

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

May 19, 1999

Secretary Mark Bugher
Department of Administration
101 E. Wilson St.
Madison, WI 53702

Dear Secretary Bugher:

We are writing to inform you that the Joint Committee on Finance has reviewed your request, dated April 28, 1999, concerning the department's intent to submit a request to the Building Commission to issue operating notes in an amount not to exceed \$350,000,000 for fiscal year 1999-2000.

No objections to this request have been raised. Accordingly, the request is approved.

Sincerely,

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE
Senate Chair

Handwritten signature of John G. Gard in black ink.

JOHN G. GARD
Assembly Chair

BB:JG:dh

cc: Members, Joint Committee on Finance
Robert Lang, Legislative Fiscal Bureau
Vicky LaBelle, Department of Administration

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Re: 14-Day Passive Review Approval

Date: April 30, 1999

Attached is a copy of a letter from the Department of Administration, dated April 28, 1999, which notifies the Joint Committee on Finance that the department intends to submit a request to the Building Commission to issue operating notes in an amount not to exceed \$350,000,000 for fiscal year 1999-2000. It requires 14-day passive review and approval by the Joint Committee on Finance, pursuant to s. 16.405(3), Stats.

Please review the material and notify **Senator Burke** or **Representative Gard** no later than **Monday, May 17, 1999**, if you have any concerns about the request or if you would like the Committee to meet formally to discuss it.

Also, please contact us if you need further information.

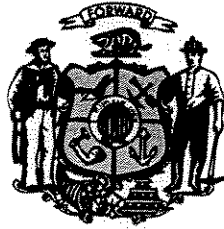
Attachment

BB:JG:dh

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

TOMMY G. THOMPSON
GOVERNOR

MARK D. BUGHER
SECRETARY



Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

April 28, 1999

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

Re: 1999 Operating Note Issue

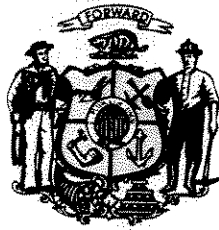
Dear Senator Burke, Representative Gard and Members:

The State of Wisconsin customarily issues operating notes in each fiscal year because of differences in the timing of receipts and disbursements. The Department of Administration has again determined that a deficiency will occur which will not permit the State to meet its operating obligations in a timely manner during fiscal year 1999-2000.

As required by 16.405 (3) Wisconsin Statutes, I hereby notify the Joint Committee on Finance that the Department intends to submit a request to the Building Commission to issue operating notes in an amount not to exceed \$350,000,000 for fiscal year 1999-2000. The operating notes will be issued pursuant to Sections 16.405 (1) and 18.72 (1), Wisconsin Statutes.

Sincerely,


Mark D. Bugher
Secretary



TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY

Date: April 27, 1999
To: Members, Joint Committee on Finance
From: Mark D. Bugher, Secretary
Department of Administration
Subject: S.16.405(3) Request for Operating Note Approval

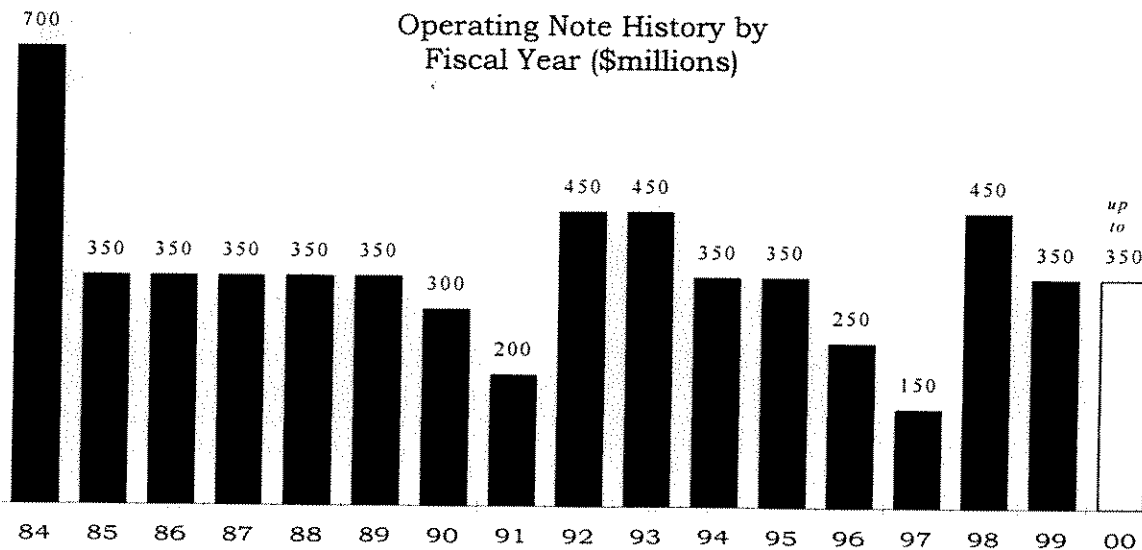
Request

The Department of Administration (DOA) requests Joint Committee on Finance approval under s.16.405(3) to request the Building Commission to authorize a 1999 operating note of up to \$350 million.

Background

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

Operating notes have been issued annually since FY84 to accommodate the magnitude of the general fund's short-term cash deficits and to minimize the costs of short-term borrowing. Variability in the general fund's cash balances has required annual evaluation of borrowing needs. As shown below, previous operating notes have ranged from \$150 million to \$700 million.



