

The Price of Extremism

Wisconsin's economy under the Walker administration



Governor Scott Walker's pledge:

"We will work tirelessly to restore economic growth and vibrancy to this state. My top three priorities are jobs, jobs, and jobs." (Jan. 3, 2011)

Wisconsin Reality Check:

Since June, Wisconsin has lost 27,600 jobs—more than any other state in the country.

Act 10 reduced take-home pay for hundreds of thousands of people employed by schools, communities and the state by an average of nearly \$3,000 each.

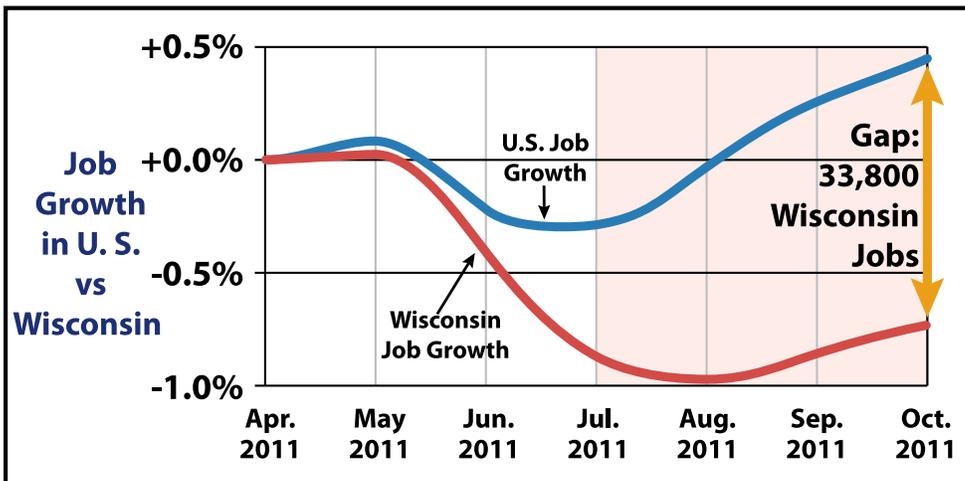
The State Budget for 2011-2013 cuts about one billion dollars a year from education, city and county operations, medical care, help for the elderly, child care and protection, park and

environmental maintenance, and on and on. This budget cut aid for low-income families while reducing taxes for corporations.

The Walker administration rejected hundreds of millions of federal dollars, by abandoning major projects and by failing to maintain requirements for matching funds.

The indirect 'ripple' effects of these policies are costing Wisconsin more than 18,000 full-time jobs in a year. [See last page for details.]

Under Walker, Wisconsin is 33,800 jobs short of matching the national pace of job creation



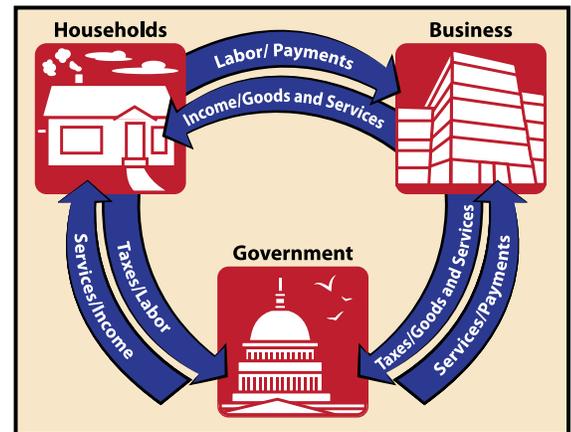
The chart shows the percent change in the number of jobs in Wisconsin and the U.S. since April 2011. The pink area is when Gov. Walker's budget has been law. If only we'd matched the US trend, we'd have 33,800 more jobs.

Cutting is the worst choice

Money circulating throughout the economy—cycling among businesses, households and governments—makes for prosperity.

But when huge amounts of money are taken out of the economy, as Gov. Walker's policies are doing, it hurts almost everyone. Businesses have fewer customers; workers have fewer jobs; state and local governments have less tax revenue.

In tough times, the worst thing a governor can do is further shrink the economy.



Four ways Walker's policies hurt Wisconsin's economy



- 1** The 2011-'13 state budget cuts about one billion dollars each year from education, health care and other basic services.
- 2** The state budget also slices household incomes through higher taxes on low-income families, higher college tuition and delayed unemployment benefits.
- 3** Act 10—passed in Special Session—hobbled collective bargaining and undermined the right of workers to have unions. It also takes over \$700 million-a-year out of the state's economy, by making massive cuts in public workers' take-home pay.
- 4** Federal funds that could have been used in Wisconsin were either rejected outright or lost because the programs they were to help fund have been slashed.

1**One-year impact of cuts to state and local programming:**

Youth aids and facilities	-\$38 million
Transportation aid	-\$14 million
Aid to counties and municipalities	-\$96 million
W-2	-\$5 million
Wisconsin Technical College System	-\$36 million
University of Wisconsin System	-\$125 million
K-12 public education	-\$418 million
Early care and education	-\$22 million
Health assistance	-\$207 million
Recycling	-\$13 million
Total in program cuts:	-\$975 million

Some of these cuts will be offset by the extra pension and insurance payments from public employees. Assume that every dollar of Act 10 pay cuts—about \$700 million a year—is used to offset cuts in state aid. This leaves about \$275 million in reduced economic activity.

