



## Legislative Fiscal Bureau

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February 25, 2002

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Budget Issue Papers

This packet contains 2001-03 budget issue papers, prepared by this office, on those agencies scheduled for the Committee's February 27, 2002, executive session on Special Session Assembly Bill 1.

- Budget Management (including across-the-board general purpose revenue reductions and program and segregated revenue lapses and transfers to the general fund for all agencies)
- Department of Administration
- Office of the Governor
- Board of Commissioner of Public Lands
- Natural Resources
- State Public Defender

These agencies have been scheduled for executive action by the Joint Committee on Finance on Wednesday, February 27. The meeting will begin at 10:30 a.m. in Room 412 East, State Capitol.

BL/sas  
Attachments

# Budget Management

(LFB Summary of the Governor's Budget Reform Bill: Page 19)

## LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
3&5	Across-the-Board GPR Budget Reductions (Paper #1120)
2&4	Program and Segregated Revenue Lapses and Transfers (Paper #1121)
1	Statutory Procedures for Handling of Fiscal Emergencies (Paper #1122)

## LFB Summary Item for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
6	Elimination of Unfunded State Agency Positions

**AGENCY:** Budget Management

**LFB PAPER #:** 1120

**ISSUE:** Across-the-Board GPR Budget Reductions

**ALTERNATIVE:** Alt. 2, modifies the Gov's plan for agency cuts

**SUMMARY:**

There will be various motions by members to address different agencies.

**BY:** Cindy

*Legis  
Gov. cuts  
circuits*

ATB cuts - Albers

15% printing all agencies lapse \$5.5 mil  
Plat renew - charge back to developer \$350,000

5% to 6

BUDGET MANAGEMENT

Across the Board Reductions

Motion:

Move to provide that the across the board reduction amounts for 2002-03 for each state agency's GPR state operations (excluding fuel and debt service appropriations) reductions be increased by an amount equal to an additional 1% of the reduction amount in the bill for each state agency's total GPR state operations appropriations (excluding fuel and debt services appropriations).

Note:

The specific ATB reductions amount in the bill for each state agency's state operations reduction would be increased by an amount equal to an additional 1%.

[Change to Bill: -\$23,431,900 GPR]

*exempt  
public defenders from this  
+ 16-515 review  
largest approx  
to change come back  
13.10*

MO# 174

BURKE	(Y)	N	A
DECKER	(Y)	N	A
MOORE	(Y)	N	A
SHIBILSKI	(Y)	N	A
PLACHE	(Y)	N	A
WIRCH	(Y)	N	A
DARLING	(Y)	N	A
ROSENZWEIG	(Y)	N	A
② GARD	(Y)	N	A
KAUFERT	(Y)	N	A
ALBERS	(Y)	N	A
DUFF	(Y)	N	A
WARD	(Y)	N	A
① HUEBSCH	(Y)	N	A
HUBER	(Y)	N	A
COGGS	(Y)	N	A

AYE 16 NO 0 ABS \_\_\_\_\_

BUDGET MANAGEMENT

Suspension of State Contributions to Fund the  
Accumulated Sick Leave Conversion Credit Program and the  
Income Continuation Insurance Program;  
Accumulation of Sick Leave Credits for New Employees

Motion:

Move to suspend state employer contributions for the accumulated sick leave conversion credit program, the supplemental health insurance conversion credit program and the state income continuation program for the period July 1, 2002, through June 30, 2003, and lapse all non-FED fringe benefits amounts budgeted for these contributions to the general fund.

Provide that for state employees hired on and after July 1, 2003, the maximum annual amount of sick leave credits that may accumulate for the accumulated sick leave conversion credit program is 65 hours per year. For faculty and academic staff personnel who are appointed on or after July 1, 2003, the maximum annual amount of sick leave credits that may accumulate for the accumulated sick leave conversion credit program is 34 hours for personnel appointed to work 52 weeks and is 25.6 hours for personnel appointed to work 39 weeks.

