

JOURNAL OF THE SENATE

1981 November Special Session

TUESDAY, December 1, 1981.

The chief clerk makes the following entries under the above date.

EXECUTIVE COMMUNICATIONS

State of Wisconsin
Office of the Governor
Madison, Wisconsin

November 27, 1981

To the Honorable, the Senate:

The following bills, originating in the senate, have been approved, signed and deposited in the office of the Secretary of State:

Senate Bill	Chapter No.	Date Approved
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1 -Spec. Sess. partial veto-93-----		November 25, 1981
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Sincerely,
LEE SHERMAN DREYFUS
Governor

November 25, 1981

To the Honorable, the Senate:

I have signed Senate Bill 1, Special Session and deposited it with the Secretary of State. I have also exercised my constitutional power to item veto in a way which reflects my concerns about excessive government spending and the darkening economic storm clouds on the horizon.

First let me commend the Legislature for completely exempting interspousal transfers from inheritance and gift taxation. It is a long overdue reform beneficial especially to our farm and small business families.

I am also pleased we are now guaranteed by the University that the long awaited College of Veterinary Medicine will open in the fall of 1983. Because of our dairy, hog and agricultural preeminence, that probably should have been 1883; but better late than never. It should be of substantial advantage in maintaining our agricultural crop and animal base, especially dairy, and in attracting new, innovative agricultural-related research industries to Wisconsin such as the high technology field of genetic engineering.

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I am also pleased that the Legislature approved my proposal to maintain the level of SSI despite federal cutbacks. An additional \$33.3 million in state funds is appropriated this biennium to ensure maximum aid to our most needy elderly and disabled.

I have approved an improved displaced homemaker program. It will be properly located in the VTAE system and be truly statewide in scope. It belongs in our VTAE system.

Let me say a word about shared revenues. I previously vetoed in full the biennial budget bill appropriation of \$695 million for calendar year 1982 and proposed a level of \$620 million, a 7% increase. I still believe that is the most appropriate level of support for our local governments.

In the spirit of compromise, I agreed in the legislative process, and now through exercise of my veto power, to \$18 million additional, for a total of \$638 million. This will result in a 10% increase in unrestricted aids to local governments for 1982, more than increases in social programs approved by the Legislature and more than the projected inflation rate. This is a very generous increase from the state in light of the people's ability to pay.

I caution local governments, as I caution state agencies and other groups relying on state financing, to spend these funds carefully. The economic problems are not over, and in fact appear to be worsening. In late January we will have new state tax collection projections and new estimates of social service demand levels. We also will be impacted by additional federal cuts. Unemployment is at record levels.

I am absolutely convinced that Wisconsin cannot and will not escape the economic storm that is swirling about us in our neighboring states where we are seeing losses in tax revenue ranging between \$600 and \$800 million. While I do not expect Wisconsin to suffer that kind of blow, I do believe that we should continue to make every effort to avoid any increase in expenditure or increase in taxation at this time and save every option available to us until we know how much deeper this national recession has affected our state. It is with this in mind that I am carrying out this and other vetoes. My vetoes reduce expenditures by \$45.7 million from the bill presented to me. It will leave a very tenuous balance of \$26.9 million at the end of this biennium. It should be closer to \$49 million. I do not believe the money intended to be provided by the Legislature would, in fact, be there when the time came to make the payment. It is wrong to make promises with money we will not have.

Had the money been available, I would have increased property tax credits paid to taxpayers. However, I must not approve the accounting transfer of \$37 million. I am pleased to see that the

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Legislature agrees with me that there should be a balance between tax credits paid to taxpayers and unrestricted aids paid to tax spenders. In the biennial budget bill, the Legislature reduced tax credits by \$37.5 million, an actual reduction from the previous year. Through my budget veto, \$27.5 million was restored. As a result, property tax credits will still increase 7% in 1982.

