



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

February 3, 2003

TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Summary of Provisions of January, 2003, Special Session Senate Bill 1

On January 30, 2003, Special Session Senate Bill 1 (SS SB 1) was introduced by the Senate Committee on Organization at the request of Governor Doyle. The bill incorporates recommendations of the Governor to address the projected deficit in the state's general fund for the 2002-03 fiscal year. This document summarizes each of the provisions of SS SB 1.

General Fund Fiscal Effect

On January 23, 2003, the Legislative Fiscal Bureau distributed a report that outlined projections of the condition of the general fund for 2002-03, and tax collection estimates for each year of the next biennium. The report projected that, unless addressed, the general fund would end the current fiscal year (June 30, 2003) with a deficit of \$373.2 million. In addition, the report indicated a potential shortfall of \$64.4 million in the medical assistance and BadgerCare programs. This amount, and a subsequent \$16.5 million that the administration identified as needed in 2002-03 in the Department of Corrections, increased the projected deficit figure to \$454.1 million ($\$373.2 + \$64.4 + \16.5).

Special Session Senate Bill 1 would reduce the \$373.2 million deficit by \$81.0 million and leave a projected deficit of \$292.2 million. The components of SS SB 1 and their effect on the projected general fund deficit are shown in Table 1.

TABLE 1

**General Fund Summary
(In Millions)**

	<u>Balance June 30, 2003</u>
January 23, 2003 Estimate	-\$373.2
Special Session Senate Bill 1	
• General Purpose Revenue (GPR) Reductions and Lapses	\$31.8
• Program Revenue (PR) and Segregated (SEG) Revenue Reductions and Lapses and Transfers to the General Fund	61.7
• Shift GPR Stewardship Debt Service to the SEG Forestry Account	4.0
• Increase GPR Funding for Corrections	<u>-16.5</u>
Total (Change to Balance)	\$81.0
Estimated Closing Balance (June 30, 2003)	-\$292.2

In addition to the general fund fiscal effect shown above, the bill would appropriate \$64.4 million from the segregated medical assistance trust fund to address the projected shortfall in the medical assistance and BadgerCare programs.

Table 2, which follows, displays the estimated condition of the general fund under Special Session Senate Bill 1.

TABLE 2

**Estimated 2002-03 General Fund Condition Statement
Special Session Senate Bill 1**

	<u>2002-03</u>
Revenues	
Opening Balance, July 1	\$53,782,000
Taxes	10,223,500,000
Departmental Revenues	
Tobacco Settlement	149,081,600
Other	<u>278,437,100</u>
 Total Available	 \$10,704,800,700
 Appropriations	
Gross Appropriations	\$11,108,262,800
Compensation Reserves	79,815,500
Transfer to Tobacco Control Board	15,345,100
Less: Lapses and Sum Sufficient Reestimates	<u>-206,455,900</u>
 Net Appropriations	 \$10,996,967,500
 Balance	
Gross Balance	-\$292,166,800

Summary of Provisions of Special Session Senate Bill 1

1. GPR ACROSS-THE-BOARD REDUCTIONS

GPR-Lapse \$4,065,200
GPR - \$25,819,100

Governor: Provide that most state agencies that have general purpose revenue (GPR) state operations appropriations be subject to an across-the-board reduction in fiscal year 2002-03 equal to 5% of their total GPR appropriations for state operations, excluding appropriations for debt repayment and for fuel and utility costs. Some agencies, however, would be subject to a lesser percentage reduction amount or would have the 5% reduction taken only against a portion of their GPR state operations total. The numbers used by the administration to calculate reduction amounts were the 2002-03 adjusted base for each agency, which is the starting point that is used for development of the 2003-05 biennial budget. The table below shows all state agencies with GPR state operations appropriations. It identifies the proposed GPR reduction amount for each agency, if any, and the percentage that each agency's reduction amount represents of the agency's 2002-03 adjusted base for state operations (excluding debt and fuel and utility appropriations). Following the table are notes explaining various unique or additional provisions that apply to individual agencies' reduction calculations and to administration of the reductions.

Proposed 2002-03 Reductions in GPR State Operations Budgets

	<u>2002-03 Adjusted Base</u>	<u>Reduction Amount</u>	<u>% of Adj. Base</u>
Administration*	\$10,979,900	\$549,000	5.0%
Adolescent Pregnancy Prevention Board*	22,100	1,100	5.0
Agriculture, Trade and Consumer Protection*	19,034,900	951,700	5.0
Arts Board*	330,200	16,500	5.0
Board on Aging and Long-Term Care	781,500	39,100	5.0
Circuit Courts	50,010,800	0	0.0
Commerce*	6,943,000	347,200	5.0
Corrections*	620,535,200	2,300,000	0.4
Court of Appeals	7,659,700	383,000	5.0
District Attorneys	36,317,600	0	0.0
Educational Communications Board*	5,142,700	257,100	5.0
Elections Board	956,200	47,800	5.0
Employee Trust Funds	27,900	1,400	5.0
Employment Relations	5,606,300	280,300	5.0
Employment Relations Commission	2,479,100	124,000	5.0