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Note:

Under current law, the state budgets 1.7% of payroll to fund the accumulated sick leave conversion credit program, 1.0% of payroll to fund the supplemental health insurance conversion credit program and 0.5% of payroll to fund the state income continuation program.

Under the sick leave conversion credit programs, unused state employee sick leave hours accumulate from year to year and are converted at retirement to pay health insurance premiums. State contributions and investment earnings fund the costs of the programs. The income continuation insurance program is a voluntary program that pays 75% of gross salary for short-term and long-term disabilities, after certain amounts of sick leave have been used or an elimination period has elapsed. Benefits do not duplicate any other benefits available under existing state or federal programs. State and employee contributions (based on the total amount of sick leave accrued) and investment earnings fund the program.

This motion would suspend all state employer contributions to fund these programs during the 2002-03 fiscal year [\$83,258,700 All Funds] and direct the lapse of all non-FED budgeted fringe benefits amounts [\$72,851,400] to the general fund. The effect of the suspension of employer contributions to these programs in 2002-03 will be to increase unfunded liabilities for each program. The motion would add \$83.3 million of liabilities to current unfunded liabilities of \$471.6 million. These increased unfunded liabilities will result in higher employer contributions, as a percentage of payroll, once state contributions are resumed.

The motion would reduce the maximum annual accumulation of sick leave under the accumulated sick leave conversion credit program for new employees hired on or after July 1, 2003, from the current 130 hours per year to 65 hours per year. Faculty and academic staff first hired after that date would have their maximum accumulation amounts reduced from 68 hours to 34 hours per year for 52-month appointments and from 51.2 hours to 25.6 hours per year for 39-month appointments.

[Change to the Bill: \$72,851,400-GPR-Lapse]

MO# 135

*drop para 2*

BURKE	Y	<del>N</del>	A
DECKER	Y	<del>N</del>	A
MOORE	<del>Y</del>	N	A
SHIBILSKI	<del>Y</del>	N	A
PLACHE	<del>Y</del>	N	A
WIRCH	<del>Y</del>	N	A
DARLING	<del>Y</del>	N	A
ROSENZWEIG	<del>Y</del>	N	A
② GARD	<del>Y</del>	N	A
KAUFERT	<del>Y</del>	N	A
ALBERS	<del>Y</del>	N	A
① DUFF	<del>Y</del>	N	A
WARD	<del>Y</del>	N	A
HUEBSCH	<del>Y</del>	N	A
HUBER	<del>Y</del>	N	A
COGGS	<del>Y</del>	N	A

AYE 14 NO 2 ABS \_\_\_\_\_

BUDGET MANAGEMENT

Across-the-Board GPR Budget Reductions for the Department of Public Instruction  
[Paper #1120]

Motion:

Move to reallocate the across-the-board budget reduction taken by DPI under the bill so that the general program operations appropriation for the Department and the general program operations appropriation for the Wisconsin School for the Deaf and Center for the Blind and Visually Impaired would each be reduced by 3.5% in 2001-02 and 5.0% in 2002-03.

This would increase DPI's agency general program operations appropriation by \$365,200 GPR in 2001-02 and \$521,700 GPR in 2002-03 and would correspondingly reduce the DPI residential schools' general program operations appropriation. Delete the bill provision that would authorize the Joint Committee on Finance to transfer all or part of the reduction to DPI's agency general program operation to DPI's residential schools' general program operations appropriation.

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Note:

Under the bill, reductions for the two general program operations appropriations are calculated using the total base amount of both the DPI general program operations appropriation and the appropriation for the state residential schools. However, the entire reduction attributable to these two appropriations is made to the DPI agency general program operations appropriation. The bill would specify that during the 2001-02 or 2002-03 fiscal year or both, the Joint Committee on Finance could transfer all or part of the reduction from the DPI agency general operations appropriation to the appropriation for the state residential schools without making the findings normally required to make such a transfer under current law. The DPI agency general program operations appropriation totals \$11,779,400 in 2001-02 and \$11,974,400 in 2002-03, while the appropriation for the state residential schools totals \$10,434,900 annually. If the entire funding reduction relating to these two appropriations of \$777,500 in 2001-02 and \$1,120,500 in 2002-03 would be taken from the DPI agency general program operations appropriation, it would represent a 6.6% reduction in 2001-02 and a 10.7% reduction in 2002-03.

