to spend their money, so we put taxpayers back in charge. We lowered property taxes each year of this administration, including three times in the last year through 2013 Wisconsin Acts 20, 46, and 145. As a result of our property tax controls, the property taxes on the typical Wisconsin home will be lower in 2014 than they were in 2010.

We intend to continue this trend and are committed to holding the line on property taxes by ensuring the state property tax burden on the average Wisconsin home in 2018 is lower than it is 2014. We reduced income taxes across the board and even modernized our tax withholding tables, allowing Wisconsin families to take home more of their hard-earned money in their paychecks.

While providing long-overdue tax relief, we have also succeeded in restoring economic order behind the scenes. Our Generally Accepted Accounting Principles (GAAP) status has improved dramatically, from a \$2.9 billion deficit in 2010 under the previous



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administration to \$1.7 billion in 2013. This tells the nation that Wisconsin's economy is built on a sound foundation. Further validating our sustainable economic outlook, Wisconsin was given a AAA transportation revenue bond rating and we are maintaining other strong bond ratings while other states see their ratings fall.

The state pension system is the only fully funded pension system in the country. And Wisconsin's per capita pension and debt ratio is one of the best in the U.S.

Our direct approach to successfully addressing challenging economic circumstances and restoring optimism toward our future has not gone unnoticed. Just recently, Wisconsin ranked 17th on CNBC's Top States for Business, up from 29th in 2010. This year, Wisconsin ranked 14th on Chief Executive Magazine's list of Best & Worst States for Business, up from 41st in 2010. And in a poll by the state's chamber of commerce, 95 percent of job creators said they thought Wisconsin is headed in the right direction, up from 10 percent in 2010.

These achievements were not gained easily or overnight. Both the 2011-13 and 2013-15 biennial budgets met our high standards of responsibility, and 2011 Wisconsin Act 10 provided our local partners with tools to meet their unique challenges.

Consistent with our fiscal policies, we established new programs to help our citizens achieve family-supporting employment in a changing economy. We listened to job seekers and job creators, and we will continue to help bring them together. Programs such as Wisconsin Fast Forward represent unique partnerships among our universities, technical colleges, businesses, and state government to train workers for high-demand fields. We already learned that a capable and flexible workforce is a critical ingredient in providing opportunities, and we will continue to seek innovative strategies to build on our reputation of having some of the hardest-working citizens in the nation.

In training and education, we will continue our efforts to leverage technology to provide students in all corners of the state with access to our world-class institutions, as we did with the UW Flexible Option. In higher education, we expanded student opportunity and access by freezing tuition for two years, the first two-year tuition freeze in UW System history, and we are committed to continuing this freeze and exploring additional mechanisms for expanding higher education opportunities for our students.

All of these programs and policies have built a better Wisconsin. However, we must also maintain and rebuild our physical infrastructure, including transportation, energy, and telecommunications. We will continue to invest significant resources in our transportation system and improve our ability to move resources and products to market.



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We accomplished such goals in a transparent fashion. Earlier this year, we launched OpenBook Wisconsin, providing citizens with information to actively engage their government and to appropriately hold us accountable for using their money wisely. This effort will continue with the State Transforming Agency Resources (STAR) project, which will greatly enhance our ability to manage our finance, budget, procurement, business intelligence, and human resource functions. While such enterprise-level reforms are common in the private sector, our state continues to operate on systems developed as long ago as the 1960s. You and your teams have already worked hard on the initial phases of this transformation and we will continue to collaboratively implement this project.

All of these philosophies and goals require constant fiscal discipline. Therefore, just as in the last biennial budget, I am directing most agencies to maintain their overall fiscal year 2015-16 and 2016-17 GPR budgets at the fiscal year 2014-15 adjusted base. The same zero-growth targets will also apply to SEG-funded administrative operations. Agency requests should focus on continuing to grow our state's economy and improve the lives of our fellow Wisconsinites. Agencies are encouraged to reform or even eliminate obsolete and outdated programs in order to fund new initiatives within their current base, rather than seeking additional funds or positions.

Our state is in a strong position to continue its successes and be a model for the nation. We will continue on this path even as we see concerning signs at the federal level. Our nation's recent fiscal policies have not brought about the return to prosperity we are seeing here in Wisconsin. In some cases, the federal government is acting as an anchor rather than a sail. Funding cuts, discretionary and selective government shutdowns, and the continuation of massive deficits could jeopardize much of what we have achieved here in Wisconsin.

As required by law, agency budget requests are due on September 15, 2014. The Major Budget Policies and Budget Instructions follow this letter. Please review them carefully as you prepare and prioritize your requests. Technical budget instructions will again be available on the State Budget Office SharePoint site.

As always, thank you for your hard work serving our citizens every day. In partnership with our professional state employees, we will continue to deliver high quality public services and meet the high expectations of our proud state. And we will continue working together to move Wisconsin forward.

Sincerely,

SCOTT WALKER  
Governor