	<u>2002-03 Adjusted Base</u>	<u>Reduction Amount</u>	<u>% of Adj. Base</u>
Ethics Board	\$232,700	\$11,600	5.0%
Governor	3,511,900	175,600	5.0
Health and Family Services*	195,208,400	5,010,600	2.6
Higher Educational Aids Board*	752,000	37,600	5.0
Historical Society*	9,463,800	473,200	5.0
Judicial Commission*	213,200	10,700	5.0
Justice*	33,652,700	1,682,600	5.0
Legislature	59,196,100	2,959,800	5.0
Lieutenant Governor	526,700	26,300	5.0
Military Affairs*	6,367,900	318,400	5.0
Miscellaneous Appropriations	107,269,200	0	0.0
Natural Resources*	42,568,600	2,128,400	5.0
Personnel Commission	809,800	40,500	5.0
Program Supplements	43,580,100	929,800	2.1
Public Defender Board	73,088,200	0	0.0
Public Instruction*	25,819,800	559,600	2.2
Revenue	81,059,200	810,600	1.0
State Treasurer	46,700	2,300	4.9
Supreme Court	11,099,400	555,000	5.0
TEACH Board*	641,600	32,100	5.0
Tourism*	11,010,600	1,330,500	12.1
University of Wisconsin System*	887,473,300	6,890,000	0.8
Veterans Affairs*	717,300	35,900	5.0
Wisconsin Technical College System*	3,297,200	164,900	5.0
Workforce Development*	<u>31,539,900</u>	<u>400,100</u>	<u>1.3</u>
TOTAL	\$2,395,973,400	\$29,884,300	1.2%

Administration of Reductions. In the above table, all of the agencies marked with an asterisk (*) would have the indicated reduction amount taken from the agency's largest, sum certain GPR state operations appropriation. However, section 9260(1)(b) of the bill would provide that no later than 14 days after the effective date of the bill, any one of these state agencies may submit to the Secretary of the Department of Administration (DOA) an alternative plan for allocating the GPR reductions among other sum certain appropriations. If the Secretary approves the plan submitted by an agency, the Secretary must, no later than 21 days after the effective date of the bill, submit the plan for approval by the Joint Committee on Finance under a 14 day passive review process. If an agency's plan is not approved by the Secretary of Administration or the Joint Committee on Finance, the agency must take the reduction as originally specified.

Corrections. The Department of Corrections reduction of \$2,300,000 GPR in 2002-03 is from the agency's largest general program operations appropriation (s. 20.410(1)(a)). That amount represents 4.96% of Corrections' central office costs (\$46,354,300 GPR).

Employee Trust Funds. The \$1,400 reduction in 2002-03 is 5% of the \$27,700 appropriated in 2002-03 under the agency's contingency payment sum sufficient appropriation that supports one-time implementation costs for new employee benefit programs. This appropriation was used in 2002-03 to fund start-up costs for a commuter benefit program for state employees. State agencies must reimburse ETF for these costs during the current fiscal year, and these reimbursements will also be credited to the general fund. Under the bill, the \$1,400 reduction in 2002-03 would actually be applied against the private employer health care coverage program general program operations appropriation, the agency's only other GPR-funded state operations appropriation. That appropriation is a biennial appropriation with \$1,055,100 provided in 2001-02 and \$0 provided in 2002-03. Funds appropriated under a biennial appropriation remain available for expenditure in either fiscal year of the biennium.

Governor. The reduction amount for the Governor's Office is equal to 5% of all of the GPR appropriations for the Governor's Office, including the operation of the Executive Residence. The bill would provide that the Governor would be required to take actions to lapse to the general fund in 2002-03 a total of the required 5% reduction (\$175,600) from the total of all GPR appropriations for the Governor's Office.

Health and Family Services. The reduction amount is equal to 5% of all of the agency's GPR state operations appropriations, except for the operation of patient care and treatment facilities (the state mental health institutes, the Wisconsin Resource Center, and the Sand Ridge Secure Treatment Center).

Legislature. The reduction amount for the Legislature is equal to 5% of all of the GPR appropriations for the Legislature, including those for Assembly, the Senate, and the legislative service agencies. The bill would provide that the Co-chairs of the Joint Committee on Legislative Organization would be required to take actions to lapse to the general fund in 2002-03, from the total of all GPR appropriations to the Legislature, a total of \$2,959,800 GPR.

Miscellaneous Appropriations. No reduction is taken from appropriations under this heading. The primary general fund appropriations in this category are those for payments to Minnesota and Illinois under the income tax reciprocity agreements.