It is my hope that my decisions on this budget adjustment bill will move us beyond the battles of the last regular and special session and will build a base of cooperation so necessary to meet our obligation as elected officials to do the people's business. The task will be difficult. It will be especially difficult in an election year. It will require a willingness to work together. I am committed to try and hope that both the majority and minority leadership are also committed. On to 1982.

Sincerely,
LEE SHERMAN DREYFUS
Governor

I. EDUCATION - PUBLIC SCHOOLS

A. SPECIAL ADJUSTMENT AID

SECTION 157

My veto removes the \$50,000 cap on special adjustment aids. I proposed a special adjustment aid formula to "cushion" the impact of large general school aid losses from one year to the next. My proposal would have guaranteed school districts 91% of the previous year's aid up to \$300,000. The legislature lowered the \$300,000 limit to \$50,000. For school districts experiencing large decreases in general aid, however, a \$50,000 cushion is inadequate. My veto of the cap allows for a proportional redistribution of the \$357,400 appropriation for the program to thereby benefit school districts experiencing the greatest losses and having the greatest needs for transition funding.

II. EDUCATION - UNIVERSITY OF WISCONSIN

A. COOPERATIVE EXTENSION FUNDING

SECTION 182 (4)

This veto restores a Cooperative Extension funding supplement provided to the University of Wisconsin System under Chapter 221 Laws of 1979 for the purpose of offsetting federal funding shortfalls for the Cooperative Extension program. Elimination of the supplement would require reductions in Cooperative Extension programming and personnel, unfairly penalizing current programs for past spending decisions.

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B. PARAMEDIC TEXTBOOK AND PROGRAM

SECTION 176 (3) and Relating Clause

The above section relating to a paramedic textbook and program at the University of Wisconsin has been vetoed from the bill because its subject is not clearly within the Call of the Special Session Proclamation issued on November 2, 1981, and amended November 4, 1981. Article IV, Section 11 of the Wisconsin Constitution provides that only those provisions dealing with subjects which come within the language of the call can be legally enacted during the Special Session. A legal challenge could be costly and prevent implementation of this section. The section is deleted rather than risk prolonged legal action.

III. HEALTH AND SOCIAL SERVICES

A. COMMUNITY AIDS - FUNDING

SECTION 178 (4)

In special session Senate Bill 1, I provided sufficient funding for county social services and 51 Boards to maintain calendar year 1981 funding levels, despite significant reductions in federal revenues. The Legislature's version of this bill added approximately \$11.3 million GPR for these programs in the biennium. I have reduced as much of the additional GPR as is vetoable - approximately \$4 million of the \$11.3 million approved by the Legislature. I intend to use the GPR which I am unable to veto to reduce the amounts of Energy Assistance Block Grant funds initially proposed for transfer to this program. These block grants will thus be available to cushion further federal reductions or unexpected program increases in either the energy assistance or community aids programs.

I have not vetoed the Legislature's change in the formula used to distribute community aids funds to counties. This change repealed a complex formula which allocated a portion of these funds as non-categorical aids while other portions were earmarked for specific services. The Legislature replaced this formula with broad language enabling the Department of Health and Social Services to determine how these funds should be allocated. This action will enable the state to make significant strides in increasing the amount of flexibility counties have in the expenditure of these funds. I concur with the Legislature's determination that such flexibility is highly desirable in times of fiscal constraint.

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B. MEDICAL ASSISTANCE

SECTIONS 178 (1) and (2)

The Legislature provided for a GPR medical assistance biennial appropriations increase of \$17,170,000 compared to my recommended level of \$3,276,000. The State simply cannot afford this level.

In my special session bill, I included a series of medical assistance cost containment proposals including tightening eligibility, eliminating certain services and restraining nursing home rates. Although the legislature accepted some of these changes, it altered others. The end result was an increase of \$14.0 million GPR over my proposal. Many of the changes added by the legislature are not reachable by a veto. However, by partial veto I have been able to reduce the medical assistance appropriation by \$5.3 million GPR. This action reflects my intention to implement my original funding proposal for nursing home rate increases. The new federal concept that recognizes the "efficiently and effectively operated home" will be used as a model upon which to base the nursing home reimbursement formula which will be submitted to the Joint Committee on Finance in December. Under my proposal nursing homes in Wisconsin will still receive \$70 million more in 1982 than in 1981, a substantial increase when compared to other programs.

