

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

*Joint Committee on
Finance
(JC-Fi)*

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR_RCP_pt01a
- 97hrAC-EdR_RCP_pt01b
- 97hrAC-EdR_RCP_pt02

- Appointments ... Appt
-
- Clearinghouse Rules ... CRule
-
- Committee Hearings ... CH
-
- Committee Reports ... CR
-
- Executive Sessions ... ES
-
- Hearing Records ... HR
-
- Miscellaneous ... Misc
- 97hr_JC-Fi_Misc_pt05f_DPR
-
- Record of Comm. Proceedings ... RCP
-

Joint Finance

16.515/16.505

14 Day Passive
Reviews

5/14/97 -

6/30/97

Operating Notes



TOMMY G. THOMPSON

Governor
State of Wisconsin

May 15, 1997

The Honorable Senator Brian Burke, Co-Chair
The Honorable Representative Scott Jensen, Co-Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

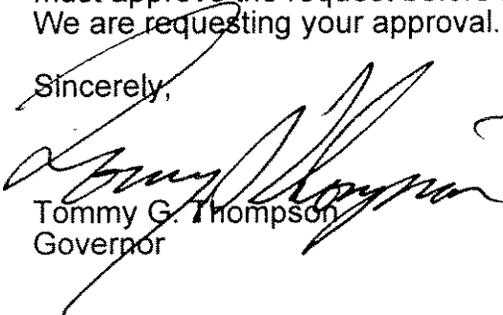
Re: 1997 Operating Note Issue

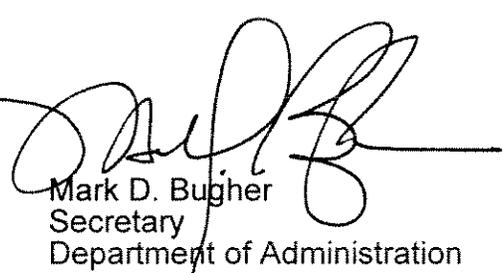
Dear Senator Burke, Representative Jensen and Members:

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 1997-98. Accordingly we intend to formally request the Building Commission to issue an amount not to exceed \$450,000,000 of operating notes for fiscal year 1997-98 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


Mark D. Bugher
Secretary
Department of Administration

CORRESPONDENCE/MEMORANDUM

Date: May 13, 1997
To: Members, Joint Committee on Finance
From: Mark D. Bugher, Secretary
Department of Administration
Subject: S.16.405(2) Request for Operating Note Approval