Program Supplements. The reduction amount for all of the appropriations equal to 2.1% of the total GPR appropriations. However, when the reduction is taken as a percentage of the adjusted base for all GPR appropriations other than supplemental appropriations for purposes of employee compensation, the reduction amount would be equal to 5.0%. Under the bill, the Department of Administration would be required to take actions to ensure that a total of \$929,800 GPR is lapsed to the general fund in 2002-03 from the total of all GPR sum certain appropriations under this heading of Program Supplements.

Public Instruction. The amount for the Department of Public Instruction represents a 5% reduction to the 2002-03 adjusted base amount for general program operations, but excludes state operations appropriations for the residential schools, pupil assessment, and library service contracts.

Revenue. The GPR reduction for the Department of Revenue is equal to 1% of the base funding level for all of the Department's state operations appropriations, and would be taken from the appropriation for development of the integrated tax system.

Supreme Court. The Supreme Court reduction of \$555,000 GPR in 2002-03 is from the Director of State Courts general program operations appropriation and represents 5% of the Supreme Court's total operating costs, including the Supreme Court's sum sufficient appropriation. The reduction represents a 10.7% reduction to the Director of State Courts' general program operations appropriation.

Tourism. The total reduction amount of \$1,330,500 consists of a 5% state operations reduction (\$550,500) and an additional reduction of \$780,000 from tourism marketing.

University of Wisconsin System. The amount for the UW is based on a 5% reduction for the UW System institutional support budget, which, according to the UW System budget, is \$137.84 million GPR in 2002-03. Institutional support includes executive management, planning and programming, campus and community relations, general administrative services and support services such as chancellors, academic planning, alumni relations, capital and operating budget planning, administrative data processing and purchasing.

Workforce Development. The GPR reduction for the Department of Workforce Development (DWD) is equal to 5% of the base funding level for all of the Department's state operations appropriations except for those related to the Division of Vocational Rehabilitation and economic support programs. It should also be noted that the adjusted base funding amount for DWD, as submitted by the administration, is overstated by \$6,780,500. The correct amount should be \$24,759,400 instead of \$31,539,900. If the correct, smaller base funding amount is used, the percentage reduction would be 1.6% instead of 1.3%.

[Bill Sections: 9201(1), 9203(1), 9211(1), 9214(1), 9216(1), 9217(1), 9218(1), 9219(1), 9222(1), 9233(1), 9234(1), 9239(1), 9245(1), 9248(1), 9254(1) and 9260(1)(a)&(b)]

2. PR APPROPRIATION LAPSES TO GENERAL FUND

GPR-REV	\$12,341,600
---------	--------------

Governor: Provide that a number of agencies be required to lapse program revenues (PR) to the general fund on the effective date of the bill. The agencies that would be subject to such lapse requirements and the amounts to be lapsed are shown in the following table. Following the table are notes explaining various unique or additional provisions that apply to individual agencies' required lapses. It should be noted that a PR appropriation account consists of both a revenue component (which identifies the available balance in the appropriation account) and an appropriation/expenditure component (which identifies the total authorized level of expenditure from the appropriation). In general, an agency, to meet any required lapse, could take the monies from unbudgeted revenues, if available, or it could reduce expenditures to free-up the necessary funds to make the lapse.

Proposed 2002-03 PR Lapses to the General Fund

<u>Agency</u>	<u>Revenue Source</u>	<u>Lapse Amount</u>
Administration	Procurement services charges	\$268,500
	Financial services charges	468,700
	State facility operating charges	665,800
Agriculture, Trade and Consumer Protection	Food regulation fees	195,200
Commerce	Safety and building review fees	520,000
Electronic Government	Computer utility service charges and assessments	493,000
	Telecommunications services charges	2,000,000
Financial Institutions	Supervision of financial institutions--fees and assessments	667,300
	Office of credit unions operations--fees and assessments	91,800
Health and Family Services	Public health licensing, review and certification fees	267,000
	Health services regulation and vital statistics fees	83,300
	Health care information--provider assessments	125,000
Historical Society	Admissions, sales and other receipts	174,200
Insurance	Insurance fees	5,556,200
Justice	Penalty assessment surcharge	132,300
Public Instruction	Teacher certification fees	135,500
Regulation and Licensing	Occupational and business licensing fees	<u>497,800</u>
TOTAL		\$12,341,600

Administration of Lapses. The Secretary of the Department of Administration would be required to lapse the indicated amounts from each of the indicated PR appropriations, subject to the general prohibition that the Secretary may not lapse or transfer any such monies where the proposed lapse or transfer would violate: (a) a condition imposed by the federal government on the expenditure of the monies; or (b) the United States or State of Wisconsin Constitutions.

