



Legislative Fiscal Bureau

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February 19, 2007

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 39 and Assembly Bill 72: 2006-07 Budget Adjustment Legislation

On February 14, 2007, the Joint Committee on Finance introduced, at the request of Governor Doyle, 2007 SB 39 and 2007 AB 72. These bills, which are identical, contain provisions to adjust the state's 2006-07 budget.

This document provides a summary of each of the provisions of SB 39/AB 72.

In its January 30, 2007, revenue and expenditure estimates, the Legislative Fiscal Bureau projected a gross general fund balance of \$110.6 million at the end of the 2006-07 fiscal year (June 30, 2007). Under the provisions of SB 39/AB 72, the estimated ending balance would be reduced by \$30.5 million to \$80.1 million. The \$30.5 million reduction is the net result of increased departmental revenues of \$35.1 million, reduced appropriations of \$6.3 million, and reduced general fund lapses of \$71.9 million. The bills would also increase the required statutory balance amount for 2006-07 from \$65.0 million to \$75.0 million.

In addition to the general fund fiscal effect, the bills would increase the appropriations from the segregated forestry account by \$7.0 million and increase a refunding bonding authorization by \$375.0 million. Finally, the bills would authorize an additional 298.92 full-time equivalent positions.

Following is the estimated condition statement of the general fund for 2006-07 under the bills.

Estimated 2006-07 General Fund Condition Statement
Senate Bill 39/Assembly Bill 72

2006-07

Revenues

Opening Balance, July 1	\$49,217,000
Taxes	12,542,600,000
Departmental Revenues	
Tribal Gaming	75,569,500
Other	<u>532,477,800</u>
Total Available	\$13,199,864,300

Appropriations

Gross Appropriations	\$13,203,624,700
Compensation Reserves	178,302,800
Transfer to Medical Assistance Trust Fund	25,383,900
Less Lapses	<u>-287,594,200</u>
Net Appropriations	\$13,119,717,200

Balances

Gross Balance	\$80,147,100
Less Required Statutory Balance	<u>-75,000,000</u>
Net Balance, June 30	\$5,147,100

2007 Senate Bill 39 and 2007 Assembly Bill 72

Summary of Provisions

1. LAPSES AND TRANSFERS TO THE GENERAL FUND BY THE DOA SECRETARY GPR-REV \$15,132,000

Governor: Require the Secretary of the Department of Administration (DOA) to lapse general purpose revenue (GPR) or program revenue (PR) or transfer segregated funds (SEG) totaling \$15,132,000 in 2006-07 to the general fund. Require the lapses or transfers to be made from the unencumbered balances of state operations appropriations. Specify that transfers could not be made from federal or sum sufficient appropriations. Prohibit the Secretary from transferring moneys if the lapse or transfer would violate a condition imposed by the federal government on the expenditure of funds or if the lapse or transfer would violate the federal or state constitutions.

In a memorandum dated February 1, 2007, the DOA Secretary indicated that shortfalls would be addressed through a 2% reduction of state operations administrative appropriations in the largest executive branch agencies for 2006-07. The memorandum indicates that agencies will have to fund the reductions either through reductions to sum certain state operations appropriations or transfers or lapses from non-GPR state operations appropriations. The table below identifies the amounts that agencies have been directed to lapse or transfer. It should be noted that the bills only identify a total lapse amount and do not specify the affected agencies or the required lapse amounts.

<u>Agency</u>	<u>Lapse or Transfer Amount</u>
Administration	\$1,067,600
Agriculture, Trade and Consumer Protection	381,700
Commerce	264,000
Corrections	802,000
Financial Institutions	343,600
Health and Family Services	1,674,700
Office of the Commissioner of Insurance	382,400
Justice	445,600
Natural Resources	264,300
Public Instruction	294,300
Regulation & Licensing	134,600
Revenue	1,730,200
Transportation	4,130,700
UW System Administration	2,920,000
Workforce Development	<u>296,300</u>
Total	\$15,132,000

[Bill Section: 9201(1)]

2. TRANSFERS TO GENERAL FUND

GPR-REV \$20,000,000

Governor: Transfer \$20,000,000 in 2006-07 from segregated funds and a program revenue account to the general fund, as follows:

	<u>Amount</u>	<u>Fund</u>
a. Recycling Fund	\$3,500,000	SEG
b. Petroleum Inspection Fund	5,000,000	SEG
c. Agrichemical Management Fund	3,500,000	SEG
d. Agricultural Chemical Cleanup Fund	1,000,000	SEG
e. Office of the Commissioner of Insurance	7,000,000	PR

a. Transfer \$3,500,000 from the recycling fund to the general fund. With this transfer, the administration estimates that the recycling fund would have a June 30, 2007, balance of approximately \$500,000.

b. Transfer \$5,000,000 from the petroleum inspection fund to the general fund. With this transfer, the petroleum inspection fund would be expected to have a June 30, 2007, balance of approximately \$10.9 million.

c. Transfer \$3,500,000 from the agrichemical management (ACM) fund to the general fund. With this transfer, the ACM fund would be expected to have a June 30, 2007, balance of approximately \$600,000.

d. Transfer \$1,000,000 from the agricultural chemical cleanup program (ACCP) fund to the general fund. With this transfer, the ACCP fund would be expected to have a June 30, 2007, balance of approximately \$2.6 million.

e. Lapse \$7,000,000 in unallocated revenues from the Office of the Commissioner of Insurance general program operations appropriation. With this transfer, OCI estimates that the unallocated revenue balance in the appropriation would be approximately \$3.8 million as of June 30, 2007.

[Bill Sections: 9203(1)&(2), 9208(1), 9225(1), and 9235(1)]

3. STEWARDSHIP DEBT SERVICE

GPR	-\$7,000,000
SEG	<u>7,000,000</u>
Total	\$0

Governor: Provide an additional \$7,000,000 in 2006-07 (for a total of \$20,500,000) from the segregated forestry account of the conservation fund to support debt service payments for the Warren Knowles-Gaylord Nelson Stewardship program. With this additional expenditure, the June 30, 2007, balance in the forestry account would be approximately \$8 million. Also as a result, GPR stewardship debt service payments would decrease by \$7.0 million to \$24.8 million in 2006-07.

[Bill Section: 9235(2)]

4. MEDICAL ASSISTANCE AND SENIORCARE -- BENEFITS REESTIMATE

GPR	- \$85,400,600
GPR-Lapse	<u>- 68,865,900</u>
Net GPR	- \$16,534,700

Governor: Reduce funding for medical assistance (MA) benefits by \$69,700,600 in 2006-07 and reduce funding for SeniorCare benefits by \$15,700,000 in 2006-07 to reflect the administration's estimates of the amount of funding that would otherwise lapse from these sum certain appropriations at the end of the 2006-07 fiscal year. [The January 30, 2007, estimated 2006-07 condition statement of the Legislative Fiscal Bureau includes a GPR lapse of \$68,865,900 from the MA and SeniorCare appropriations.]

[Bill Sections: 9221(2)&(3)]

5. STATE FOSTER CARE AND ADOPTION ASSISTANCE -- BENEFITS REESTIMATE

GPR	- \$3,065,600
GPR-Lapse	<u>- 3,065,600</u>
Net GPR	\$0

Governor: Reduce funding for state foster care and adoption assistance payments by \$3,065,600 in 2006-07 to reflect current estimates of the amount of funding that would otherwise lapse from this sum certain appropriation at the end of the 2006-07 fiscal year.

[Bill Section: 9221(1)]

6. BADGERCARE -- BENEFITS REESTIMATE

GPR	\$5,500,000
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Governor: Provide \$5,500,000 in 2006-07 to reflect the administration's estimates of the amount of additional funding that will be required to support BadgerCare benefits costs in 2006-07.

[Bill Section: 9221(4)]

7. CHILD CARE AND EARNED INCOME TAX CREDIT

GPR	\$30,000,000
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Governor: Provide \$30,000,000 in 2006-07 to fund child care subsidies paid by the Department of Workforce Development (DWD). The funding increase would be accomplished with a two-part transaction involving DWD's child care budget and the earned income tax credit (EITC).

Under current law, in 2006-07, the EITC is funded with \$55,232,000 in federal temporary assistance for needy families (TANF) block grant funds transferred from DWD and \$32,468,000 GPR. The GPR funds are provided in a sum sufficient appropriation equal to the cost of the credit not funded with TANF.

