

1995-96 SESSION  
COMMITTEE HEARING  
RECORDS

Committee Name:

Joint Committee on  
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR\_RCP\_pt01a
- 05hrAC-EdR\_RCP\_pt01b
- 05hrAC-EdR\_RCP\_pt02

➤ Appointments ... Appt

➤ \*\*

➤ Clearinghouse Rules ... CRule

➤ \*\*

➤ Committee Hearings ... CH

➤ \*\*

➤ Committee Reports ... CR

➤ \*\*

➤ Executive Sessions ... ES

➤ \*\*

➤ Hearing Records ... HR

➤ \*\*

➤ Miscellaneous ... Misc

➤ 95hrJC-Fi\_Misc\_pt95

➤ Record of Comm. Proceedings ... RCP

➤ \*\*



TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY

August 8, 1996

The Honorable Donald J. Schneider  
Senate Chief Clerk  
235 South, State Capitol  
Madison, WI 53702

The Honorable Charles Sanders  
Assembly Chief Clerk  
211 West, State Capitol  
Madison, WI 53702

Dear Chief Clerk Schneider and Chief Clerk Sanders:

This report is transmitted as required by sec. 20.002(11)(f) of the Wisconsin Statutes, (for distribution to the appropriate standing committees under sec. 13.172(3) Stats.), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of July, 1996.

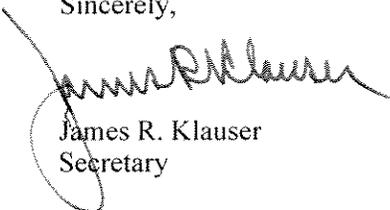
On July 1, 1996 the Wisconsin Health Education Loan Repayment Fund balance was -\$2 thousand. This shortfall grew to -\$30 thousand on July 29 and continued through the end of the month. This shortfall was due to the timing of revenues.

On July 1, 1996 the Wisconsin Health Insurance Risk Sharing Fund balance was -\$12 thousand. This shortfall grew to -\$16 thousand on July 31 and continued through the end of the month. This shortfall was due to the timing of revenues.

The Wisconsin Health Education Loan Repayment Fund and Health Insurance Risk Sharing Fund shortfalls were not in excess of the \$400 million ceiling and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly calculation by the State Controller's Office will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,

  
James R. Klauser  
Secretary

*to go. Jim*



TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY

June 6, 1996

The Honorable Donald J. Schneider  
Senate Chief Clerk  
235 South, State Capitol  
Madison, WI 53702

The Honorable Charles Sanders  
Assembly Chief Clerk  
211 West, State Capitol  
Madison, WI 53702

Dear Chief Clerk Schneider and Chief Clerk Sanders:

This report is transmitted as required by sec. 20.002(11)(f) of the Wisconsin Statutes, (for distribution to the appropriate standing committees under sec. 13.172(3) Stats.), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of May, 1996.

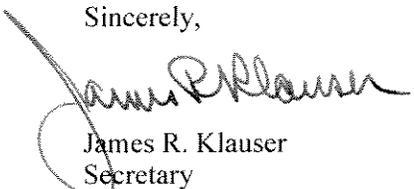
On May 1, 1996 the **Wisconsin Lottery Fund** balance was -\$1.5 million. This shortfall continued until May 3, 1996 when the balance reached \$.3 million. On May 6, 1996 the **Wisconsin Lottery Fund** balance was -.1 million. This shortfall continued until May 9, 1996 when the balance reached \$1.3 million. These shortfalls were due to the timing of revenues.

On May 13, 1996 the **Wisconsin Health Education Loan Repayment Fund** balance was -\$9 thousand. This shortfall continued until May 22, 1996 when the balance reached \$6 thousand. On May 31, 1996 the **Wisconsin Health Education Loan Repayment Fund** balance was -\$1 thousand. This shortfall continued through the end of the month. These shortfalls were due to the timing of revenues.

The Wisconsin Lottery Fund and Health Education Loan Repayment Fund shortfalls were not in excess of the \$400 million ceiling and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly calculation by the State Controller's Office will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,

  
James R. Klauser  
Secretary

*ref to St. Fin*



TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY

MAY 30 1995

May 17, 1995

The Honorable Donald J. Schneider  
Senate Chief Clerk  
235 South, State Capitol  
Madison, WI 53702

The Honorable Thomas T. Melvin  
Assembly Chief Clerk  
211 West, State Capitol  
Madison, WI 53702

Dear Chief Clerk Schneider and Chief Clerk Melvin:

This report is transmitted as required by sec. 20.002(11)(f) of the Wisconsin Statutes, (for distribution to the appropriate standing committees under sec. 13.172(3) Stats.), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of April, 1995.

On April 3, 1995 the Wisconsin Health Education Fund balance was -\$3 thousand. This shortfall continued until April 8, 1995. The shortfall was due to the timing of revenues to the fund.