Financial Institutions. The Department of Financial Institutions (DFI) would be required to lapse \$759,100 to the general fund in 2002-03 from two program revenue appropriations (\$667,300 from the appropriation for general program operations-supervision of financial institutions and \$91,800 from the appropriation for general program operations-Office of Credit Unions). However, current law already requires that any balances in these two appropriations at the close of a fiscal year lapse to the general fund. The bill would not reduce expenditure

authority in these appropriations. However, the administration indicates that it intends for DFI to reduce expenditures below the authorized levels to ensure that the additional lapses occur.

[Bill Sections: 9260(2)(a)&(b)]

3. SEG APPROPRIATION REDUCTIONS AND TRANSFERS TO GENERAL FUND

GPR-REV	\$2,510,000
SEG	-\$2,510,000

Governor: Reduce segregated (SEG) fund appropriations in several agencies. Provide that the amount of funds reduced from each appropriation shall be transferred from the segregated fund from which the appropriation is funded to the general fund. The agencies that would be subject to such transfer requirements, the appropriations to be reduced, and the amounts of the reductions and transfers are shown in the table below. The amount of each required transfer, as a percentage of the 2002-03 adjusted base for the appropriation, is also shown in the table. Following the table are notes explaining any unique or additional provisions that apply to individual agencies' required reductions and to the administration of the reductions and transfers.

SEG Appropriation Reductions for Transfer to General Fund

<u>Agency</u>	<u>Appropriation Purpose</u>	<u>2002-03 Adjusted Base</u>	<u>Reduction/ Transfer Amount</u>	<u>% of Adj. Base</u>
Administration	Environmental improvement fund general operations	\$845,500	\$38,800	4.6%
Commerce	Brownfields redevelopment administration	293,600	100,000	34.1
	Petroleum inspection operations	6,383,100	251,300	3.9
	PECFA administration	3,036,200	139,300	4.6
Insurance	Patients compensation fund--administration	837,800	35,900	4.3
	Local government property insurance--administration	772,200	33,700	4.4
	State life fund--administration	611,800	27,700	4.5
Natural Resources	Environmental management--cleanup and response	3,321,300	1,000,000	30.1
	Air and waste operations--environmental management	4,287,000	218,700	5.1
	Enforcement and science operations--environmental management	1,113,900	56,900	5.1
	Water division operations--environmental fund	2,328,100	125,600	5.4
	Nonpoint source--general operations	537,500	22,200	4.1
	Recycling administration--recycling fund	201,100	11,500	5.7
	Mobile source administration--petroleum inspection fund	561,800	23,300	4.1
	Administration and technology operations--environmental fund	2,341,100	171,000	7.3
	Customer assistance operations--environmental fund	627,000	30,300	4.8
Veterans Affairs	Veterans mortgage loan fund operations	4,618,300	<u>223,800</u>	4.8
TOTAL			\$2,510,000	

Administration of Reductions and Transfers. The Secretary of the Department of Administration would be required to transfer from each segregated fund the amount of appropriation reductions made under the bill for appropriations funded from each affected segregated fund. Such transfers would, however, be subject to the general prohibition that the Secretary may not transfer any such monies if the proposed transfer would violate: (a) a condition imposed by the federal government on the expenditure of the monies; or (b) the United States or State of Wisconsin Constitutions.

Department of Administration. The funds identified for lapse from the environmental improvement fund derive from federal clean water and safe drinking water grants, municipal loan repayment receipts and state general obligation bond proceeds. It is likely that the federal regulations governing the use of these funds would not permit their diversion to the state's general fund.

[Bill Sections: 9260(3)(a)&(b)]

4. TRANSFER FROM TRANSPORTATION FUND TO GENERAL FUND

GPR-REV	\$22,211,700
SEG	\$22,211,700

Governor: Increase funding in an appropriation for making a transfer from the transportation fund to the general fund by \$22,211,700 in 2002-03. Specify that a current law provision that states that payments from the transportation fund may be made only on the order of the Secretary of the Department of Transportation (DOT) does not apply to the transfer appropriation. Delete this exception, effective June 30, 2003.

The appropriation in which the funding provided by this item would be placed was created by 2001 Act 109 to transfer \$4,333,600 in 2001-02 and \$6,190,900 in 2002-03 from the transportation fund to the general fund. The Act also required, in order to make the transfers, that these amounts be lapsed from the Department's administrative appropriations, while avoiding adverse impacts on activities related to highway planning and programming, design, and construction. In addition, 2001 Act 16 required DOT to lapse \$7,211,700 in 2001-02 and \$6,190,900 in 2002-03 directly from the Department's administrative appropriations to the general fund.

Although Act 16 and Act 109 required DOT to lapse amounts from administrative appropriations, the bill would not require any specific lapses in order to help fund the additional transfer. However, the current estimated biennium-ending balance in the transportation fund is \$16,529,900, or \$5,681,800 less than the proposed additional transfer to the general fund. DOA indicates that the intent would be to require DOT to lapse at least enough additional funds from administrative appropriations to maintain a positive transportation fund balance, although the bill would not create such a requirement.

