

2011 DRAFTING REQUEST

Assembly Joint Resolution

Received: 03/30/2011

Received By: smiller

Wanted: As time permits

Companion to LRB:

For: Dale Kooyenga (608) 266-9180

By/Representing: scott grosz

May Contact:

Drafter: smiller

Subject: Constitutional Amendments

Addl. Drafters:

Extra Copies:

Submit via email: NO

Pre Topic:

No specific pre topic given

Topic:

Balanced budget amendment

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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/6	smiller 01/25/2012	kfollett 01/25/2012	rschluet 01/19/2012	_____	sbasford 01/19/2012	lparisi 01/24/2012	
/7			rschluet 01/25/2012	_____	mbarman 01/25/2012	mbarman 01/25/2012	

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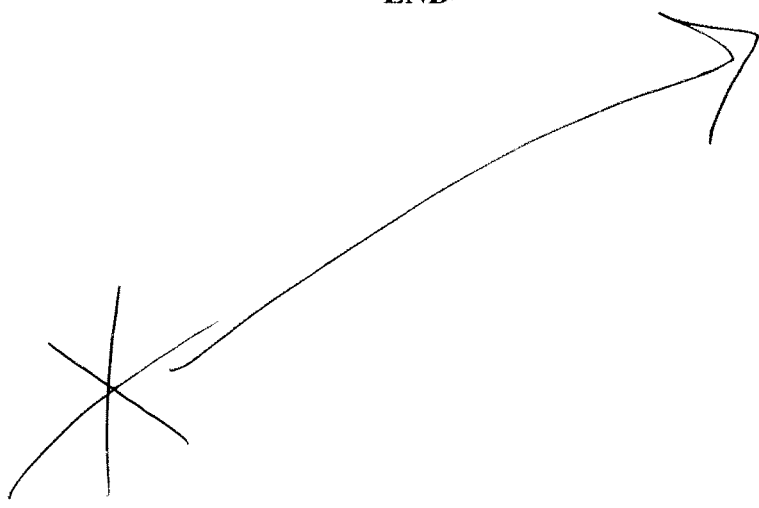
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SEND
TO
BOB LANG
@
LFB
instead of
Koozenja's
office

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Carbon copy (CC:) to: **scott.grosz@legis.wisconsin.gov**
bryan.naab@legis.wisconsin.gov
james.chrisman@legis.wisconsin.gov

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BRYAN NAAB, AUDIT
JAMES CHRISMAN, AUDIT

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[Notes From Scott Gross]

3.30.11

Rep. KOBYENGA - 262-721-4391 cell

New balanced budget amendment based
on LRB 0287/11

ADD

• requirement to balance budget on both of:

- CASH BASIS (\approx current law)

- GAAP BASIS

(This would mean a balance by one
method and a surplus in the other.)

• NEW Draw-down provision

• begin in the 1st fiscal year
after the latest date the amendment
could take effect (Rep Kobayanga thought
this was FY 2015, but I have not
yet confirmed that)

• STRAIGHT-LINE DRAW DOWN OVER
15 years

Bill Neville

Miller, Steve

From: Grosz, Scott
Sent: Wednesday, March 30, 2011 12:57 PM
To: Miller, Steve
Subject: RE: draft const amendment

Steve,

I believe it was Rep. Kooyenga's intent that the phrase "as calculated by generally accepted accounting principles or on a cash basis" would apply to the passage of an annual or biennial budget (p. 2, lines 5-7), as well as the draw-down of the budget deficit (p. 2, lines 7-10). As I read the current draft, it looks like the "GAAP or cash" may only apply to the draw-down.

Scott

Scott Grosz
Staff Attorney
Wisconsin Legislative Council
ph. (608) 266-1307

-----Original Message-----

From: Miller, Steve
Sent: Wednesday, March 30, 2011 12:48 PM
To: Grosz, Scott
Subject: draft const amendment

-----Original Message-----

From: networkscanning@legis.wisconsin.gov [mailto:networkscanning@legis.wisconsin.gov]
Sent: Wednesday, March 30, 2011 12:37 PM
To: Miller, Steve
Subject:

This E-mail was sent from "LRBREF04" (MP C4000/LD540C).

Scan Date: 03.30.2011 12:36:45 (-0500)
Queries to: networkscanning@legis.wisconsin.gov

Miller, Steve

From: Grosz, Scott
Sent: Wednesday, March 30, 2011 1:44 PM
To: Rep.Kooyenga
Cc: Neville, William; Miller, Steve
Subject: GAAP Accounting Constitutional Amendment

Rep. Kooyenga,

I have been working with Steve Miller at the LRB on the drafting of the amendment we discussed this morning. A couple questions are coming to mind, and I hoped to get your input.

First, as I understand GAAP, separate accounting and reporting standards for businesses and governments are both provided for under the umbrella of GAAP. Was it your intention to require the application of the standards established for businesses? Previously proposed constitutional amendments on this topic simply referred to "GAAP."

Second, when we spoke this morning, we discussed the concept of requiring analysis of "GAAP or cash-basis accounting." Since accounting on an accrual basis or a cash basis are both contemplated under GAAP, does it make more sense to describe your intent as to require the production of a balanced budget in one method and a surplus in the other, rather than a balanced budget under one method and a deficit under the other?

Finally, two of our sister legislative service agencies, the Fiscal Bureau and the Audit Bureau, may be more familiar with these issues than Steve or I, given our different roles in the legislative process. Would we have your permission to contact either or both of these agencies in search of more expertise on the topic?

Thanks,

Scott

Scott Grosz
Staff Attorney
Wisconsin Legislative Council
ph. (608) 266-1307

Miller, Steve

From: Kooyenga, Dale
Sent: Wednesday, March 30, 2011 3:31 PM
To: Grosz, Scott; Rep.Kooyenga
Cc: Neville, William; Miller, Steve; Marklein, Howard; Kapenga, Chris; Klenke, John; Strachota, Pat
Subject: RE: GAAP Accounting Constitutional Amendment

Scott,

See comments below...

Fyi – I have also copied the other members of our "CPA Caucus" we are working very closely together on this bill.

Thank you,

Dale

From: Grosz, Scott
Sent: Wednesday, March 30, 2011 1:44 PM
To: Rep.Kooyenga
Cc: Neville, William; Miller, Steve
Subject: GAAP Accounting Constitutional Amendment

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I have been working with Steve Miller at the LRB on the drafting of the amendment we discussed this morning. A couple questions are coming to mind, and I hoped to get your input.

First, as I understand GAAP, separate accounting and reporting standards for businesses and governments are both provided for under the umbrella of GAAP. Was it your intention to require the application of the standards established for businesses? Previously proposed constitutional amendments on this topic simply referred to "GAAP."

Simply refer to GAAP. Your are right, GASB and FASB are considered "GAAP" and the appropriate language to use would be to use "GAAP." Some Wisconsin entities may be accounted for under a FASB (i.e. Hospitals, certain public-private partnerships) and the vast majority, if not all other orgs are GASB.

