



## Legislative Fiscal Bureau

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May 26, 2011

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Budget Adjustment Legislation -- 2011 Assembly Bill 148

Assembly Bill 148 would transfer \$235 million from the general fund to the injured patients and families compensation fund for the purpose of paying the amount ordered by the court in *Wisconsin Medical Society, Inc. v. Morgan*. In addition, the bill would increase medical assistance payments in 2010-11 in order to take advantage of higher federal matching amounts, reduce the lapse/transfer requirement of the Secretary of the Department of Administration (DOA), and make other changes.

Each provision of Assembly Bill 148 is described below.

### SUMMARY OF PROVISIONS

1. **Transfer to the Injured Patients and Families Compensation Fund.** The bill would transfer \$235 million from the general fund to the injured patients and families compensation fund by June 30, 2012, for the purpose of paying the amount ordered by the court in *Wisconsin Medical Society, Inc. v. Morgan*. If the amount ordered by the court is less than \$235 million, the Secretary of DOA would transfer the amount ordered by the court.

2. **Medical Assistance Benefits Funding to Accrue Additional Federal Matching Funds.** The bill would increase MA benefits funding by \$147 million GPR in 2010-11 to fund capitation payments to managed care organizations to take advantage of the higher federal medical assistance percentage (FMAP) that applies to MA benefit payments made through June 30, 2011. This provision would enable the state to pay \$147 million GPR in 2010-11 to make MA capitation payments that would cost \$170 million GPR if they were made in July, 2011. This would produce a savings of \$23 million GPR over the two-year period.

3. **Reduce Requirement for DOA to Lapse or Transfer Moneys to the General Fund.** For the 2009-11 biennium, 2007 Act 20 and 2009 Acts 2 and 28 established lapse/transfer requirements for the Secretary of DOA totaling \$641.8 million; \$300 million of lapses/transfers were made in 2009-10 leaving \$341.8 million remaining for 2010-11. 2011 Act 13 reduced the remaining requirement by \$79.0 million to \$262.8 million. Assembly Bill 148 would reduce the requirement by an additional \$54.0 million. Thus, the amount to be lapsed/transferred by the DOA Secretary in 2010-11 would be \$208.8 million.

4. **Repeal 2011 Act 10 Provisions Relating to General Fund Lapses for Employer Savings in Fringe Benefit Costs.** 2011 Act 10 requires transfers/lapses of \$29.8 million to the general fund related to projected savings resulting from increases in health insurance premiums and retirement contributions from state employees. Assembly Bill 148 would repeal those provisions.

5. **Aging and Disability Resource Centers (ADRCs).** Reduce funding budgeted in 2010-11 for Family Care aging and disability resource centers by \$3.1 million GPR to reflect estimates of cost savings that will be realized because several ADRCs began operating later than the dates assumed in the 2009-11 budget act. This provision is included in 2011 Act 10, which has yet to take effect, pending court decision.

6. **Joint Committee on Finance Supplemental Appropriation.** Reduce funding by \$4,590,400 GPR in 2010-11 in the Joint Committee on Finance's general program revenue supplementation appropriation. Under 2009 Act 100, \$8.8 million was placed in the Joint Committee on Finance's supplemental appropriation for potential release to various state agencies and the courts for costs associated with operating while intoxicated legislation. On March 16, 2010, \$4,209,600 GPR was released to the Departments of Corrections and Justice, the District Attorneys, the State Public Defender, and the circuit courts. The reduction under the bill would eliminate the remaining reserve for 2009 Act 100. This provision is included in 2011 Act 10, which has yet to take effect, pending court decision.

## **GENERAL FUND FISCAL EFFECT**

Attached are two tables, which display the general fund fiscal effect of Assembly Bill 148. Table 1 reflects the effects of the bill for 2010-11 and the two years of the next biennium.

The Governor's 2011-13 budget bill reserves \$25 million GPR in each year of the biennium for purposes of pending litigation -- presumably, repayment to the injured patients and families compensation fund. Assembly Bill 148 is drafted with the intent of applying those reserve amounts toward the \$235 million payment to the patients compensation fund. Table 1 displays the funding items of the bill and the use of the litigation reserve.

As Table 1 indicates, the total effect of the bill is to reduce the general fund balance by \$208.3 million.

Table 2 shows the condition of the general fund for fiscal years 2010-11, 2011-12, and 2012-13. The table incorporates: (a) all bills enacted into law, to date, in the current legislative session; (2) the Governor's 2011-13 budget recommendations as modified, thru May 23, 2011, by the Joint Committee on Finance; (3) the Legislative Fiscal Bureau's tax collection estimates of May 11, 2011; and (4) the provisions of Assembly Bill 148.

BL/sas  
Attachments

## TABLE 1

### Budget Adjustment Bill (Assembly Bill 148) General Fund Fiscal Effects

#### 2010-11

##### *Revenues*

Reduction in DOA Required Transfers/Lapses to General Fund	-\$54,000,000
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##### *Appropriations*

Medical Assistance Benefits to Capture Higher FMAP	147,000,000
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Family Care Aging and Disability Resource Centers	-3,100,000
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Joint Finance Committee Supplemental Appropriation	<u>-4,590,400</u>
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Total	\$139,309,600
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Effect on 2010-11 General Fund Balance	-\$193,309,600
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#### 2011-12

##### *Appropriations*

Reduce Medical Assistance Benefits	-\$170,000,000
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Transfer to the Injured Patients and Families Compensation Fund	235,000,000
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Reduce Litigation Reserve	<u>-25,000,000</u>
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Effect on 2011-12 General Fund Balance	-\$40,000,000
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#### 2012-13

##### *Appropriations*

Reduce Litigation Reserve	<u>-25,000,000</u>
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<b>Total Net Effect on General Fund Balance</b>	<b>-\$208,309,600</b>
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**TABLE 2**  
**General Fund Condition Statement**  
**(In Millions)**

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
<b>Revenues</b>			
Opening Balance	\$26	\$87	\$282
Taxes	12,925	13,343	13,796
Departmental Revenues			
Tribal gaming	22	27	28
Other	<u>701</u>	<u>592</u>	<u>606</u>
Total	\$13,674	\$14,049	\$14,712
 <b>Appropriations</b>			
Gross Appropriations	\$14,043	\$13,817	\$14,720
Reserve for Litigation	0	0	0
Transfer to Patients Compensation Fund	0	235	0
Compensation Reserves	96	27	78
Less Lapses	<u>-552</u>	<u>-312</u>	<u>-608</u>
Net Appropriations	\$13,587	\$13,767	\$14,190
 <b>Balances</b>			
Gross Balance	\$87	\$282	\$522
Less Required Statutory Balance	<u>-65</u>	<u>-65</u>	<u>-65</u>
Net Balance	\$22	\$217	\$457