

MODERATOR: This is – Marc Eisen and I are going to be sitting down with Scott Walker and Mark Neumann to discuss the campaign for governor, various issues facing the state for – this will be one of the featured stories in Wisconsin -- the upcoming "Wisconsin Interest" and a podcast on our website.

So I guess I want to start off with a more general question. Is Wisconsin right now on the right track or the wrong track under Jim Doyle? And if it's on the wrong track, why? Scott?

SCOTT WALKER: Well, easy answer, it's on the wrong track. I don't think our people or places are on the wrong track, but our state government certainly is. When you look at – you know, we've lost through March it was over 120,000 jobs in this last year in this state. We've – we had an unemployment rate at 9.4 percent. That is higher than the national average, which hasn't happened for a long time. And we've got a jobless rate at the highest it's been since the 1980s, early 1980s, since 1982. I just look at that and I think the majority of people in this state are not satisfied with where the state's headed. I'm certainly not. And you look at the leadership at a time when the economy is as bad as it is, and Wisconsin has not just the largest budget deficit ever, but one of the largest in the country, literally – much, much larger than the percentage of our total income and our total economy in this state. And his answer has been to raise taxes in total by nearly \$3 billion. When you add what they did in February to this budget and increase overall state spending by 10 percent approximately, to me that's just a sign that we're headed in the wrong direction.

MODERATOR: Okay. Mark?

MARK NEUMANN: I would concur with everything you just said. We are clearly heading in the wrong direction. I think the bigger picture is that we're setting up an environment that does not create jobs or attract jobs to our state. And when you start thinking about the meaning of that long-term – I always think of my children and grandchildren – and I look at where these jobs are going to and I think of the impact on our kids and our grandkids and in terms of where they're going to work when they come out of our schools and out of our colleges. And I hate to say it, but today we're thinking India, China, Mexico. The policies that are in place today that are causing our jobs and our business leaders to make the decision to move to another country, those are the policies that we need to look at very closely and change.

MODERATOR: Okay. It's July 2009. One of you two is the governor of the State of Wisconsin and you're faced with a \$6.6 billion deficit. What do you do? How do you get out of a hole like that, Mark, without – given the fact that most of the state budget is eaten up with shared revenue payments, UW payments, things like that, what do you do with a deficit like that, how would you close that gap?

NEUMANN: You're asking a person from the private sector, who is in the home building business, managing six different industries that relate to home building. We had to go through this in the home building business. When you're in the private sector, you don't have the option of raising taxes. What we did in our companies is we went in to our managers, our company, our partners and owners with us in these businesses, and we said we're not going to be in business unless we bring our operations costs down to a certain level, and we told them what that level

was. We knew where we had to be in order to survive and then we let our department leaders, our partners in business, figure out how to get their own operation to that level.

The first thing as governor, I wouldn't have this \$5 billion or \$6 billion shortfall that he has today, because we need to realize that what he did is he proposed spending increases, roughly in the amount of his short bonus, a little bit less than we're seeing now. If I were coming into this recession I would not have proposed a budget, I would have froze spending at last year's level and most of the deficit would already be gone.

WALKER: Well, in our case, we've done what we've done in the past in arguably the toughest circumstances in the state, and that is control spending. That's what I think the public is crying out for. It's something that just about everybody other than a handful of politicians in Madison get. That's why we finished out 2008 at the county level with a several million dollar surplus, because we controlled spending even when the economy took a dive last fall. We're just not hearing at least many voices, not those in the majority, certainly not those out of the governor's office, talking about controlling spending when everybody else - I mean I don't think there's any of us who don't know of a family member, a friend, a neighbor who at their business or in their own households isn't controlling spending. And the fact that you've got anywhere from 7.7 to 10 percent, depending on how you measure, overall in growth of state spending, it's just unheard of. And I think that's the first and foremost priority.

MODERATOR: You've got maybe 80 percent of the state budget falling into five categories: shared revenue with local communities, the public school funding, UW system funding, corrections and medical assistance – much of medical assistance comes from the feds. That's 80 percent of your budget there. Where are you guys going to cut to eliminate the deficit, which programs?

WALKER: Well, in terms of controlling spending, it's a combination of things. I think certainly you do it with State employees, but you apply that same standards to those governments at the local level, be it municipalities, counties, or school districts that receive significant state funding. I mean years ago, Governor Dreyfus once said, "He who controls the pot of gold makes the rules." But in this case, if we're going to expect that local governments get that percentage of funding from the state government, they should do things to control spending. We had that, up until this budget. For example, school districts to QEO, I think not only do we need to maintain the QEO, but we actually need to tighten it up, because what once was supposed to be the ceiling has become the floor for most school districts. But I also think you've got to apply a similar standard to municipal, county and other levels of government at the local level if you're going to get a handle on it. And again, now is the time. I know of employers all across the state where people are willing to give up increases, they're willing to make changes in their wage and benefit structure in order to guarantee jobs, and that's what it's all about. It's about protecting jobs. And why is it when everybody else is doing it to protect jobs in the private sector we shouldn't expect that out of the public sector?

NEUMANN: I'm going to respond, and this comes from past experience in government as well as private sector experience in business. It does not go – it does not work for a leader to come in and say, "I'm going to cut here and I'm going to cut here and I'm going to cut here." Doesn't

work. We've found in Washington and we will find again in the state government that if you really want to control spending what you've got to do is start at the top and say we're going to spend this much money and that's all. And you control the growth rate of spending to a point where all of your department heads, your – in our cases our partners in business, understand what level of spending is going to be allowed in the following year and they bring you budgets. And you know what, the funny thing is in business, when one of our people came back to me and said, "We can't do it," I said, "Great, then I'm going to make the decisions for you. Next week we'll make these decisions and I'll have them for you." You know what? They came back a week later, and they made those decisions themselves, in the best way for them.

Can I –

WALKER: Yes.

NEUMAN: I just want to finish.

WALKER: Sure.

NEUMANN: When I went to Washington this discussion was the same thing. Your budget is locked in here, you've got Social Security spending, you've got Medicare spending, we have such a high percentage budget. It was exactly the same thing when I went to Washington, D.C. We understood going into Washington, D.C. that what we had to do is control the overall growth rate of spending looking at that tap – top number, and then work our way down number by number in the budget to make it work. It's exactly what we need to do in this state, and it won't work any other way, in my opinion.

WALKER: And I would agree with Mark on that. I'd say, for example, when I first came into county government seven years ago, that's the principle we applied then and it's the principle we've applied ever since then. I ran on a simple pledge that said, "I'm going to treat the taxpayers' money as if it were my own." And we've done it over and over and over again. It's the same standard I'd apply as the governor.

And Mark, your point on the private sector I think is a very valid one. We applied that principle and said, "Here's the tax levy you're going to get department by department because this is the blanket amount, we're going to spend no more, we will not raise our property tax levy." And the beauty of that was, is 90 – you know, 90-plus percent of the departments came in right. The few that didn't, we did their budget for them, and you would be amazed by the next year how much more creative those department heads became after somebody else did their budget for them.

MODERATOR: What about taxes? Are either of you prepared to say, "Read my lips, no new taxes"?

NEUMANN: Yes.

WALKER: Absolutely. I mean I've done it for seven years. I'll do it for eight more, or four more first, and then eight more after that if I'm your governor.

MODERATOR: No tax increases?

WALKER: Absolutely.

NEUMANN: I want to go a step better than that. That's not good enough. The problem we have in the state of Wisconsin is that our tax structure is so high right now that jobs are making – that the business leaders controlling our jobs are making the decisions to go elsewhere. No new taxes isn't good enough. We need to dramatically reduce the tax rate in this state. We need an organized incremental plan to bring the tax structure down to create an environment where businesses want to come here, period.

WALKER: I agree with that. I mean I'd take it a step further as well. I'd say not only cutting the income tax rate and the corporate tax rate, and I look at the retirement income in particular and if we could, I'd like to be at a point where we eliminate all tax from the state on income related to retirement.

MODERATOR: What about the increased gas tax to fund the transportation improvements in the state? Are you guys against increasing the gas tax?

WALKER: Indexing or just blanket increase?

NEUMANN: Well, I'll answer for you. I'm against tax increases, period. It doesn't matter if we're talking indexing or something different. If you have a high priority item such as infrastructure, which is absolutely necessary for the creation of jobs in our state and maintaining a workforce, and you absolutely need to spend money in a particular category, you need to find a different category that is less significant to the state and reduce the spending in that category to allow for the funds necessary in the transportation budget.

WALKER: And I guess, I was just asking for clarification. That I opposed – or supported the repeal of indexing and I've opposed gas taxes in the past. In fact, more than a decade ago I was one of the ten Republicans who fought the then gas tax increase. While I agreed with Tommy Thompson on many things, I didn't agree on it back in the mid-1990s. I thought we were already too overtaxed. And similar to what Mark just said, I was one of the folks that advocated several times thereafter that if you're going to fund transportation needs you do it by broadening what goes into the transportation fund, not by raising the sale – or excuse me – raising the gas tax.

MODERATOR: Both of you have talked about clamping down on taxes. And Scott, you've talked pretty much – I have the sense that you want to put the clamp down on the powers of local government to spend and put sort of a QEO on local government as well as the –

WALKER: On wage and compensation, yeah.