Second, when we spoke this morning, we discussed the concept of requiring analysis of "GAAP or cash-basis accounting." Since accounting on an accrual basis or a cash basis are both contemplated under GAAP, does it make more sense to describe your intent as to require the production of a balanced budget in one method and a surplus in the other, rather than a balanced budget under one method and a deficit under the other?

The statutory accounting is most comparable to cash basis accounting. With that being said, the requirement should be to have a balanced budget in accordance with the current statutory basis of accounting (cash basis) and GAAP accounting. The budget would have to be prepared on both basis and one budget is allowed to have a surplus and one has to balance. Neither one can have a deficit.

Finally, two of our sister legislative service agencies, the Fiscal Bureau and the Audit Bureau, may be more familiar with these issues than Steve or I, given our different roles in the legislative process. Would we have your permission to contact either or both of these agencies in search of more expertise on the topic?

Yes, please do reach out to them asap. You have my permission to discuss this bill with anyone you feel would help firm up the language. I am also available to meet with you and the rep from the agency to clarify if this would provide additional assistance.

Because of recent political developments, I would like to move fwd with this as soon as possible.

Thanks,

Scott

Scott Grosz
Staff Attorney
Wisconsin Legislative Council



PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION
2011 ASSEMBLY JOINT RESOLUTION

April 1

1 **Relating to:** accounting and expenditure of state funds (first consideration).

Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2011 legislature on first consideration, requires the state to budget and account for all funds it receives or expends in accordance with generally accepted accounting principles.

The amendment restricts, in the budget bill, expenditures and other financial uses from the general fund that exceed revenues and other financing sources as estimated by the legislature in accordance with generally accepted accounting principles. It further requires that any existing budget deficit be extinguished over a fifteen-year period.

A constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

2 **SECTION 1.** Section 5 of article VIII of the constitution is amended to read:

3 [Article VIII] Section 5. ~~The legislature shall provide for an annual tax~~
4 ~~sufficient to defray the estimated expenses of the state for each year; and whenever~~
5 ~~the expenses of any year shall exceed the income, the legislature shall provide for~~
6 ~~levying a tax for the ensuing year, sufficient, with other sources of income, to pay the~~

April 1

1 deficiency as well as the estimated expenses of such ensuing year. The state shall
 2 ~~budget and~~ ^{report} account for all funds it receives or spends in accordance with generally
 3 accepted accounting principles. The legislature shall pass an annual or biennial
 4 budget bill ^{that} ~~which~~ authorizes expenditures and other financing uses from the general
 5 fund that do not exceed estimated revenues and other financing sources to the
 6 general fund, as projected by the legislature in accordance with both generally
 7 accepted accounting principles and ~~on a cash basis~~, and reduces any existing general
 8 fund deficit by an amount equal to or larger than at least one-fifteenth of the general
 9 fund deficit on June 30, 2015 as ^{report} ~~calculated~~ by generally accepted accounting
 10 principles or on ^{state} ~~a cash basis~~, whichever is larger, for each fiscal year covered by the
 11 bill.

12 **Be it further resolved, That** this proposed amendment be referred to the
 13 legislature to be chosen at the next general election and that it be published for three
 14 months previous to the time of holding such election.

15 (END)

The basis of accounting established by statute

Establish a state gen fund.

s. 59.60
(3 m)

Thoughts on amendment

1. It's not clear to me whether Rep. Kooyenga wants to solely budget on a GAAP basis. Based on his comments in the e-mail, it sounded like he is contemplating that both statutory and GAAP based budgets would exist. Given this, should the amendment not specify that the state budget on a gaap basis? Alternatively, I guess the amendment could specify it, but that wouldn't prevent the state from also budgeting on a different basis.

2. The current budgetary basis of accounting is not the cash basis. Therefore, if the current budgetary basis is to continue, we can't call it the cash basis. Rather, refer to is as

"the basis of accounting as established by the Wisconsin Statutes." *modified cash*

3. ~~"larger than one-fifteenth of the general fund deficit"~~ The problem is that the ~~"larger" amount would be one-fifteenth of the cash deficit. Needs to say "absolute value"~~ or "lesser." OF

see
4-5

4. Given the last sentence, it would be possible that a balanced budget would not be required, unless the first sentence is NOT excluded. Reason: if the general fund balance would go negative on a "cash" basis, and if that deficit was more than one-fifteenth of the gaap deficit as of June 30, 2015, then the budget could "legally" by such that the anticipated ending balance on a "cash" basis is not positive.

bad estimate

For this reason, I'd suggest keeping the first sentence in the paragraph - - because, that way, at least on a cash basis, it has to be balanced.

5. A general concern - there could be times where a large positive general fund balance accumulates. If this were to occur, the amendment wouldn't allow for the "spending down" of the fund balance since the legislature would be required to ensure revenues exceed expenditures. Not sure how to resolve this concern. Could have this sentence:

The legislature shall pass an annual or biennial budget bill that authorizes expenditures and other financing uses from the general fund that do not exceed estimated revenues and other financing sources to the general fund,

Be:

If the general fund balance reported in accordance with generally accepted accounting principles is negative, the legislature shall pass an annual or biennial budget bill that authorizes expenditures and other financing uses from the general fund that do not exceed estimated revenues and other financing sources to the general fund, "

1985 A.G. opinion - Cash ≠ GAAP

BRYAN NAAB
4-4-11

①

The legislature shall provide for an annual tax sufficient to defray the estimated expenses of the state for each year; and whenever the expenses of any year shall exceed the income, the legislature shall provide for levying a tax for the ensuing year, sufficient, with other source of income, to pay the deficiency as well as the estimated expenses of such ensuing year. The state shall account for and report all funds it receives or spends in accordance with generally accepted accounting principles. The legislature shall pass an annual or biennial budget bill that authorizes expenditures and other financing uses from the general fund that do not exceed estimated revenues and other financing sources to the general fund, as projected by the legislature in accordance with both generally accepted accounting principles and the basis of accounting as established by the Wisconsin Statutes, and reduces any existing general fund deficit (reported in accordance with generally accepted accounting principles – or, should it not be specific in that the deficit could be under GAAP or statutory basis) by an amount equal to or larger than at least the absolute value of one-fifteenth of any general fund deficit on June 30, 2015 as reported under generally accepted accounting principles or the basis of accounting established by the Wisconsin Statutes, which is larger, for each fiscal year covered by the bill.

BRYAN NAAB
4-4-11 (2)

Miller, Steve

From: Naab, Bryan
Sent: Tuesday, April 05, 2011 5:10 PM
To: Grosz, Scott
Cc: Miller, Steve; Chrisman, James
Subject: Follow-up to our meeting yesterday

Hello Scott - in follow-up to our meeting yesterday, it dawned on me that the third item on my list might not be needed. The third item related to the need to say something like "the absolute value....." when saying that revenues would need to be sufficient to reduce the deficit by one-fifteenth of whatever deficit exists as of June 30, 2015.