Taking this much money out of the economy will cause the loss of about 5,400 full-time jobs in the private sector.

2**How's that Walker budget working for you?
One-year impact of cuts directed at individuals:**

One-week wait for unemployment insurance	-\$48 million
Elimination of indexing for Homestead Credit	-\$ 7 million
Reduced benefits in Earned Income Tax Credit	-\$28 million
Higher tuition at UW campuses	-\$36 million
Total in cuts to individuals:	-\$119 million

Taking this much money out of the economy will cause the loss of about 1,200 full-time jobs in the private sector.

3 *Economic impact of Act 10*

Under Act 10, which mandated public employees to pay higher costs for their health care and pensions, a typical state worker earning \$40,000 a year has lost \$3,668 in take-home pay. That's **\$70-a-week** cut from a family budget, \$70 weekly which cannot be spent at local stores. It hurts merchants, tradespeople and the businesses in their area.

For local government workers, the loss is harder to estimate because there are so many jurisdictions, each with its own circumstances. Most local government employees will lose about the same as state employees. Others will lose little immediately, but more later as current labor contracts expire.

State and local governments employ the equivalent of about 260,000 full-time workers affected by Act 10, so the impact builds quickly. Even if paycuts for local government workers are less than cuts for state employees in the first year, **the loss to local economies will be over \$700 million.**



Taking \$700 million out of Wisconsin's economy will lead to the loss of about 6,900 full-time jobs in the private sector during the first year of Walker's budget.

4 *One-year impact of federal aid rejected or foregone because of state cuts:*

High-speed railroad	-\$390 million
Broadband Technology Opportunities Program	-\$23 million
Vocational rehabilitation programs	-\$ 6 million
Income maintenance programs	-\$4 million
Medical Assistance	-\$130 million
Health exchanges	-\$0.2 million
Quality Home Care Authority	-\$0.2 million
Total in federal aid lost:	-\$553 million



Taking this much money out of the economy will cause the loss of about 4,700 full-time jobs in the private sector.



Estimated county-by-county impact of Act 10 and K-12 cuts

County	State general school aid lost in 2011-12	Loss of purchasing power from Act 10	Salaries lost from cuts in K-12 staff
Adams	(\$1,932,002)	(\$1,311,531)	(\$2,005,000)
Ashland	NA	(\$2,736,532)	NA
Barron	(\$2,844,555)	(\$5,911,951)	(\$2,030,000)
Bayfield	(\$333,150)	(\$1,672,894)	(\$404,600)
Brown	(\$19,733,843)	(\$32,990,358)	(\$7,972,400)
Buffalo	(\$1,125,805)	(\$995,202)	(\$1,086,700)
Burnett	(\$708,992)	(\$2,052,207)	(\$179,000)
Calumet	(\$2,249,107)	(\$2,001,578)	(\$1,398,200)
Chippewa	(\$5,152,343)	(\$6,840,232)	(\$1,559,000)
Clark	(\$2,650,810)	(\$2,760,809)	(\$3,404,750)
Columbia	(\$4,649,507)	(\$6,613,410)	(\$2,067,500)
Crawford	(\$1,512,773)	(\$1,959,973)	(\$901,600)
Dane	(\$23,922,672)	(\$232,731,771)	(\$15,793,720)
Dodge	(\$3,706,980)	(\$11,426,744)	(\$3,710,050)
Door	(\$697,605)	(\$2,767,808)	(\$1,804,000)
Douglas	(\$3,812,503)	(\$6,300,649)	(\$2,805,000)
Dunn	(\$3,218,455)	(\$7,835,325)	(\$2,157,500)
Eau Claire	(\$7,825,966)	(\$15,874,809)	(\$3,586,500)
Florence	(\$116,428)	NA	NA
Fond du Lac	(\$9,337,611)	(\$12,191,399)	(\$4,958,900)
Forest	(\$469,985)	NA	(\$757,000)
Grant	(\$3,928,963)	(\$8,883,732)	(\$3,349,050)
Green	(\$3,495,506)	(\$3,236,455)	(\$359,000)
Green Lake	(\$1,129,614)	(\$1,577,135)	(\$1,023,000)
Iowa	(\$2,272,018)	(\$2,140,268)	(\$719,500)
Iron	(\$317,633)	(\$567,608)	(\$425,500)
Jackson	(\$1,841,835)	(\$4,242,687)	(\$1,589,000)
Jefferson	(\$7,400,332)	(\$6,773,499)	(\$3,031,000)
Juneau	(\$1,500,347)	(\$5,141,921)	(\$1,446,000)
Kenosha	(\$8,274,129)	(\$20,263,768)	(\$19,944,500)
Kewaunee	(\$2,097,279)	(\$1,749,544)	(\$862,500)
La Crosse	(\$3,712,988)	(\$17,457,128)	(\$2,898,000)
Lafayette	(\$1,505,669)	(\$1,524,503)	(\$1,450,000)
Langlade	(\$1,717,476)	(\$1,722,276)	(\$701,400)
Lincoln	(\$1,631,975)	(\$3,618,625)	(\$213,000)
Manitowoc	(\$7,109,568)	(\$7,478,377)	(\$2,442,000)
Marathon	(\$13,335,889)	(\$13,544,132)	(\$3,831,700)
Marinette	(\$2,308,212)	(\$3,320,129)	(\$3,032,400)
Marquette	(\$590,985)	(\$1,036,196)	(\$604,000)
Menominee	(\$739,861)	NA	(\$304,000)
Milwaukee	(\$69,715,374)	(\$123,672,026)	(\$88,094,200)
Monroe	(\$3,653,489)	(\$4,039,599)	(\$1,418,000)