MODERATOR: There's – for years and years we've had periodic blue ribbon commissions led by Don Kettl and led by others proposing fundamental changes in how the state would fund local government and the public schools. Nothing ever came of those recommendations, and in fact, during the Doyle years those sort of root changes aren't even discussed anymore. What are your

thoughts on changing the terms of how the state dishes out aid to local governments, the schools, the university? Do you support a restructuring of state and local government in Wisconsin, meaning that there could be less local governments, fewer towns, reduce the size of county boards? How do you guys feel about that?

WALKER: In terms of consolidations, absolutely. I mean we don't have a blanket plan, but if you look at other states, I think Ohio has about double the population and half the number of school districts. So the idea that there could be greater consolidations, greater incentives built into local aid from the state government to encourage, absolutely. I don't think that's something you mandate, but I think that's something you could tie into the funding structure.

The one thing – I'd back up though – when you mentioned some of the commissions, we have an issue right now playing out in the legislature, the governor proposed and then the Joint Finance Committee just abruptly kind of threw up in the air in the middle of the – literally in the middle of the night, at 1:00 or 2:00 in the morning on RTAs – there's supposed to be regional transit authorities or regional transportation authorities. What too many politicians really believe they are regional taxing authorities. And for anything that's going to be another way of funding a different tax to get at funding to me is a non-starter, at least if I'm governor, because it's not about finding new revenue sources in terms of new ways to gouge it to the taxpayers, it should be new ways of finding ways to make government work more efficiently and more effectively to provide the core services that people expect and to cut out the fat and the inefficiency that's in there. But just having another way to tax taxpayers in a way that maybe they don't notice as much is not the answer. Ultimately we've got to control their overall tax burden.

MODERATOR: Let me ask you a related question. Would you be in favor of granting cities and counties more power to set their own taxes to run local governments and hence have less state aid going to them?

WALKER: No. Because to me – ultimately the reason why I've been so adamant as the county executive and holding the line on taxes is not because I want my level of government and other levels of government to have the taxing authority. It's been because I've seen too many people, too many young families, too many employers, too many seniors, being forced to move out, in this case out of my county. I see the same thing at the state level. And to me, no matter whether it's the town government, the city government, the school district, the county, whoever it might be, if our overall tax burden goes up too high and that's driving - as Mark was just talking about before - if that's driving more people and jobs out of the state, that goes completely at odds with where I think the majority of people in the state, certainly where I want to be, and that is a state where I want more people to want to live here, more jobs to come here, more people that choose to retire here. And part of the way, it's not the only way, but certainly one of the biggest ways government can help do that is remove the barrier of high taxation.

NEUMANN: Well, let me start by saying that I'm not sure that I'm smart enough to tell our local people how to run their own governments in their own backyards. So I would – I've been to these boards, lots of these boards. My faith in this nation and in this state, stems from the people. And the people at the local level, these are smart people on these boards. They know what they're doing, they've been around, they understand the issues better than any person at the

state level could possibly understand those issues. I think it's necessary that the state leads by example. And as we set policy at the state level that reels in spending in the means that I talked about before, by controlling the growth rate of spending so we can bring down taxes in a sustained, substantial way over a period of time, we're going to encourage them to do the same thing, and I think that you're going to find that some of them follow closely and some of them don't. The ones that do follow closely are going to continue to create that environment where taxes are low so businesses locate there and they're going to grow and thrive, and the other ones are going to be forced to be brought in line by their own understanding of what's happening in their neighboring community where the taxes are brought in line.

See, this whole taxation issue, it's – it does go back to spending, but the taxation issue is directly related to business leaders making the decision where they're going to take their jobs. And to the extent that we can get taxes under control, those business leaders come here with their jobs, and when the jobs come here of course that's additional revenue to the state, and many of our problems go away. So it's got to go back to the taxation. It's got to be desirable to encourage our business leaders to bring their jobs here.

MODERATOR: Am I correct in concluding that you, Mark, feel that local governments should have more leeway in setting taxes than what Scott is saying here?

NEUMANN: You went to, in setting taxes, and I would say that our state and local government should have more leeway in determining their own policy for their own people in their own communities, and that relates not only to taxation, but it relates to a whole realm of issues.

WALKER: And if we had pure authority at the local level that would be great, but right now under current statutes, Wisconsin sets, again, usually the parameters to what local governments can provide in wage and benefit packages through Med. Ar. Mediation and arbitration artificially inflates the wage and benefit packages for employees – public employees in the state of Wisconsin under the current statutes. But if we could do away with that, and then you wouldn't have to have the need, but as long as we have that I would certainly advocate in a heartbeat. Talked about that in our State of the County address this year. That if state government wants to get serious about controlling spending, you've got to give the tools to local governments to be able to control the wage and benefit structures. When you've got a policy that mandates essentially a 3 or 4 percent increase just because everybody else in the surrounding area is getting it, it makes it very difficult for those of us who are trying to hold the line on taxes to do that under the climate. We have, but it still is an incredible challenge.

NEUMANN: Here we go again. And this is – this bothers me a lot about government as it exists today. What we're doing is talking about what is today, instead of creating a vision for what can be in our future. And as long as we deal with what is today, we're not going to bring our jobs back. We have to start talking about vision for the future, and if that's empowering our local people to make more of their own decisions, that's what can be for Wisconsin's future and that's where I'd like to focus my attention.

MODERATOR: Okay. I want to be more specific on this local issue. Now, am I right, is the – the check the state writes out to MPS, is that the largest single check they write out? Okay. MPS has been an educational and fiscal disaster for a long time.

NEUMANN: Yes.

MODERATOR: You now have audits and studies and debate about the future. Is it time to blow up MPS? Is it time to consider a state takeover of MPS or a state receivership of MPS? Do you have any thoughts about that, Scott?

WALKER: Well, I think it's time to do something dramatic. Whether or not it's a state takeover, Tommy Thompson talked about that a decade ago. I think that an alternative to that would be looking at breaking it up into smaller districts because I think certainly when you start talking about anywhere from 80 to 100 thousand kids it becomes very difficult for anybody to get their hands on it.

The other part is beyond the obvious of which amongst this table there'd be great agreement, but expanding the Choice Program which obviously we've had tremendous fights in the past, in which Jim Doyle and this budget is doing all that he can to make it difficult for many of our – even our very successful schools from moving forward. I'd lift the lift entirely on school choice. I'd make changes so not only schools – more schools– or the schools existing within the city of Milwaukee could take that on. I'd allow schools throughout the county to take in – like a Thomas Moore which has a very successful program but can't currently operate because part of their property is in St. Francis and part of it is in the city of Milwaukee, I'd allow for expansion there. And I'd lift some of the limits on charter schools. To me why should it just be public institutions doing that? Why not, not only private colleges, but also even private businesses like a Bucyrus which would have a vested interest in making sure there are trained individuals coming into the workforce from the Milwaukee school district?

MODERATOR: Okay. Mark.

NEUMANN: The MPS school system is something that is fascinating to me to look at. As you know, we are managing three choice schools in Milwaukee and one charter school in Arizona. Arizona has expanded their program dramatically beyond what we've done here in the state of Wisconsin. It's amazing to me that in the city of Milwaukee where school costs 13,000 per pupil in the public schools, in the private sector they are receiving about \$6,500 dollars of the taxpayers' money. Twenty thousand parents of students in the Milwaukee school system have decided to take their children where it's costing 6,500 to the taxpayers instead of 13,000. I think what that tells me is that there are some dramatic changes needed in education. We need to look at how many of the dollars in education are actually getting to the classroom. What's going on in policy in Madison right now today, rules, regulation, red tape is being thrown at our choice and our charter schools to a point where less and less dollars get to the classroom and more and more dollars are spent to try and comply with these rules and regulations, and you are tying the hands of the innovative people in education who actually have the solutions to our problems.

We look at our schools and we watch what is happened there. Things like 100 percent of the parents showing up to parent-teacher conferences at an inner-city Milwaukee school, it happened at two of our schools already. To me what we need to do is expand the opportunity for choice and charter. We need to get the rules and regulations so the dollars are once again allocated back to teachers in the classrooms and not the red-tape as put on us from Madison.

MODERATOR: Mark, are you saying the choice schools should not be subject to standardized

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NEUMANN: Absolutely not. I didn't mean to interrupt you, but no absolutely not. The standardized tests that we use here in the state of Wisconsin, if you study it carefully, we don't want to use those in our schools. You know why? They're not high enough standards. We don't want our kids held to those standards. Our kids have to compete in a global economy worldwide. We want a larger more national test that sets higher standards for our students so we can really look at what they are doing and how fast they're advancing. I don't want to disclose the exact numbers, but I can tell you we have very favorable results in our schools. Were watching our kids grow faster than an average student across the country on a national standardized test. And I do think there should be testing in schools, I do think there should be accountability, but I think that accountability should be based on these standardized tests, and not necessarily the Wisconsin test that sets too low standards.

MODERATOR: Scot.

WALKER: Well, I agree with that. I mean that's why for years back – back almost a decade ago, I was part of the group that pushed in the legislature for the first expansion after school choice was set in terms of allowing parochial religious-based schools to be involved in the program because I think the schools that are succeeding in the program right now the Messmers, the Hope Schools, the St. Marcuses of the world are succeeding because they have high standards. They have higher standards than many in the public sector are accepting, and we should be encouraging that, not prohibiting that.