[Bill Sections: 1, 2, 9253(1) and 9453(1)]

5. TOBACCO CONTROL BOARD GRANTS

GPR-REV	\$2,000,000
SEG	-\$2,000,000

Governor: Reduce funding for grants distributed by the Tobacco Control Board by \$2,000,000 in 2002-03 and direct the DOA Secretary to transfer from the segregated tobacco control fund to the general fund this amount. In addition, prohibit the Board from distributing, in 2002-03, more than \$1,000,000 to the University of Wisconsin's Center for Tobacco Research and Intervention (UW-CTRI) at the University of Wisconsin-Madison. Finally, prohibit the Board from distributing, in 2002-03, more than \$1,000,000 for a telephone response system for smokers who are attempting to cease smoking.

Under Act 16, the Board was budgeted \$15,000,000 in 2002-03 to distribute as grants to reduce and prevent tobacco use. Of this funding, the Board is statutorily required to provide: (a) \$2,000,000 to support the Thomas T. Melvin Youth Prevention and Education program; (b) \$1,000,000 to support UW-CTRI; and (c) \$500,000 to the Medical College of Wisconsin. The Board provides grants for these purposes, and \$625,000 of discretionary grant funding budgeted for the Department of Public Instruction's school-based education and prevention program, on a fiscal year basis. The Board distributes the rest of the funding available for discretionary grants (\$10,875,000) on a calendar year basis, so that one-half of this funding (\$5,437,500) is used to support discretionary grants for the last six months of 2002 and \$5,437,500 is budgeted to support discretionary grants for the first six months of 2003. In December, 2002, the Joint Committee on Finance transferred \$88,600 of the amount budgeted for discretionary grants in calendar year 2003 to the Board's general program operations appropriation. Consequently, \$5,348,900 is currently available to support discretionary grants for the first six months of 2003. The Governor's bill would reduce this amount by \$2,000,000.

[Bill Sections: 9151(1) and 9260(3)(a) (as it relates to s. 20.436(1)(tc))]

6. PUBLIC BENEFITS TRANSFER TO THE GENERAL FUND

GPR-REV	\$4,700,000
SEG-Transfer	\$4,700,000

Governor: Transfer \$4,700,000 in 2002-03 from the utility public benefits fund to the general fund. Monies credited to the public benefits fund are derived from: (a) fees collected by electric utilities from their customers and remitted to DOA; and (b) annual transfers to DOA from major gas and electric utilities equal to the amounts the utilities received from their customers in 1998 for utility-sponsored public benefits programs. These funds support two major programs. The first program provides grants to low-income households for weatherization, the payment of energy bills and the early identification and prevention of energy crises. The second program awards grants for energy conservation and efficiency services and for renewable resource initiatives. The administration indicates that the \$4.7 million would come from the second program. As of January 1, 2003, the balance in the public benefits fund was \$15,276,100.

[Bill Section: 9201(2)]

7. UNIVERSAL SERVICE FUND TRANSFER TO THE GENERAL FUND

GPR-REV	\$3,000,000
SEG-Transfer	\$3,000,000

Governor: Transfer \$3,000,000 in 2002-03 from the universal service fund to the general fund. Monies credited to the universal service fund are derived from assessments paid by telecommunications providers. Telecommunications providers may recover these assessment costs from their customers. The fund is used to ensure that all state residents receive essential telecommunications services and have access to advanced telecommunications capabilities through programs operated by the PSC, DPI, the TEACH Board, and the University of Wisconsin System. As of January 1, 2003, the balance in the universal service fund was \$14,458,500.

[Bill Section: 9243(1)]

8. WISCONSIN DEVELOPMENT FUND

GPR-REV	\$7,000,000
---------	-------------

Governor: Reduce the GPR appropriation and lapse program revenue repayments funding for the Wisconsin Development Fund (WDF) by a total of \$7,000,000 in 2002-03. The Secretary of Commerce would determine the amount of the GPR reduction and PR lapse to the general fund that would total \$7 million.

The WDF provides financial assistance to businesses, consortia, nonprofit organizations, and local governments for economic development projects. The WDF is funded through a GPR and a program revenue repayments appropriation. Amounts received from WDF loan repayments are credited to the repayments appropriation and these monies are used to fund WDF grants and loans. In 2002-03 the WDF is currently provided \$10 million (\$5,953,800 GPR and \$4,050,000 PR). The loan repayments appropriation shows a January 1, 2003, unencumbered balance of approximately \$8.7 million.