After further thought on it, I think that since the draft amendment is referencing the deficit, and not the fund balance, that any reference to the *deficit* would, in fact, be in terms of a positive number. (If it was referencing the general fund balance, it would be in terms of a negative number.)

Therefore, it would seem to me that your original wording would be preferable, since it doesn't get cluttered up with reference to the "absolute value."

Having said all of that, Joe and I discussed yet another potentially complicating matter. I don't believe that GAAP really defines "deficit" anywhere. Rather, I think it defines fund balance as merely being the difference between assets and liabilities, and if that number happens to be negative, the fund is in a deficit position. In addition, there could be other "deficits," such as a cash balance that is negative.

This may be a question for Steve, but I wonder if the phrase "one-fifteenth of any general fund deficit on June 30, 2015" needs to be more specific, such as "one-fifteenth of any deficit balance in the general fund on June 30, 2015....."

Please let me know if you have any questions on this item or any of the things we talked about yesterday.

Regards, Bryan

Bryan Naab
Legislative Audit Bureau
608/259-9807

Miller, Steve

From: Grosz, Scott
Sent: Wednesday, April 06, 2011 11:10 AM
To: Miller, Steve; Naab, Bryan; Chrisman, James
Subject: RE: April 6 version

Steve,

Looking over my notes from Monday, I believe this draft addresses most of the points raised by Bryan and Joe. The one point I had down that I do not see addressed is coverage of the ability of the state to spend down a surplus. If you or others feel it is already addressed, I'm happy to be corrected.

Otherwise, would it be appropriate to say on p. 2, lines 4-6, something like, "The legislature shall pass an annual or biennial budget bill that authorizes expenditures and other financing uses from the general fund that do not exceed estimated revenues, [insert reference here to a surplus], and other financing sources to the general fund..."

Scott

From: Miller, Steve
Sent: Wednesday, April 06, 2011 10:48 AM
To: Grosz, Scott; Naab, Bryan; Chrisman, James
Subject: April 6 version

Scott, Bryan, and Joe:

I think and hope that I have addressed each of the concerns and comments, but I need for you to look this over. I don't know the time fram, but as always, sooner is better.

Thanks

<< File: 11-1799__01.pdf >>



APRIL 6

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION
2011 ASSEMBLY JOINT RESOLUTION

1 **Relating to:** accounting and expenditure of state funds (first consideration).

Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2011 legislature on first consideration, requires the state to budget and account for all funds it receives or expends in accordance with generally accepted accounting principles.

The amendment restricts, in the budget bill, expenditures and other financial uses from the general fund that exceed revenues and other financing sources as estimated by the legislature in accordance with generally accepted accounting principles. It further requires that any existing budget deficit be extinguished over a fifteen-year period.

A constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

2 **SECTION 1.** Section 5 of article VIII of the constitution is amended to read:

3 [Article VIII] Section 5. The legislature shall provide for an annual tax
4 sufficient to defray the estimated expenses of the state for each year; and whenever
5 the expenses of any year shall exceed the income, the legislature shall provide for
6 levying a tax for the ensuing year, sufficient, with other sources of income, to pay the

4/6

1 deficiency as well as the estimated expenses of such ensuing year. The state shall
2 account for and report all funds it receives or spends in accordance with generally
3 accepted accounting principles. The legislature shall pass an annual or biennial
4 budget bill that authorizes expenditures and other financing uses from the general
5 fund that do not exceed estimated revenues and other financing sources to the
6 general fund, as projected by the legislature in accordance with both generally
7 accepted accounting principles and the basis of accounting established by statute,
8 and reduces any existing general fund deficit by an amount equal to or larger than
9 at least one-fifteenth of any deficit balance in the general fund on June 30, 2015 as
10 reported by generally accepted accounting principles or the basis of accounting
11 established by statute, whichever is larger, for each fiscal year covered by the bill.

12 ***Be it further resolved, That*** this proposed amendment be referred to the
13 legislature to be chosen at the next general election and that it be published for three
14 months previous to the time of holding such election.

15 (END)

*If the general fund balance reported in accordance
with GAAP is negative,*

Miller, Steve

From: Naab, Bryan
Sent: Thursday, April 07, 2011 10:32 AM
To: Grosz, Scott; Miller, Steve; Chrisman, James
Subject: RE: April 7 version

Steve and Scott - Joe and I concur that most of the items discussed on Monday have been addressed. In addition, we agree with Scott's note below that it would be clearest to include specific reference to any surplus. We also suggest that the amendment specify that the surplus be the estimated surplus at the start of the next fiscal year. Here's a suggested sentence: "The legislature shall pass an annual or biennial budget bill that authorizes expenditures and other financing uses from the general fund that do not exceed estimated revenues and other financing sources to the general fund and any estimated positive balance in the general fund as of the start of the fiscal year, ..."

In addition, we suggest the following four changes to the "Analysis by the Legislative Reference Bureau"

1. The first sentence reads "..... requires the state to budget and account for all funds....." Given the change to the wording of the amendment, where the word "budget" was removed, we suggest the sentence read: "..... requires the state to account for and report all funds....."
2. The first sentence of the second paragraph says "The amendment restricts, in the budget bill, expenditures and other financial uses from the general fund *that exceed* revenues....." This sentence seems a little unclear. Should it read: "The amendment restricts, in the budget bill, expenditures and other financial uses from the general fund *from exceeding* revenues....."
3. Assuming the suggested change to the actual amendment is made related to spending down any available general fund balance, the first sentence of the second paragraph would need to be revised to reference the beginning balance.
4. In the second paragraph, the last sentence states: "It further requires that any existing budget deficit be extinguished...." We suggest that this sentence be more specific and read: "It further requires that any existing general fund accounting deficit as of June 30, 2015 be extinguished...."

Please let either one of us know whether you have any questions.

Regards, Bryan

From: Grosz, Scott
Sent: Thursday, April 07, 2011 10:17 AM
To: Miller, Steve; Naab, Bryan; Chrisman, James
Subject: RE: April 7 version

Steve,

I believe the clause you inserted today modifies later clauses of that same sentence in an unintended manner. For example, it will affect the clause that prohibits a negative balance under both GAAP and statutory methods, as well as the clause regarding deficit reduction.

In thinking about your comment below, I believe it might be better to simply clarify that "other financing uses" includes the surplus. Technically, I suppose it would include "the lesser of a surplus, if any, as calculated under GAAP and statutory methods." Could we insert a clause to that effect following "other financing uses from the general fund..." instead of the bolded clause?

Scott

From: Miller, Steve
Sent: Thursday, April 07, 2011 9:50 AM
To: Grosz, Scott; Naab, Bryan; Chrisman, James
Subject: April 7 version

Gentlemen:

This draft adds a phrase on P2 L3. This is language suggested by Bryan which I think addresses the question raised yesterday by Scott. But I wonder if the phrase "and other financing uses" already covers the situation?

I have put today's addition in boldface type.

