

1999 DRAFTING REQUEST

Assembly Substitute Amendment (ASA-AB190)

Received: **03/9/99**

Received By: **champra**

Wanted: **Today**

Identical to LRB:

For: **Steve Wieckert (608) 266-3070**

By/Representing: **Himself**

This file may be shown to any legislator: **NO**

Drafter: **champra**

May Contact:

Alt. Drafters:

Subject: **State Finance - bud generally
State Finance - miscellaneous**

Extra Copies:

Pre Topic:

No specific pre topic given

Topic:

Limitations on GPR spending

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>
/?	champra 03/9/99	gilfokm 03/9/99		_____			
/1			martykr 03/10/99	_____	lrb_docadmin 03/10/99	lrb_docadmin 03/10/99	

FE Sent For:

<END>

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1/?	champra	1 3/10 jlg	1 3/ km10	1 3/ km10			

FE Sent For:

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WISCONSIN LEGISLATURE
ASSEMBLY CHAMBER



Steven K. Wieckert
State Representative

Chairman
Government Operations Committee

TO: RICHARD CHAMPAGNE
FROM: SCOTT BECHER
DATE:

PER OUR CONVERSATION,

FAX FAX FAX FAX FAX FAX FAX FAX FAX FAX FAX FAX FAX FAX FAX FAX

Ideals, Principles, Patriotism

State Capitol Office: Room Nine North, Post Office Box 8953, Madison, WI 53708-8953, (608) 266-3070, (608) 261-2360 Fax

District 57 Office: 3033 W. Spencer Street, Appleton, WI 54914, (414) 731-3000, Fax: (414) 731-2999

Committees: Government Operations, Health, Housing, Insurance

**Legislative Fiscal Bureau**

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

March 9, 1999

TO: Representative Steve Wieckert
Room 9 North, State Capitol

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 190 Relating to Limitations on State Appropriations from General Purpose Revenues

At your request, I have reviewed the provisions of AB 190. Essentially, the bill would limit the increase in general fund appropriations (less debt retirement costs) from one biennium to the next to the increase in the growth in state aggregate personal income, less 1%. The bill would be effective with the 2001-03 biennium.

Following my review, you asked that I: (1) comment on any suggested modifications to the bill; (2) calculate the limits under the bill as if it had been in effect for the 1999-01 biennium; (3) display, over the past 10 years, the percentage change in aggregate personal income and the consumer price index.

My suggested changes to the bill are as follows:

1. The base year, upon which the increase for the first year of the next biennium is determined, is the second fiscal year of the previous biennium. The allowable increase, under the bill, is to be applied to the amount appropriated from general purpose revenue (page 2, line 20). State employee compensation increases are not "appropriated" but rather, are listed in the general fund condition statement (s. 20.005(1)) as "compensation reserves." These amounts, although not "appropriated" are part of each agency's budget. Therefore, I would suggest that the bill be amended to include them in the base year and all subsequent calculations.

2. In determining the base year appropriations (and compensation reserves), I would reference the final schedule of appropriations which are printed in the statutes as the amounts from

	Base Year <u>1998-99</u>	<u>In Millions</u>		<u>Total</u>
		<u>1999-00</u>	<u>2000-01</u>	
4-year average	\$9,729.9	\$10,260.6	\$10,799.0	\$21,059.6
Increase		530.7	538.4	
%		5.45%	5.25%	
4-year average less ½ of 1%	9,729.9	10,211.9	10,696.6	20,908.5
Increase		482	484.7	
%		4.95%	4.75%	
4-year average less 1%	9,729.9	10,163.3	10,594.9	20,758.2
Increase		433.4	431.6	
%		4.45%	4.25%	
Governor's budget	9,729.9	10,221.0	10,687.5	20,908.5
Increase		491.1	466.5	
%		5.0%	4.56%	

Finally, you asked that I prepare a table that shows the annual increase in aggregate personal income and the consumer price index (CPI) for the period 1989 to 1998. That information is shown below:

<u>Year</u>	<u>% Change Aggregate Personal Income</u>	<u>% Change CPI</u>
1989	7.2%	4.8%
1990	6.1	5.4
1991	4.1	4.2
1992	7.1	3.0
1993	4.6	3.0
1994	5.8	2.6
1995	5.5	2.8
1996	5.4	3.0
1997	5.1	2.3
1998	5.0	1.6

BL/lah/sas

which calculations be made. This is not specifically indicated in the bill. Because the schedule of appropriations includes all acts of the Legislature of the previous session, is approved for publication by the Joint Committee on Finance and then printed in statutes, it is an "official" number that represents the intent of the Legislature in the base year.