Table continued on back page.

County	State general school aid lost in 2011-12	Loss of purchasing power from Act 10	Salaries lost from cuts in K-12 staff
Oconto	(\$2,824,501)	(\$2,799,586)	(\$1,583,500)
Oneida	(\$587,014)	(\$4,412,417)	(\$1,325,000)
Outagamie	(\$17,699,988)	(\$21,131,036)	(\$9,833,000)
Ozaukee	(\$3,474,655)	(\$7,538,959)	(\$1,955,000)
Pepin	(\$691,416)	NA	(\$640,000)
Pierce	(\$3,615,370)	(\$6,742,403)	(\$1,410,000)
Polk	(\$3,794,071)	(\$4,067,685)	(\$1,981,000)
Portage	(\$5,261,640)	(\$10,595,424)	(\$3,198,000)
Price	(\$489,017)	(\$1,233,467)	(\$1,167,500)
Racine	(\$15,850,460)	(\$22,378,114)	(\$9,124,200)
Richland	(\$1,132,607)	(\$1,558,215)	(\$678,500)
Rock	(\$11,543,651)	(\$16,829,267)	(\$10,909,000)
Rusk	(\$1,077,918)	(\$1,648,321)	(\$940,000)
Saint Croix	(\$2,495,149)	(\$6,784,748)	(\$1,647,900)
Sauk	(\$5,053,331)	(\$8,593,989)	(\$4,880,400)
Sawyer	(\$112,419)	(\$3,004,869)	(\$739,000)
Shawano	(\$3,836,559)	(\$4,014,664)	(\$1,880,500)
Sheboygan	(\$9,681,222)	(\$12,008,333)	(\$7,365,400)
Taylor	(\$1,748,643)	(\$1,417,738)	(\$370,000)
Trempealeau	(\$3,508,921)	(\$3,072,614)	(\$1,359,500)
Vernon	(\$6,514,736)	(\$2,357,964)	(\$4,464,500)
Vilas	(\$419,966)	(\$3,140,955)	(\$437,000)
Walworth	(\$6,452,386)	(\$14,021,937)	(\$3,000,600)
Washburn	(\$394,673)	(\$2,182,254)	(\$1,090,300)
Washington	(\$7,595,550)	(\$9,933,787)	(\$7,347,900)
Waukesha	(\$16,905,998)	(\$36,942,971)	(\$9,446,670)
Waupaca	(\$4,384,116)	(\$7,230,637)	(\$2,033,500)
Waushara	(\$1,116,062)	(\$2,897,049)	(\$794,400)
Winnebago	(\$13,073,288)	(\$26,419,810)	(\$2,887,000)
Wood	(\$7,387,763)	(\$9,397,475)	(\$4,081,850)

Methodology and sources:

How the job loss estimates were calculated: To estimate the job losses due to Walker's policies, economic simulation software was used (Implan 3). The software—widely used in government, industry and academia—estimates the direct and indirect effects of changes in the state economy. Indirect effects are especially important. This happens when, for example, reduced take-home pay for a worker means less spending on groceries, clothes and other items, further depressing the economy. The software divides the economy into hundreds of categories; effects are calculated by taking a particular policy and assigning its impacts to the relevant categories.

Sources: Jobs data are from the U.S. Bureau of Labor Statistics and the Wisconsin Department of Workforce Development. Details on the budget and other policies are from the Wisconsin Department of Administration, Wisconsin Legislative Fiscal Bureau and Wisconsin Council on Children and Families. Data on school aid cuts are from the Legislative Fiscal Bureau. Data on salaries lost from K-12 education are from the Wisconsin Department of Public Instruction; average salaries for different kinds of positions (aides, support staff, teachers, administration) are from the Department of Workforce Development. Data on Act 10 impact are from the Legislative Fiscal Bureau and Department of Workforce Development.



INSTITUTE FOR WISCONSIN'S FUTURE
policy research in the public interest

325 West Silver Spring, Glendale, WI 53217 • Phone: 414-967-1682 • Fax: 414-967-3630
Email: iwf@wisconsinsfuture.org • Web: www.wisconsinsfuture.org