Thanks

Steve

<< File: 11-1799__02.pdf >>

From: Grosz, Scott

Sent: Wednesday, April 06, 2011 11:10 AM

To: Miller, Steve; Naab, Bryan; Chrisman, James

Subject: RE: April 6 version

Steve,

Looking over my notes from Monday, I believe this draft addresses most of the points raised by Bryan and Joe. The one point I had down that I do not see addressed is coverage of the ability of the state to spend down a surplus. If you or others feel it is already addressed, I'm happy to be corrected.

Otherwise, would it be appropriate to say on p. 2, lines 4-6, something like, "The legislature shall pass an annual or biennial budget bill that authorizes expenditures and other financing uses from the general fund that do not exceed estimated revenues, [insert reference here to a surplus], and other financing sources to the general fund..."

Scott

From: Miller, Steve

Sent: Wednesday, April 06, 2011 10:48 AM

To: Grosz, Scott; Naab, Bryan; Chrisman, James

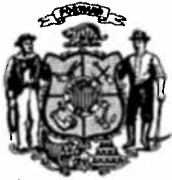
Subject: April 6 version

Scott, Bryan, and Joe:

I think and hope that I have addressed each of the concerns and comments, but I need for you to look this over. I don't know the time fram, but as always, sooner is better.

Thanks

<< File: 11-1799__01.pdf >>



*including any estimated
positive balance in the GF
as of the start of the FY*

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION
2011 ASSEMBLY JOINT RESOLUTION

APRIL 7

from exceeding

1 **Relating to:** accounting and expenditure of state funds (first consideration).

and report
Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2011 legislature on first consideration, requires the state to ~~budget and~~ account for all funds it receives or expends in accordance with generally accepted accounting principles.

The amendment restricts, in the budget bill, expenditures and other financial uses from the general fund ~~that exceed~~ revenues and other financing sources as estimated by the legislature, in accordance with generally accepted accounting principles. It further requires that any existing ~~budget~~ deficit be extinguished over a fifteen-year period.

A constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

2 **SECTION 1.** Section 5 of article VIII of the constitution is amended to read:

3 [Article VIII] Section 5. The legislature shall provide for an annual tax
4 sufficient to defray the estimated expenses of the state for each year; and whenever
5 the expenses of any year shall exceed the income, the legislature shall provide for
6 levying a tax for the ensuing year, sufficient, with other sources of income, to pay the

GF rectg

as of June 30, 2011

1 deficiency as well as the estimated expenses of such ensuing year. The state shall
2 account for and report all funds it receives or spends in accordance with generally
3 accepted accounting principles. ~~If the general fund balance reported in~~
4 ~~accordance with generally accepted accounting principles is negative, the~~
5 legislature shall pass an annual or biennial budget bill that authorizes expenditures
6 and other financing uses from the general fund that do not exceed estimated
7 revenues and other financing sources to the general fund, as projected by the
8 legislature in accordance with both generally accepted accounting principles and the
9 basis of accounting established by statute, and reduces any existing general fund
10 deficit by an amount equal to or larger than at least one-fifteenth of any deficit
11 balance in the general fund on June 30, 2015 as reported by generally accepted
12 accounting principles or the basis of accounting established by statute, whichever is
13 larger, for each fiscal year covered by the bill.

14 *Be it further resolved, That* this proposed amendment be referred to the
15 legislature to be chosen at the next general election and that it be published for three
16 months previous to the time of holding such election.

17 (END)

18 *and any estimated positive balance in the GF*
19 *as of the start of the FY,*
20

21 ~~THIS IS THE APRIL DRAFT~~



Handwritten initials 'kf' and a checkmark.

~~PRELIMINARY DRAFT NOT READY FOR INTRODUCTION~~

2011 ASSEMBLY JOINT RESOLUTION

in Apr. 7

Gen

1 **Relating to:** accounting and expenditure of state funds (first consideration). 15

Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2011 legislature on first consideration, requires the state to account for and report all funds it receives or expends in accordance with generally accepted accounting principles.

The amendment restricts, in the budget bill, expenditures and other financial uses from the general fund from exceeding revenues and other financing sources as estimated by the legislature including any estimated positive balance in the general fund as of the start of the fiscal year in accordance with generally accepted accounting principles. It further requires that any existing general fund accounting deficit as of June 30, 2015, be extinguished over a fifteen-year period.

A constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

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4 sufficient to defray the estimated expenses of the state for each year; and whenever
5 the expenses of any year shall exceed the income, the legislature shall provide for
6 levying a tax for the ensuing year, sufficient, with other sources of income, to pay the

1 deficiency as well as the estimated expenses of such ensuing year. The state shall
2 account for and report all funds it receives or spends in accordance with generally
3 accepted accounting principles. The legislature shall pass an annual or biennial
4 budget bill that authorizes expenditures and other financing uses from the general
5 fund that do not exceed estimated revenues and other financing sources to the
6 general fund and any estimated positive balance in the general fund as of the start
7 of the fiscal year, as projected by the legislature in accordance with both generally
8 accepted accounting principles and the basis of accounting established by statute,
9 and reduces any existing general fund deficit by an amount equal to or larger than
10 at least one-fifteenth of any deficit balance in the general fund on June 30, 2015, as
11 reported by generally accepted accounting principles or the basis of accounting
12 established by statute, whichever is larger, for each fiscal year covered by the bill.

13 *Be it further resolved, That* this proposed amendment be referred to the
14 legislature to be chosen at the next general election and that it be published for three
15 months previous to the time of holding such election.

16 (END)

Miller, Steve

From: Rep. Kooyenga
Sent: Thursday, August 11, 2011 11:07 AM
To: Miller, Steve
Subject: GAAP Amendment LRB 1799/1

Mr. Miller,

I would like to pass on some remarks from State Rep. Kooyenga.

Thank you for drafting up the GAAP amendment. A couple of changes I would like to incorporate:

1) The state must budget on both a US GAAP and the current statutory basis of accounting. For a budget to be valid one of the budgets can result in a surplus but neither can result in a deficit.

--i.e. Patient Compensation fund would not have been a "GAAP expense" because the expense would have been attributed to the previous biannual -- this modification would recognize the cash outlay and ensure there was sufficient cash on hand and the more Conservative fiscal approach was always followed.

2) The budget can result in a budget surplus.

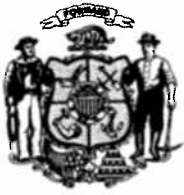
Give me a call if you would like to discuss (262-721-4391)

I would like to have the new draft to discuss with my colleagues and the governors office by COB next week.

Thank you for your time.

Bill Neville
Legislative Assistant
Office of State Representative Dale Kooyenga
14th Assembly District
17 North, State Capitol
608-266-9180





2

2011 ASSEMBLY JOINT RESOLUTION

in 8-15
TODAY, please

Regen

1 **To amend** section 5 of article VIII of the constitution; **relating to:** accounting and
2 expenditure of state funds (first consideration).

Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2011 legislature on first consideration, requires the state to account for and report all funds it receives or expends in accordance with generally accepted accounting principles.

The amendment restricts, in the budget bill, expenditures and other financial uses from the general fund from exceeding revenues and other financing sources as estimated by the legislature including any estimated positive balance in the general fund as of the start of the fiscal year in accordance with generally accepted accounting principles. It further requires that any existing general fund accounting deficit as of June 30, 2015, be extinguished over a ~~10~~ ^{ten} year period.

A constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

3 **SECTION 1.** Section 5 of article VIII of the constitution is amended to read:
4 [Article VIII] Section 5. The legislature shall provide for an annual tax
5 sufficient to defray the estimated expenses of the state for each year; and whenever
6 the expenses of any year shall exceed the income, the legislature shall provide for
7 levying a tax for the ensuing year, sufficient, with other sources of income, to pay the

1 deficiency as well as the estimated expenses of such ensuing year. The state shall
2 account for and report all funds it receives or spends in accordance with generally
3 accepted accounting principles. The legislature shall pass an annual or biennial
4 budget bill that authorizes expenditures and other financing uses from the general
5 fund that do not exceed estimated revenues and other financing sources to the
6 general fund and any estimated positive balance in the general fund as of the start
7 of the fiscal year, as projected by the legislature in accordance with both generally
8 accepted accounting principles and the basis of accounting established by statute,
9 and reduces any existing general fund deficit by an amount equal to or larger than
10 at least one-~~fifteenth~~² of any deficit balance in the general fund on June 30, 2015, as
11 reported by generally accepted accounting principles or the basis of accounting
12 established by statute, whichever is larger, for each fiscal year covered by the bill.

13 ***Be it further resolved, That*** this proposed amendment be referred to the
14 legislature to be chosen at the next general election and that it be published for three
15 months previous to the time of holding such election.

16 (END)

tenth

DL



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

August 25, 2011

TO: Representative Dale Kooyenga
Room 17 North, State Capitol

FROM: Dave Loppnow, Program Supervisor

SUBJECT: Proposals Relating to Reducing and Eliminating the GAAP Deficit

At your request, I am providing information relating to two proposals to reduce the state's deficit under generally accepted accounting principles (GAAP). The first proposal would involve an amendment to the state's Constitution to require that the state eliminate the GAAP deficit over a 15-year period. The second proposal would establish a statutory allocation of general fund tax revenues that would be used to gradually reduce the state's GAAP deficit.

Background

For fiscal year 2009-10, the state's Annual Fiscal Report indicates that the general fund had a balance of \$71.0 million on June 30, 2010. This report is prepared by the Department of Administration using a statutory basis of accounting, which includes a mixture of cash and modified accrual accounting, and is the accounting treatment that is used by the state for budget purposes.

Each year the Department of Administration also prepares the Comprehensive Annual Fiscal Report, which is prepared using GAAP. Generally accepted accounting principles use accrual accounting and uniform accounting and reporting standards. In the Comprehensive Annual Fiscal Report, the general fund is shown as having a deficit of -\$2.94 billion in 2009-10, when the financial statement is presented in conformity with GAAP.

Proposal for a Constitutional Amendment

Under the provisions of 2011 Assembly Joint Resolution LRB-1799/1, the state's Constitution would be amended to phase-out the state's GAAP deficit. The current balanced budget requirement in the Constitution (Article VIII, Section 5) would be modified to require that the state

account for and report all funds that it receives or spends in accordance with GAAP. In addition, the Legislature would be required to pass an annual or biennial budget bill that authorizes expenditures and other financing uses from the general fund that do not exceed estimated revenues and other financing sources of the general fund and any estimated positive balance, as projected by the Legislature in accordance with both GAAP and the statutory basis of accounting. Further, the Legislature would be required to reduce any existing general fund deficit as of June 30, 2015, as reported under GAAP or the statutory basis of accounting, whichever is larger, by at least one-fifteenth for each fiscal year covered by the bill.

The first provision of the proposed constitutional amendment would require the use of GAAP accounting by the state. Since the amendment would later reference the statutory basis of accounting, it appears that the amendment would allow the state to use either accounting treatment for budgetary purposes. The second provision would prohibit a budget proposal from increasing any existing budget deficit. The final provision would require that at least one-fifteenth of any existing deficit, under either method of accounting as of June 30, 2015, would have to be paid off in each fiscal year of the biennial budget.

One potential concern with the amendment relates to the practical effect of requiring one-fifteenth of any GAAP deficit on June 30, 2015, to be paid off in each future fiscal year. By way of example, if the GAAP deficit then would be comparable to the current deficit (\$2.94 billion), then each year \$196 million would need to be used to reduce the GAAP deficit. This would be a significant allocation of general fund revenues.

Proposal for a Statutory Allocation of Growth in General Fund Revenues

Under this proposal, beginning with the 2013-15 biennial budget, the budget bill would be required to utilize 10% of the projected annual increase in amount of tax revenues deposited in the general fund in the each fiscal year of the biennium to modify state law governing payment schedules or withholding tables to reduce the GAAP deficit. If revenues would be projected to decrease or remain unchanged in a given fiscal year, then no modifications to state law relating to GAAP would be required in that year. The proposal would calculate the amount of revenues to be set aside for this purpose using the most recent revenue estimates published by this office during the first six months of each odd numbered year.

As an example, if this proposal would first apply to the 2013-15 biennium, then 10% of the annual growth in general fund taxes would have to be used to reduce the GAAP deficit as part of the 2013-15 biennial budget. Depending on the annual growth rates in general fund tax collections, from \$40 million to \$70 million annually could be set aside for this purpose in the 2013-15, if the annual growth rates ranged between 3% and 5%.

To illustrate the potential amount of revenues that would be allocated to reduce the GAAP deficit under this proposal, the attachment shows examples of the amounts that would generated using differing assumptions for growth in general fund taxes. As illustrated in the attachment, the proposal would allocate \$473.9 million over the next ten years to reduce the GAAP deficit if

general fund tax collections would grow at a 3% annual rate, while the ten-year total would be \$866.6 million if general fund tax collections would grow at a 5% annual rate. For the attachment, the starting point for general fund tax revenues is the projected amount of tax collections under 2011 Act 32 in 2012-13, which is \$13,779.2 million.

To provide direction to the Governor and Legislature in reducing the GAAP deficit, the proposal would establish a priority list for changes. The priority list would be: (1) buy back the current \$75 million of school aids that is paid in the following July, so that it would be paid within the state's fiscal year; (2) over time, buy back one-half of the school levy and first dollar tax credits that are paid in July, so that \$441.3 million GPR would be paid in June, which would align the state's fiscal year payments with the underlying municipal calendar year budgetary period; and (3) similar to the school levy and first dollar tax credits, over time buy back one-half of the state payments for shared revenue programs that are paid in July or November, so that \$451.4 million GPR would be paid in June. This priority list would provide statutory guidance to the Governor and Legislature in crafting the budget provisions that would implement these buy back provisions.

