



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #245

Base Budget Reductions

[LFB 2001-03 Budget Summary: Base Budget Reduction Items Under Various Agencies]

GOVERNOR

Reduce the base budgets for state operations for a number of agencies by 5% annually. The executive budget document indicates that this reduction has been implemented to "increase efficiency."

In total, the proposed reduction generates general fund savings of \$41,355,000 in 2001-02 and \$41,069,900 in 2002-03. Thus, the Governor's budget reduces base level appropriations by \$82.4 million for the biennium. A list of the affected agencies and the amount of the reduction for each is shown in the table which follows.

<u>Agency</u>	<u>Amount of GPR Reduction</u>	
	<u>2001-02</u>	<u>2002-03</u>
Administration	\$719,000	\$719,000
Adolescent Pregnancy Prevention & Pregnancy Services Board	1,200	1,200
Agriculture, Trade and Consumer Protection	1,013,200	1,013,200
Arts Board	17,200	17,200
Board on Aging and Long-Term Care	31,400	31,400
Circuit Courts	2,691,300	2,691,300
Commerce	411,700	411,700
Corrections	1,756,300	1,756,300
Court of Appeals	394,600	394,600
Educational Communications Board	283,800	283,800

<u>Agency</u>	<u>Amount of GPR Reduction</u>	
	<u>2001-02</u>	<u>2002-03</u>
Elections Board	\$45,700	\$45,700
Employment Relations	304,900	304,900
Employment Relations Commission	139,200	139,200
Ethics Board	11,800	11,800
Governor	169,900	169,900
Health & Family Services	8,035,500	8,035,500
Higher Educational Aids Board	39,200	39,200
Historical Society	525,800	525,800
Judicial Commission	11,600	11,600
Justice	1,770,000	1,770,000
Legislature		
Assembly Operations	1,074,000	1,074,000
Senate Operations	696,400	696,400
Legislative Documents and Memberships	422,700	422,700
Retirement Committees and Studies	11,900	11,900
Revisor of Statutes Bureau	37,700	37,700
Legislative Reference Bureau	191,300	191,300
Legislative Audit Bureau	217,700	217,700
Legislative Fiscal Bureau	136,400	136,400
Legislative Council	143,700	143,700
Legislative Technology Services Bureau	84,600	84,600
Lieutenant Governor	26,300	26,300
Military Affairs	384,100	384,100
Natural Resources	2,474,100	2,474,100
Personnel Commission	44,900	44,900
Public Defender	3,236,900	3,236,900
Public Instruction*	1,404,200	1,122,600
Revenue	4,216,300	4,216,300
State Treasurer*	8,100	4,600
Supreme Court	517,000	517,000
TEACH	35,100	35,100
Tourism	597,900	597,900
UW System	6,345,000	6,345,000
WI Technical College System	172,800	172,800
Workforce Development	<u>502,600</u>	<u>502,600</u>
Total	\$41,355,000	\$41,069,900

*Because the Governor's budget would eliminate some state operations appropriation amounts in the Office of the State Treasurer and Department of Public Instruction, the reduction for these two agencies is less in 2002-03 than in 2001-02.

DISCUSSION POINTS

1. For most GPR-funded agencies, the Governor's budget reduces base, state operations appropriations (less debt service and fuel and utilities) by 5% for each year of the biennium. For purpose of illustration, the calculation for the Department of Military Affairs is shown below:

2000-01 State Operations	\$12,193,900
Debt Service	-2,993,600
Fuel and Utilities	<u>-1,518,800</u>
Net Amount	\$7,681,500
5%	<u>x .05</u>
Annual Reduction Amount	\$384,100

2. Of the 44 agencies subject to the reduction, the reduction for 41 of them was calculated in accord with the example shown above. For the three agencies described below, the reduction was calculated on a different basis.

- *Department of Corrections.* The 5% reduction applied only to the Department's appropriation for its central office. The 5% reduction was not applied to the Department's correctional facilities. If the reduction had been applied to all of Corrections' state operations appropriations, the annual reduction would have been \$29,223,200, rather than the \$1,756,300 which is shown in the table.

- *Department of Workforce Development.* The 5% reduction was not applied to the Divisions of Economic Support and Vocational Rehabilitation. If those two Divisions had been included in the calculation, the annual reduction would have been \$2,269,900, rather than \$502,600.

- *University of Wisconsin System.* The 5% reduction was applied only to the administrative costs of the UW System. This results in an overall reduction to the System's base, state operations appropriations of 0.7%. Had the reduction been applied to all of the System's state operations appropriations, the annual reduction would have been \$44,099,500, rather than the \$6,345,000 reduction of the budget bill.

In addition, two agencies with GPR state operations appropriations were not subject to any reductions.