[Bill Section: 9209(1)]

9. RECYCLING MARKET DEVELOPMENT BOARD

GPR-REV	\$1,000,000
PR-Lapse	\$1,000,000

Governor: Lapse \$1,000,000 PR to the general fund in 2002-03 from the Recycling Market Development Board loan repayments appropriation in Commerce. The Board provides grants, loans or manufacturing rebates to governmental or business entities to assist waste generators in the marketing of recovered materials or to develop markets for recovered materials. The source of the program revenue is repayments of previously made loans. As of January 1, 2003, the unencumbered appropriation account balance was approximately \$3.4 million.

[Bill Section: 9260(2) (as it relates to s. 20.143(1)(L))]

10. BROWNFIELDS GRANTS

GPR-REV	\$3,500,000
SEG	- \$3,500,000

Governor: Decrease funding for Commerce brownfields grants by \$3,500,000 SEG in 2002-03 and transfer that amount to the general fund. The Brownfields Grant program provides financial assistance to businesses, municipalities, and nonprofit organizations that conduct brownfields redevelopment and related environmental remediation projects. Commerce is appropriated \$7.0 million in environmental fund SEG for the program in 2002-03.

[Bill Section: 9260(3)(a) (as it relates to s. 20.143(1)(qm))]

11. BROWNFIELDS GREEN SPACE GRANTS

GPR-REV	\$500,000
SEG	- \$500,000

Governor: Reduce the brownfields green space grants appropriation in the Department of Natural Resources by \$500,000 from the segregated environmental management account of the environmental fund in 2002-03 and transfer this amount to the general fund. [The appropriation is a biennial appropriation with \$1,000,000 in 2001-02 and \$0 in 2002-03. A technical correction would be required to accomplish the intent of the provision because the 2002-03 appropriation can not be reduced below \$0. A correction could be made to lapse \$500,000 from the balance of the appropriation account to the general fund.] The January 1, 2003, unencumbered balance of the appropriation account was \$1,000,000.

[Bill Section: 9260(3)(a) (as it relates to s.20.370(6)(eu))]

12. BROWNFIELDS SUSTAINABLE URBAN DEVELOPMENT ZONE PROGRAM

Governor: Repeal the requirement in the brownfields sustainable urban development zone (SUDZ) program that, in the 2001-03 biennium, DNR would be required to provide \$150,000 to the City of Platteville and \$250,000 to the City of Fond du Lac. Under 2001 Act 16, \$525,000 environmental fund SEG is provided in 2001-02 in a biennial appropriation for a grant program for municipalities to investigate environmental contamination and to conduct cleanup of brownfields properties. The \$125,000 in funds that were not set aside for Platteville and Fond du Lac is available to municipalities that are selected by DNR from municipalities that apply for funding. DNR entered into a contract with Platteville in May, 2002, and a contract with Fond du Lac in June, 2002. The remaining \$125,000 in undesignated funds has not been committed under the program to date. Administration officials indicate that the provision was included in the bill in error.

[Bill Section: 3]

13. RECYCLING FUND

GPR-REV	\$3,000,000
SEG-Transfer	\$3,000,000

Governor: Transfer \$3,000,000 from the segregated recycling

fund to the general fund in 2002-03. The June 30, 2003, balance of the recycling fund would decrease from an estimated \$6.1 million to \$3.1 million.

[Bill Section: 9238(1)]

14. SHIFT STEWARDSHIP DEBT SERVICE TO FORESTRY ACCOUNT

GPR	- \$4,000,000
SEG	<u>4,000,000</u>
Total	\$0

Governor: Shift an additional \$4 million in 2002-03 from GPR to forestry account SEG for the payment of principal and interest related to the acquisition and development of forested properties under the Warren Knowles-Gaylord Nelson Stewardship program. Under 2001 Act 16, \$8 million in 2001-02 and \$4 million in 2002-03 was appropriated for this purpose. However, only \$4.9 million of the \$8 million available was expended for debt service in 2001-02. The forestry account of the conservation fund is expected to have a June 30, 2003, balance of approximately \$5.4 million (\$1.4 million under the bill).

[Bill Section: 9238(3)]

15. STATE PARK, FOREST, AND RIVERWAY ROADS

GPR-Lapse	\$1,900,000
-----------	-------------

Governor: Lapse \$1,900,000 GPR from the appropriation for state park, forest, and riverway roads maintenance and development within the Department of Natural Resources to the general fund. As of January 1, 2003, the appropriation had an unencumbered balance of approximately \$3.7 million.

[Bill Section: 9238(2)]

16. MEDICAL ASSISTANCE FUNDING

GPR	- \$9,587,000
FED	58,656,700
SEG	<u>64,402,900</u>
Total	\$113,472,600

Governor: Increase funding for medical assistance (MA) benefits by \$54,815,900 (-\$9,587,000 GPR and \$64,402,900 SEG from the MA trust fund) in 2002-03 to reflect a reestimate of the amount of funding needed to support MA benefits in 2002-03, based on current law. In addition, increase the estimated amount of federal MA matching funds the state would receive by \$58,656,700 FED in 2002-03. The GPR reduction would be offset by a corresponding GPR increase in BadgerCare funding, which is summarized under a separate item.