If these payment changes would be made, the state's GAAP deficit would be reduced by an estimated \$970 million, assuming the state would have maintained the same general fund balance in each biennium. Future changes to further reduce the GAAP deficit involving state payments under the medical assistance program or withholding for the state's individual income tax could be made by the Legislature by law.

I hope that this information is helpful. Please contact me if you have any questions.

DL/e
Attachment

ATTACHMENT

**Example of 10% Allocation of Growth
in General Fund Taxes Under 3/4/5% Growth Rates**

(\$ in Millions)

Fiscal Year	Tax Revenues Under Assumed Growth Rates			Annual Change in Tax Revenues			10% Allocation of Annual Change in Tax Revenues for GAAP Deficit Reduction		
	3%	4%	5%	3%	4%	5%	3%	4%	5%
	Scenario	Scenario	Scenario	Scenario	Scenario	Scenario	Scenario	Scenario	Scenario
2013-14	\$14,192.6	\$14,330.4	\$14,468.2	\$413.4	\$551.2	\$689.0	\$41.3	\$55.1	\$68.9
2014-15	14,618.4	14,903.6	15,191.6	425.8	573.2	723.4	42.6	57.3	72.3
2015-16	15,056.9	15,499.7	15,951.1	438.6	596.1	759.6	43.9	59.6	76.0
2016-17	15,508.6	16,119.7	16,748.7	451.7	620.0	797.6	45.2	62.0	79.8
2017-18	15,973.9	16,764.5	17,586.1	465.3	644.8	837.4	46.5	64.5	83.7
2018-19	16,453.1	17,435.1	18,465.4	479.2	670.6	879.3	47.9	67.1	87.9
2019-20	16,946.7	18,132.5	19,388.7	493.6	697.4	923.3	49.4	69.7	92.3
2020-21	17,455.1	18,857.8	20,358.2	508.4	725.3	969.4	50.8	72.5	96.9
2021-22	17,978.7	19,612.1	21,376.1	523.7	754.3	1,017.9	52.4	75.4	101.8
2022-23	18,518.1	20,396.6	22,444.9	539.4	784.5	1,068.8	53.9	78.4	106.9
							<u>\$473.9</u>	<u>\$661.7</u>	<u>\$866.6</u>

Dave Loppnow

S:\dl\GAAP K2

After the existing Section 5, Article VIII, add the following four sentences:

1. The state may establish by statute the basis of accounting to be used for budget purposes.

(if we are going to reference two sets of books, it seems that we should make clear that the Legislature can, by law, determine the accounting treatment of the state's budget)

2. In addition to the statutory basis of accounting, the state shall account for and report all funds it receives or spends in accordance with generally accepted accounting principles.

(this is right from LRB-1799/2 and mandates use of GAAP, in addition to statutory basis of accounting)

3. Each biennium, the legislature shall pass a bill that ~~would~~ annually reduce any existing general fund deficit under generally accepted accounting principles by at least one tenth of ~~the~~ projected annual increase of tax revenues deposited in the general fund in ~~STET~~ each fiscal year.

(because the Constitution currently requires us to fix any deficit under the statutory basis of accounting in the following year, this sentence establishes the 10% buy down approach only for the GAAP deficit)

4. Once any ^{GF} deficit under generally accepted accounting principles is eliminated, the legislature may not pass any bill that would result in a projected ^{GF} deficit under generally accepted accounting principles.

(this would establish a balanced budget requirement under GAAP, once the deficit is eliminated)

Miller, Steve

From: Naab, Bryan
Sent: Monday, September 12, 2011 11:38 AM
To: Miller, Steve; Loppnow, Dave
Subject: RE: Balanced budget amendment for your review and comment

Steve - the wording of the amendment seems fine to me.

However, the "analysis" section needs to be updated to reflect the revisions - - for example, the new wording provides that the legislature may establish the budgetary basis of accounting, that the deficit be reduced by 10 percent of any projected increase in revenues (not 10 percent of the deficit balance), and that once positive, the budget would not result in a projected deficit.

In addition, the first sentence in the second paragraph of the analysis would need to be removed since that wording is not included in revised amendment.

Please call if you would like to discuss.

Thanks! Bryan

-----Original Message-----

From: Miller, Steve
Sent: Monday, September 12, 2011 11:11 AM
To: Loppnow, Dave; Naab, Bryan
Subject: Balanced budget amendment for your review and comment

Dave and Bryan,

Please let me know if this draft captures the discussion on Friday and any needed changes.

Thanks

Steve

Miller, Steve

From: Loppnow, Dave
Sent: Monday, September 12, 2011 4:10 PM
To: Miller, Steve
Cc: Naab, Bryan
Subject: RE: Afternoon edition

Hi Steve,

I think that this looks pretty good.

One possible change for you to think about, would be to add a sentence to Insert #4 on line 8, after the word principles: "The legislature may not pass any bill that would cause an increase in the projected general fund deficit under generally accepted accounting principles."

This sentence is intended to address a possible loophole, where the Legislature allocates 10% of revenue growth in a year to reduce the GAAP deficit, and then passes separate bills with provisions that increase the GAAP deficit. This sort of two-step could undercut the intent that the GAAP deficit be reduced over time.

What do you think about this?

Thanks, Dave

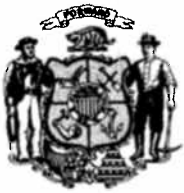
-----Original Message-----

From: Miller, Steve
Sent: Monday, September 12, 2011 1:19 PM
To: Naab, Bryan; Loppnow, Dave
Subject: Afternoon edition

Gents:

I made changes to the analysis to address Bryan's comments.

Steve



RMNR
3



2011 ASSEMBLY JOINT RESOLUTION

Today

Reyer

1

To amend section 5 of article VIII of the constitution; relating to: accounting and expenditure of state funds (first consideration).

2

and reduction of deficit

Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2011 legislature on first consideration, requires the state to account for and report all funds it receives or expends in accordance with generally accepted accounting principles.

~~The amendment restricts, in the budget bill, expenditures and other financial uses from the general fund from exceeding revenues and other financing sources as estimated by the legislature including any estimated positive balance in the general fund as of the start of the fiscal year in accordance with generally accepted accounting principles. It further requires that any existing general fund accounting deficit as of June 30, 2015, be extinguished over a ten-year period.~~

X

INS. # 3

A constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

3

SECTION 1. Section 5 of article VIII of the constitution is amended to read:

4

[Article VIII] Section 5. The legislature shall provide for an annual tax

5

sufficient to defray the estimated expenses of the state for each year; and whenever

6

the expenses of any year shall exceed the income, the legislature shall provide for

7

levying a tax for the ensuing year, sufficient, with other sources of income, to pay the

1 deficiency as well as the estimated expenses of such ensuing year. The state shall
2 account for and report all funds it receives or spends in accordance with generally
3 accepted accounting principles. The legislature shall pass an annual or biennial
4 budget bill that authorizes expenditures and other financing uses from the general
5 fund that do not exceed estimated revenues and other financing sources to the
6 general fund and any estimated positive balance in the general fund as of the start
7 of the fiscal year, as projected by the legislature in accordance with both generally
8 accepted accounting principles and the basis of accounting established by statute,
9 and reduces any existing general fund deficit by an amount equal to or larger than
10 at least one-tenth of any deficit balance in the general fund on June 30, 2015, as
11 reported by generally accepted accounting principles or the basis of accounting
12 established by statute, whichever is larger, for each fiscal year covered by the bill.