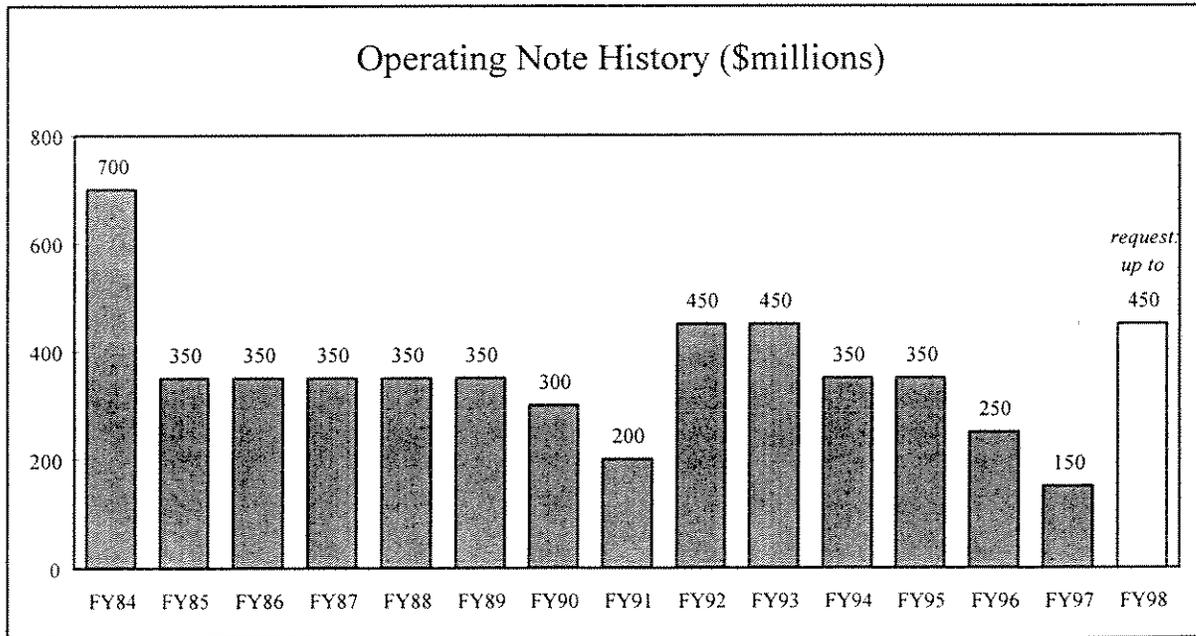
Request

The Department of Administration (DOA) requests Joint Committee on Finance approval under s.16.405(2) to request the Building Commission to authorize a 1997 operating note of up to \$450 million.

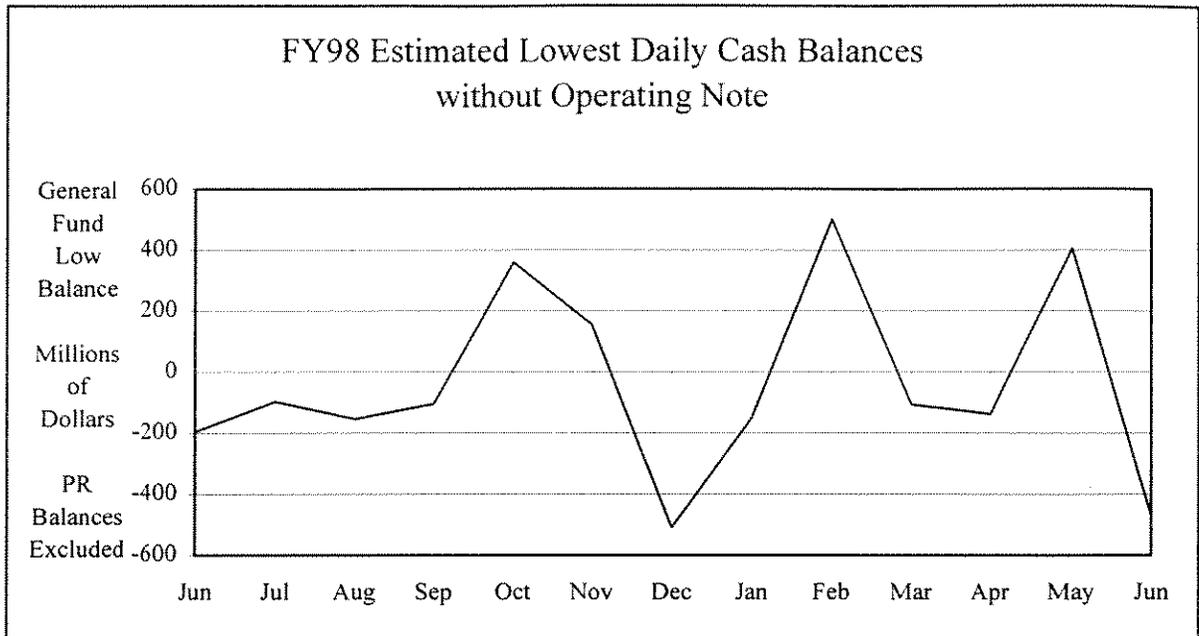
Background

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 \$150 million to \$700 million.



Short-term borrowing will again be necessary in FY98 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. While held in the general fund, any use of these dollars aside from their designated purpose constitutes borrowing. These PR balances vary from \$150 to \$250 million. Excluding the balances of the PR accounts, current estimates place the general fund's lowest cash balance at -\$508 million in early December 1997.



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 avoid 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 appropriations. With the \$450 million maximum note under this request, the 1997 operating note would be about 29% 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 1997 note will be sized at \$350 million. While the note may be larger or smaller than \$350 million depending on the final cashflow forecast at the time of sale, the note may not exceed the requested \$450 million maximum.

As in previous years, the FY98 budget has been structured on the assumption of issuing an operating note. Interest earned, net of the cost of operating notes, is about \$3.8 million higher with a \$350 million operating note as compared to not issuing any note at all.