MO# 138

① BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
ROSENZWEIG	Y	N	A

② GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS \_\_\_\_\_

## BUDGET MANAGEMENT

## UW System Base Budget Reduction

[LFB Paper #1120]

## Motion:

Move to reduce the following UW System state operations GPR-funded appropriations by 4.5% in 2002-03:

Appropriation	2002-03 Act 16	2002-03 4.5% Reduction
20.285 (1)(as) Industrial and economic development research	\$1,602,400	- \$72,100
20.285 (1)(b) Area health education centers	1,158,200	- 52,100
20.285 (1)(cm) Educational technology	6,483,400	- 291,800
20.285 (1)(em) Schools of business	1,557,100	- 70,100
20.285 (1)(fc) Department of family medicine and practice	7,863,900	- 353,900
20.285 (1)(fd) State lab of hygiene: general program operations	7,671,300	- 345,200
20.285 (1)(fj) Veterinary diagnostic lab	4,355,400	- 196,000
20.285 (1)(fm) Laboratories	4,217,300	- 189,800
Total 4.5% GPR Reduction		- \$1,571,000

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 Note:

This motion would reduce the UW System's GPR funded state operations appropriations that are not affected by the Governor's budget reform bill by 4.5% in 2002-03. These additional 4.5% across-the-board reductions would reduce funding for the UW System by \$1,571,000 GPR in 2002-03. Under the Governor's proposal, the UW System's largest general program operations appropriation and the UW System administration's general program operations appropriation would be reduced by 1.1% in 2001-02 and 4.5% in 2002-03.

[Change to Bill: - \$1,571,000 GPR]

MO# # 160

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
MOORE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	<input checked="" type="radio"/> Y	N	A
PLACHE	<input checked="" type="radio"/> Y	N	A
WIRCH	<input checked="" type="radio"/> Y	N	A
DARLING	<input checked="" type="radio"/> Y	N	A
ROSENZWEIG	<input checked="" type="radio"/> Y	N	A
<input checked="" type="radio"/> GARD	<input checked="" type="radio"/> Y	N	A
<input checked="" type="radio"/> KAUFERT	<input checked="" type="radio"/> Y	N	A
ALBERS	<input checked="" type="radio"/> Y	N	A
DUFF	<input checked="" type="radio"/> Y	N	A
WARD	<input checked="" type="radio"/> Y	N	A
HUEBSCH	<input checked="" type="radio"/> Y	N	A
HUBER	Y	<input checked="" type="radio"/> N	A
COGGS	Y	<input checked="" type="radio"/> N	A

AYE 11 NO 5 ABS \_\_\_\_\_



BUDGET MANAGEMENT

Compensation Reserves

Motion:

Move to eliminate funding for length of service payments to classified state employees by: (1) reducing the amount of funding included in compensation reserves in 2001-02 by \$ 2,511,200 GPR; \$680,700 FED; \$1,842,100 PR and \$428,800 SEG; and (2) reducing the amount of funding included in compensation reserves in 2002-03 by \$2,684,500 GPR; \$727,600 FED; \$1,969,100 PR and \$458,400 SEG.

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Note:

Within the funding amounts included in compensation reserves are funds for the payment of one-time, non-base building amounts to classified state employees (represented and non-represented) based on the employee's continuous years of state service. Annual payments are set at: \$50 annually for employees more than 5 but less than 10 years of service; \$100 annually for more than 10 but less than 15 years of service; \$150 annually for more than 15 but less than 20 years of service; \$200 annually for more than 20 but less than 25 years of service; and \$250 for 25 or more years of service. These payments are made in June of each fiscal year. This motion would delete all funding from compensation reserves set aside for this purpose. If length of service payments are required to be made to classified employees, the cost of such payments would have to borne by the agencies' existing budgets since supplemental funding from compensation reserves would not be available for this purpose.