Short-term borrowing will again be necessary in FY00 to cover a temporary cash imbalance. The general fund's cash balance includes the University's Auxiliary funds and other program revenue accounts held in trust from estates or court decisions. While held in the general fund, any use of these dollars aside from their designated purpose constitutes borrowing. These PR balances vary from \$150 to \$250 million. Excluding the balances of the PR accounts, current estimates place the general fund's lowest cash balance at approximately -\$607 million in early December 1999.

Analysis

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

Under s.18.725, operating notes are limited to no more than 10% of total GPR and PR appropriations. With the \$350 million maximum note allowable under this request, the 1999 operating note would be about 20% of the statutory cap.

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

DOA will determine the final size of the note in June. The note may be smaller than \$350 million depending on the final cashflow forecast at the time of sale.

As in previous years, the FY00 budget has been structured on the assumption of issuing an operating note. Interest earned, net of the cost of operating notes, is about \$3.8 million higher with a \$350 million operating note as compared to not issuing any note at all.

Recommendation

Approve the request.

Prepared by: Paul Ziegler
266-5468

**State of Wisconsin
General Fund Monthly Cash Flow Report
July 1, 1999-June 30, 2000 (1)**

(A=Actual, E=Estimate)

	JUL 1999	AUG 1999	SEP 1999	OCT 1999	NOV 1999	DEC 1999	JAN 2000	FEB 2000	MAR 2000	APR 2000	MAY 2000	JUN 2000	TOTAL 2000
BALANCES (In Thousands)													
Beginning Balance (2)	441,102	53,426	339,870	576,862	991,700	604,514	110,542	1,081,776	1,274,568	462,787	1,036,395	1,306,170	6,032,113
Ending Balance	53,426	339,870	576,862	991,700	604,514	110,542	1,081,776	1,274,568	462,787	1,036,395	1,306,170	438,767	3,571,700
Lowest Balance	51,731	-77,757	167,103	552,703	339,180	-387,340	110,542	1,051,514	462,787	402,060	892,780	90,378	690,122
RECEIPTS													
TAX RECEIPTS													
Individual Income	446,858	367,317	564,961	443,125	393,439	413,722	806,364	391,350	411,424	815,194	397,336	581,023	6,032,113
Sales & Use	308,770	321,057	310,735	311,449	305,734	274,197	347,702	261,232	249,659	276,090	300,591	304,484	3,571,700
Corporate Income	15,542	14,672	126,403	20,145	13,464	131,261	23,278	15,307	162,945	24,009	15,907	127,189	690,122
Public Utility	857	0	130	989	123,762	235	70	5	38	919	110,640	355	240,000
Excise	25,349	26,319	26,875	25,034	25,625	23,988	24,456	21,373	21,315	23,134	22,960	25,547	291,975
Insurance	739	898	20,079	436	602	19,788	662	6,194	9,992	16,072	1,153	17,888	94,503
Inheritance	5,344	4,139	6,162	5,283	3,456	3,652	3,865	7,041	3,146	3,888	5,306	7,234	58,516
Subtotal Tax Receipts	803,459	734,402	1,035,345	806,461	868,082	866,843	1,206,397	702,502	858,519	1,159,306	853,893	1,063,720	10,978,929
NON-TAX RECEIPTS													
Federal	346,180	309,680	295,081	360,497	283,540	306,758	423,546	377,194	334,333	334,359	310,094	326,626	4,007,888
Other & Transfers	269,129	193,116	320,523	234,358	232,305	207,906	415,998	283,932	259,178	194,158	257,888	268,929	3,137,420
Note Proceeds	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	615,309	502,796	615,604	594,855	515,845	514,664	839,544	661,126	593,511	528,517	567,982	595,555	7,145,308
TOTAL RECEIPTS	1,418,768	1,237,198	1,670,949	1,401,316	1,383,927	1,381,507	2,045,941	1,363,628	1,452,030	1,687,823	1,421,875	1,659,275	18,124,237
DISBURSEMENTS													
Local Aids	844,219	120,188	551,050	93,730	943,561	1,109,233	170,872	142,172	1,035,196	106,217	210,998	1,565,296	6,892,732
Income Maintenance	233,810	236,031	258,114	242,995	238,415	264,027	242,269	240,133	265,993	238,963	264,997	236,044	2,961,791
Payroll and Related	344,591	184,500	218,352	288,702	253,709	289,473	296,728	250,384	317,258	222,467	252,015	367,031	3,285,210
Tax Refunds	57,616	38,798	34,069	38,569	56,608	72,722	45,860	192,519	232,222	190,510	143,582	123,953	1,227,028
Debt Service	0	12,243	0	141,549	5,134	0	0	10,840	189,196	0	17,819	0	376,781
Miscellaneous	326,208	358,994	372,372	180,933	273,686	140,024	318,978	334,788	223,946	356,058	262,689	234,354	3,383,030
Note Repayment (3)	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	1,806,444	950,754	1,433,957	986,478	1,771,113	1,875,479	1,074,707	1,170,836	2,263,811	1,114,215	1,152,100	2,526,678	18,126,572

Notes: (1) Excludes Inter-Fund Borrowing.

(2) The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's Universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds are projected to range from \$120 to \$200 million during the 1999-2000 Fiscal Year. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. These funds are estimated to average approximately \$50 million during the 1999-2000 Fiscal Year.

(3) Assumes no operating note issuance.