The following table summarizes MA benefits funding in 2002-03 under this item.

**MA Benefits Funding
Fiscal Year 2002-03**

	<u>Current Budget Authority</u>	<u>Special Session Senate Bill 1</u>	<u>Total Funding</u>
GPR	\$1,048,187,900*	-\$9,587,000	\$1,038,600,900
FED	2,207,231,100	58,656,700	2,265,887,800
SEG	<u>296,925,900</u>	<u>64,402,900</u>	<u>361,328,800</u>
Total	\$3,552,344,900	\$113,472,600	\$3,665,817,500

*Includes \$1,464,100 GPR that DHFS indicates was budgeted, but unexpended in 2001-02 and carried forward to 2002-03.

Enrollment. Projected enrollment growth, particularly growth in the number of low-income families, is a primary factor in the reestimate. It is projected that the average enrollment will increase by 9.9% in 2002-03, to approximately 511,000 individuals. The table below identifies actual and projected average enrollment, by major eligibility group, under the current estimate.

**Actual and Projected Average MA Monthly Enrollment
Fiscal Years 2000-01 thru 2002-03**

	<u>Actual 2000-01</u>	<u>Actual 2001-02</u>	<u>Projected 2002-03</u>	<u>Percent Increase from Previous Year</u>	
				<u>2001-02</u>	<u>2002-03</u>
Elderly	44,108	43,632	43,300	-1.1%	-0.8%
Disabled	97,689	99,164	102,121	1.5	3.0
AFDC-Related	146,396	173,442	209,056	18.5	20.5
Other*	<u>133,229</u>	<u>148,608</u>	<u>156,558</u>	11.5	5.4
Total	421,422	464,846	511,036	10.3%	9.9%

*Includes individuals in low-income families enrolled under the Healthy Start criteria and individuals participating in waiver programs.

The funding included in 2001 Act 16 was based on the assumption that average monthly enrollment would be approximately 444,400 in 2002-03. The current projection of 511,000 represents a 15% increase from the Act 16 projection.

Costs per Person. Projected increases in the average costs of providing services to MA enrollees also contribute to the overall increase in projected MA costs. Among the service categories, the largest projected percentage increases are for drugs, the average cost of which is expected to increase by 13.2% in 2002-03.

This reestimate does not include increases in payment rates for either fee-for-service providers or managed care organizations.

Federal Funding Reestimate. As part of this reestimate, federal revenue is estimated to increase by \$58,656,700 in 2002-03 from the amount currently budgeted. This estimate includes: (a) projected increases in federal funds that match the state funding increase; and (b) a reestimate of federal matching funds available, based on current budgeted state funds. Consequently, the federal funding increase does not reflect the 2002-03 federal matching rate of (58.465%), based on the state funding increase.

MA Trust Fund. The Governor's recommendation to fund the projected MA and BadgerCare deficits with unallocated balances in the MA trust fund would reduce projected balances in the fund and increase a projected fund deficit that is expected to occur in the 2004-05 fiscal year. This deficit will need to be addressed as part of the 2003-05 biennial budget.

The following fund condition statement identifies actual and projected MA trust fund revenues, expenditures, and balances from 2000-01 to 2004-05 if this provision were enacted and base funding from this source were maintained in each year of the 2003-05 biennium.

**MA Trust Fund
Revenues, Expenditures and Balances Under SS SB 1
Fiscal Years 2000-01 thru 2004-05**

	<u>2000-01</u> <u>Actual</u>	<u>2001-02</u> <u>Actual</u>	<u>2002-03</u> <u>Estimate</u>	<u>2003-04</u> <u>Estimate</u>	<u>2004-05</u> <u>Estimate</u>
Opening Balance	\$0	\$275,298,200	\$361,655,000	\$325,648,100	\$52,222,400
Revenues					
IGT Claims	\$372,754,200	\$351,665,600	\$318,245,100	\$18,396,700	\$15,899,700
Interest Earnings	0	4,856,400	8,352,500	6,379,200	0
Disallowance	0	-61,697,600	0	0	0
Interest Penalty	<u>0</u>	<u>-707,300</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	\$372,754,200	\$294,117,100	\$326,597,600	\$24,775,900	\$15,899,700
Expenditures					
MA and BadgerCare					
Benefits	\$94,603,200	\$205,467,500	\$298,086,600	\$298,086,600	\$298,086,600
SS Senate Bill 1	0	0	64,402,900	0	0
Cost of Wire Transfers	<u>2,852,800</u>	<u>2,292,800</u>	<u>115,000</u>	<u>115,000</u>	<u>115,000</u>
Subtotal	\$97,456,000	\$207,760,300	\$362,604,500	\$298,201,600	\$298,201,600
Closing Balance	\$275,298,200	\$361,655,000	\$325,648,100	\$52,222,400	-\$230,079,500