Recommendation

Approve the request.

State of Wisconsin
 General Fund Monthly Cash Flow Report
 July 1, 1997-June 30, 1998 (1)

(A=Actual, E=Estimate)

BALANCES (In Thousands)

	JUL 1997	AUG 1997	SEP 1997	OCT 1997	NOV 1997	DEC 1997	JAN 1998	FEB 1998	MAR 1998	APR 1998	MAY 1998	JUN 1998	TOTAL 1998
Beginning Balance (2)	495,070	112,990	444,562	618,319	877,745	614,638	61,639	714,375	856,269	163,465	647,619	994,156	
Ending Balance	112,990	444,562	618,319	877,745	614,638	61,639	714,375	856,269	163,465	647,619	994,156	231,764	
Lowest Balance	112,990	56,888	105,789	569,389	364,804	-298,250	61,639	711,459	104,581	70,944	613,930	-255,721	

RECEIPTS

TAX RECEIPTS

Individual Income	386,646	340,672	452,410	396,398	338,992	363,330	676,328	345,173	369,683	701,599	367,484	482,544	5,221,259
Sales & Use	278,622	271,706	272,869	271,360	272,995	255,831	290,851	229,235	218,987	246,997	259,540	274,693	3,143,686
Corporate Income	17,017	14,869	130,989	15,351	15,422	132,598	21,137	15,946	169,263	22,526	16,060	137,867	709,045
Public Utility	140	8	120	545	143,797	79	30	5	11	383	128,412	164	273,694
Excise	24,040	23,561	23,367	23,674	23,591	21,585	22,694	18,648	19,119	21,168	21,680	24,027	267,154
Insurance	446	643	21,576	139	234	21,429	533	6,283	9,133	19,603	937	21,397	102,353
Inheritance	3,282	4,179	3,822	3,795	3,531	4,287	3,452	5,268	2,498	2,102	2,900	6,932	46,048
Subtotal Tax Receipts	710,193	655,638	905,153	711,262	798,562	799,139	1,015,025	620,558	788,694	1,014,378	797,013	947,624	9,763,239

NON-TAX RECEIPTS

Federal	350,053	342,873	285,019	306,945	291,136	338,993	323,323	304,576	301,281	321,302	283,187	308,047	3,756,735
Other & Transfers	168,095	162,728	268,890	207,854	213,605	168,643	274,449	252,707	257,225	151,885	234,854	233,293	2,594,228
Note Proceeds	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	518,148	505,601	553,909	514,799	504,741	507,636	597,772	557,283	558,506	473,187	518,041	541,340	6,350,963
TOTAL RECEIPTS	1,228,341	1,161,239	1,459,062	1,226,061	1,303,303	1,306,775	1,612,797	1,177,841	1,347,200	1,487,565	1,315,054	1,488,964	16,114,202

DISBURSEMENTS

Local Aids	785,993	118,895	579,239	104,016	957,353	963,663	169,240	158,677	989,110	87,600	135,974	1,443,793	6,493,553
Income Maintenance	254,394	223,215	223,615	266,884	248,305	270,334	249,605	248,455	246,905	266,734	243,505	233,145	2,975,096
Payroll and Related	279,705	257,828	147,416	343,477	148,101	357,483	255,535	227,542	147,961	258,490	231,090	224,349	2,878,977
Tax Refunds	37,658	32,533	29,572	38,804	37,744	53,500	38,360	154,184	194,058	142,741	140,180	96,620	995,954
Debt Service	0	9,000	88,351	0	0	0	0	9,000	232,215	0	0	0	338,566
Miscellaneous	252,671	188,196	217,112	213,454	174,907	214,794	247,321	238,089	229,755	247,846	217,768	253,449	2,695,362
Note Repayment (3)	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	1,610,421	829,667	1,285,305	966,635	1,566,410	1,859,774	960,061	1,035,947	2,040,004	1,003,411	968,517	2,251,356	16,377,508

