
**Department of Workforce Development Secretary-Designee Caleb Frostman's
Testimony on 2019 Senate Bill 59, "The People's Budget"**

Joint Committee on Finance
April 4, 2019 at 10 a.m.
412 East

Members of the Joint Committee on Finance, it is my honor to join you today. I am here to express my support for Governor Evers' 2019-2021 State Biennial Budget Bill. The People's Budget.

The provisions and policies in this budget will improve the quality of life for all Wisconsin residents by rebuilding our economic infrastructure, advocating for working families, and manifesting Wisconsin values through policies that move our state and our economy forward.

There is a bipartisan sense of urgency when it comes to our workforce shortage and DWD looks forward to working with the legislature to be proactive, creative, and inclusive to attract and retain the best and brightest while advocating for Wisconsin's employers, employees, and entrepreneurs. By prioritizing investments in our economic infrastructure, the People's Budget strategically invests where our state can earn the highest return: Our schools, roads, and telecommunications systems have been neglected for far too long.

By investing where it is needed most, we will create new and greater economic opportunities for all Wisconsin families and businesses. For example, the Governor is proposing an unprecedented investment in our schools, including \$600 million for special education. Our schools provide the bedrock on which our society and our economy is built and the Governor clearly recognizes the importance of a quality education to a strong workforce. All Wisconsin students deserve a fair shot at economic progress, regardless of means, ability, or hometown.

Governor Evers' budget includes the largest investment in broadband technology in the state's history – an investment that will begin to rectify an equality of opportunity issue for our rural students, directly support small businesses across Wisconsin, and provide entrepreneurs with the necessary tools enabling them to be globally competitive in the 21st century economy.

The People's Budget includes a \$400 million tax cut for the middle class, which will undoubtedly provide the greatest return for our economy as middle-income Wisconsinites will finally be able to make long-delayed investments in their housing, their transportation, their education, and their retirement.

For years, we've heard about the dignity born of hard work, and I think we can all agree with that sentiment. But that's only half the equation: Hard work has to be rewarded with a dignified life and that starts with a dignified wage. This administration believes in the language that was included in Wisconsin statute for more than a century before being struck in 2015: That Wisconsin's minimum wage shall be a living wage, defined as providing reasonable comfort, reasonable physical well-being, decency and moral well-being.

Thus, the People's Budget includes the first increase in the state's minimum wage in ten years, which will help the 50,000 Wisconsinites currently earning \$7.25 or less. At no surprise to anyone, Governor Evers did his homework and is proposing a modest, measured, and incremental approach to increasing the minimum wage, a proposal that was informed by conversations with diverse stakeholders, including Wisconsin's business community. At hourly increases of \$1 in year 1 and \$0.75 in years 2, 3, and 4, Wisconsin's

businesses and economy can adjust incrementally while those earning the minimum wage will see long-awaited improvements to their economic standing and independence.

At a time of low unemployment, Wisconsin's leaders need to consider all available levers for quality of life improvements for our working families who have been left behind during a decade-long national recovery. That's why the People's Budget repeals Right to Work and restores prevailing wage laws. The reversal of these harmful policies will begin to counteract the losses experienced by working families in Wisconsin.

As Wisconsin participated in, and often lagged, that national recovery, these measures decelerated the flow of currency into our economy when Wisconsin's economy and our working families needed it most. Consumer spending makes up 70% of GDP, and in order to maximize widespread economic growth, our government needs to advocate for those looking to pay for groceries, invest in housing, transportation, and their retirement – not harm them. Restoring prevailing wage laws for state and local projects would encourage higher wages, family supporting benefits, and higher quality of work performed by local workers on the projects that build our state's infrastructure.

Repealing Right to Work would raise wages for all Wisconsin workers. Adjusting for pertinent variables like cost of living, demographics, and business mix, wages in states that have Right to Work laws are 3% lower than those without. That's because union-negotiated wages set the market wage for all companies, union and non-union, for work public and private. Accordingly, Right to Work laws, which weakened unions and workers' ability to bargain collectively, hurt working families across all Wisconsin industries.

The People's Budget also proposes overdue, common-sense reforms to our Unemployment Insurance system. After only a \$7 increase over the past 5 years, the People's Budget proposes an increase in the maximum weekly rate for unemployment insurance claimants. Wisconsin's average weekly benefit only provides 35% wage replacement. With many Wisconsinites paying 30% of their income toward housing, and a shocking number of them paying more than 50%, our Unemployment benefits do not provide the economic stability that was intended as the basis of the program. The modest increase to the maximum weekly benefit is a step in the right direction to fulfill the purpose of the Unemployment Insurance program, which is to promote economic stability through temporary partial wage replacement after losing a job through no fault of the worker.

The People's Budget also repeals the one-week wait, which is antithetical to that same purpose. If someone loses their job through no fault of their own, because of a decision made in a big city boardroom, they deserve and need the economic lifeline provided by Unemployment Insurance every week they're out of work, including the first week. The one-week week wait is unnecessarily punitive to the most economically vulnerable Wisconsinites suffering the trauma of a job loss that was not their fault.

The People's Budget also repeals the drug testing requirements for those who must utilize Unemployment Insurance. Again, harkening back to the baseline premise of the program, if someone lost work due to drug use, they wouldn't be eligible for benefits in the first place. This program was a "solution" in search of a problem. To date, not a single appropriated dollar has been spent on treatment, nor has anyone been denied benefits. I think we can all agree that there are greater returns for workforce development and AODA treatment to be had on GPR dollars than 0%.

Additionally, the budget eliminates the state's ban on local FMLA Laws while also expanding the state's law to include employers with 25 or more employees, and expands the definition of who an individual can care for when ill. I'm sure most of us have felt the pain of an ailing family member. As Wisconsin's population ages, the pressures on working families will only become greater. We know we're already facing a caretaker shortage, so family members will have to step up. We need to ask ourselves what will happen to our economy when they lose their jobs if these provisions are not adopted?

Addressing the workforce shortage, this administration believes strongly in investing in training that builds in-demand, transferable skills that lift entire industries and our economy. The People's Budget funds the Wisconsin Fast Forward program at \$6 million, which includes money to fund Youth Apprenticeship, Registered Apprenticeship, and Project SEARCH, a program designed to assist young adults with disabilities enter the workforce. And it provides funding for four new job centers in state facilities operated by the state

Department of Corrections, allowing individuals to access the resources needed to secure employment prior to their release and provides employers with the skilled workforce they desperately need. I think we'd all agree that the best antidote to recidivism is living wage job and this budget recognizes that.

In total, the People's Budget is bold, it's inspiring, and it's comprehensive in its scope of quality of life improvements that our residents asked of Governor Evers as he traveled the state to craft this budget.

Make no mistake: This Budget is a clear statement of our state's values: That what's good for our kids is good for our state. That investing in our economic infrastructure is key to ensuring every Wisconsinite has the chance to experience meaningful economic progress. That the best way to accelerate the virtuous cycle of spending that drives our economy is to advocate for, and invest in, the working families of Wisconsin. That if someone is willing to put in the work, they are entitled to the dignity and quality of life afforded from a living wage. That our state's economy needs to work for all of us. That we need a Wisconsin for all of us.

The Department of Workforce Development is excited to work with our partners in the Governor's office and in the Legislature to finalize this budget - the budget that the people of Wisconsin asked for.

At this time, I am happy to answer any questions you have.