3. In calculating the allowable increase in the first year, the bill calls for using the average annual increase in aggregate personal income for the most recent four years. In order to use the most recent actual data, I would suggest that you amend the bill to use the most recent four years of actual data for the first year's calculation, which would involve the four years preceding the calendar year before the biennium.

4. For the second year's calculation, I would suggest three years of actual data and one year as estimated by the Department of Revenue, which would involve the most recent four calendar years before the biennium.

5. As drafted, the bill requires that the Department of Administration estimate the growth in personal income. Because they are currently involved in this practice, I would have the Department of Revenue, rather than Administration, prepare the estimate.

6. In addition to the growth in personal income calculation, the bill (page 3, lines 11 to 17) would allow for an increase in GPR appropriations in the next biennium equal to the amount by which actual appropriations exceeded expenditures of those appropriations in the prior biennium. Because the base year calculation is made from the appropriation level (a higher amount than the expenditure level) I do not believe that this provision is needed. It is my understanding that the intent of the provision in the bill is to provide some incentive for state agencies to hold down expenditures and be rewarded by having the difference added to the next bienniums allowable increase. Expenditures being less than the appropriated level can be due to a wide variety of factors in addition to management decisions. Also, the allowable limit under the bill is not specific to each agency but rather, is an aggregate amount for the entire budget. If it is desirable to provide some additional growth, consideration might be given to modifying the percent reduction from aggregate personal income.

In addition to commenting on the language of the bill, you asked that I compute the allowable increases for 1999-01 as if the bill had been in effect for the upcoming biennium. In doing so, I have assumed the modifications that are suggested in this memorandum. The bill calls for the multiplier to be the four-year average annual percentage change in state aggregate personal income less 1%. In order to show the effect of various percentages, I have calculated the allowable increase with the following multipliers: (1) four-year average aggregate personal income; (2) four-year average aggregate personal income less $\frac{1}{2}$ of 1%; and (3) four-year average aggregate personal income less 1%. In addition to these calculations, the level of the Governor's 1999-01 budget is shown.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1066/3

RAC:jlg:lp

LRB 50018/1

RAC:jlg

WED 9AM

ASA
to

1999 ASSEMBLY BILL 190

March 8, 1999 - Introduced by Representatives WIECKERT, KESTELL, HUNDERTMARK, PETTIS, SUDER, MONTGOMERY, F. LASEE, KELSO, MUSSER, GROTHMAN, PORTER, NASS, SKINDRUD, OWENS, TOWNSEND, WASSERMAN and JENSEN, cosponsored by Senators DARLING and WELCH. Referred to Committee on Government Operations.

Regen

- 1 AN ACT to amend 16.46 (2); and to create 13.40 of the statutes; relating to:
- 2 limitations on state appropriations from general purpose revenue.

Analysis by the Legislative Reference Bureau

This bill limits the aggregate amount of general purpose revenue (GPR) that may be appropriated in any fiscal biennium, beginning in the 2001-03 biennium. Under the bill, the limit is calculated in the following way. First, a base year amount is established that equals the amount of GPR appropriated in the second year of the prior fiscal biennium. For the first year of the new fiscal biennium, the base year amount is increased by the average annual percentage change in state aggregate personal income for the four prior calendar years, minus 1%. For the second year of the new fiscal biennium, the first year amount is increased by the average annual percentage change in state aggregate personal income for the three prior calendar years and the current calendar year, minus 1%. These amounts are added together and are then increased by the amount by which all sum certain GPR appropriations in the prior fiscal biennium exceeded actual expenditures for these appropriations in the prior fiscal biennium. The sum of these amounts is the aggregate amount of GPR that may be appropriated during the entire fiscal biennium.