[Change to Bill : -\$5,195,700 GPR; -\$1,408,300 FED; -\$3,811,200 PR; and -\$887,200 SEG]

MO# # 139

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
MOORE	<input checked="" type="radio"/> Y	N	A
SHIBILSKI	<input checked="" type="radio"/> Y	N	A
PLACHE	<input checked="" type="radio"/> Y	N	A
WIRCH	<input checked="" type="radio"/> Y	N	A
DARLING	<input checked="" type="radio"/> Y	N	A
ROSENZWEIG	<input checked="" type="radio"/> Y	N	A

<input checked="" type="radio"/> GARD	Y	N	A
<input checked="" type="radio"/> KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 14 NO 2 ABS \_\_\_\_\_

NATURAL RESOURCES

3.5% and 5.0% Budget Reductions

[LFB Paper #1120]

Motion:

Move to reduce the following GPR appropriations by a total of \$1,787,400 in 2001-02 and \$2,523,800 in 2002-03. These amounts represent 3.5% of total Act 16 GPR appropriations in 2001-02 and 5.0% in 2002-03. However, the percentage reduction in individual GPR appropriations varies from these amounts.

	<u>Reduction Amount</u>	
	<u>2001-02</u>	<u>2002-03</u>
Natural Heritage Inventory Program	-\$8,800	-\$12,500
Endangered Resources Operations	-17,500	-25,000
Lands Division Operations	-21,400	-30,600
Motor Vehicle Air Emission Inspection	-2,400	-3,400
Air and Waste Division Operations	-149,300	-176,100
Enforcement & Science Division Operations	-170,400	-303,000
Great Lakes Remedial Action	-5,300	-7,500
Water Division Operations	-965,200	-1,325,200
Nonpoint Source Grants	-30,900	-44,200
Local Water Quality Planning Aids	-9,900	-14,200
Resource Maintenance and Development	-44,700	-58,200
Facilities Acquisition, Development and Maintenance	-6,400	-9,100
Administration & Technology Division Operations	-270,500	-392,400
Customer Assistance & External Relations Operations	<u>-84,700</u>	<u>-122,400</u>
Total	-\$1,787,400	-\$2,523,800

Note:

This motion would delete the Governor's recommended reductions for state park operations and state park and riverway roads and instead increase the Water Division operations reduction by a corresponding amount (\$366,800 in 2001-02 and \$470,300 in 2002-03).

MO# 184

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
MOORE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	<input checked="" type="radio"/> Y	N	A
PLACHE	Y	<input checked="" type="radio"/> N	A
WIRCH	<input checked="" type="radio"/> Y	N	A
DARLING	<input checked="" type="radio"/> Y	N	A
ROSENZWEIG	<input checked="" type="radio"/> Y	N	A

<input checked="" type="radio"/> GARD	<input checked="" type="radio"/> Y	N	A
KAUFERT	<input checked="" type="radio"/> Y	N	A
ALBERS	<input checked="" type="radio"/> Y	N	A
DUFF	<input checked="" type="radio"/> Y	N	A
WARD	<input checked="" type="radio"/> Y	N	A
HUEBSCH	<input checked="" type="radio"/> Y	N	A
HUBER	Y	N	A
COGGS	Y	<input checked="" type="radio"/> N	A

AYE 11 NO 5 ABS

BUDGET MANAGEMENT

Modifications to the Contribution Formula Governing State Group Health Insurance  
Premium Payments for Certain Part-Time State Employees

Motion:

Move to specify that for permanent or project state employees with appointments between 0.50 FTE and 0.74 FTE, who are participants under the Wisconsin Retirement System, the state would contribute one-half of the normal state contribution for a full-time employee, commencing January 1, 2003, and the employee would contribute the remainder. Lapse all non-FED fringe benefits savings to the general fund.