The bills would reduce the amount of TANF funding transferred from DWD for the EITC

by \$30,000,000 in 2006-07, which would increase the GPR sum sufficient appropriation for the EITC by the same amount. The bills would then use the \$30,000,000 in TANF savings to increase the amount allocated for child care subsidies by \$30,000,000 in 2006-07. The net result of these funding shifts would be an increase in GPR spending of \$30,000,000 in 2006-07 and an increase in the amount allocated for child care subsidies of \$30,000,000 in that year. The amount allocated for child care subsidies would increase from \$313,432,100 to \$343,432,100. Total funding for the EITC would remain at \$87,700,000, but the TANF share would be reduced by \$30,000,000 and the GPR share would increase by \$30,000,000.

[Bill Sections: 4 and 5]

8. CORRECTIONS -- INCREASED FUNDING FOR GENERAL PROGRAM OPERATIONS

GPR	\$36,903,400
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Governor: Provide \$56,275,300 in 2006-07 for the general program operations appropriation in adult corrections. This amount includes funding for: (a) salary and fringe benefits (\$38,511,600); (b) health care expenditures, including pharmaceutical costs and hospital contract costs (\$13,810,000); (c) food and variable non-food costs, such as clothing, laundry, inmate wages, and other supplies (\$1,286,700); (d) fuel and utilities (\$1,190,000); and (e) prison contract bed funding (\$1,477,000). The \$1,477,000 prison contract bed funding is in addition to \$6,000,000 the bills would provide for the contract bed appropriation.

In addition, delete \$19,371,900 in 2006-07 from the Joint Committee on Finance's supplemental appropriation. This funding is base salary and fringe benefits funding for health care staff and was placed in the Committee's appropriation under 2005 Act 25. Under the bills, this funding would be utilized to partially offset the \$56,275,300 identified above.

[Bill Sections: 9209(1) and 9227(1)]

9. PRISON CONTRACT BED FUNDING

GPR	\$6,000,000
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Governor: Provide \$6,000,000 in 2006-07 related to prison contract beds. Current funding for the prison contract appropriation is \$4,521,800 in 2006-07. Under the bills, funding would increase to \$10,521,800. As of February 16, 2007, there were 636 inmates in county jail and federal beds. The current daily contract bed rate is \$51.46.

[Bill Section: 9209(2)]

10. SERIOUS JUVENILE OFFENDER PROGRAM FUNDING

GPR	\$1,000,000
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Governor: Provide \$1,000,000 in 2006-07 for the serious juvenile offender (SJO) program. Current funding for the SJO program is \$14,401,200. Under the bills, funding would be \$15,401,200.

Funding in the SJO program appropriation is authorized to pay the costs of: (a) the care of juveniles, including aftercare services, who have been adjudicated as serious juvenile offenders; (b) the care of juveniles waived into adult court and sentenced to state prison, but placed by Corrections at a juvenile correctional facility or a secured residential care center for children and youth; (c) correctional or aftercare services for juveniles adjudicated as violent juvenile offenders for certain offenses committed prior to July 1, 1996; and (d) correctional or aftercare services for juveniles under extended jurisdiction orders prior to July 1, 1996. The actual SJO population in December, 2006 (latest available), was 280 juveniles, and the average daily population in 2005-06 was 279.

[Bill Section: 9209(3)]

11. PRIVATE BAR REIMBURSEMENT FUNDING

GPR	\$9,700,000
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Governor: Provide \$9,700,000 in 2006-07, to the Office of the State Public Defender's (SPD) biennial private bar and investigator reimbursement appropriation. The SPD has trial and appellate staff attorneys who provide representation to indigent defendants. Private bar attorneys are assigned: (a) overflow cases; and (b) cases where a staff attorney has a conflict of interest that precludes the attorney from providing representation. The bills would provide funding for additional private bar attorney reimbursement billings anticipated to be received through the remainder of the biennium.

Under 2005 Wisconsin Act 25, the SPD was budgeted \$48,386,800 GPR and \$2,049,400 PR over the biennium to fund private bar reimbursements. At the December 14, 2006, meeting of the Joint Committee on Finance under s. 13.10 of the statutes, an additional \$12.7 million was identified as needed to pay anticipated private bar reimbursement billings through the remainder of 2006-07. The Committee provided a portion of this funding by transferring \$3.0 million from other appropriations to the SPD's private bar appropriation. The bills would provide the remaining funds.