- *District Attorneys.* The base, GPR funding for the District Attorneys is \$35,078,500. This is appropriated entirely for salaries and fringe benefits. Had the 5% calculation been applied to this appropriation, the annual reductions would have equaled \$1,753,900.

- *Department of Veterans Affairs.* In SB 55, the Governor recommends that a significant portion of the costs of the Veterans Museum operations be shifted from GPR to SEG funding from the Veterans Trust Fund. Because of this, the administration indicates that it did not apply the 5% reduction calculation to that agency. However, in each year of the 2001-03 biennium,

the budget would appropriate \$633,200 GPR for Museum purposes. A 5% reduction to that amount would generate \$31,700 annually.

3. For agencies with more than one GPR state operations appropriation, the budget bill applies the reduction to those agencies' largest GPR appropriation and then establishes a mechanism to allow those agencies to submit an alternative plan to the Secretary of DOA to distribute the cut among its GPR, sum certain state operations appropriations. If the DOA Secretary approves the plan, the plan would be submitted to the Joint Committee on Finance for approval under a 14-day passive review process. If the DOA Secretary does not approve the plan, it would not be forwarded to the Finance Committee and the agency would be required to make the reduction from the appropriations as indicated in the budget bill.

Under SB 55, this provision would apply to DOA, DATCP, Commerce, Corrections, ECB, DER, DHFS, Historical Society, Justice, Military Affairs, DNR, Public Defender, DPI, Revenue, WTCS, Tourism, the UW System and DWD.

4. Following is a discussion of the GPR reductions for some agencies that the Committee might consider in its deliberations related to this issue.

- Department of Health and Family Services.* The Governor's budget would apply the 5% reduction to all of the DHFS state operations appropriations (less debt and fuel and utilities), including the operation of the mental health institutes, the Wisconsin Resource Center and the Sand Ridge Secure Treatment Center. This is inconsistent with the treatment of the correctional facilities in the Department of Corrections. If the facilities of DHFS were to be excluded from this reduction, the appropriation for that agency would need to be increased from the amounts in SB 55 by \$3,916,000 in each year of the biennium. The following table indicates the amount, by various percentages, that would need to be restored to DHFS if the full 5% reduction were not applied to these facilities.

<u>Reduction %</u>	<u>Amount to be Restored to SB 55</u>	
	<u>2001-02</u>	<u>2002-03</u>
No reduction	\$3,916,000	\$3,916,000
1%	3,132,800	3,132,800
2%	2,349,600	2,349,600
3%	1,566,400	1,566,400
4%	783,200	783,200

- District Attorneys.* The administration indicates that no reduction was applied to the appropriation for District Attorneys because that appropriation is entirely for salary and fringe benefit purposes. Therefore, it would be difficult to generate the amount of reduction because there are no funds appropriated for such items as supplies, services or property. The budget does, however, apply the 5% reduction to a number of agencies that have a major portion of their state operations appropriations committed to salaries and fringe benefits. These agencies will most likely

need to meet the 5% reduction through turnover savings, layoffs or delayed hirings.

Although it may require personnel decisions, a reduction could be applied to the District Attorneys. The following chart identifies reduction amounts for the District Attorneys under various percentages.

	<u>Amount of Reduction</u>	
	<u>2001-02</u>	<u>2002-03</u>
5%	\$1,753,900	\$1,753,900
4%	1,403,100	1,403,100
3%	1,052,400	1,052,400
2%	701,600	701,600
1%	350,800	350,800

- *Department of Veterans Affairs.* Although this agency was not subject to a 5% reduction, the budget appropriates \$633,200 GPR in each year of the biennium for the operation of the Veterans Museum. A 5% reduction to this appropriation would be consistent with other agencies and would generate \$31,700 annually.

- *Department of Public Instruction.* The 5% reduction for DPI was calculated to include the School for the Deaf and Center for the Blind and Visually Impaired. If those two institutions were to be excluded from the reduction, the funding in SB 55 would need to be increased by \$500,400, annually. The following table indicates the amount, by various percentages, that would need to be restored to DPI if the full 5% reduction were not applied to the School and Center.

<u>Reduction %</u>	<u>Amount to be Restored to SB 55</u>	
	<u>2001-02</u>	<u>2002-03</u>
No reduction	\$500,400	\$500,400
1%	400,300	400,300
2%	300,200	300,200
3%	200,200	200,200
4%	100,100	100,100

- *University of Wisconsin System.* The 5% reduction for the UW System was applied only to administrative costs of the System. The reduction of \$6.3 million in each year was applied to the University's systemwide general operations appropriation. This appropriation is budgeted at approximately \$830 million annually.