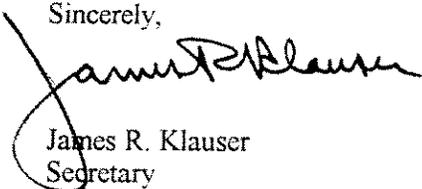
On April 25, 1995 the Health Insurance Risk Fund balance was -\$1 thousand. This shortfall continued through April 30, 1995. The shortfall is due to the timing of revenues to the fund.

On April 4, 1995 the University Trust Income Fund balance was -\$12 thousand. The shortfall continued through April 30, 1995. This shortfall is due to a delayed transfer to the fund.

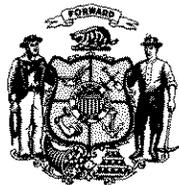
The Wisconsin Health Education Fund, Health Insurance Risk Fund, and University Trust Income Fund shortfalls were not in excess of the \$400 million ceiling and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly calculation by State Finance will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,

  
James R. Klauser  
Secretary

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin



Mailing address:  
Post Office Box 7844  
Madison, WI 53707-7844

TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY

*gc*

MAY 10 1995

April 28, 1995

The Honorable Donald J. Schneider  
Senate Chief Clerk  
235 South, State Capitol  
Madison, WI 53702

The Honorable Thomas T. Melvin  
Assembly Chief Clerk  
211 West, State Capitol  
Madison, WI 53702

Dear Chief Clerk Schneider and Chief Clerk Melvin:

This report is transmitted as required by sec. 20.002(11)(f) of the Wisconsin Statutes, (for distribution to the appropriate standing committees under sec. 13.172(3) Stats.), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of March, 1995.

On March 2, 1995 the University Trust Income Fund balance was -\$1.2 million. The shortfall continued until March 14, 1995 when the balance reached +\$433 thousand. This shortfall was due to a delayed transfer to the fund.

On March 23, 1995 the Wisconsin Health Education Fund balance was -\$2 thousand. This shortfall continued through March 31, 1995. The shortfall is due to the timing of revenues to the fund.

The University Trust Income Fund and Wisconsin Health Education Fund shortfalls were not in excess of the \$400 million ceiling and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly calculation by State Finance will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,

  
James R. Klauser  
Secretary

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY



Mailing address:  
Post Office Box 7844  
Madison, WI 53707-7844

A handwritten signature in cursive, appearing to be "J. R. Klauser", written in dark ink.

November 28, 1994

The Honorable Donald J. Schneider  
Senate Chief Clerk  
235 South, State Capitol  
Madison, WI 53702

The Honorable Thomas T. Melvin  
Assembly Chief Clerk  
211 West, State Capitol  
Madison, WI 53702

Dear Chief Clerk Schneider and Chief Clerk Melvin:

This report is transmitted as required by sec. 20.002(11)(f) of the Wisconsin Statutes, (for distribution to the appropriate standing committees under sec. 13.172(3) Stats.), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of October, 1994.

On October 1, 1994 the Health Insurance Risk Fund balance was -\$12 thousand. The shortfall continued until October 28, 1994 when the balance reached +\$52 thousand. This shortfall was due to the timing of receipts to the fund.

The Health Insurance Risk Fund shortfall was not in excess of the \$400 million ceiling and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly calculation by State Finance will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,

A handwritten signature in cursive, reading "James R. Klauser", written in dark ink.

James R. Klauser  
Secretary

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY



Mailing address:  
Post Office Box 7844  
Madison, WI 53707-7844

NOV 02 1994

October 24, 1994

The Honorable Donald J. Schneider  
Senate Chief Clerk  
235 South, State Capitol  
Madison, WI 53702

The Honorable Thomas T. Melvin  
Assembly Chief Clerk  
211 West, State Capitol  
Madison, WI 53702

Dear Chief Clerk Schneider and Chief Clerk Melvin:

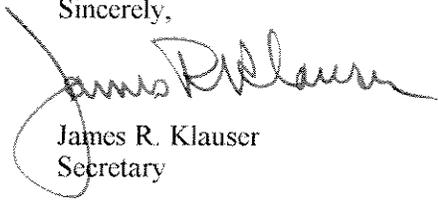
This report is transmitted as required by sec. 20.002(11)(f) of the Wisconsin Statutes, (for distribution to the appropriate standing committees under sec. 13.172(3) Stats.), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of September, 1994.

On September 1, 1994 the Health Insurance Risk Fund balance was -\$4 thousand. The shortfall continued through September 30, 1994. This shortfall is due to the timing of receipts to the fund.

The Health Insurance Risk Fund shortfall was not in excess of the \$400 million ceiling and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly calculation by State Finance will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,

  
James R. Klauser  
Secretary

*to go file*

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY



Mailing address:  
Post Office Box 7844  
Madison, WI 53707-7844

*John*

September 15, 1994

The Honorable Donald J. Schneider  
Senate Chief Clerk  
235 South, State Capitol  
Madison, WI 53702

The Honorable Thomas T. Melvin  
Assembly Chief Clerk  
211 West, State Capitol  
Madison, WI 53702

Dear Chief Clerk Schneider and Chief Clerk Melvin:

This report is transmitted as required by sec. 20.002(11)(f) of the Wisconsin Statutes, (for distribution to the appropriate standing committees under sec. 13.172(3) Stats.), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of August, 1994.