Stipulate that this modification would be a prohibited subject of bargaining for the state as employer and specify that the modification would first apply to employees who are affected by a collective bargaining agreement that contains inconsistent provisions on the day on which the collective bargaining agreement expires, or is extended, modified, or renewed, whichever first occurs.

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Note:

Under current law, if an employee is at least half-time, the employee is deemed full-time for premium contribution purposes, and the state pays the premium cost of group health insurance coverage based on the current contribution formula. The proposed modification requiring state employees with appointments between 0.50 FTE and 0.74 FTE to pay one-half of the normal premium costs would affect an estimated 4,323 state employees. Compared to current law, it is estimated that the state would save \$16,782,000 (All Funds) annually under the change. Based on six months of savings in 2002-03 and excluding FED-funded contributions, it is estimated that a maximum of \$7,342,100 would lapse to the general fund.

This provision would apply to nonrepresented and represented employees.

[Change to Bill: \$7,342,100 GPR-Lapse]

MO# 191

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
MOORE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	Y	<input checked="" type="radio"/> N	A
PLACHE	Y	<input checked="" type="radio"/> N	A
WIRCH	Y	<input checked="" type="radio"/> N	A
DARLING	<input checked="" type="radio"/> Y	N	A
ROSENZWEIG	<input checked="" type="radio"/> Y	N	A
<input checked="" type="radio"/> GARD	<input checked="" type="radio"/> Y	N	A
<input checked="" type="radio"/> KAUFERT	<input checked="" type="radio"/> Y	N	A
ALBERS	<input checked="" type="radio"/> Y	N	A
DUFF	<input checked="" type="radio"/> Y	N	A
WARD	<input checked="" type="radio"/> Y	N	A
HUEBSCH	<input checked="" type="radio"/> Y	N	A
HUBER	Y	<input checked="" type="radio"/> N	A
COGGS	Y	<input checked="" type="radio"/> N	A

AYE 8 NO 9 ABS \_\_\_\_\_

BUDGET MANAGEMENT

Modifications to the Contribution Formula Governing State Group Health Insurance  
Premium Payments for State Employees

Motion:

Move to modify the current contribution formula governing state group health insurance to provide that commencing January 1, 2003, the state would contribute an amount equal to 90% of the state employee's monthly premium cost of the Standard Plan or 100% of the premium cost of the lowest cost alternative health care plan (but not more than the total amount of the remaining premium), whichever contribution amount is less.

Stipulate that this state group health insurance contribution modification would be a prohibited subject of bargaining for the state as employer and specify that the modification would first apply to employees who are affected by a collective bargaining agreement that contains inconsistent provisions on the day on which the collective bargaining agreement expires, or is extended, modified, or renewed, whichever first occurs.

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Note:

This motion would decrease the maximum amount of the state's contribution towards an employees state group health insurance coverage from the lesser of 90% of the Standard Plan or 105% of the least costly alternative plan to the lesser of 90% of the Standard Plan or 100% of the least costly alternative plan. The Department of Employee Trust Funds estimates that if this modification were applied based on current premium charges and enrollment patterns, the state would realize annual contribution savings of \$11,575,200 (All Funds). Based on six months of savings in 2002-03 and excluding FED-funded contributions, it is estimated that a maximum \$5,064,100 would lapse to the general fund as a result of this modification. A change in the maximum state payment could impact the enrollment choices of state employees, however, and these lapse amounts could be reduced if significant numbers of employees enroll in the least costly alternative plan in a county.

This provision would apply to nonrepresented and represented employees.