General Fund Daily Cash Flow Report

December, 1997

Daily Totals		Disbursement Detail											
<u>Date</u>	<u>Day</u>	<u>Rec</u>	<u>Disb</u>	<u>Est Bal</u>	<u>Act Bal</u>	<u>Loc Aid</u>	<u>Inc Maint</u>	<u>Payroll</u>	<u>Tax Ref</u>	<u>Debt Svc</u>	<u>Misc</u>	<u>Tot Disb</u>	<u>Major Disbursements</u>
Beg Bal				614,638									
1	m	57,184	970,072	-298,250		855,631	19,370	84,106	225	0	10,740	970,072	TX, UW PAYRL, AFDC, DPI Aids
2	t	50,520	11,115	-258,845		0	150	0	225	0	10,740	11,115	
3	w	78,075	34,714	-215,484		0	23,749	0	225	0	10,740	34,714	MEDICAID
4	r	50,004	56,458	-221,938		0	150	45,343	225	0	10,740	56,458	SS/FEDTAX, BI-PAY
5	f	57,554	57,796	-222,180		43,900	1,900	1,031	225	0	10,740	57,796	DHFS Aids
6	s	0	0	-222,180		0	0	0	0	0	0	0	
7	s	0	0	-222,180		0	0	0	0	0	0	0	
8	m	45,699	16,815	-193,296		5,700	150	0	225	0	10,740	16,815	DPI Aids
9	t	33,720	11,115	-170,691		0	150	0	225	0	10,740	11,115	
10	w	48,613	78,750	-200,828		0	65,285	0	2,725	0	10,740	78,750	MEDICAID
11	r	52,340	11,115	-159,603		0	150	0	225	0	10,740	11,115	
12	f	47,884	14,394	-126,113		0	1,900	1,529	225	0	10,740	14,394	
13	s	0	0	-126,113		0	0	0	0	0	0	0	
14	s	0	0	-126,113		0	0	0	0	0	0	0	
15	m	49,808	77,367	-153,672		47,032	19,370	0	225	0	10,740	77,367	AFDC, DPI Aids
16	t	29,971	11,115	-134,816		0	150	0	225	0	10,740	11,115	
17	w	144,046	59,288	-50,058		0	48,323	0	225	0	10,740	59,288	MEDICAID
18	r	64,986	56,458	-41,530		0	150	45,343	225	0	10,740	56,458	SS/FEDTAX, BI-PAY
19	f	78,972	66,369	-28,927		0	1,900	53,504	225	0	10,740	66,369	FBEN
20	s	0	0	-28,927		0	0	0	0	0	0	0	
21	s	0	0	-28,927		0	0	0	0	0	0	0	
22	m	84,094	32,315	22,852		5,700	150	0	15,725	0	10,740	32,315	CO SALESTX, DPI Aids
23	t	78,839	60,038	41,653		0	49,073	0	225	0	10,740	60,038	SSI, MEDICAID
24	w (h)	0	0	41,653		0	0	0	0	0	0	0	
25	r (h)	0	0	41,653		0	0	0	0	0	0	0	
26	f	97,958	42,014	97,597		0	1,900	649	28,725	0	10,740	42,014	MN/WI RECIPROC
27	s	0	0	97,597		0	0	0	0	0	0	0	
28	s	0	0	97,597		0	0	0	0	0	0	0	
29	m	79,672	16,815	160,454		5,700	150	0	225	0	10,740	16,815	MEDICAID, DPI Aids
30	t	76,836	175,651	61,639		0	36,214	125,978	2,725	0	10,734	175,651	i-PAY, SS/FEDTAX, UW PAYRL
31	w (h)	0	0	61,639		0	0	0	0	0	0	0	

December Totals			
Actual			
Est	1,306,775	1,859,774	
Var	963,663	270,334	357,483
	53,500	214,794	1,859,774

\$350,000,000 NOTE

90% Benchmark Computation:

Proceeds of Operating Notes of 1997	\$350,000,000
	x 90%
	<hr/>
90% Benchmark	\$315,000,000

Computation of Low Balance on December 1, 1997:

Ending General Fund Cash Balance	\$51,653,000
Less: Proceeds of Operating Notes	(350,000,000)
UW-Auxilliary Fund Balance (estimated)	(160,000,000)
Fiduciary Fund Balances (estimated)	(50,000,000)
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Adjusted December 1, 1997 General Fund Balance	(\$508,347,000)
Margin	<u><u>193,347,000</u></u>