On August 1, 1994 the **Wisconsin Health Education Fund** balance was -\$50 thousand. The shortfall continued until August 10, 1994 when the balance reached +\$27 thousand. The shortfall was due to the timing of receipts to the fund.

On August 18, 1994 the **Health Insurance Risk Fund** balance was -\$2 thousand. The shortfall continued through August 31, 1994. This shortfall is also due to the timing of receipts to the fund.

The Wisconsin Health Education Fund and Health Insurance Risk Fund shortfalls were not in excess of the \$400 million ceiling and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly calculation by State Finance will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,

A handwritten signature in cursive script that reads "James R. Klauser".

James R. Klauser  
Secretary



TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY

SEP 21 1994

September 15, 1994

The Honorable Joseph Lecan, Co-Chair  
The Honorable Barbara Linton, Co-Chair  
Members of the Joint Committee on Finance  
113 South, State Capitol  
Madison, Wisconsin 53702

Dear Senator Lecan, Representative Linton, and Members:

In accordance with sec. 16.531(1), Stats., we are submitting a report for the next quarter on the use of the authorities conferred in sections 16.53(10)(a), sec. 20.002(11)(a), Stats., and Subch. III of Chapter 18, Stats., related to cash flow management and the issuance of operating notes.

The cash position projections of the General Fund are \$35.4 million higher than reported to you in the July 25, 1994 report. This is due to higher than expected General Fund receipts.

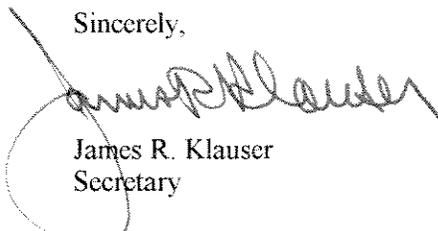
The forecasts below are based on the Budget Adjustment Bill, 1993 Act 437. They also include the receipt of \$350 million from the issuance of the fiscal year 1995 Operating Notes.

**General Fund Cash Forecast**  
**October - December, 1994**  
(\$ in millions)

Month	Beginning Balance	Receipts	Disbursements
October	\$628.1	\$1,050.7	\$ 814.1
November	864.7	1,105.5	1,621.0
December	349.2	1,131.5	1,304.2
January	176.5		

The General Fund will experience low balances during the period December 5th - December 26th. During this period it may become necessary to exercise the authority granted under sec. 20.002(11)(a), Stats., pertaining to the temporary reallocation of certain eligible surplus moneys. However, it will not be necessary to exercise the authority granted under sec. 16.53(10)(a) Stats., pertaining to the delay of payments at any time during this fiscal quarter.

Sincerely,



James R. Klauser  
Secretary

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin



Mailing address:  
Post Office Box 7844  
Madison, WI 53707-7844

TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY

*J.R. Klauser*

August 24, 1994

The Honorable Donald J. Schneider  
Senate Chief Clerk  
235 South, State Capitol  
Madison, WI 53702

The Honorable Thomas T. Melvin  
Assembly Chief Clerk  
211 West, State Capitol  
Madison, WI 53702

Dear Chief Clerk Schneider and Chief Clerk Melvin:

This report is transmitted as required by sec. 20.002(11)(f) of the Wisconsin Statutes, (for distribution to the appropriate standing committees under sec. 13.172(3) Stats.), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of July, 1994.

On July 29, 1994 the Wisconsin Health Education Fund balance was -\$50 thousand. The shortfall was due to the timing of receipts to the fund.

The Wisconsin Health Education Fund shortfall was not in excess of the \$400 million ceiling and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly calculation by State Finance will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,

A handwritten signature in cursive script that reads "James R. Klauser".

James R. Klauser  
Secretary



TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY

July 25, 1994

The Honorable Donald J. Schneider  
Senate Chief Clerk  
235 South, State Capitol  
Madison, WI 53702

The Honorable Thomas T. Melvin  
Assembly Chief Clerk  
211 West, State Capitol  
Madison, WI 53702

Dear Chief Clerk Schneider and Chief Clerk Melvin:

This report is transmitted as required by sec. 20.002(11)(f) of the Wisconsin Statutes, (for distribution to the appropriate standing committees under sec. 13.172(3) Stats.), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of June, 1994.

On June 20, 1994 the General Fund balance was -\$78.4 million. On June 21, 1994 the balance reached \$+51.8 million. The one-day shortfall was due to the timing of revenues to the fund.

The General Fund shortfall was not in excess of the \$400 million ceiling and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly calculation by State Finance will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,

A handwritten signature in cursive script, appearing to read "James R. Klauser", with a small "for" written below it.

James R. Klauser  
Secretary



# The State of Wisconsin

Robert Wm. Lang  
Director

LEGISLATIVE FISCAL BUREAU

May 10, 1993

Senator Joe Leean, Senate Chair  
Representative Barbara J. Linton, Assembly Chair  
Joint Committee on Finance  
State Capitol  
Madison, WI 53702

Dear Senator Leean and Representative Linton:

In January, our office prepared an estimate of the state's general fund closing balance for 1992-93 and forecasts of general fund tax revenues during the 1993-95 biennium. We have been monitoring information on tax collections since that time.