Under the bill, however, certain GPR appropriations are excluded from the limit. These are appropriations for debt service or operating notes; appropriations to honor a moral obligation pledge that the state has taken with respect to certain revenue bonds; appropriations to refund certain earnings to the federal government relating to state bond issues; and appropriations that are enacted with the approval of at least two-thirds of the members of each house of the legislature.

ASSEMBLY BILL 190

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 13.40 of the statutes is created to read:

2 **13.40 Limitation on state appropriations from general purpose**
3 **revenue.** (1) In this section:

4 (a) "Fiscal biennium" means a 2-year period beginning on July 1 of an
5 odd-numbered year.

6 (b) "General purpose revenue" has the meaning given for "general purpose
7 revenues" in s. 20.001 (2) (a).

8 (c) "Local governmental unit" has the meaning given in s. 16.97 (7).

9 (d) "Program revenue" has the meaning given for "program revenues" in s.
10 20.001 (2) (b) and "program revenues-service" in s. 20.001 (2) (c), but excludes federal
11 revenues as defined in s. 20.001 (2) (e).

12 (e) "Segregated revenue" has the meaning given for "segregated fund revenues"
13 in s. 20.001 (2) (d), "segregated fund revenues — service" in s. 20.001 (2) (da) and
14 "segregated fund revenues — local" in s. 20.001 (2) (dm), but excludes federal
15 revenues as defined in s. 20.001 (2) (e).

16 (2) Except as provided in subs. (3) to (5), the amount appropriated from general
17 purpose revenue for each fiscal biennium, excluding any amount ~~expended~~ under an
18 appropriation specified in sub. (3) (a) to (e), as determined under sub. (6), may not
19 exceed the sum of:

20 (a) The amount appropriated from general purpose revenue, excluding any
21 amount ~~expended~~ under an appropriation specified in sub. (3) (a) to (e), for the 2nd

ASSEMBLY BILL 190

determined under sub. (b) ✓

1

fiscal year of the prior fiscal biennium as ~~reported under s. 18.46(2)~~

2

the sum of 0.99 and the average annual percentage change in this state's aggregate

3

personal income, expressed as a decimal, as reported for the most recent 4 calendar

4

years prior to ^{*the calendar year immediately preceding ✓*} the fiscal biennium by the federal department of commerce.

5

(b) The amount determined under par. (a) multiplied by the sum of 0.99 and

6

the average annual percentage change in this state's aggregate personal income,

7

expressed as a decimal, as reported for the most recent 3 calendar years prior to the

8

fiscal biennium by the federal department of commerce and as estimated by the

9

department of ~~administration~~ ^{*revenue*} for the calendar year following those years no later

10

than December 5 of each even-numbered year, except as provided in sub. (8).

11

(c) Any amount by which the amount appropriated from sum certain

12

appropriations made from general purpose revenue, excluding any amount

13

expended under an appropriation specified in sub. (3) (a) to (e), for the preceding

14

fiscal biennium, exceeded actual expenditures from sum certain appropriations

15

made from general purpose revenue for the preceding fiscal biennium, excluding any

16

amount expended under an appropriation specified in sub. (3) (a) to (e), as

17

determined by the legislative fiscal bureau.

the calendar year immediately preceding ✓

(3) The limitation under sub. (2) does not apply to any of the following:

(a) An appropriation for principal repayment and interest payments on public debt, as defined in s. 18.01 (4), or operating notes, as defined in s. 18.71 (4).

(b) An appropriation to honor a moral obligation undertaken pursuant to ss. 18.61 (5), 85.25 (5), 229.50 (7), 229.74 (7), 234.15 (4), 234.42 (4), 234.54 (4) (b), 234.626 (7), 234.93 (6), 234.932 (6), 234.933 (6) and 281.59 (13m).

(c) An appropriation to make a payment to the United States that the building commission determines to be payable under s. 13.488 (1) (m).

1. Introduction

2.