13 ***Be it further resolved, That*** this proposed amendment be referred to the
14 legislature to be chosen at the next general election and that it be published for three
15 months previous to the time of holding such election.

16 (END)

INS. #4

INSERTS FOR /3

INSERT #3

1 ~~no P~~ P The amendment further authorizes the legislature to establish the budgetary
2 basis of accounting, requires that any deficit be reduced annually by 10 percent of
3 any projected increase in revenues, and requires that once the deficit is eliminated,
4 the budget may not result in a projected deficit.

INSERT #4

X
Score
entire
paragraph
5 ~~no P~~ P The legislature may establish the basis of accounting to be used for budget
6 purposes. In addition to the statutory basis of accounting, the state shall account for
7 and report all funds it receives or spends in accordance with generally accepted
8 accounting principles. The legislature may not pass any bill that would cause an
9 increase in the projected general fund deficit under generally accepted accounting
10 principles. The legislature shall pass an annual or biennial budget bill that is
11 projected to reduce any existing general fund deficit reported under generally
12 accepted accounting principles by at least one-tenth of any projected annual
13 increase of tax revenues deposited in the general fund in each fiscal year. Once any
14 general fund deficit under generally accepted accounting principles is eliminated,
15 the legislature may not pass any bill that would result in a projected general fund
16 deficit under generally accepted accounting principles.



other

2011 ASSEMBLY JOINT RESOLUTION

in 12-12

expenditures

Regen

1 **To amend** section 5 of article VIII of the constitution; **relating to:** accounting and
2 expenditure of state funds and reduction of deficit (first consideration).

Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2011 legislature on first consideration, requires the state to account for and report all funds it receives or expends in accordance with generally accepted accounting principles.

The amendment further authorizes the legislature to establish the budgetary basis of accounting, requires that any deficit be reduced annually by 10 percent of any projected increase in revenues, and requires that once the deficit is eliminated, the budget may not result in a projected deficit.

A constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

3 **SECTION 1.** Section 5 of article VIII of the constitution is amended to read:
4 [Article VIII] Section 5. The legislature shall provide for an annual tax
5 sufficient to defray the estimated ~~expenses~~ of the state for each year; and whenever
6 the ~~expenses~~ of any year shall exceed the income, the legislature shall provide for
7 levying a tax for the ensuing year, sufficient, with other sources of income, to pay the
8 deficiency as well as the estimated ~~expenses~~ of such ensuing year. The legislature

1 may establish the basis of accounting to be used for budget purposes. In addition to
2 the statutory basis of accounting, the state shall account for and report all funds it
3 receives or spends in accordance with generally accepted accounting principles. The
4 legislature may not pass any bill that would cause an increase in the projected
5 general fund deficit under generally accepted accounting principles. The legislature
6 shall pass an annual or biennial budget bill that is projected to reduce any existing
7 general fund deficit reported under generally accepted accounting principles by at
8 least one-tenth of any projected annual increase of tax revenues deposited in the
9 general fund in each fiscal year. Once any general fund deficit under generally
10 accepted accounting principles is eliminated, the legislature may not pass any bill
11 that would result in a projected general fund deficit under generally accepted
12 accounting principles.

13 ***Be it further resolved, That*** this proposed amendment be referred to the
14 legislature to be chosen at the next general election and that it be published for three
15 months previous to the time of holding such election.

16 (END)

Miller, Steve

From: Rep.Kooyenga
Sent: Friday, January 06, 2012 11:16 AM
To: Miller, Steve
Subject: FW: GAAP Bill Changes LRB 1799/4

Subject: GAAP Bill Changes

- 1) Expenditures should in fact be expenses -- according to them expenses is more broadly defined than expenditures - sorry about going back and forth on this one
- 2) Apply requirement to all funds, not just the general fund. In addition, all additional component units created need to be on GAAP

Would like to have changes incorporated by next week Monday.

Thank you,

Dale

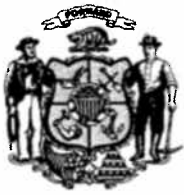
CHANGES to LRB 1799/4

To Amend the first point - Sec. 1, pp. 1, line 5, 6, 8,

To Amend the second point - Sec. 1, pp. 2, line 5. The in addition point I believe is covered in Sec.1, pp. 2, line 4

I apologize for the short notice. Thank you for your time.

Bill Neville
Legislative Assistant
Office of State Representative Dale Kooyenga
14th Assembly District
17 North, State Capitol
608-266-9180



2011 ASSEMBLY JOINT RESOLUTION

in 1-5
today, please

Regen

1 **To amend** section 5 of article VIII of the constitution; **relating to:** accounting and
2 expenditure of state funds and reduction of deficit (first consideration).

Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2011 legislature on first consideration, requires the state to account for and report all funds it receives or expends in accordance with generally accepted accounting principles.

The amendment further authorizes the legislature to establish the budgetary basis of accounting, requires that any deficit be reduced annually by 10 percent of any projected increase in revenues, and requires that once the deficit is eliminated, the budget may not result in a projected deficit.

A constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

3 **SECTION 1.** Section 5 of article VIII of the constitution is amended to read:

4 [Article VIII] Section 5. The legislature shall provide for an annual tax
5 sufficient to defray the estimated ^{PLAIN} expenses [&] expenditures of the state for each year;
6 and whenever the ^{PLAIN} expenses [&] expenditures of any year shall exceed the income, the
7 legislature shall provide for levying a tax for the ensuing year, sufficient, with other
8 sources of income, to pay the deficiency as well as the estimated ^{PLAIN} expenses

including, but not limited to,
component units

use twice
in any state fund

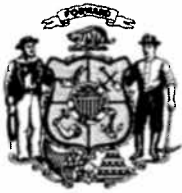
1 expenditures of such ensuing year. The legislature may establish the basis of
 2 accounting to be used for budget purposes. In addition to the statutory basis of
 3 accounting, the state shall account for and report all funds it receives or spends in
 4 accordance with generally accepted accounting principles. The legislature may not
 5 pass any bill that would cause an increase in the projected general fund deficit under
 6 generally accepted accounting principles. The legislature shall pass an annual or
 7 biennial budget bill that is projected to reduce any existing general fund deficit,
 8 reported under generally accepted accounting principles by at least one-tenth of any
 9 projected annual increase of tax revenues deposited in the general fund in each fiscal
 10 year. Once any general fund deficit under generally accepted accounting principles
 11 is eliminated, the legislature may not pass any bill that would result in a projected
 12 general fund deficit under generally accepted accounting principles.

use twice
in all state funds

in any state fund

13 ***Be it further resolved, That*** this proposed amendment be referred to the
 14 legislature to be chosen at the next general election and that it be published for three
 15 months previous to the time of holding such election.

