



The Wisconsin Miracle: Governor Scott Walker and the Historic Act 10 Reform Measure

By John Hendrickson

In 2011, Wisconsin Republican Governor Scott Walker faced a massive fiscal crisis with a \$3.6 billion budget deficit and high unemployment. Governor Walker promised not to raise taxes, and he famously declared that Wisconsin was “open for business.” In order to resolve the fiscal crisis, Governor Walker understood that he could not raise taxes and that massive spending cuts would end up hurting Wisconsin’s public schools and local governments. The solution to this problem was to reform the collective-bargaining process in Wisconsin. Governor Walker understood that public-employee unions were not only standing in the way of political reform, but also costing the taxpayers tremendous amounts of money with generous benefits those in the private sector often do not receive — for example, public employees often do not have to pay anything or pay very little for health insurance. Governor Walker realized that by reforming collective bargaining, he could save taxpayers billions, solve the fiscal crisis, and close the benefits gap between private-sector and public-sector workers.

When Governor Walker decided to pursue collective-bargaining reform, a policy which became known as Act 10, he opened up the biggest political fight of 2011 between himself and his supporters and progressive Democrats and big labor, who argued that he was trying to undermine the “right to bargain collectively,” and in the process destroy unions in Wisconsin and undermine key public services such as education. From a historical perspective, Governor Walker was reforming labor policy in one of the most progressive states in the Union, and he was attempting to change the state government for the long term. Governor Walker understood once the battle of Act 10, or the “battle of Madison,” began, that Democrats and unions were putting out a massive offensive that would be seen across the nation, as demonstrators protested in Madison on a continual basis. As Governor Walker wrote:

They [union leaders] understood that our reforms were the leading edge of a national grassroots movement for fiscal reform — a movement that is flying below the radar of the mainstream media, but which holds the hope for a bold conservative resurgence across America. They understood the threat this grassroots movement posed to their entrenched interests. So they decided to fight back. And they made Wisconsin ground zero in their counteroffensive.¹

Governor Walker was able to get Act 10 passed through the Legislature, even when several Senate Democrats fled to Illinois to attempt to obstruct the legislative process. Governor Walker explained that the results of the passage of Act 10 were as follows:

The state Legislature passed my budget repair bill, known as Act 10, that requires public workers to contribute 5.8 percent of their salaries to their pensions (up from zero for most) and to pay 12.6 percent of their health insurance premiums (up from about 6 percent). We ended collective bargaining for everything except base wages. We ended compulsory union membership and stopped the forced collection of union dues — allowing teachers and other public workers to choose for the first time whether they wanted to join the union and pay dues. And we freed school districts from the

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stronghold of collective-bargaining rules — allowing them, for example, to buy health insurance on the open market and hire and fire teachers based on merit for the first time.²

Act 10 was a success, as it has saved Wisconsin taxpayers an estimated \$5 billion, and it also allowed Governor Walker and the Legislature to lower tax rates, encourage job creation, and improve education.³ “The big union bosses knew that if they did not stop our reforms in Wisconsin, the floodgates of change would open across the land,” noted Governor Walker.⁴ Governor Walker’s Act 10 reform was the ultimate conservative reform measure at the state level that directly challenged the power of public-employee unions.

In describing the impact of Act 10 on Wisconsin, Brett Healy, President of MacIver Institute, stated:

Taxpayer savings of \$5.2 billion is a staggering number that’s so large it’s difficult to comprehend. But make no mistake about it, Governor Walker and the Republican Legislature not only saved Wisconsinites an incomprehensible amount of money, but they also fundamentally changed government in Wisconsin forever.⁵

Iowa can learn from Governor Walker and his Act 10 reforms. The Iowa Legislature struggled to address a \$118 million shortfall this legislative session, and the result is that the Legislature may postpone much needed tax reductions. In order to achieve any tax reductions and avoid deficits, the Iowa Legislature must address state government spending. Although Iowa is already a right-to-work state, examining collective-bargaining reforms along the lines of what Governor Walker did would not only create opportunities to save taxpayers money, but also bring more flexibility to local governments and school boards and provide an opportunity for serious tax reductions.

Endnotes:

¹Scott Walker and Marc Thiessen, *Unitimidated: A Governor’s Story and a Nation’s Challenge*, Sentinel, New York, 2013, p. 5.

²Ibid.

³Nick Novak, “Act 10 saves Wisconsin taxpayers more than \$5 billion over 5 years, MacIver analysis finds,” *MacIver Institute, The Free Market Voice of Wisconsin*, February 25, 2016, <<http://www.maciverinstitute.com/research/2016/02/act-10-saves-wisconsin-taxpayers-more-than-5-billion-over-5-years-maciver-analysis-finds/>> accessed on January 31, 2017.

⁴Walker and Thiessen, p. 6.

⁵Novak.

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