3. Discussion

4. Conclusion

ASSEMBLY BILL 190

SECTION 1

1 (e) An appropriation that is enacted with the approval of at least two-thirds
2 of the members of each house of the legislature.

3 (4) Whenever in any fiscal biennium the federal government assumes fiscal
4 responsibility for a state program that was previously funded from general purpose
5 revenue, the limitation under sub. (2) for the next fiscal biennium shall be reduced
6 by the amount allocated to that program for the most recently completed fiscal
7 biennium in which the state assumed fiscal responsibility for the program.

8 (4m) Whenever in any fiscal biennium the legislature reduces the cost of
9 administering a program administered in whole or in part from general purpose
10 revenue by substituting funding from program revenue or segregated revenue, the
11 limitation under sub. (2) for the next fiscal biennium shall be reduced by the amount
12 of the reduced state cost, from general purpose revenue, of administering that
13 program for the most recently completed fiscal biennium.

14 (5) Whenever in any fiscal biennium the legislature terminates or reduces the
15 state general purpose revenue funding for a program administered by local
16 governmental units that is partially funded by the state from general purpose
17 revenue, the limitation under sub. (2) for the next fiscal biennium shall be reduced
18 by the amount allocated by the state to that program from general purpose revenue
19 or by the amount of the reduced state cost, from general purpose revenue, of
20 administering that program for the most recently completed fiscal biennium. If the
21 requirement that the local unit of government administer the program is terminated
22 or reduced by the same amount that state general purpose funding is reduced, then
23 no adjustment shall be made to the limitation under sub. (2).

24 (6) For purposes of sub. (2), the computation of the amount appropriated from
25 ~~general purpose revenue for any fiscal biennium to which sub. (2) applies shall be~~

Insert 4-23 ✓

ASSEMBLY BILL 190

e

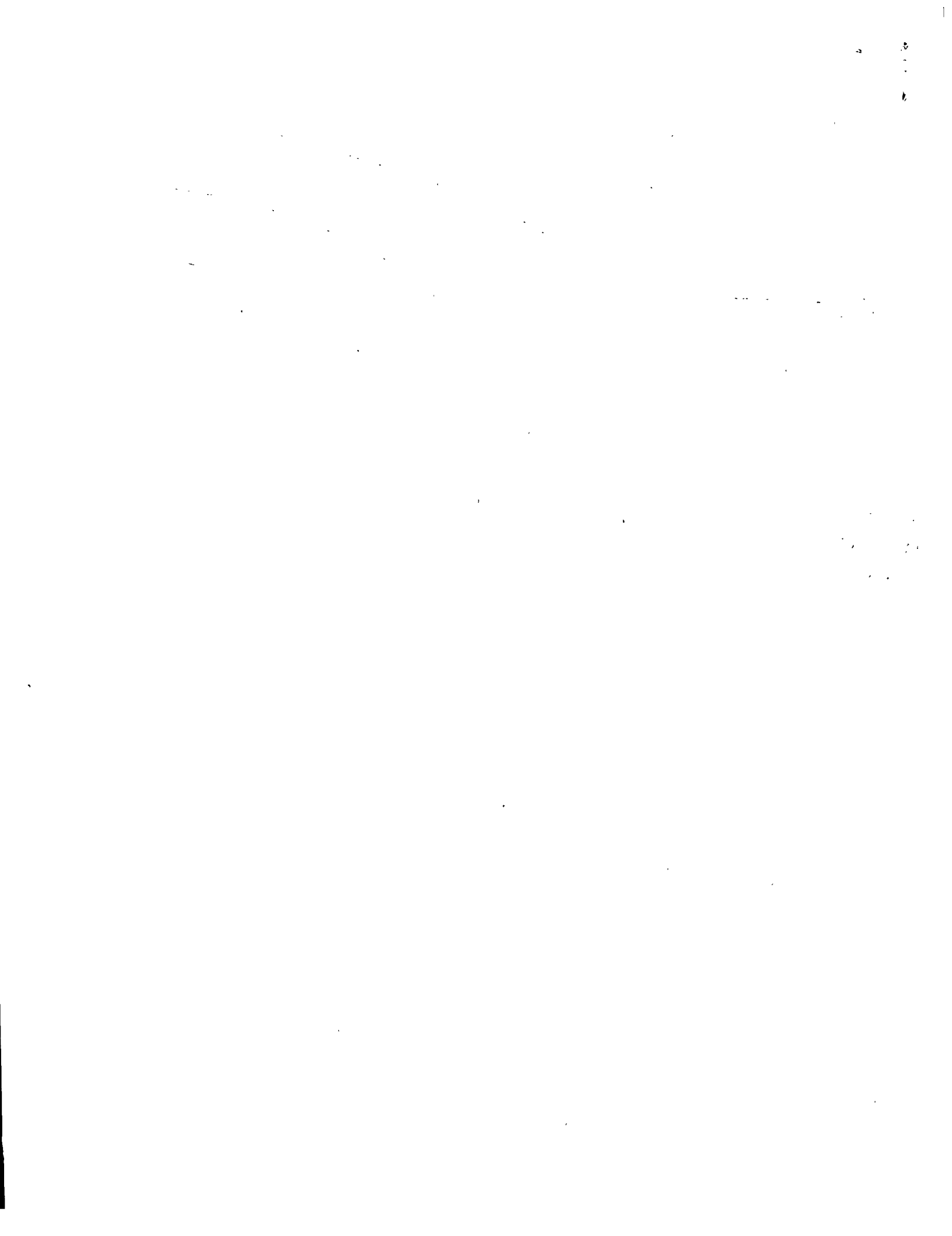
1 made by adding the applicable sum certain appropriations enacted by the legislature
 2 from general purpose revenue and an estimate of amounts that will be expended
 3 under applicable appropriations, other than sum certain appropriations, that are
 4 made from general purpose revenue for that fiscal biennium, including any amounts
 5 estimated to be expended for payment of compensation increases for state employes
 6 and for litigation expenses incurred in actions against the state or state officers,
 7 employes or agents, as determined by the legislative fiscal bureau no later than
 8 December 5 of each even-numbered year, except as provided in sub. (8).