C. INPATIENT PSYCHIATRIC CARE - GENERAL HOSPITALS

SECTIONS 3 and 65m

These sections are partially vetoed to allow 51.42 Boards to retain 100% of unexpended inpatient psychiatric care funds. These funds could then be used for noninstitutional community programs at the Board's option depending on county needs. The legislation as passed set up an unnecessary administrative structure by requiring that 50% of the unexpended funds be returned to the department of health and social services for subsequent reallocation for similar community-based programs. The veto provides greater flexibility to counties for management of these funds and will serve as an incentive to use these funds carefully.

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D. HUGHES HALL BONDING

SECTIONS 16m, 173 (1) (b), 177 (3) and Relating Clause

The above sections relating to the Mental Health Facilities have been vetoed because their subjects are not clearly within the Call of the Special Session Proclamation issued on November 2, 1981 and amended November 4, 1981. Article IV, Section 11 of the Wisconsin Constitution provides that only those provisions dealing with subjects which come within the language of the call can be legally enacted during the Special Session. A legal challenge could be costly and prevent implementation of these sections. These sections are deleted rather than risk prolonged legal action.

IV. LEGISLATURE

A. LEGISLATIVE REVIEW OF FEDERAL BLOCK GRANTS

SECTION 174 (9)

I have partially vetoed the sections relating to review by the legislature of federal block grants. As passed, the provision completely removes my approval authority and gives it almost totally to the Joint Committee on Finance. Such a transfer of responsibility from the Executive Branch to a malapportioned single committee of the Legislature raises constitutional and accountability issues which I cannot accept.

My veto restores the existing mechanism for approval of federal grants established under s.16.54, which recognizes a legitimate legislative and executive role in reviewing and submitting recommendations on these applications for federal funds. I have also removed unrealistic and restrictive application format and deadline requirements. In addition, provisions requiring the appointment of a legislative panel for public hearings have been stricken. Federal law requires "legislative hearings" for three of the block grants. Hearings by a separate panel might have created potential compliance problems. Finally, through my November 3rd directive to the Secretary of Health and Social Services, I administratively established a process that ensures full public input early in program development and submittal to the legislature for its recommendation on each application.

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V. SHARED REVENUES

A. 1982 SHARED REVENUE PAYMENTS

SECTIONS 18m, 127m, 129m, 131m, 133m, 135g, 149g, 149m, 149r, 150, 150d, 150m, 150s, 151m, 153b, 153g, 153m, 153r, 155b, 188 (45) (a) and Relating Clause

The bill establishes a total shared revenue appropriation of \$675 million in 1982-83. Of this total amount of payments to municipalities and counties, \$638 million would be distributed as unrestricted aid and \$37 million would be used as property tax credits. In addition, payment of \$37 million under the Wisconsin state property tax relief program would be delayed from March, 1983 until July, 1983.

This veto reduces payments to municipalities by \$37 million, from \$675 million to \$638 million. The total amount of unrestricted aid (\$638) is not affected by this veto. The amount that would be paid to municipalities and used as a credit (\$37) will lapse to the general fund. In addition, the deferral of \$37 million from March to July, 1983 under the Wisconsin state property tax relief program is eliminated.