The Committee may wish to consider two items regarding the University's reduction. First, because of the flexibility that the Legislature has extended to the Board of Regents in setting tuition, it is possible that the Regents could make up all or a portion of the GPR reduction by increasing tuition. To prevent this, language could be inserted into the bill that would prohibit this from

occurring. Second, although there is a specific appropriation for administration of the central office of the UW System, the entire reduction was taken against the general operations appropriation, which funds the System's campuses. Under the budget bill, the University could submit a plan to the DOA Secretary and ask that a portion of the reduction be absorbed by System administration. To ensure this, the Committee could direct that \$503,000 of the reduction be shifted each year to the System administration appropriation. The general operations appropriation would then be increased by an identical amount.

- *State Public Defender.* During the Committee's public hearings on the state budget, considerable testimony was received on the impact that the 5% reduction would have on that office. A separate budget paper (LFB Paper #246) addresses that agency.

5. The reductions to the GPR appropriations of SB 55 are drafted as permanent, base reductions to those agencies. As an alternative, the appropriations of SB 55 could be increased by the amount of reduction and the agencies could be required to lapse an equivalent amount at the end of each fiscal year. In this manner, the reductions would apply only to the 2001-03 biennium and the base budgets would be restored for the 2003-05 biennium.

6. During the budget briefings that the Committee conducted, some questioned the provisions of SB 55 that would allow agencies to submit a plan to modify the allocation of the reduction to other, sum certain, state operations appropriations. Under the bill, if agencies sought modifications, they would need to submit a plan to DOA and, if approved by DOA, to the Joint Committee on Finance for its approval. If DOA would not approve the plan, it would not be forwarded to the Committee and the agency would be required to make the reductions from the appropriations as indicated in the budget bill.

An alternative to this would be to allow an agency to submit a modification plan to the Committee under s. 13.10 of the statutes. This would allow the administration to make a recommendation regarding the agency's request and provide the Committee with the opportunity to review the proposals of both the agency and administration.

ALTERNATIVES TO BILL

A. GPR Appropriation Amounts

1. Approve the Governor's recommendations and reduce agency budgets by \$82,424,900 GPR for the biennium.

2. Increase the budget of DHFS by any of the following amounts to restore funding deleted in SB 55 for the mental health institutes, Wisconsin Resource Center and Sand Ridge Secure Treatment Center.

<u>Reduction %</u>	<u>Amount to be Restored to SB 55</u>	
	<u>2001-02</u>	<u>2002-03</u>
a. No reduction	\$3,916,000	\$3,916,000
b. 1%	3,132,800	3,132,800
c. 2%	2,349,600	2,349,600
d. 3%	1,566,400	1,566,400
e. 4%	783,200	783,200

3. Apply the reduction to the appropriation for District Attorneys.

<u>Reduction %</u>	<u>Amount of Reduction</u>	
	<u>2001-02</u>	<u>2002-03</u>
a. 5%	-\$1,753,900	-\$1,753,900
b. 4%	-1,403,100	-1,403,100
c. 3%	-1,052,400	-1,052,400
d. 2%	-701,600	-701,600
e. 1%	-350,800	-350,800

4. Apply the 5% reduction to the Department of Veterans Affairs for the GPR portion of the Veterans Museum.

Alternative A4	GPR
2001-03 FUNDING (Change to Bill)	- \$63,400

5. Increase the budget of DPI by any of the following amounts to restore funding deleted in SB 55 for the School for the Deaf and Center for the Blind and Visually Impaired.

<u>Reduction %</u>	<u>Amount to be Restored to SB 55</u>	
	<u>2001-02</u>	<u>2002-03</u>
a. No reduction	\$500,400	\$500,400
b. 1%	400,300	400,300
c. 2%	300,200	300,200
d. 3%	200,200	200,200
e. 4%	100,100	100,100

6. Transfer \$503,000 annually of the University's reduction for administrative purposes for the UW's general operations appropriation to the appropriation for System administration.

7. Make no reductions to GPR, state operations appropriations.

<u>Alternative A7</u>	<u>GPR</u>
2001-03 FUNDING (Change to Bill)	\$82,424,900

B. Other Provisions

1. Prohibit the Board of Regents of the UW System from increasing tuition to make up all or a portion of any reduction applied to the University System.

2. Allow state agencies affected by a base budget reduction to submit a proposal under s. 13.10 of the statutes to reallocate the reductions to other state operations, sum certain appropriations than those indicated in the budget bill.

3. Increase the relevant appropriations in SB 55 by the amount of the reduction and, instead, require the agencies to lapse an equivalent amount at the end of each fiscal year.

<u>Alternative B3</u>	<u>GPR</u>	<u>GPR-Lapse</u>	<u>Net Change</u>
2001-03 FUNDING (Change to Bill)	\$82,424,900	\$82,424,900	\$0