MODERATOR: Was W-2 a success? And if so, where does it go now?

WALKER: It was initially, but again, we've had over the years, particularly under this governor and he's doing it again, is softening up on the requirements. Probably the worst example is under childcare right now. There needs to be much tighter restrictions as to what qualifies as work, how people are identified. I mean, the fact that you had this series about this preacher character in the paper awhile back and that his supposed wife at the time even after having been reported for criminal activities and that was still getting money from the state shows you just how out of whack this current administration is and how far they fund. You add to that to the fact the governor makes – wants to make it worse. I mean he's talking in his budget about pulling back on time limits for work requirements. He's talking about other components that really are going to take us back to the time when Wisconsin was a magnet for welfare abuses, and that's not at all what the system was set up for.

MODERATOR: So where do we go next with the W-2?

NEUMANN: Well, and I think that's the right question. I go back to when our – when we enter this race for governor, it's going to be about what can be instead of what is. And I think you go back to the basic principle. And I heard when Tommy Thompson first enacted the W-2 welfare reform, if a person is able to work, if they're physically and mentally able to work, wouldn't we expect them to have a job in order to receive a welfare check? And then if there's some help needed, so be it. And I think that's where we need to head to and we need to go back to, and clearly that's been eroded.

MODERATOR: Can I follow this up, because – on this? Because I mean back in the 1980's the Republicans were arguably the party of ideas. You had welfare reform, you had lower taxes, flatter taxes, school choice. So what's the next big conservative idea? What's the next one?

NEUMANN: I can jump in. Okay. I mean the concept of creating jobs and attracting jobs, keeping jobs here in the state Wisconsin is a three-way – three-legged thing, and we've talked about two of those three legs already. And I think the third one is your next big idea from Republicans. We've talked about taxes-- they have to be brought down. We've talked about education. We haven't really put it in the big picture where Wisconsin kids have to be the best-educated kids in the world. The third leg is looking at the environment. Republicans for a long time have been drill, drill, drill, or they've been, I'm against cap and trade. I think the next big idea comes from the environment. Green technology today is the future. Green technology today is the computer a generation ago when I was in school. We should be jumping all over the green technology and looking at how we can provide jobs here in the state of Wisconsin.

Let me paint a picture for you. Right now today they're talking cap and trade in Washington, DC. We understand that what they are going to do is charge for carbon emissions as they are put up into the atmosphere, and of course that's going to encourage our businesses not only to leave the state of Wisconsin, but to leave America as a whole.

Here's a big new idea. Suppose we look at the improved environment that our government is trying to obtain through cap and trade and we put out a different way to obtain that, a way that in fact creates jobs right here in the great state of Wisconsin. And when I'm talking about this stuff, I'm not talking through my hat. We've already started doing it. We've seen it in our private sector business world. And I don't want to promote my business so let me just talk in general. We now know for a fact that we can provide an economically viable home that produces all of the energy it needs for heating, for cooling, for running the appliances, and for running an electrical automobile back to work. We can produce all of this energy on-site in an economically viable way.

When this takes off we should be able to demonstrate to the federal government that we can improve our environment while we're creating these jobs in the green technology area. That becomes – that takes the environment from an anti-republican position and it puts in back into what we believe in in our party. A good environment is not something our people are opposed to, it's something they support. Now we've transformed it into our idea where we can create jobs and produce job opportunities here in our great state by improving our environment at the same time. Big new idea.

MODERATOR: Yeah. Are you in favor of cap and trade?

NEUMANN: Cap and trade – what we're going to do – what we're going to do if I'm elected governor is we're going to lay out a plan to accomplish the goals of cap and trade improved environment without the cap and trade taxes on our businesses, okay? So am I improve – am I in favor of improving the environment through the reduction of carbon emissions? Yes, sir, I am. Am I in favor of doing that by taxing our businesses, putting them in a position where they are going to think about leaving our country and going someplace else where those restrictions do not apply? No, sir, I'm not.

WALKER: Per your original question on big ideas, I think one overall is in terms of the – really the role of the governor. I mean right now we've largely got the bureaucrat in chief. I think we need to go from that to a role of really an advocate in chief. I mean we've got great managers. I put a cabinet in place. I know how to pick great managers. We're going to do that. But I think the governor has got to be something more than that. You know, Tommy was that in '86 coming off the similar troubles we had with Tony Earl and the recession in the early 1980s. We've got to get to a point where we have an advocate who advocates for the state, for its jobs, for its businesses, for its citizens.

And I would take that a step further in two specific categories. Certainly in education. We just talked a moment ago about MPS, and the Milwaukee school district has got some serious challenges we've got to face. But I would go beyond just looking at just lifting the cap for school choice, and looking at, we ought to be able to expand the ability to have options no matter how it might be, whether it's through a traditional parental school choice, whether it's through a tuition tax credit, whether it's through a variety of other ideas out there, to expand those parental options for involvement in a child's education. We should be –

MODERATOR: Why?

WALKER: – celebrating that. Well, I want the state to have a role in that. Now, that's part of...

MODERATOR: Statewide for – for true school choice?

WALKER: Well, no, I'm careful in the way that I said that. That doesn't necessarily mean with the voucher program we currently have. We're going to explore any number of options, whether it be that, a tuition tax credit, other ways. Obviously that's part of the dialogue we're going to have with the voters in the state of Wisconsin over the next year and a half. But I think we need to look and think big about how do we guarantee, you know, that we provide a world-class education, whether it be in choice schools, public schools, charter schools, even in the home school environment, we do it in a way that doesn't just meet the norms of what we've had in the past, because I don't think it's good enough to provide education the way we have in the past. We've got to be ready for the next generation of would-be employees that are coming to the workforce.

The other part is on healthcare. You know, we get a lot of talk about big government-run, bureaucratic-driven healthcare, and I think Republicans can really move forward to talk about healthcare but in a way that's a partnership, not something that takes the place of the private sector, but rather is a partnership with the private sector in terms of market-based solutions that have been talked about but haven't been fully implemented and laid out. When you look at things as simple as transparency – and, you know, I've been a major employer. I've got 5,000 people I cover as full-time employees, 8,000 retirees I cover. I get huge discounts, but the guy that employs 50 or 60 people doesn't get those same discounts. That, to me, could be addressed through transparency. We can build those things, tax credits, so at some point any employer, big, small, or somewhere in between, can go and say, "I'm going to give every one of my employees this amount of money. They're going to go out into the market and create the kind of healthcare package they need," and that the role of government in there is the transparency and it's the tax credits. The rest comes from the private sector. We don't have that right now and so for many, many people, particularly small business and family farmers, they don't have access to affordable, quality healthcare. And so without this sort of big thinking, you get people creeping closer and closer to big government-run healthcare which is not the solution either.

MODERATOR: I wonder if that's more of a federal responsibility than a state responsibility, if you could follow up on that.

WALKER: No, I – the last thing I want is the federal government involved in that. I mean we've seen how much they've – you know, the mere idea that, what, six weeks after Katrina hit, UPS was in delivering packages, six months after the United States Postal Service wasn't there, suggests to me the last thing I want is the federal government involved in my healthcare.

MODERATOR: Let me ask you a question about the city of Milwaukee, and I'm going to be simplistic in a way that an outsider would be in looking at Milwaukee, because I live in Madison. And that is, it's arguable that there is a major crisis ongoing in that city, whether it's education, crime, joblessness. Arguably, you could say that Milwaukee, instead of being an economic engine of the state, is a millstone on the state. Because you guys are aware that the household income in Wisconsin is now less than the household income in Minnesota and Illinois. And I would suggest that probably a big reason for that is that Chicago is an economic engine, the Twin -Cities is an economic engine for Minnesota. We don't seem to have that in the city of Milwaukee. What would you guys do about that? I mean, I talked about two years ago to Mark Bugher about that and Bugher said that there should be a marshal plan for Milwaukee, things were that bad and that busted up.

WALKER: Yeah, George Lightburn and Steve Agostini wrote a great piece on that as well where they talked about comparing San Diego and Seattle where they were back in the 70s and made a comparison as to how they've had major increases while the Milwaukee (indiscernible). It's years of bureaucratic socialist-driven policies, some at the city level, municipal level, and some at the state, that have largely maintained those walls of poverty. And that's why, you know, you've got to think big, beyond just undoing the damage that this governor and this legislature have done and are likely to do in this budget, and unleash the economic opportunity right there. I mean we have both an incredible challenge and an opportunity all at once in that we have a huge wave of job openings appearing as the first wave of baby-boomers are coming

into their retirement years. There are going to be jobs opening up and then people who move into those jobs are going to open the door for people in Milwaukee and Southeastern Wisconsin. But right now we don't have a workforce that's adequately trained because of our school systems. We don't have an infrastructure system in terms of – and I don't mean transportation or energy – I mean in terms of family structure where we have households that demand not only a good education and demand their kids stay in school, but demand that they stay out of trouble, demand that they follow the rules and have a strong work ethic. Those are all things that go beyond government that government can play a partner in, but in the end some of those things have to change. And some of it even goes back to what we talked a little bit ago about welfare. I mean I think one of the biggest problems with the previous way we had welfare and the way we're creeping into it now was it essentially ingrained into generation after generation the idea that they could get by living off of welfare, and so you had a policy system, you know, dictated by the government that really encouraged people to stay trapped into poverty and in many cases trapped into not being married and having fully intact households.