## **Estimates for Fiscal Year 1992-93**

Data on the individual income tax show significant strength in collections. As of April, total income tax receipts were 12.3% higher than in the same period last year. With this increase in current collections data, we believe that general fund tax collections estimates should be increased by \$78.8 million in 1992-93. The largest modification is in the individual income tax estimate, which is raised by \$85 million, from \$3,365 to \$3,450 million. This increase is slightly offset by net reductions of \$4.4 million in the estate and gift taxes and \$1.8 million in the cigarette tax.

Through the end of December, individual income tax collections were up by approximately 10% from the prior year. A portion of these receipts were viewed as one-time in nature, and were thought to have resulted from taxpayers moving income forward into 1992 in order to avoid expected tax increases at the federal level in 1993 and thereafter. Therefore, collections were expected to show modest growth over the second half of the 1992-93 fiscal year. However, declaration and withholding payments have

Senator Joe Llean, Senate Chair  
Representative Barbara J. Linton, Assembly Chair  
May 10, 1993  
Page 2

continued to show strength since January, and remain significantly higher than was anticipated.

The estimated 1992-93 closing balance for the general fund may also be adjusted for additional information on certain expenditures and departmental revenues. In January, we estimated that the net closing balance of the state's general fund as of June 30, 1993, would be \$99.4 million. It is now projected that the 1992-93 balance will be \$168.8 million. The increase is the net result of the \$78.8 million in increased tax collections, a reduction of \$14.3 million in departmental revenues and expenditure reductions of \$4.8 million.

Much of the reduction in departmental revenues (\$11.9 million) is the result of the Governor's recommendation in the budget to apply the receipt of federal funds from 1991 and 1992 foster care reimbursement to the community aids program in the next biennium.

The decline in anticipated expenditures is due to a number of sum sufficient appropriation reestimates. The most significant of these is reduced debt service payments as a result of refinancing.

#### **Estimates for the 1993-95 Biennium**

In addition to the current year estimates, projections of tax revenues for 1993-94 and 1994-95 should be modified. For the first year, our estimates are increased by \$59.1 million, from \$7,149.0 million to \$7,208.1 million. For the second year, the increase is \$58.3 million, from \$7,585.9 million to \$7,644.2 million.

These changes primarily reflect the strength shown in the individual income tax, and projected income tax revenues are increased by \$65 million annually. These increases are partially offset by reductions of \$4 million annually in estimated estate tax revenues, and cigarette tax estimates are reduced by \$1.9 million in 1993-94 and \$2.7 million in 1994-95.

Not all of the \$85 million increase in estimated individual income tax revenues in 1992-93 is added to the 1993-95 projections, because an estimated \$20 million of the current year increase is believed to be one-time in nature. Although collections have continued to show strength, declaration and withholding payments in December and January were unusually large, and may reflect some income shifting by taxpayers.

**1993-95 General Fund Condition**

When the Governor submitted his 1993-95 budget recommendations to the Legislature, the administration proposed that the net, general fund balance for 1993-94 and 1994-95 would be \$1.7 million and \$10.4 million, respectively.

By incorporating the revised 1992-93 balance figures and the 1993-95 tax collection reestimates into the Governor's budget recommendations, the net balance figures increase to \$124.1 million in 1993-94 and \$218.9 million in 1994-95. The following condition statement reflects these balances.

**TABLE 1**

**Estimated 1993-95 General Fund Condition Statement  
 (in Millions)**

	<u>1993-94</u>	<u>1994-95</u>
<u>Revenues</u>		
Opening Balance, July 1	\$168.8	\$197.4
Taxes	7,208.4	7,635.9
Departmental Revenues	<u>132.4</u>	<u>137.7</u>
Total Available	\$7,509.6	\$7,971.0
<u>Appropriations and Reserves</u>		
Gross Appropriations	\$7,329.7	\$7,643.5
Compensation Reserves	15.5	53.5
General Fund Transfers to:		
Local Government Property Insurance Fund	0	2.0
Veterans Trust Fund	0	4.2
Less Lapses	<u>- 33.0</u>	<u>- 27.5</u>
Net Appropriations	\$7,312.2	\$7,675.7
<u>Balance</u>		
Gross Balance	\$197.4	\$295.3
Required Statutory Balance	<u>- 73.3</u>	<u>- 76.4</u>
Net Balance, June 30	\$124.1	\$218.9

Senator Joe Lekan, Senate Chair  
Representative Barbara J. Linton, Assembly Chair  
May 10, 1993  
Page 4

It is important to note that the statement shown above reflects the figures contained within SB 44, modified only by the revised 1992-93 balance and the 1993-95 revenue estimates of this letter. All other figures in the condition statement are those of SB 44.

Thus, any appropriation adjustments or revised estimates of proposed law changes which may be needed to the Governor's recommendations are not included in the statement. As the Finance Committee begins to modify the Governor's proposal, these changes will need to be identified.