Under the veto, the distribution from the shared revenue account in 1982 will be determined as follows:

1. In 1981, using preliminary data:
 - a. The Department of Revenue will estimate 1982 shared revenue payments based on a funding level of \$675 million.
 - b. The department will estimate 1982 shared revenue payments based on an appropriation of \$638 million.
 - c. For each municipality and county, the results from (b) will be subtracted from the results from (a). The sum of these subtractions will be \$37 million.
2. In November, 1982
 - a. The department will compute 1982 shared revenue payments based on a funding level of \$675 million, using final data.
 - b. The payment reductions computed in 1981 under 1. c. will be subtracted from the amounts in 2. a. The resultant amounts will sum to \$638 million.
 - c. The Department of Revenue will certify a November distribution to the Department of Administration, based upon total payments of \$638 million in 1982. The Department of Administration will enter \$548 million in the shared revenue account on or before October 31, 1982. The sum of the July preliminary distribution (\$90 million) and the November distribution (\$548 million)

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will equal \$638 million. The amount entered in the shared revenue account as of October 31, 1982 will be distributed to municipalities and counties on November 15, 1982.

3. Of the total amount to be distributed from the shared revenue account in 1982, \$37 million will lapse to the general fund.

4. The amounts entered into the shared revenue account in July and November, 1982, totalling \$638 million, will constitute the base amount for purposes of establishing the amount to be distributed to municipalities and counties in 1983.

Shared revenue funding of \$620 million was originally proposed in Assembly Bill 818. In this bill, the Legislature added \$55 million in shared revenue payments and credits for an appropriation of \$675 million. This amount reflects a continuing unwillingness to face harsh fiscal realities. We could not afford a 17.5% increase in the shared revenue appropriation last summer; we cannot afford a similar 16.5% increase now.

This veto provides shared revenue funding of \$638 million in 1982. At this level, payments to municipalities and counties will increase by more than 10% over 1981. This rate of growth will exceed that allowed by the Legislature for many human services programs. It is likely to exceed the 1982 inflation rate as well.

This bill also proposed creating a \$37 million shared revenue credit. Because of the complex way in which this credit is structured, it both exacerbates the state's November cash flow position and uses an accounting transfer to delay a \$37 million expenditure until the next biennium. Both of these practices are unwise at this time. During November of each year, the state pays out more than 85% of shared revenues; an additional check-writing commitment would be dangerous. Paying \$37 million of credits in calendar 1982 but charging them to the 1983-85 biennium also represents excessive reliance upon what should be a sparingly-used financial tool.

One aspect of this bill is encouraging. A consensus is finally emerging that guaranteed property tax relief paid to the taxpayer as credits deserves to be an equal partner with unrestricted aid to taxpayers. It is unfortunate that the Legislature chose to ignore the new school-based mechanisms now in place for paying these credits, favoring instead to further complicate distribution by using the shared revenue formula.

It is even more unfortunate that property tax credit funding cannot be further increased at this time. In the biennial budget bill, the Legislature had reduced the 1982 level of credits recommended in the Executive Budget Bill by \$37.5 million. Only the use of a partial veto restored \$27.5 million of those credits. Thus, real estate credits will increase by 7% in 1982, even with this veto.

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VI. TAXATION

A. SPECIAL LIQUOR TAX RATE

SECTIONS 161d, 161h, 161p, 161t and Relating Clause

The above sections relating to the special liquor tax rate for alcohol made from waste products have been vetoed because their subjects are not clearly within the Call of the Special Session Proclamation issued on November 2, 1981 and amended November 4, 1981. Article IV, Section 11 of the Wisconsin Constitution provides that only those provisions dealing with subjects which come within the language of the call can be legally enacted during the Special Session. A legal challenge could be costly and prevent implementation of these sections. These sections are deleted rather than risk prolonged legal action.

State of Wisconsin
Office of the Governor
Madison, Wisconsin

November 27, 1981

To the Honorable, the Senate:

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Senate Bill	Chapter No.	Date Approved
3 ----Special Session-----	100 -----	November 27, 1981

Sincerely,
LEE SHERMAN DREYFUS
Governor

CHIEF CLERK'S REPORT

The chief clerk records:

Senate Bill 3, Special Session

Correctly enrolled and presented to the Governor on November 25, 1981.