MODERATOR: And Tommy Thompson tried to deal with that.

Mark, what's your take in terms of what should be done in Milwaukee? And how serious is the problem in Milwaukee? Do you disagree with the premise that Milwaukee is more of a millstone than a generator of wealth in this state?

NEUMANN: (indiscernible) need to attach any names to it, but I definitely agree that there is a huge problem in Milwaukee County. I'm on the ground floor. I'm in the business world in this area. We do business in Kenosha, Racine, Milwaukee, Ozaukee, Washington, and Jefferson County, so I see it firsthand. And I don't know why this is missing everybody else, but it just seems to miss the whole world. When I build a house in Milwaukee County, the cost of taxes per month on that same house two miles away over the border is \$150 a month more in the city of Milwaukee. Taxes are outrageously high in Milwaukee County, and I don't know why nobody's picked up on this as being the center of why we can't attract business to Milwaukee County. Your tax rate in Milwaukee County has got to be brought down so that it's at least competitive, initially, at least competitive with the surrounding counties, otherwise when you bring a business to Wisconsin, why in the world would you go where the tax rates are so significantly higher than your competitors right there in the same location or virtually the same location? So I start with that.

I want to go back though to the bigger picture and how we solve those problems, and I want to tie this all together because we've talked about the pieces and I really want to tie it together. If we really want to solve the problems in Milwaukee County, you've got to get the tax structure comparable to the others. We then have to implement a plan that is going to attract businesses to the great state of Wisconsin like it has at times in the past in our history. There's three parts to that.

First, I would like to suggest that if we could lay a plan into place to incrementally reduce our taxes by 24 percent in the state that you would significantly attract businesses and it would change their attitude toward where they are going to take their business. I see Charlie nodding his head. Absolutely that's going to happen, and we will lay out a plan to do that.

The second thing we need is we need the best educated kids in the entire world. I'm not talking state of Wisconsin, I'm not talking across the county, I'm talking the world, and you do that by promoting your great public schools, encouraging them to be even better. But then you have to go beyond that and say where we've got mediocre and poor public schools we want to promote competition. And you promote the competition through choice and charter and you encourage the development of choice and charter schools wherever there are mediocre and poor public schools. So the next leg of that is education.

Tax rate down dramatically. Top quality of education in your state.

The third one is look at the environmental rules that are causing our businesses to leave. You create a situation where you improve the environment in the same way they're looking to do, reducing the carbon emissions into our environment, but you do it in a way that generates jobs here in the state of Wisconsin. And we're finding – this isn't just me, and I happen to have the business – the head of GE was talking about the hundreds of thousands of new jobs to be created in the green technologies area. So what we would like to do is lay out a plan for the state where we improve the environment more than what the Obama administration is trying to do with their taxation, only we do it in a way that creates jobs here in our state. And like I was saying before, when you start looking at housing, for example, we have found now that we can produce the energy necessary for both housing and automobiles on site on a particular lot, reducing carbon emissions almost 100 percent. Remember, buildings produce 47 percent of all carbon emissions in our climate.

MODERATOR: Almost everything you guys have been talking about you get a clear difference of what – next year between you and say Jim Doyle, you and Jim Doyle. On this issue when you are standing up there saying, this is where on the issue of green and environment, you know, this is where I am, this is where Jim Doyle is, what's the major difference?

NEUMANN: I would ask the federal government for a waiver from the cap and trade rules that are being implemented right now today by laying out a job-creating program in the state of Wisconsin that creates – that accomplishes the same things for the environment that he's trying to do, only in a manner that does not send our businesses out of the state.

MODERATOR: Okay.

NEUMANN: It's a very important consideration, when you talk to businesses around here, how come we've lost so many manufacturing jobs in our state over the past three, four, five years?

MODERATOR: A quick clarifying question for you, Mark. School choice statewide?

NEUMANN: If we look at other states across the country, we will find that they have encouraged charter and choice schools, in particular charter schools, wherever public education is mediocre and poor. So wherever we have a mediocre or poor performing public school I would encourage charter and choice schools.

MODERATOR: Let me ask a question of Scott which is kind of combative, but I will ask it anyway. You were really –

WALKER: I'm used to combative.

MODERATOR: You were very skeptical about taking federal stimulus money for Milwaukee County.

WALKER: Mm-hmm.

MODERATOR: But isn't that the attitude that's exactly what's hurting the state, that we rank 47th out of 50 states for federal spending and that our politicians, Democrats and Republicans alike, openly disdain federal dollars as somehow being tainted? Shouldn't we instead be pulling up a dump truck to the U.S. Treasury and collecting as much money as we can, because if we don't other states will?

WALKER: Well, that's – I think that last line (indiscernible) why the federal government has the size of the deficit they have in the first place, is because nobody's got the good sense to say can we actually pay for this. The reality is – I've spelled out a clear position early on, and I've had a consistent position all the way through, that we shouldn't be taking money from the federal government. It's going to cost us more money. So we set out clear criteria early on that said three simple points.

We're not going to take any money that requires a new match because to get say – \$50 million of transportation money if I've got to provide a 20 percent match, that means \$10 million that's not in my budget, so suddenly now I'm \$10 million out what I hadn't budgeted for that.

Secondly, I'm not going to create – accept any money that creates a new ongoing concern. We all know what Bill Clinton's 100,000 cops on the street actually ended up getting pulled, the funding, and suddenly we had all these police officers that local governments couldn't pay for.

And third, I'm not going to use it for operating purposes. Jim Doyle's budget is a classic example of that. On top of all the tax increases that were passed in February and all the additional ones in the budget here, he's got almost \$3 billion worth of one-time money going in to pay for ongoing concerns. That creates for the next governor, so two years from now, I'm the governor, I'm going to have an incredible challenge, but we're going to meet it, but taking on the fact that one-time money was used to fit a hole that was now has created two years from now in the next budget. I said I'm not going to do that on the local level.

Now, if we can meet that criteria, if it doesn't create a hole, and if it's for legitimate purposes, not just for some wild wish list, but if it's for things like most people talked about originally – bridges, roads, things like that that have an ongoing economic impact and they're infrastructure-related, if – they can tie – help the economy, we'd consider them, but only if they didn't come with those strings attached.

MODERATOR: Mark.

NEUMANN: I think the bigger question with Wisconsin being 47th, I think you said, on the list of federal dollars coming here, it goes back to what we've been talking about. Our state has a tax climate, our state has an education climate, and our state has environmental rules and regulations such that we do not attract businesses. What I would do as governor is I would ask myself what businesses are they that are – are there that are producing those goods and services that in fact the government buys and what do I have to do to attract those businesses to the state of Wisconsin to change that situation. But it goes back to the big picture: How do we attract business to the state so we have job opportunities for our people?

MODERATOR: All right. I have a couple of quick questions that I want start going through just so that we get these covered all.

WALKER: Okay.

MODERATOR: Will you sign the smoking ban, the statewide smoking ban?

NEUMANN: I'd have to give that more thought to answer that Charlie, I think.

WALKER: No. I think local businesses should be able to determine their own fates.

MODERATOR: Okay. Should public employees be required or encouraged to pay more of their own pensions?

WALKER: Absolutely.

NEUMANN: That's a – that's big-picture question. Getting back to what I said before, you've got to look at the overall budgets. If they say, I want to take less wages and have that covered, I'd certainly would be accepting of that.

MODERATOR: Well, you know, (indiscernible) played out recently. We had this – we have the employer contribution and the employee contribution and –

WALKER: Mm-hmm.

MODERATOR: – and the –

WALKER: So taxpayers pay that.

MODERATOR: The taxpayers pay the employee contribution.

WALKER: Yeah. We could start by just paying the portion that they're supposed to pay.

MODERATOR: Yeah, put the employee back in employee contribution. You'd be in favor of that?

WALKER: Yeah. I mean again I think when you look at this – most – years ago, decades ago, it maybe was legitimate to say that public employees received a lesser amount in salary than their cohorts elsewhere in the private sector so benefits were stronger, but that's no longer the case. In fact, in many areas in the public sector not only are benefits stronger, but wages are considerably higher. And so to me, particularly now, if we can't – there is not a time like today, like the time that we're in right now where we can't get a handle on public sector employee wage and benefit packages, I don't think there will ever be a time, because everybody else across America and here in Wisconsin is willing to concede things to keep people employed. But why is it the public sector is the only place that's not doing it?

MODERATOR: Yeah. But isn't the state and government picking up the employees' contribution a negotiated item –

WALKER: Yeah.

MODERATOR: – that had been negotiated?

WALKER: But as I had mentioned –

MODERATOR: How do you negotiate out of it then? What do you give them in place of that?