### **Pending Litigation**

Two tax matters are currently in litigation that could result in substantial refunds from the general fund.

The first is the ongoing effort by federal retirees to obtain retroactive refunds of individual income taxes paid prior to 1989, as a result of the Davis v. Michigan case. This litigation (Hogan et. al. v. Musolf et. al.) is currently before the Tax Appeals Commission. The Department of Revenue indicates that the U.S. Supreme Court is hearing a case (Harper v. Virginia Department of Taxation) that may resolve the retroactivity issue. As soon as the Court has ruled on Harper, the Department will review the decision and consider other legal issues in the case. The Department has indicated that potential refunds, with interest, could total \$94 million.

In the second case (NCR v. Wisconsin Department of Revenue), the Circuit Court last week ruled that the state's tax treatment of certain dividends received for purposes of the corporate income and franchise tax is unconstitutional. The Governor's budget recommendations address this issue prospectively. The Department has not decided whether to appeal this decision as it relates to refunds for past tax years. Although no formal estimate has been made of the potential refunds under this case, preliminary estimates indicate that they could exceed \$50 million, with interest.

Senator Joe Llean, Senate Chair  
Representative Barbara J. Linton, Assembly Chair  
May 10, 1993  
Page 5

In these cases, both the amount and timing of potential refunds that the state may or may not be required to make is unknown at this time. As a result, the estimates presented in this memorandum do not deduct any moneys attributable to this pending litigation.

Sincerely,

A handwritten signature in black ink that reads "Bob". The letters are stylized and cursive.

Robert Wm. Lang  
Director

RWL/sas



TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY

001 3 1 1994

October 24, 1994

The Honorable Joseph Leean, Co-Chair  
The Honorable Barbara Linton, Co-Chair  
Members of the Joint Committee on Finance  
113 South, State Capitol  
Madison, Wisconsin 53702

Dear Senator Leean, Representative Linton, and Members:

In accordance with sec. 16.531(3), Stats., we are submitting this report on the completed calendar quarter ended September 30, 1994, with an assessment of the condition of the General Fund for the period October 1, 1994 to March 31, 1995.

The cash position of the General Fund at September 30 was \$775.8 million, which is higher than the \$628.1 million projected in our report to you on September 15, 1994. This difference is due to higher than expected General Fund receipts. The cash activity for the quarter was as follows:

**General Fund Cash Activity**  
**for the Quarter Ended September 30, 1994**  
(\$ in millions)

Month	Beginning Balance	Receipts	Disbursements
July	\$186.7	\$1,470.9	\$1,398.3
August	259.3	1,052.0	734.9
September	576.4	1,276.8	1,077.4
October	775.8		

At no time during the quarter was it necessary to exercise the authority under sec. 16.53(10)(a) Stats., pertaining to the delay of payments. However, it was necessary to exercise the reallocation authority under sec. 20.002(11)(a) Stats., for the Wisconsin Health Education Fund, and the Health Insurance Risk Fund.

The following cash forecasts are based on the Budget Adjustment Bill, 1993 Act 437. They also include the receipt of \$350 million from the issuance of the fiscal year 1995 Operating Notes.

The Honorable Joseph Lcean  
The Honorable Barbara Linton  
Members of the Joint Committee on Finance  
October 24, 1994  
Page two

**General Fund Cash Forecast**  
**October 1994 - March 1995**  
(\$ in Millions)

<b>Month</b>	<b>Beginning Balance</b>	<b>Receipts</b>	<b>Disbursements</b>
October	\$ 775.8	\$1,050.7	\$ 814.2
November	1,012.3	1,105.5	1,621.0
December	496.8	1,131.5	1,304.1
January	324.2	1,478.5	907.1
February	895.6	1,028.0	1,021.9
March	901.7	1,151.4	1,792.6
April	260.5		

The General Fund will show a positive balance throughout the six month period, with the possible exception of the period between December 5th and December 21st. During this period, it may become necessary to exercise the authority granted under sec 20.002(11)(a) Stats., pertaining to interfund borrowing. However, at no time will it be necessary to exercise the authority granted under sec. 16.53(10)(a) Stats., pertaining to the delay of payments.

Sincerely,



James R. Klauser  
Secretary

MAY 11 1995



**TOMMY G. THOMPSON**

**Governor  
State of Wisconsin**

*OK  
13.10 action  
5/10/95*

May 8, 1995

The Honorable Senator Joseph Leean  
The Honorable Representative Ben Brancel  
Members, Joint Committee on Finance  
State Capitol  
Madison, WI 53702

Re: 1995 Operating Note Issue

Dear Senator Leean, Representative Brancel and Members:

The State of Wisconsin customarily issues operating notes in each fiscal year because of differences in the timing of receipts and disbursements. The Department of Administration has again determined that a deficiency will occur in the funds of the State which will not permit the State to meet its operating obligations in a timely manner during fiscal year 1995-96. Accordingly on May 16, 1995 we intend to formally request the Building Commission to issue an amount not to exceed \$300,000,000 of operating notes for fiscal year 1995-96 pursuant to 16.405 (1) and 18.72 (1) Wisconsin Statutes.