[Bill Section: 9236(1)]

12. RESTORE POSITIONS AT THE STATE-OWNED POWER PLANTS AND WASTEWATER TREATMENT FACILITIES

	Positions
GPR	176.67
PR	<u>94.25</u>
Total	270.92

Governor: Authorize 270.92 full-time equivalent (FTE) positions beginning April 1, 2007, including 176.67 GPR and 94.25 PR positions as follows:

Full-Time Employee Restoration

<u>Agency</u>	<u>Number FTE</u>	<u>Funding Source</u>
Administration	23.25	PR
Corrections	20.25	GPR
	19.00	PR
	5.00	PR
Health and Family Services	33.00	PR
	8.00	PR
Public Instruction	10.00	GPR
Veterans Affairs	6.00	PR
UW System	<u>146.42</u>	GPR
Total	176.67	GPR
	<u>94.25</u>	PR
	270.92	All Funds

As passed by the Legislature, the 2005-07 biennial budget bill [2005 Assembly Bill 100] would have required DOA to undertake one of the following actions by April 1, 2007, with respect to each state-owned power plant and wastewater treatment facility: (a) sell the plant or facility; or (b) contract with a private entity for the operation of the plant or facility.

On April 1, 2007, 2005 Assembly Bill 100 would have deleted 270.92 FTE permanent power plant and wastewater treatment facility operator and supervisory positions in six state agencies and would have directed DOA to transfer the remaining budgeted salary and fringe benefit funding for these positions in 2006-07 to unallotted reserve to support agency costs relating to the provision of utility services after that date.

Assembly Bill 100 would have also: (a) specified the manner by which outstanding bonded indebtedness would be retired in the event of the sale of any of the plants or facilities with such debt; (b) exempted the sale of a state-owned plant or facility to a regulated utility from any review or approval by the Public Service Commission; (c) required any power plant or waste water treatment facility operating contract with a private vendor to include a provision offering employment to the former state employees of those affected plants and facilities; and (d) deleted a variety of statutory provisions related to DOA's supervision of the operation of the state's power plants and wastewater treatment facilities.

The Governor item vetoed all of the proposed statutory modifications in 2005 Assembly Bill 100 intended to require the sale or contracting out of the state's power plant and wastewater treatment facility operations. However, a reversal of the deletion of the 270.92 FTE

state agency positions on April 1, 2007, could not be effected through the exercise of the Governor's veto authority.

Under the bills, 270.92 FTE power plant and wastewater treatment facility positions are restored on April 1, 2007. [Note that the bills restore 10.0 GPR positions in the Department of Public Instruction to appropriation s. 20.255(1)(a). These positions should be restored to appropriation s. 20.255(1)(b).]

[Bill Sections: 9101(1) and 9109(1) thru 9153(1)]

13. STATE CRIME LABORATORY FUNDING AND POSITION AUTHORITY

	Funding	Positions
GPR	\$96,600	15.00

Governor: Provide \$96,600 in 2006-07, to support the creation of 15.0 positions on April 1, 2007, to perform deoxyribonucleic acid (DNA) analysis. While not specified in the bills, the intent, as identified by DOA staff, would be to provide one month of funding (\$77,200) to support 11.0 DNA analysts and 4.0 DNA technicians. The remaining \$19,400 in funding would be provided to offset one month of training and supply costs for the 15.0 DNA analysis positions.

Under s. 165.77 of the statutes, the state crime laboratories at the Department of Justice (DOJ) are required to provide DNA analysis and maintain a DNA databank. The laboratories are required to analyze the DNA in a human biological specimen, if requested: (a) by a law enforcement agency regarding an investigation; (b) pursuant to a court order; and (c) by an individual regarding his or her own specimen, subject to rules established by the Department. In 2006-07, the state crime laboratories at DOJ are authorized 29.0 DNA analysts.

Under 2007 Senate Bill 40 (the 2007-09 biennial budget bill), the Governor recommends that the 15.0 positions would continue in the next biennium.

[Bill Section: 9229(1)]

14. ATTORNEY POSITION DELETION DATE

	Positions
All Funds	13.00

Governor: Delay the required deletion date of 13.0 FTE executive agency attorney positions from June 30, 2007, to June 30, 2009. Under 2005 Wisconsin Act 25, the DOA Secretary is required to delete 13.0 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that become vacant before June 30, 2007. If fewer than 13.0 FTE agency attorney positions are vacant on June 30, 2007, the Secretary is authorized to delete additional state agency attorney positions from non-vacancies to ensure that a total of 13.0 FTE state agency attorney positions are deleted by that date.