9 ~~(7) For purposes of calculating the amount appropriated from a biennial~~
 10 ~~appropriation under sub. (2) (a), the amount shown in the schedule under s. 20.005~~
 11 ~~(3) for the 2nd year of any fiscal biennium is determinative.~~

12 (8) No later than December 5 of each even-numbered year, the department of
 13 ~~administration~~ and legislative fiscal bureau shall report to the ✓cochairpersons of the
 14 joint committee on finance the estimates and determinations required to be made
 15 under subs. (2) and (6) ✓for the succeeding fiscal biennium. If the cochairpersons of
 16 the committee do not notify the secretary of ~~administration~~ and the director of the
 17 legislative fiscal bureau that the committee has scheduled a meeting for the purpose
 18 of reviewing the estimates and determinations by December 15 following their
 19 submittal, the estimates and determinations shall be effective. If, by December 15
 20 following the submittal of the estimates and determinations, the cochairpersons of
 21 the committee notify the secretary and director that the committee has scheduled a
 22 meeting for the purpose of reviewing the estimates and determinations, the
 23 estimates and determinations are not effective unless approved or approved with
 24 modifications by the committee.

revenue

25 SECTION 2, 16.46 (2) of the statutes is amended to read:



1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBs0018/?ins
.....

Insert 4-23:

(6) For purposes of sub. (2), the legislative fiscal bureau shall determine the amount appropriated from general purpose revenue for any fiscal biennium to which sub. (2) applies by adding the total general purpose revenue appropriations for that fiscal biennium plus any amount designated as "Compensation Reserves" for that fiscal biennium in the summary under s. 20.005 (1), as printed in the revised schedule that is approved under s. 20.004 (2), and adjusting this sum by any amount that the legislative fiscal bureau determines affects general purpose revenues. The legislative fiscal bureau shall make this determination no later than December 5 of each even-numbered year, except as provided in sub. (8).

Insert 6-5:

(9) The co-chairpersons of the joint committee on finance shall submit a report of the estimations and determinations approved by the committee under sub. (8) to the governor, the secretary of administration, the speaker of the assembly and the president of the senate.