As required by 16.405 (2) Wisconsin Statutes, the Joint Committee on Finance must approve the request before it can be presented to the Building Commission. We are requesting your approval.

Sincerely,

  
TOMMY G. THOMPSON  
Governor

  
James R. Klauser  
Secretary  
Department of Administration

**CORRESPONDENCE/MEMORANDUM**

**STATE OF WISCONSIN  
Department of Administration**

Date: May 8, 1995  
To: Members, Joint Committee on Finance  
From: James R. Klauser, Secretary  
Department of Administration  
Subject: S.16.405(2) Request for Operating Note Approval

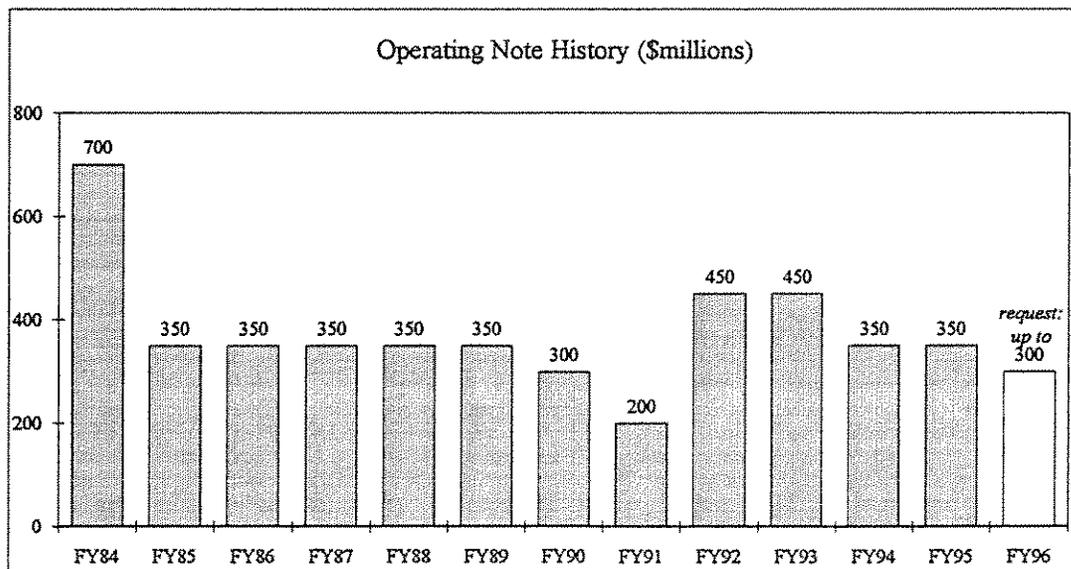
Request

The Department of Administration (DOA) requests Joint Committee on Finance approval under s.16.405(2) to request the Building Commission to authorize a 1995 operating note of up to \$300 million.

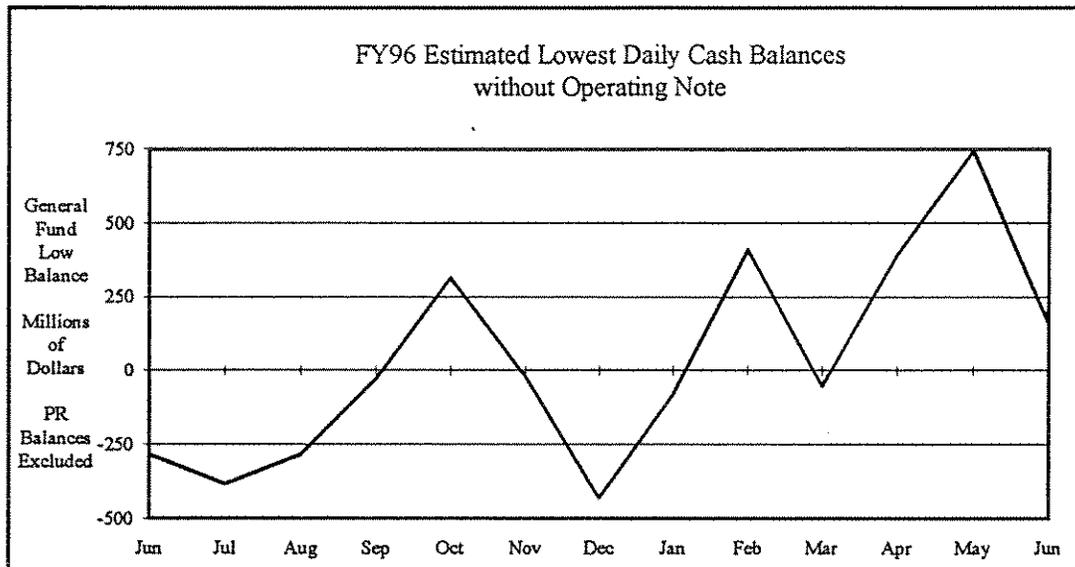
Background

The general fund has periodically engaged in some form of borrowing for operating expenses since FY81. From FY81 through FY83, the short-term borrowing took the form of interfund borrowing or payment delays. In FY83, the general fund paid \$16.6 million in interest for interfund borrowing to continue daily operations.