WALKER: Well no, I think you've got to draw the line. That's exactly why med. arb. is such a horrible law right now because it ties the hands, particularly at the local level, but it's similar at the state level, in the sense we have a choice, and it's not even just a matter of whether people get laid off or not, it's a simple of matter we're going to be able to provide core services without bankrupting the taxpayers of the state. We've got to be able to do it in a way that equitably provides the kind of wage and benefit packages that everybody else in society is dealing with. We're not getting that – it's precisely why when you look at Minnesota and Iowa, they're states that have considerably lower tax burdens than we do even though they have great schools, they have great public services. Why is it? It's because their fringe benefit rate is so much lower than Wisconsin. Until we get a handle on that we're not going to be able to control spending. When you've got a diet, you don't say I'm going to go on a diet, but I'm not going to give up, you know, ice cream and cake – you've got to take a handle on everything.

MODERATOR: But can you –

MODERATOR: Well, can I just – let Mark get in.

NEUMANN: Mine's short and simple so I'll be happy to turn it back over to you. As a small business owner, as a person who negotiates with his employees on a regular basis, we look at package costs to our company and we make decisions based on those package costs. As far as the company owner or the company manager, do I care if they get more in benefits and less in wages or more in wages or less in benefits, I think that is something we talk to them about and we let them help us make that decision. As an employer it's pretty straightforward. It's the package cost of the employee that I have to be looking at and all the rest of that. I don't want to say it's a mute discussion, but it's a discussion that needs to be had in the framework of we've got

this much money to spend and how are we going to spend it and have that discussion with your employees.

MODERATOR: Scott, you're giving the impression that the state can unilaterally change the terms of the retirement contribution, and I'm not sure that's the case.

WALKER: No. And some of it involves the statute, but some of it involves federal labor laws, but that's part of the equation in terms of what we're going to – what we would offer under a Walker administration in terms of how we'd move forward and the choices we would give, and where we didn't have employees that were willing to do that, we'd have to look as we have at the local level in terms of whether or not we'd have public sector employees do that or whether we contracted with someone else to do it. To me I'm charged, you know, with that original promise I gave to treat the taxpayers' money as if it were my own, to say how can I provide the services, and if it means I can't do it in an equitable way with the current wage and benefit structure, then I need to look at whether or not to contract out those services.

MODERATOR: We've been talking about cutting spending and a variety of things. Now, Governor Doyle has been proposed cutting spending by releasing certain classes of felons early from prison. Under Governor Tommy Thompson he said we're going to spend more money on prisons if that's what it takes to keep the law. How do you balance that out? Would you cut money, would you save money by doing what Governor Doyle is doing, or would you consider spending more money on prisons?

NEUMANN: For me all spending is prioritizing what's most important, and I would place a very, very high priority on that and would not do what he is suggesting.

MODERATOR: Okay.

WALKER: Public safety, absolutely a priority, it's priority number one, but it's one of those false choices that some of the media give. I think, and I know this well because I was the author of truth in sentencing that ended early release a decade ago, we should never be letting convicted criminals, convicted felons go back on the streets early. I mean that's something that most importantly not just the prosecutors and judges and the public, but to the victims, they should know whether it was five, ten, 20 years, whatever it is, that's how long they stay in.

But years ago we would send inmates when we were overcrowded to out-of-state prisons that were a fraction of the cost of in-state prisons. To me that's one of those false choice is. You don't always have to necessarily spend more money, you just need to spend it wiser. If it's cheaper to send them somewhere else, as long as they're incarcerated it's fine with me.

MODERATOR: Okay. Mark.

MODERATOR: Was it a good idea for Republicans to put Sarah Palin on the presidential ticket?

NEUMANN: I was very excited about that initially. I still support her. I think she's a good person. It didn't work, so it probably in hindsight would have to be said it was not a good idea.

MODERATOR: I mean if you had to name the two leading conservatives nationally that you most emulate, who would you mean today?

NEUMANN: You know, you – I know it's not going to be Newt Gingrich. You attached a word, “conservative,” to that, and I guess what I think about people that are most important to me, I think about who is doing the most good for the future of this country –

MODERATOR: Okay.

NEUMANN: – and who's led this nation (indiscernible), and I have a tendency to think in broad terms throughout history too and think about people that I look to and think are important. I look to somebody like Abraham Lincoln and his concept of the right to rise, where he talked about people at various income levels and what we needed to do as a nation to allow those people to rise up either out of poverty or from the next level to a higher level, and what kind of policies and government we can have that empowers people to have this right to rise.

And you know, whatever you think about the Supreme Court justice, this came really to mind this morning, whatever you think of the Supreme Court justice and her position on policy, clearly there's a person that fit what Abraham Lincoln talked about when he talked about the right to rise. She grew up in the ghettos of New York. And again, I obviously don't support her position on a lot of issues, but you have to respect the fact that she started where she did, and she worked and clawed her way to a position where she's now been nominated to the Supreme Court of the United States. You have to at least respect that light. When you talk about people that you look to and respect - I don't agree with her, I mean don't (indiscernible) that I agree with her on issues - but I certainly respect what she's done with her life and that demonstration of that principle of Lincoln's and the right to rise.

MODERATOR: First of all, Sarah, Palin, did you think that was a good choice for (indiscernible)?

WALKER: Great choice. I think the –

MODERATOR: (inaudible) should bring Alaska?

WALKER: I think the McCain camp fundamentally undermined her, and I think if she – if John McCain had applied the same enthusiasm and excitement to his campaign that she brought to the campaign, you'd have a different person in the White House today.

MODERATOR: Would Governor Walker be a lot like Governor Palin?

WALKER: I think in many ways in terms of taking on the status quo, absolutely. We might sell a few airplanes and get rid of a few other things, and I don't know if I've ever field dressed a moose, but I've been out there hunting deer so – but I look at the two figures you mentioned, I

certainly think one current and one from the past - Bobby Jindal, my friend from Louisiana, I think is a great example of someone who's - I talked about going from chief bureaucrat to chief advocate - we saw that, unfortunately, in Wisconsin's case with Thomas Industries out of Sheboygan. He's a hard-pressed advocate to create jobs. You look at the difference between Bobby's done with reform and still holding the line on taxes down, and he hasn't taken the federal money in excess the way we talked about the stimulus, but yet has really transformed that state in contrast to his predecessor and how messed up things were when Katrina hit. The other one clearly is Ronald Reagan. You know, when I grew up down in Delavan down in Walworth County, he was the guy who inspired me, not to politics or to government, but to public service. And he - he had an eternal optimism in the people, not in the government, but in the people. And that's something I'd apply as governor as well.

NEUMANN: Charlie, can I just add on that topic? I have field dressed a moose. Some do. I'm not kidding.

Guys from (indiscernible) Sanford comes to mind, as I've had a chance a little bit to digest this. He's governor of South Carolina, somebody I was in Congress with. I've talked to him quite a few times in between. He actually stayed at our house here a couple years back and is certainly a person I look to and respect.

MODERATOR: Scott, have your - I'm sorry. Mark, have your views about gays changed? In 1997 you told the LaCrosse Christian coalition that you would not hire a gay or lesbian to your office. If somebody walks into me and says, I'm a gay person, I want a job in your office, I would say that's inappropriate and he wouldn't be hired because that would mean they are promoting their agenda. The gay and lesbian lifestyle is unacceptable. There shouldn't be any question about that. That was in 1997, has your view changed on this?

NEUMANN: Perhaps my understanding of state statute has changed, and I would say that whatever the situation is, we would honor state statute and our rules and regulations that dictate how you would handle that sort of situation, and I would respect them.

MODERATOR: Do you - Charlie, how did you phrase it, the Miss California question?

MODERATOR: Oh, yes. I will give you both the Miss California question. Is marriage between a man and a woman?

NEUMAN: Yes.

WALKER: Yeah, absolutely. Pretty simple. Not only an answer, it's a pretty simple concept. One man, one woman.

MODERATOR: What about the extension of domestic partner benefits to state employees, would you favor or oppose that?

WALKER: Would not advocate that. It seems remarkable-- even aside from the moral side of it, it seems remarkable at a time when we're looking at layoffs and reductions in other areas that anybody would be talking about extending any benefits, let alone same-sex or domestic partners.

NEUMANN: Same position.

MODERATOR: Scott, let's talk a little about strategy in the possible campaign that may emerge. Won't you be vulnerable to the 30-second TV attacks alleging that Milwaukee County so botched the administration of food aid, childcare help, and medical assistance for the poor that it couldn't even answer the phones at its call center and that the state, after concluding that Milwaukee County had a sustained record of failure, took over the management of the programs?

WALKER: And this would be the state government run by Jim Doyle that runs the Milwaukee Child welfare system. I mean, I think that would be a pretty good counter, that -- you want to talk about a few missed phone calls as opposed to a few dead children. They've done a horrendous job. That doesn't excuse the things there, but the reality is in the case you mentioned with public assistance, it's a classic example of the state pulling funding and then trying to blame it on the local governments when they took funding away in the first place. They cut 2.4 million out five years ago. Our case loads expanded. And we talked about changing things to make it easier for us to put more employees in there and they blocked us along the way, as have some liberals on the county board. They are going to find out hard and fast how much different it is when they have it.

MODERATOR: Do you have a comment, Mark, on that?