(END)



2011 ASSEMBLY JOINT RESOLUTION

in - 1-19

today, please

of a state fund affected by a budget bill

in that fund

Regen

tax

- 1 **To amend** section 5 of article VIII of the constitution; **relating to:** accounting and
- 2 expenditure of state funds and reduction of deficit (first consideration).

Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2011 legislature on first consideration, requires the state to account for and report all funds it receives or expends in accordance with generally accepted accounting principles.

The amendment further authorizes the legislature to establish the budgetary basis of accounting, requires that any deficit be reduced annually by 10 percent of any projected increase in revenues, and requires that once the deficit is eliminated, ~~the budget may not~~ result in a projected deficit.

A constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

the legislature may not pass any bill that would

- 3 **SECTION 1.** Section 5 of article VIII of the constitution is amended to read:
- 4 [Article VIII] Section 5. The legislature shall provide for an annual tax
- 5 sufficient to defray the estimated expenses of the state for each year; and whenever
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- 7 levying a tax for the ensuing year, sufficient, with other sources of income, to pay the
- 8 deficiency as well as the estimated expenses of such ensuing year. The legislature

1 may establish the basis of accounting to be used for budget purposes. In addition to
 2 the statutory basis of accounting, the state shall account for and report all funds it
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 6 accepted accounting principles. The legislature shall pass an annual or biennial
 7 budget bill that is projected to reduce any existing deficit in any state fund reported
 8 under generally accepted accounting principles by at least one-tenth of any
 9 projected annual increase of tax revenues deposited in ~~all~~ ^{that} state funds in each fiscal
 10 year. Once any deficit in ~~all~~ ^a state funds under generally accepted accounting
 11 principles is eliminated, the legislature may not pass any bill ~~that~~ ^{that} would result in
 12 a projected deficit in ~~any~~ ^{that} state fund under generally accepted accounting principles.

that is affected by the budget bill

13 ***Be it further resolved, That*** this proposed amendment be referred to the
 14 legislature to be chosen at the next general election and that it be published for three
 15 months previous to the time of holding such election.

(END)

*affecting
that fund*



per Bob Lang
Jan. 19, 2012

2011 ASSEMBLY JOINT RESOLUTION

1 **To amend** section 5 of article VIII of the constitution; **relating to:** accounting and
2 expenditure of state funds and reduction of deficit (first consideration).

TAX

In that funds

of a state fund affected
by a budget bill

Analysis by the Legislative Reference Bureau

This proposed constitutional amendment, proposed to the 2011 legislature on first consideration, requires the state to account for and report all funds it receives or expends in accordance with generally accepted accounting principles.

The amendment further authorizes the legislature to establish the budgetary basis of accounting, requires that any deficit be reduced annually by 10 percent of any projected increase in revenues, and requires that once the deficit is eliminated, the budget may not result in a projected deficit.

A constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

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7 levying a tax for the ensuing year, sufficient, with other sources of income, to pay the
8 deficiency as well as the estimated expenses of such ensuing year. The legislature

the legislature
may not pass
any bill that
works

1 may establish the basis of accounting to be used for budget purposes. In addition to
 2 the statutory basis of accounting, the state shall account for and report all funds it
 3 receives or spends including, but not limited to, component units in accordance with
 4 generally accepted accounting principles. The legislature may not pass any bill that
 5 would cause an increase in the projected deficit in any state fund under generally
 6 accepted accounting principles. The legislature shall pass an annual or biennial
 7 budget bill that is projected to reduce any existing deficit in any state fund^{that is affected by the}
 8 under generally accepted accounting principles by at least one-tenth of any
 9 projected annual increase of tax revenues deposited in^{that} all state funds in each fiscal
 10 year. Once any deficit in^a all state funds under generally accepted accounting
 11 principles is eliminated, the legislature may not pass any bill that would result in
 12 a projected deficit in^{that} any state fund under generally accepted accounting principles.

that is affected by the budget bill

that

13 ***Be it further resolved, That*** this proposed amendment be referred to the
 14 legislature to be chosen at the next general election and that it be published for three
 15 months previous to the time of holding such election.

(END)

affecting that fund

Parisi, Lori

From: Rep.Kooyenga
Sent: Tuesday, January 24, 2012 12:39 PM
To: LRB.Legal
Subject: Draft Review: LRB 11-1799/6 Topic: Balanced budget amendment

Attachments: LRB1799draft6.pdf

Please Jacket LRB 11-1799/6 for the ASSEMBLY.



LRB1799draft6.pdf
f (127 KB)



2011 ASSEMBLY JOINT RESOLUTION

Today

Regen

- 1 **To amend** section 5 of article VIII of the constitution; **relating to:** accounting and
- 2 expenditure of state funds and reduction of deficit (first consideration).

Analysis by the Legislative Reference Bureau

X This proposed constitutional amendment, proposed to the 2011 legislature on first consideration, requires the state to account for and report all funds it receives or expends in accordance with generally accepted accounting principles.

The amendment further authorizes the legislature to establish the budgetary basis of accounting, requires that any deficit of a state fund affected by a budget bill be reduced annually by 10 percent of any projected increase in tax revenues in that fund, and requires that once the deficit is eliminated, the legislature may not pass any bill that would result in a projected deficit.

A constitutional amendment requires adoption by two successive legislatures, and ratification by the people, before it can become effective.

GAAP

- 3 **SECTION 1.** Section 5 of article VIII of the constitution is amended to read:
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- 5 sufficient to defray the estimated expenses of the state for each year; and whenever
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- 7 levying a tax for the ensuing year, sufficient, with other sources of income, to pay the

1 deficiency as well as the estimated expenses of such ensuing year. The legislature
2 may establish the basis of accounting to be used for budget purposes. In addition to
3 the statutory basis of accounting, the state shall account for and report all funds it
4 receives or spends including, but not limited to, component units in accordance with
5 generally accepted accounting principles. The legislature may not pass any bill that
6 would cause an increase in the projected deficit in any state fund under generally
7 accepted accounting principles. The legislature shall pass an annual or biennial
8 budget bill that is projected to reduce any existing deficit in any state fund that is
9 affected by the budget bill reported under generally accepted accounting principles
10 by at least one-tenth of any projected annual increase of tax revenues deposited in
11 that state fund in each fiscal year. Once any deficit in a state fund under generally
12 accepted accounting principles is eliminated, the legislature may not pass any bill
13 affecting that fund that would result in a projected deficit in that state fund under
14 generally accepted accounting principles.

15 *Be it further resolved, That* this proposed amendment be referred to the
16 legislature to be chosen at the next general election and that it be published for three
17 months previous to the time of holding such election.

18 (END)