Operating notes have been issued annually since FY84 to accommodate the magnitude of the general fund's short term cash needs and to minimize the costs of short-term borrowing. Variability in the general fund's cash balances have required annual evaluation of borrowing needs. As shown below, previous operating notes have ranged from \$200 million to \$700 million.



Short-term borrowing will again be necessary in FY96 to cover a temporary cash imbalance. The general fund's cash balance includes the University's Auxiliary funds and other program revenue accounts held in trust from estates or court decisions (for example, oil overcharges and environmental protection suits). While held in the general fund, any use of these dollars aside from their designated purpose constitutes borrowing. These PR balances vary from \$200-\$300 million. Excluding the balances of the PR accounts, current estimates place the general fund's lowest cash balance at -\$429 million in early December 1995.



#### Analysis

As in previous years, the Department has sized the operating note request below the maximum cash shortfall. This is necessitated by federal arbitrage requirements. An actual cash shortfall must use at least 90% of the proceeds of the note. If this test is not met, the state must rebate the excess earnings on the note to the U.S. Treasury. This authorization request has been sized with a margin of error to prevent an earnings rebate even if economic growth is stronger than expected.

Under s.18.725, operating notes are limited to no more than 10% of total GPR and PR general fund appropriations combined. With the \$300 million maximum note under this request, the 1995 operating note would be about 22% of the statutory cap.

Operating notes remain the most cost-effective means of acquiring short-term funds. The efficiency is realized through both lower interest rates and increased interest earnings. Because the state is a tax-exempt borrower, it can borrow in the national capital markets at a rate lower than it would pay on dollars obtained through interfund borrowing. The higher overall cash balances obtained by operating note proceeds allow the general fund to gain increased interest earnings.

The final size of the note will be determined by DOA in June. Based on the actual and estimated cashflows to date, DOA anticipates that the 1995 note will be sized at \$250 million. The note may be larger or smaller than \$250 million depending on the final cashflow forecast at the time of sale. The note may not exceed the requested \$300 million maximum.

As in previous years, the FY96 budget has been structured on the assumption of issuing an operating note. Interest earned, net of the cost of operating notes, is about \$2.8 million higher with a \$250 million operating note as compared to not issuing any note at all.

#### Recommendation

Approve the request.

Prepared by: Paul Ziegler

# 1995 (FY96) Operating Note

## Recommendation:

Request approval to issue an operating note of up to \$300 million (with current expectations of issuing a \$250 million note).

## Analysis:

- A \$350 million note was issued last year (for FY95).
- The general fund cash balance is expected to increase -- resulting in a smaller note. The general fund is expected to gain \$90 million during FY96.
- The note is sized below the maximum daily cash shortfall of -429 million (expected to occur in early December). An actual cash shortfall must use at least 90% of the proceeds of the note. If this test is not met, the state must rebate the excess earnings on the note to the U.S. Treasury.
- While current estimates indicate a \$250 million note for FY96, the final note sizing need not be determined until late June. By requesting the option to issue a \$300 million note, we retain the ability to maximize arbitrage earnings while maintaining a sufficient hedge to meet the federal 90% test.
- A \$250 million note is expected to generate arbitrage earnings of about \$2.8 million. This was built into the GPR-earned estimates in the Governor's budget proposal.
- If the cashflow picture in late June allows a \$300 million note, expected interest earnings, net of costs, will be increased by approximately \$500,000.

Prepared by: Paul Ziegler  
May 8, 1995

**CORRESPONDENCE/MEMORANDUM**

STATE OF WISCONSIN  
Department of Administration

*Date:* June 9, 1995

*To:* James R. Klauser  
Secretary

*From:* Jacqueline Jugenheimer   
Budget and Policy Analyst

*Subject:* DATCP s. 16.54 Request for the Restoration of 1.0 FTE FED Permanent Position for the Division of Animal Health

**REQUEST**

DATCP is requesting the reauthorization of 1.0 FTE FED permanent position to assist with clerical duties in the Division of Animal Health.

**ANALYSIS**

In its 1995-97 budget DATCP requested a transfer of 1.0 FTE FED position to GPR due to anticipated funding reductions at the federal level. This request was denied and consequently the position authority deleted. Since the initial budget request, DATCP has received notification from the federal government that the funding for this position will continue, thus the department has requested a reauthorization of this position. The position performs clerical duties and develops reports for the federal government.

In addition, as a response to budget efficiency measures, the Division of Animal Health is undergoing a reorganization resulting in a significant reduction in positions and funding. Reauthorizing this position will ensure that sufficient resources are available to meet federal reporting requirements.