NEUMANN: It doesn't directly relate to me. I guess being in the private sector we've had to work our way through an awful lot of things. And that's one of the choices they're going to have in this race is somebody in the private sector versus two people who have been involved in government, and Scott favorably, and -- but it's still a position in government. So that was a compliment, my friend. I just want to make sure it's kept in that light. But it still is a choice they will have to make in the election.

MODERATOR: Let me ask you some more questions -- or another question about tactics and strategy. What's happened to the Republican Party in Wisconsin? The Democrats control the governor's office, the State Senate, the Assembly, both U.S. Senate seats, and five congressional offices. In the 2008 Presidential election the state swung decisively to Obama, so much so that the state is no longer considered a swing state. What's happened?

NEUMANN: I can -- I'd be happy to address that. I don't want to talk about Republicans and Democrats. I want to talk about our state as a whole and where they're going. We have been void of new ideas in this state for so long, that our state has kind of lost its way, and when you give those voting results I would suspect that -- I would conclude that that has lost their way. We need bold new ideas to lead this state. We need an understanding of what it takes to attract business and jobs back here to Wisconsin. We need to understand that our tax rate is too high. We're seriously going to lay out a plan to incrementally reduce the taxes. We need to understand that our education system is slipping and we need to do things that are necessary to restore that

education system, again, to make it the best in the world. We need to look at the rules and the regulations that have created a climate where we have lost 128,000 jobs that Scott mentioned.

We need to look at all of those things and bring forth bold new ideas to lead this state, whether it's republican or democrat, back to the state where we can have the best state in the world to raise a family and also the best state and the best location in the world to earn a living. And when those bold new ideas come out, the state voting records will change also and they will change back the other way.

MODERATOR: Scott?

WALKER: I think Wisconsin is still a center-right state. I think you look a year ago in the spring at Justice Gableman's elections, a classic example, when voters have a choice between two clear messages, one from the right, one from the left, they're going to go with the more conservative of the candidates. I think we have seen – and you mentioned the presidential election. John McCain, you know, is a great American hero, I honor his service, but John McCain was not the right messenger. I don't know that he carried a truly conservative message to the voters not only in Wisconsin, but across the country. I think we are still a center-right state. I think just as you see in other parts of the country where voters have had a clear choice on the executive side of things in the governors races every Republican who ran for reelection as a governor in the United States won, because every one of those governors stood up and had a record of reform, and a record of being good stewards of the taxpayers' money. And even with Obama having more money than George W. Bush and John Kerry combined, even against those odds, those Republican governors won because they were able to take that reform fiscal policy forward.

In Wisconsin, we haven't had that. We clearly didn't have that in the presidential election. We haven't had that in the last several years. We haven't had big bold ideas. I think this election for governor is going to be the clearest contrast we've had in the state of Wisconsin for governor since 1986 when Tommy Thompson beat Tony Earl. It's going to be about jobs. It's going to be about core principles. In my view, we're going to take a clear message to the public about limited government, economic opportunity, and personal freedom. We're going to spell out the specifics how to get there, but I think it's a clear example, and the best way I've explained it time and time again is Jim Doyle, Governor Jim Doyle believes in the government, I believe in the people and the employers that make this state great. We're going to line out a strategy that shows the voters that difference. And I believe we are still a center-right state who still puts their faith in the people and the places that make this state great, not the government.

MODERATOR: All right. Now I'm going to follow up with this question. You've got Mark rolling his eyes. And in part –
(Cross talk.)

WALKER: Yeah, that's right, that's right. Yeah.

MODERATOR: I mean with –

NEUMANN: Numerous thumbs up.

WALKER: No, I actually wasn't.

(Cross-talk.)

MODERATOR: Well, let me just follow this up, because clearly, you know, whether you are talking about new ideas or not, we went from a state that did elect Tommy Thompson to a state that has been electing some very far left figures rather consistently. Is it a problem of the emphasis of issues? Did Republicans make a mistake the last time they had some responsibility by emphasizing the wrong issues? I mean –

WALKER: Sure, they didn't talk – they didn't talk about the economy. You look in the last two sessions, particularly on the legislative side, what are the core issues that Assembly or Senate Republicans brought to the forefront, many of them my former colleagues, that when people are – people are in pain. People are suffering out there because of the economy, and yet the issues they're pointing to are not things that directly appoint – that relate to their livelihood, to their ability, to their feeling that something is happening that is going to generate jobs, that's going to create an environment, (indiscernible) environment because government doesn't create jobs, only the private sector does that, but is going to create an environment where more jobs and more opportunity come to the state. I don't think there have been many Republicans over the last several cycles that have argued and brought a case to the voters that says, this will get the economy going again.

MODERATOR: That's what Eisen is wanting to ask here.

MODERATOR: Yeah.

MODERATOR: Is are you specifically talking about the emphasis in the legislature on what Democrats used to call, you know, the guns, God, and gay agenda, that that was a mistake?

WALKER: No, I don't think – I don't think it's –

MODERATOR: I'm sorry, Mark.

WALKER: I don't think it's – I don't think it's any of those issues are wrong, because those are things I – many of those issues are things I believe in. What I say is wrong is the focus. You can't talk about those things and have a void. You can't be running on empty when it comes to the economy. You can talk about all of those other social issues if you've got an agenda that talks about getting the economy going and creating an environment where jobs are not only retained in Wisconsin, but ultimately are attracted to the state because we've got a tax climate, a regulatory climate, a cost-of-doing-business climate that is better than surrounding states.

MODERATOR: Scott, excuse me just for a minute on this. I will to ask the Christian Schneider (phonetic) question, and the Christian Schneider question I think would be, what if the economy is better in 12 months? What if things are turning around?

WALKER: Oh, but you know, with –

MODERATOR: You basically laid out that it's the economy, it's the economy, it's the economy, and if in 12 months there is a turnaround and things are looking better and the unemployment rate is going down –

WALKER: But chances are that'll be better overall. It still won't make us better compared to surrounding states. The fact of the matter is we failed the test with almost every state in this region. And we're – I'm not going to be satisfied – the ultimate goal would be, you know, a year into a Walker administration I'd love to see the *Wall Street Journal*, *Forbes*, *Money Magazine*, anybody saying, "Wow, what happened? What's the transformation in Wisconsin? Why are so many businesses not only choosing to stay and grow here, why are so many new businesses coming here? Why are more jobs coming into Wisconsin? What has changed?" The tax goal, the regulatory climate, the education, the infrastructure, all those things have changed so much so that people are coming here. Just being a little bit better than we were a year, year and half, two years prior is not enough. We want to sustain this.

MODERATOR: Okay. Mark Neumann.

NEUMANN: I forgot the question. Sorry.

MODERATOR: Well, we were just – I mean this whole issue of why Republicans have been losing elections here.

NEUMANN: Yes.

MODERATOR: Has Wisconsin changed demographically? Has the debate changed demographically? Have Republicans failed to communicate those ideas?

WALKER: Let me throw out my – I'm sorry, Mark. Go ahead.

MODERATOR: Well, I was going to give a case in point, and that is that in 2006 the strategy was to mobilize the base.

WALKER: Mm-hmm.

MODERATOR: Didn't that strategy fail in 2006 when the gay marriage ban passed, but Doyle won reelection and the Democrats picked up seats in the assembly? You know.

NEUMANN: Yeah. And let me address that. As you know, Scott and I are very similar on issues on many, many fronts. Let me put one area where I perceive us to be different. Scott has said repeatedly, if I understand you correctly, that it's not the message that was problem, but rather the messenger as it related to John McCain and other issues on where our party has gone. I don't believe that's true. I believe it's the message. And I believe the message has to be changed to a point where it includes people who have been put out from the Republican Party.

These big, bold, new ideas that I'm talking about need to attract more people to this party without offending our base at the same time.

When I talk about the environment, that's an issue that people have been afraid to talk about on our side of the aisle. I think it's an extremely important issue and we've seen it in our business. I mean it's been thrown in my face marketing in the business world that virtually every business has gone green. Our customers in the home-buying industry, they want green and they want it from everywhere from how you build the house, energy efficiency, all the way up to the energy-producing home that we've built, they want green. The society, our people have gone that direction. We need to, as a party, start talking about some issues that's going to attract people back to our party. And again, I keep going back to it's not the party that's important, it's how we govern the state and where we take Wisconsin.

If we're going to get into a position where we have something to say about where our state is going through the Republican party, then that party is going to have to open itself up to these new ideas, and education and the environment are a part of it.

MODERATOR: We're onto something because we have to get to a point where there is some disagreement between Scott Walker and Mark Neumann. You said on environmental issues you think that there is going to be a difference of opinion. Can you name – the two of you working together here, can you come up with an environmental policy that you will disagree on?

NEUMANN: I can lay out a policy.

MODERATOR: Okay, lay out a policy. You tell me whether you disagree with it or not.

NEUMANN: We – I suspect –

MODERATOR: (indiscernible) all mandates.

NEUMANN: Well, I suspect we're both going to oppose cap and trade.

MODERATOR: Okay.

NEUMANN: Cap and – I suspect we'll be the same on that. Our policy would suggest that we reduce the carbon emissions into our atmosphere to improve our environment for future generations of Americans using technology that creates jobs right here in the state of Wisconsin.

MODERATOR: What's the policy that gets you there? What's the government mandate or regulation?

NEUMANN: Not government mandate.