[Bill Sections: 9224(1)&(2)]

17. BADGERCARE FUNDING

GPR	\$9,587,000
FED	23,061,700
PR	<u>1,013,200</u>
Total	\$33,661,900

Governor: Increase funding for BadgerCare benefits by \$9,587,000 GPR in 2002-03 to reflect a reestimate of the amount of funding needed to support BadgerCare benefits in 2002-03, based on current law. In addition, increase estimated expenditures from federal and program revenue by \$23,061,700 FED and \$1,013,200 PR in 2002-03 to reflect the current estimate.

The following table summarizes BadgerCare benefits funding in 2002-03 under this item.

**BadgerCare Benefits Funding
Fiscal Year 2002-03**

	<u>Current Available Funding</u>	<u>Special Session Senate Bill 1</u>	<u>Total Funding</u>
GPR	\$51,513,900*	\$9,587,000	\$61,100,900
FED	102,377,300	23,061,700	125,439,000
PR	3,293,400	1,013,200	4,306,600
SEG	<u>1,160,700</u>	<u>0</u>	<u>1,160,700</u>
Total	\$158,345,300	\$33,661,900	\$192,007,200

*Includes \$114,400 that DHFS indicates was budgeted, but not expended in 2001-02 and carried forward to 2002-03.

Federal revenue is available from MA matching funds and funding available under the state children's health insurance program. Program revenue is available from premiums paid by families enrolled in BadgerCare with income above 150% of the federal poverty level. Segregated revenue reflects revenue available from the MA trust fund.

It is projected that the average monthly enrollment in BadgerCare will increase to approximately 104,100 in 2002-03, or approximately 15% over the 2001-02 actual average monthly enrollment. The funding included in 2001 Act 16 was based on the assumption that the average monthly enrollment would be approximately 92,600 in 2002-03. The current projection of 104,100 represents an increase of approximately 12.5% from the Act 16 projection. The current estimate assumes that the cost per enrollee will be approximately \$155 per month in 2002-03, rather than \$142 per month, which was assumed in the 2001 Act 16 estimate.

[Bill Section: 9224(3)]

18. PRISON CONTRACT BED FUNDING

GPR	\$9,247,800
-----	-------------

Governor: Provide \$9,247,800 in 2002-03 for increased funding for prison contract beds.

Increased funding is associated with: (a) inmate population levels exceeding budgeted levels; and (b) the increased daily rate for out-of-state prison contract beds under the new contract between the Department and Corrections Corporation of America (CCA). On December 17, 2002, the Joint Committee on Finance approved a contract between Corrections and CCA for the placement of male inmates in out-of-state facilities. The contract increased the daily rate per inmate from \$44 to \$48.50 for the period from December 22, 2002, to December 21, 2003. In addition to funding the costs of out-of-state contract beds, the prison contract bed appropriation supports the costs of inmates held in the Prairie du Chien Correctional facility, federal facilities, and in county jails, and young adults held in juvenile correctional facilities. Current funding for contract beds is \$60,102,700. Under the bill, total funding would be \$69,350,500 in 2002-03.

[Bill Section: 9210(2)]

19. INMATE HEALTH CARE COST INCREASES

GPR	\$7,269,800
-----	-------------

Governor: Provide \$7,269,800 in 2002-03 for increased costs of inmate health care in the Department of Corrections' Bureau of Health Services (BHS). Costs for BHS include pharmaceuticals, contracts with health care service providers, contracts with the University of Wisconsin Hospitals and Clinics and other hospitals, medical, dental, and laboratory services, and other health care-related supplies. Current funding for inmate health care in the Bureau is \$30,552,300. Under the bill, total funding would be \$37,822,100 in 2002-03.

[Bill Section: 9210(1)]

20. EXEMPTION FROM STATUTORY BALANCE AND STRUCTURAL BALANCE REQUIREMENTS

Governor: Include provisions stipulating that the bill may be enacted notwithstanding the statutory general fund balance requirement for fiscal year 2002-03 and notwithstanding the statutory general fund structural balance requirement.

Under the statutes, no bill affecting general purpose revenues may be enacted if the bill would cause the general fund balance on June 30, 2003, to be an amount less than 1.2% of GPR appropriations plus compensation reserves for fiscal year 2002-03 [\$134 million].

Under s. 20.003(4m) of the statutes, no bill may be adopted by the Legislature if the bill would cause, in any fiscal year, the total amount of monies designated in the general fund condition statement as total GPR expenditures [gross expenditures less projected lapses] to exceed the total amount of monies designated in the same general fund condition as taxes and departmental revenues.

[Bill Sections: 9160(1)&(2)]