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Governor Doyle Testifies on Need for Economic Recovery before House Appropriations Committee

MADISON – Governor Jim Doyle today testified before the full House Appropriations Committee on the state of Wisconsin's economy and the need for an economic recovery bill. He was joined at the hearing by Governors Jon Corzine of New Jersey and Jim Douglas of Vermont. The Governor also thanked Committee Chairman Dave Obey for his leadership on this issue.

The text of Governor's testimony follows.

Thank you, Chairman Obey, for inviting me to testify today. I appreciate your leadership during these very tough economic times and your work to help move this country forward.

The country's economic crisis has created very serious challenges for Wisconsin, and I believe that unless addressed correctly, these challenges to our states will impair our country's ability to recover and move forward.

Before I address the unique hardships of the current crisis, I want to first acknowledge the attention on states' infrastructure and let you know Wisconsin has been working hard to line up projects that are ready to go. I also want to say a quick word about state budgets and how we handle ordinary economic downturns.

Wisconsin's budget, which is typical of state budgets, is required to be balanced by law. So when the economy slows, we have to adjust. Until September we were on course to meet our revenue projections.

Last spring, we adjusted to a bad economy by making major cuts to state government. I made \$270 million in cuts to state government this year. Those cuts, when combined with actions we took in our original two-year spending plan, totaled \$500 million in reductions to state agencies. These actions were recognized as an ability to adapt and manage a challenging fiscal situation, and Wall Street upgraded our bond rating.

Unfortunately, this economic crisis is unprecedented in recent decades. We had based our budget on modest revenue forecasts. We predicted the slumping economy would leave us \$28 billion in revenues as we prepared for our 2009-11 biennial budget. But after what happened this fall, we now predict only \$25 billion in revenues over the two-year period.

The projected drop in revenue, combined with expected needed increases in programs such as unemployment and Medicaid, leaves us facing our largest budget gap ever -- \$5.4 billion over the next two years, or 17 percent of our biennial budget.

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Due to cuts we have made over the last few years, we approach the challenge ahead with a state government where 1 out of 10 of our workers no longer holds the job. The budget deficit we face in this economic crisis stands to, at a minimum, double the number of state workers out of their jobs. And no matter how many government workers we let go, the most basic fact is that these people only comprise a small part of our budget.

So, what we are left with is cutting away our states' ability to carry out the most essential expectations people have for government. We will be forced to cut the very tools and services that people depend on to pull them out of a recession and move them ahead.

Specifically, state budgets let our communities hire police officers and firefighters. They allow kids to get a good education, and a chance at a good university or technical college education that their families can afford. State budgets also make sure that a kid who breaks her arm gets the appropriate medical care she needs.

So that's what is threatened: our schools, our universities, our technical colleges, our access to health care, our local police and firefighters. These are the areas that determine our budgets, and aid to long term capital projects, while beneficial to the future, will not close our budget shortfalls or help ease devastating cuts.

And these cuts could undermine years of careful progress. As you know so well, Mr. Chairman, we have worked very hard together to make sure that every child in Wisconsin has access to health insurance. We have worked hard to make sure that families can get their kids a good education they can afford. We have worked hard to put more police officers on the street to turn some of our most troubled neighborhoods around.

For example, in Milwaukee, state funding has allowed the Police Department to launch a new, highly strategic, data-driven Neighborhood Task Force, which is credited for reducing total crime in the city by 10 percent and homicides by 33 percent. This program is saving lives and making a city stronger.

The magnitude of the budget shortfalls will also force states to consider tax increases.

We recognize that we will have to make cuts, and we will make those difficult choices. But we can not allow our states' revenue shortfalls to be an obstacle in our efforts to recover from this recession and move this country forward.

I am here to do everything I can to help move our country ahead and it is my deep belief that our approach must allow states to meet our citizen's most basic needs.

For that to happen, the deficit that most states face must be addressed. We all recognize that unfortunately this recession will move well beyond this fiscal year and the next. So far, current estimates put the total states' deficits at \$150 billion in this fiscal year and the next.

Mr. Chairman, today I am asking you to help us make us stronger states so that we can better help our country. Thank you.