MODERATOR: Okay. No –

NEUMANN: Government encouraging businesses and providing business opportunities and climates for things like –

MODERATOR: Subsidies? Tax breaks?

NEUMANN: No, sir. We don't have to change a single one, just leave them alone. Just – if government would just plain leave things alone, it's fine. You guys, I'm telling you, the world has changed to a point right now, and I get very excited about this because I'm seeing it firsthand, the job opportunities in the environmental areas are immense.

MODERATOR: Is there anything you disagree with here so far?

WALKER: No. You – Charlie you've heard me talk about this before. I'm all for going green as long as it saves green. I'm just not going put a mandate, I'm not going to put an emphasis on something where I've got to put money in that we don't have just for the sake of being green, which I don't hear Mark saying so I'm qualifying that, but in terms of – in fact some ways I think actually easing some of the current regulations we have on the books for businesses would make it more likely that they could make investments that actually save them money through energy efficiency and so forth.

MODERATOR: No one leaves the room until you disagree on something.

NEUMANN: Well, we disagree on whether it was the message that's the problem –

MODERATOR: Okay.

NEUMANN: – or the messenger. And I do believe our message needs work. And I'm clearly.... It's fine we're talking about the environment sitting here, I bet you dollars to donuts in 2006 there was not a Republican in the state of Wisconsin talking about a pro-job-growth environmental policy that reduces the carbon emissions and improves our environment for future generations of Americans. Not there in 2006. That is a change of message from the past. It's not the same message, it's not a different messenger, it's a change of message.

WALKER: Well, this is – maybe it's – if you want difference it's going to be a pretty thin-line difference in that I'm just saying the message to me, the message I think Ronald Reagan won on, the message I think Tommy Thompson won on, the message I think we're going to win on next year is core principles, it's not specifics. You talk about environment, you talk about schools, you talk about regulations, you talk about taxes, those are specifics. The core principles, they're simple, but not always easy principles, are things like limited government, economic opportunity, personal freedom, you know, the things where – like I said, they're not easy. I mean there have been, you know, countless times as the county executive when it would have been easy for me to just to set aside for the sake of political expediency some of those, but again, that's why I said I wasn't going to do that because I've tried to, you know, treat the taxpayers money, not just in the terms of spending, but in the terms of what it's on as if it were my own. But in the end it's the same core principles. It's how do you communicate those, what sort of specifics do you expound on, you know, those are things we can talk about.

MODERATOR: What about the role of government encouraging more individual and personal responsibility? Everybody talks about it, but the reality is we seem to be living in an age where more and more people are either playing the victim card or looking to the government to solve all of their problems.

NEUMANN: I think it's an important point, don't you think, that welfare reform, and the W-2 under Tommy Thompson took a big step in that direction? And we need to go back to where we were and re-institute some of the policies that were there and strengthen them frankly.

WALKER: Absolutely. And it's why increasingly you see people in Madison, just like they are in Washington, pushing for the government – even on things that seemingly are good. I mean, I like a smoke-free environment, but I have the option as a consumer to go to places that advertise that they are smoke-free. It's one of the reasons why, as much as I like that I don't like to smoke, I don't like the government mandating things whether or not they think it's in my best interest.

MODERATOR: I think if either of you guys are going to win the governor's office, you will have to narrow the margin in Dane County in terms of the vote which Tommy Thompson did.

WALKER: Mm-hmm.

MODERATOR: Some of the things that Mark has said here, the green might appeal to Liberals and Democrats, I'm not sure if you've said anything, Scott, that's going to appeal to Democrats who are disaffected with Jim Doyle, and there are plenty of Democrats in Dane County who are disaffected with Jim Doyle.

WALKER: Well, let me qualify. Whether it's there or whether it's in the inner-city of Milwaukee, I've always taken the approach that you don't need to pander to voters to get them to go with. So pandering on a subject that you think is somehow off to the right isn't enough. I think the voters I've talked to in Madison lately, one of the – the number one concerns for them is public safety, particularly in the city of Milwaukee. There's – I mean city of Madison. There's some real concern about public safety. You look at not only the fact that Jim Doyle's going to let up to 3,000 convicted criminals back on the streets early is a problem, but I look at things like GPS tracking of sex offenders and other criminals like that out there that Jim Doyle is going to release that, or the fact that Jim Doyle is going to sign off on a budget that cuts the number of prosecutors in Dane County and across the state at the same time they're upping funding for public defenders. I don't think there are a whole lot of moms or dads in the city of Madison or anywhere else in Dane County who thinks that's a really very good idea. You could add to that the fact that, you know, one of the things I like to point out to is not just to Republicans or even Independents, but to what I call discerning Democrats, the people that got me 60 percent of the vote in Milwaukee County the last time, I look at that and say, well, why is that? Well, I'll compare my record to Jim Doyle's. Since 2002, you know, he's had debt go through the roof. We've cut our debt 10 percent. He said he was going to cut 10,000 jobs in eight years, he's going to have an increase by the end of this term. I reduced my workforce more than 20 percent. He's, you know, talked about not increasing taxes, and yet he's adding \$3 billion worth of tax increases, raised them almost every year he was in office. I've done seven straight

budgets without a property tax levy increase. He talked about being fiscally responsible, yet he's got the largest budget deficit in state history that was the largest GAP deficit even last June long before the financial meltdown. We finished the year with another surplus. I'd take that to any voter whether they're in Madison or Manitowoc or Marathon County or anywhere else across the state and say that's something I think people can gravitate to.

NEUMANN: Coming back to your original question though, if I could. How are we going to attract some of those other voters? The concept of talking about job creation through environmental jobs is not a pandering to a liberal Democrat or to anybody else. It's the facts of where we're going as a nation. Put the GE CEO on you – pull up the information what he talked about the other morning. He's talking about job growth in this area that exceeds anything we've seen in our nation's history if we just step forward and take advantage of it. That's not pandering. It's creating an environment where those jobs want to be located here. I wanted to give you a little more specifics on that.

Suppose we could get some of these solar panel production companies to come to the state of Wisconsin. Suppose we could get an electric automobile maker back in the General Motors plant in Janesville where we made motors in Kenosha. Suppose we start thinking ahead to where we're going with this world and with this society and start thinking what we can do here in this state to make Wisconsin a model to show the rest of the nation how those things can be accomplished. It's not pandering to voters. It's not Republican. It's not Democrat. It's about the people of our state. And if you really want to know, it's about securing the future of our children and our grandchildren.

I've got two grandchildren now and a third one on the way, and when I think about where they're going to be working and where they're going to be living and where they're going to be raising their families, that's what this effort's about and it's why we're coming back out of the private sector to run for office.

WALKER: Let me just clarify something, Mark, so that you don't take that wrong. I was not implying that, because I've heard you talk about that before, and I believe you're not doing that to attract voters in Madison, you're doing that because that's something you're passionate about.

My point was, in all deference to the question, where you phrased it as though, you know, one candidate's got something that will appeal to them, I don't think that's the reason Mark's picking it out, nor is it the reason I would pick a point just to pander to a group because I thought they might be for that. I pick positions out because I think they're good for the whole state, and I'm going to go sell them in Madison and Milwaukee and everywhere else across the state of Wisconsin.

MODERATOR: Do you think that Jim Doyle is running for reelection?

NEUMANN: I'm assuming he is.

WALKER: Yes. Unlike most people who think that all the politically ridiculous things that are in the budget, letting felons out, joint civil liability, all the other problems that are going to drive

jobs out of the state is because he's not running, I think the opposite. I'm an optimist overall. I'll be an optimist as long as I'm alive. But with Jim Doyle unfortunately I'm a cynic. And I think the reason he put all those things in is because the way he's won in the past against Scott McCallum and Mark Green is not to have people vote for him, but to vote against his opponent, and the only way he can do that is by funding his campaign, and that's a checklist of every special interest group out there who wants something to pay for, you know, funding his campaign.

MODERATOR: Can we finish up by you guys talking about yourselves, who you are, and what influences your thinking? I'm just curious, what have been formative experiences of your lives, you know, moments where something has happened in your life and it's changed you? What influenced you? What exposure to –

WALKER: Well, certainly my – growing up in Delevan, my parents. My father was a minister in town. My mother probably even a greater influence, just being a great volunteer, worked part-time in and out of school, but most of the time was at home with us. Certainly my faith, when I accepted Christ back in 1980, obviously with or without politics, probably the most transforming thing in my life in terms of my priorities. Even little things along the way, even growing up, being an Eagle Scout, going to Badger Boys State, were all things that really refocused on serve and leadership, talking about public service. Later in life working for the Red Cross going through school. Married to my wife Tonette, our two sons came a year and two years after that. Probably the most amazing thing, it really adds a completely different perspective to your life is when, you know, each of your children come into your life and it makes you realize you've got a lot more responsibility than just yourself or your spouse. And certainly –

NEUMANN: Wait till you have grandchildren.