**RECOMMENDATION**

I will approve the request unless I hear from you otherwise.

cc: Dave Schmiedicke



State of Wisconsin  
Tommy G. Thompson, Governor

Department of Agriculture, Trade and Consumer Protection  
Alan T. Tracy, Secretary

2811 Agriculture Drive  
Madison, Wisconsin 53704-6777

PO Box 8911  
Madison, WI 53708-8911

Date: April 7, 1995

To: Jackie Jugenheimer, Policy & Budget Analyst  
Department of Administration

From: Elizabeth Kohl, Deputy Secretary *E Kohl*  
Department of Agriculture, Trade and Consumer  
Protection

Subject: Restoration of Federal Position

The proposed 1995-97 Biennial Budget eliminates 1.0 FED clerical position in the Division of Animal Health. Since this position is federally funded under the USDA Cooperative Agreement with the Division, and federal funding continues to be available, I am requesting that this position be restored under the provisions of Section 16.54(8), Stats.

cc: Gail Nordheim  
Barb Knapp



# STATE OF WISCONSIN

June 14, 1996

Members  
Joint Committee on Finance  
Wisconsin Legislature

Dear Members:

As required under s. 121.15(3m) of the statutes, we are providing Committee members with an estimate of the amount necessary to appropriate as general equalization aid in fiscal year 1996-97 to ensure that the sum of state school aids and the school levy tax credit equals 66.7% of partial school revenues.

We hereby certify that based on the best available information to date, \$3,182,215,800 GPR is the estimated amount necessary to appropriate as general equalization aid in 1996-97. This amount is \$30,000,000 GPR greater than the funding level of \$3,152,215,800 GPR established in 1995 Act 27 (the 1995-97 state budget).

The attached document discusses the two-thirds funding requirement and the basis for our estimate.

By June 30, 1996, the Committee must determine the general equalization aid appropriation amount for 1996-97.

Sincerely,

Handwritten signature of James Klauser in cursive.

James Klauser  
Secretary  
Department of Administration

Handwritten signature of John Benson in cursive.

John Benson  
State Superintendent  
Department of Public Instruction

Handwritten signature of Robert Lang in cursive.

Robert Lang  
Director  
Legislative Fiscal Bureau

Attachment

## Estimated Amount Necessary for Two-Thirds Funding of Partial School Revenues

1995 Act 27 (the 1995-97 state budget) established a process for annually determining the amount necessary in the general equalization aid appropriation to meet a statutorily defined two-thirds funding level. Specifically, s. 121.15(3m) provides that by June 15, 1996 (and by each June 15 thereafter), the Departments of Public Instruction and Administration and the Legislative Fiscal Bureau must jointly certify to the Joint Committee on Finance an estimate of the amount necessary in the general equalization aid appropriation which, in combination with the amounts provided in the other state aid and levy credit appropriations, would achieve the 66.7% funding level in the following school year. S. 121.15(3m) provides that by June 30, 1996 (and by each June 30 thereafter), the Joint Committee on Finance must determine the amount to be appropriated in the following school year.

S. 121.15(3m) defines both the numerator and denominator of the two-thirds state funding calculation. The numerator is the sum of state school aids (which is composed of 25 separate general and categorical aid appropriations) and the school levy tax credit. The denominator, which is called "partial revenues", is the sum of state school aids and property taxes levied for school districts.

In April of this year, staff from DPI, DOA and LFB met to discuss the amount to be certified to the Joint Committee on Finance. It was agreed that the three agencies would use the DPI data base and their own independent methodologies for projecting various factors affecting partial school revenues. After a series of meetings involving school finance analysts from the three agencies, it was determined by the three agencies that, based on the data available as of May 31, 1996, partial school revenues will equal an estimated \$6.05 billion in 1996-97.

Act 27 funding levels were based on a projection by DOA and the Fiscal Bureau that 1996-97 partial school revenues would total \$6.0 billion. This projection was based on estimates of membership, controlled revenues and debt service levies. In particular, it was assumed that debt levies (which totalled \$225.5 million in 1994-95) would increase by approximately 8% annually during the 1995-97 biennium.

An increase in voter-approved referenda explains approximately \$40 million (or 80%) of the \$50 million difference over the earlier estimate. The current \$6.05 billion projection incorporates updated estimates of membership, controlled revenues and debt service levies. Data on debt levies was obtained through school district audit statement records of scheduled 1996-97 debt repayment and a DPI survey of those districts known to have received voter approval of building referenda. The actual rate of growth in the debt levy was 10% in 1995-96. It is projected that the debt levy will increase by over 20% in 1996-97.

Based on this current estimate of \$6.05 billion in 1996-97 partial revenues, the total amount necessary to reach the 66.7% funding level is \$4.035 billion. State assistance to school districts for 1996-97 is currently set at \$4.005 billion which includes an additional \$5 million for grants under the Pioneering Partners program as a result of 1995 Act 351 (AB 1048). Therefore, it is estimated that an additional \$30 million in general equalization aid is necessary to meet the 66.7% funding level.

It should be noted that this estimate is based on numerous assumptions using the best available data as of May 31, 1996 and that it is not possible at this time to determine the exact amount necessary to ensure 66.7% state funding in 1996-97. Between now and November, 1996, when school district property tax levies are certified, local school board budgeting decisions and voter approved referenda will continue to affect partial school revenues. School district factors affecting final 1996-97 partial revenues include September, 1996 enrollment, DPI authorized adjustments to the limit, use of any unused 1995-96 revenue authority, and use of 1996-97 revenue authority.