[Bill Section: 6]

15. HIGHWAY PROGRAM LAPSE TO THE TRANSPORTATION FUND

Governor: Permit the Joint Committee on Finance to lapse to the transportation fund any amount requested by the Department of Transportation from the unencumbered balances in the SEG appropriations for the major highway development and state highway rehabilitation programs, notwithstanding current law provisions that prohibit the Committee from lapsing funds from the state highway program appropriations. The Department of Transportation currently estimates that the transportation fund will end the 2006-07 fiscal year with a deficit of \$48.9 million if no action is taken to lapse funds from the Department's continuing appropriations. Under current law, the Joint Committee on Finance has the authority to reduce certain appropriations as an emergency measure necessitated by decreased revenues, but certain appropriations, including the state highway program appropriations and local transportation aid appropriations, may not be reduced. This item would allow the Committee to reduce the two highway program appropriations on a one-time basis.

[Bill Section: 9248(1)]

16. REFUNDING BONDING AUTHORITY

BR	\$375,000,000
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Governor: Authorize \$375,000,000 in bonding for refunding tax supported and self amortizing general obligation debt, which would increase the current refunding authority from \$1,400,000,000 to \$1,775,000,000. Under current law, this refunding authority can only be expended if the true interest costs of the state can be reduced by the expenditure. As of January, 2007, the state had issued \$1.266 billion in refunding bonds from the current authorization and had \$134.0 million in remaining authority.

[Bill Section: 3]

17. APPROPRIATION OBLIGATION BOND LAPSES AND TRANSFERS

Governor: Modify the manner in which state agency general operations appropriations are assessed for debt service payments on the state's appropriation obligation bonds and how these funds are lapsed or transferred to the state's general fund in the 2005-07 biennium and beyond. Enrolled AB 100 (the 2005-07 budget bill as passed by the Legislature) modified the mechanism established under 2003 Act 33, which had authorized the DOA Secretary to assess the general operations appropriation of each state agency, other than the Department of Employee Trust Funds (ETF) and the State of Wisconsin Investment Board (SWIB), for its portion of cost of debt service on the appropriation bonds issued to finance the state's unfunded pension and accumulated sick leave conversion credit program liabilities. However, portions of these provisions were vetoed by the Governor as part of a partial veto of unrelated provisions.

Restore the mechanism included under Enrolled AB 100 for assessing state agency general operations appropriations for debt service payments on the state's appropriation obligation bonds and how these funds are lapsed or transferred to the state's general fund. In

addition, include ETF and SWIB under the state agencies that would be subject to the determinations made by the DOA Secretary regarding these lapses and transfers. Require the DOA Secretary to exclude from these determinations any appropriation from which a lapse or transfer of funds or the payment of principal and interest on the appropriation bonds would violate a condition imposed by the federal government on the expenditure of funds or would violate the federal or state constitutions.

Assessments in the 2005-07 Biennium. Specify that during the 2005-07 biennium, the DOA Secretary would be required to determine the amount that each agency would have been obligated to expend on the unfunded pension and accumulated sick leave conversion credit program liabilities had the state not issued appropriation bonds to finance the liabilities. Require the DOA Secretary to lapse or transfer to the general fund those amounts from each appropriation within each state agency from which moneys would have been expended for these liabilities.

Assessments Beginning With the 2007-09 Biennium. Specify that beginning in the 2007-09 biennium, each fiscal biennium the DOA Secretary would be required to lapse or transfer to the general fund from each state agency operations appropriation an amount equal to the portion of the total amount of principal and interest to be paid on the state's appropriation bonds issued to finance the state's unfunded pension and accumulated sick leave conversion credit program liabilities.

The DOA Secretary would be required to determine the allocation of the lapse and transfers from each appropriation during the fiscal biennium as follows: (a) determine the total amount of Wisconsin Retirement System contributions that are to be paid by the state during a fiscal biennium; (b) determine the percentage of the total amount Wisconsin Retirement System contributions that are allocable to each state agency appropriation; and (c) apply the percentage calculated for each appropriation obligation to the total amount of principal and interest paid on the state appropriation bonds issued to finance the state's unfunded pension and accumulated sick leave conversion credit program liabilities.

[Bill Sections: 1 and 9101(2)]

18. REQUIRED STATUTORY BALANCE

Governor: Increase the required statutory balance for 2006-07 to \$75,000,000 from the current requirement of \$65,000,000.

[Bill Section: 2]