WALKER: Yeah. I can only imagine. I have two nieces who are five and two and they're enough difference in age it's sometimes like having grandchildren. I see the excitement of having them over, getting them wound up, and then giving them back to their parents. But, you know, those sorts of things. And certainly, you know, professionally, being – serving in the Legislature. You know, it's why I get so worked up, for example, when you talk about the governor's provision on letting felons out early because when I authored truth in sentencing probably one of the most moving moments for me when I was in the Legislature was – I still remember it, up in Green Bay in the Brown County courthouse – we held a hearing on it. You heard from all these other advocates, support systems and DAs and so forth, but there was a woman who had been raped who came and testified and talked about how she did it because she didn't want anybody else to have to do that again and how difficult it was, and how after it was all done and the guy was sentenced to 20 years, the victim witness coordinator told her when the guy would be eligible for parole and she said she felt like she was victimized again. And I said never again would I let someone go through that. I don't care what the sentence is, whether it's five, ten, 20 years I just had a – so every time I think of that it gets me – my blood boiling because I think of her face and, you know, victims like her.

MODERATOR: Mark.

NEUMANN: I would start with faith and family as being the most influential thing in my life. Having the kids, as Scott mentioned, certainly changed my life. My kids are all grown now. We have two grandchildren, and it has a tremendous impact on my way of thinking about the future and what our responsibilities and obligations are as a society to future generations of Americans.

As far as some specific points in our life that I look back to that really shaped getting us here and now today, I can point to a time when we were shopping in a store. Sue was pregnant with our second child. I was teaching at the time in public schools. And we – I was a math teacher so I had added up how much we had in our cart – that was before the day of charge cards if you can remember back that far – and we had more stuff in our cart than what we had money in our shopping cart – or money in my wallet. So we actually literally went back and put cheese back on the shelf. It was shortly after that, that we made a decision to leave the teaching profession and go into business for ourselves in real estate, and it certainly was a significant change of lifestyle.

The first year, if you want another changing point, we completed our first year of building homes and we had lost a significant amount of money in addition to my salary, and it forced us to take a good hard look at that industry, a tremendous impact on shaping the rest of my life because we brought technology into the building business. And way back then the concept of having a computer track your costs in the building industry was unheard of. So we were one of the first companies in the area to actually have a computer person come in and design a program to actually track money as you were spending it on building a house and the money coming in and money going out. Tremendous impact on the rest of my life because I recognized the significant advantages of recognizing the power of technology.

I guess you could look to my Congress years as shaping this. When I went into Congress, our economy and our attitude of people was very much like it is today. It's almost like a depressed or defeated kind of thing. It was very much like that back in the early, middle 90s when I went to Washington, D.C. We went there extremely committed with a group of 73 new freshman members, but really there 25 of us or so that were really committed to balancing the budget and reducing taxes. It was four years later – and this is where I get optimistic on the future of our country – I remember back then and I remember the attitudes that I am seeing right now today around me. I know four years later, it's not a very long period of time, the budget was balanced, we were in surplus, we had passed the biggest tax cut in American history. I'm seeing smiles on some faces. Remember back? That was a better time. We went in with the purpose –

MODERATOR: When Bill Clinton was President.

NEUMANN: You're right. And we managed to get that done with Bill Clinton in office, you're absolutely right. He had – I won't go into it. He had other problems that kept him from being as actively involved as he otherwise would have been. But there's no question about the fact that there was a finite group of 25 or 30 members of Congress and their staff that set out to get us a balanced budget and reduce our taxes, and it got done over a four-year period of time.

My briefcase over there, I brought a book that we actually produced in our office that demonstrated in the first six months that I was in office exactly how it was going to be done.

And obviously they didn't follow it page by page, but if you follow what was laid out in that book, it got done.

When I think about the future and the potential of this state and the potential for future generations in this state I get very excited thinking about the good things we can do to restore our state from where we are today to where we can be tomorrow. And applying the Lincoln principle of the right to rise is something we need to restore in our people here.

MODERATOR: He asked me to ask this question. So what would – can you name the top most influential three columns that Christian Schneider has written?

(Laughter)

MODERATOR: Actually, you know, given the liberal infrastructure in Wisconsin including, you know, the special interest groups that you talked about, what does an organization like WPRI bring to the conservative movement in Wisconsin?

NEUMANN: A lot. A lot. These – and this is what a lot of people miss. In order for anything to become reality you first have to have a vision. And what you all are doing is bringing ideas forth for people to start talking about. Those visions have to be verbalized first and got into people's mind to a point where you can start enacting them. Without publications like what you're doing, those visions a lot of times don't get brought to the forefront. There's not a format, if you like, for those visions to be laid out.

WALKER: Yeah. I'd expound on that just to say that you know, when I talked before about the challenges I thought Republicans had the last couple of cycles, what happens here is a combination of both the big vision, the big idea, but then putting the meat on the bone to give it specifics. Not just elected officials, but the advocates to others in the community who are talking about this, and that plays an incredibly important role. In fact, it would be good if more Republicans, more Conservatives, more activists were to pay attention to many of the reports that come out. And even some of the columns that Christian writes.

MODERATOR: We'd love to have both of you come back here a year from now to talk about the race for governor. Can we count on you to return?

WALKER: Sure.

NEUMANN: Sure.

MODERATOR: So given the fact that most – you seem to agree on most things, and I think that outside this room most people would say these are two conservative Republicans, two guys who have kind of been mavericks in their own life, two guys who have not always been team players with the establishment, and I mean that –

NEUMAN: Mm-hmm. Sure.

MODERATOR: – in quite a positive way, how do you expect voters – looking for a candidate to beat Jim Doyle, how do you – how do you think that they’re going to – how should they make up their mind between Mark Neumann and Scott Walker? Mark?

NEUMANN: Well, and again, I put this in a very positive light. I think the decision for most people is going to come down to do you want a person who was successful in public office, left his private sector and went to public office, and returned to the private sector, who is now stepping forward saying we're in a mess again and offering his services to the people, which is where we are – and this sounds critical and it is not critical at all – the alternative to that is someone who has spent his life in public service, and I'm trying to put this in a good light because it is a good light, but their choice is going to be between someone with private sector experience and someone who is in the public sector. It seems to me that's what it's probably going to come down to. And again, I mean that in a very positive way.

MODERATOR: Scott.

WALKER: Well, I think yeah. I mean I think if people want to look and say who has been in the trenches the last several years fighting the good fight, again arguably and probably in even more difficult circumstances than what the next governor will face in the state of Wisconsin, we've done it. And I don't think just for Republicans who might consider a primary, assuming there is one, but I mean for Independents, what I call discerning Democrats who have to make a decision because they are not satisfied with where Jim Doyle's at, they can look and say this guy – I can believe it. He's done it. He's talked about. He made bold promises. He talked about what he's going to do in taxes, he's talked about what he's going to do in reform. Of all places he's done it, and, you know, even the angle of saying is he from Milwaukee? Yeah, I'm the guy from Milwaukee County. Even though I, you know, grew up somewhere else, the reality is I'm from Milwaukee County, but I'm not the guy of Milwaukee. I'm not the Milwaukee politician. I'm the guy who took on the Milwaukee political machine and won not once, not twice, but three times, which is important, not just in terms of elections, but more important in terms of getting things done. Because I think we both agree that Jim Doyle has become the political machine in Madison and that's precisely why we're in the trouble we're at. We need someone who can take him on and win.

NEUMANN: Can I throw out one other thing that I think is coming that has not been asked here today and I think is a question we should be thinking about? I know I'm thinking about it a lot. We have a tendency to talk about where we are today economically, and you asked the question before what if we recover 12 months from now? Nobody is talking about the fact that things could get worse, and I think as thinking potential leaders of a state, we also need to be thinking about the potential of the revenue stream to our state government going down significantly from where it is if the economy in fact does not recover in the near term. I think it's highly probable that you are going to see significant inflationary pressure and the impact of that potentially is sending us back into a deeper recession than what we've already had. And I'm not saying that's where I think we're going. I'm saying I think it's something we should be thinking about and we should have backup plans in mind in case those sorts of things do happen. And perhaps another forum on another day that what-if question might be asked of our potential future leaders.

MODERATOR: Okay. Can you guys give me an example of an issue where your thinking has changed in the past say ten years or 15 years where you believed something, you know, ten or 15 years ago because you've learned more or rethought it you changed your opinion on something that's fairly significant?

NEUMANN: I'll throw out if you like. When I was younger I might have been a tad more headstrong than what I am right now today. And over the last ten years I think I've learned the significance of listening to quality, well-educated people on all sides of me. We've learned in the businesses that we've run over the last ten years that to the extent you can find the highest quality people and get them in positions that match their talents and capabilities and then listen carefully to what they're saying and empower them to do their thing, I think ten years ago I was much more – I don't know if headstrong is the right word – but much more centered on my own thinking as opposed to doing my best to listen to the people around me.

MODERATOR: So a mellower Mark Neumann?

NEUMANN: Possibly.

WALKER: I don't know of any policy issue, I'm sure there's some somewhere down the line if I thought about it. But I think – you think about ten, 15 years ago, 15 years ago we were just having our kids. And I think a lot changes in life as your kids get older in terms of your view of the world and what's important and what are priorities. And certainly as much as I think this race for governor is important, nothing is more important than your family and your children. And so from that standpoint, I think that's certainly evolved over the time that I've had our kids.

MODERATOR: All right, gentlemen, thank you very much.

NEUMANN: Sure, sure.

MODERATOR: I appreciate it very, very much. And we'll look forward to doing this again, all right?