[Change to Bill: \$5,064,100 GPR-Lapse]

MO# 193

BURKE	Y	(N)	A
DECKER	Y	(N)	A
MOORE	Y	(N)	A
SHIBILSKI	Y	(N)	A
PLACHE	Y	(N)	A
WIRCH	Y	(N)	A
DARLING	(Y)	N	A
ROSENZWEIG	(Y)	N	A
2 0. GARD	(Y)	N	A
KAUFERT	(Y)	N	A
ALBERS	(Y)	N	A
DUFF	(Y)	N	A
WARD	(Y)	N	A
HUEBSCH	(Y)	N	A
HUBER	Y	(N)	A
COGGS	Y	(N)	A

AYE 8 NO 8 ABS \_\_\_\_\_



BUDGET MANAGEMENT

DOA Across-the-Board State Operations Reduction

Motion:

Move to increase the state operations appropriation reduction for DOA by \$224,900 GPR in 2001-02 and \$582,400 GPR in 2002-03.

Note:

These reductions would impose on DOA state operations reduction of 3.5% in 2001-02 and 10.0% in 2002-03.

[Change to Bill: -\$807,300 GPR]

MO# 199

②	BURKE	Y	N	A
	DECKER	Y	N	A
	MOORE	Y	N	A
	SHIBILSKI	Y	N	A
	PLACHE	Y	N	A
①	WIRCH	Y	N	A
	DARLING	Y	N	A
	ROSENZWEIG	Y	N	A
	GARD	Y	N	A
	KAUFERT	Y	N	A
	ALBERS	Y	N	A
	DUFF	Y	N	A
	WARD	Y	N	A
	HUEBSCH	Y	N	A
	HUBER	Y	N	A
	COGGS	Y	N	A

*- Some modification  
largest 1% then back to JFC  
if wat to change*

AYE 16 NO 0 ABS \_\_\_\_\_

BUDGET MANAGEMENT

Compensation Reserves

[LFB Paper # 1120]

Motion:

Move to reduce the amount of funds placed in compensation reserves in 2002-03 by \$10,000,000 GPR; \$2,732,400 FED; \$7,341,600 PR; and \$1,709,100 SEG. Further, provide that in submitting recommended pay plan supplement requests for state agencies to the Joint Committee on Finance for fiscal year 2002-03, the Department of Administration shall ensure that such supplement requests do not include any funding for the cost of pay increases to those state employees whose base salaries at the end of fiscal year 2001-02 were at the higher end of the state's pay scale, as determined by the Department of Administration.

Note:

This motion would reduce existing funding for compensation reserves in 2002-03. It would also require DOA to exclude from any agency pay plan supplement request any requested funding that would be used for the cost of salary increases awarded to employees making more than \$100,000 annually.

[Change to Bill: -\$10,000,000 GPR; -\$2,732,400 FED; -\$7,341,600 PR; and -\$1,709,100 SEG]

MO#	BURKE	DECKER	MOORE	SHIBILSKI	PLACHE	WIRCH	DARLING	ROSENZWEIG	GARD	KAUFERT	ALBERS	DUFF	WARD	HUEBSCH	HUBER	COGGS	AYE	NO	ABS
	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A			
	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N			
	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			





## Legislative Fiscal Bureau

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February 27, 2002

Joint Committee on Finance

Paper #1120

### **Across-the-Board GPR Budget Reductions (Budget Management)**

[LFB Summary of the Governor's Budget Reform Bill: Across-the-Board GPR Reductions]

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#### **CURRENT LAW**

Under 2001 Act 16 (the 2001-03 biennial budget), the base budgets for most state operations appropriations (less debt service and fuel and utilities) were reduced by 5% annually. For some agencies, the percentage reduction was less than the annual 5% figure. In total, these reductions equaled \$39.9 million general purpose revenue (GPR) in each year of the biennium.

In addition, the budget, as passed by the Legislature, would have required DOA to identify, and lapse to the general fund, compensation amounts for positions that had been vacant for nine months or more and to reduce the costs of membership dues paid by agencies by 20%. The Governor vetoed the provision but directed the Secretary of DOA to generate the additional savings by requiring an additional across-the-board reduction of 1.55% annually for those agencies subject to the base budget reductions. Those reductions further cut GPR expenditures by \$8.5 million for each year of the biennium.

#### **GOVERNOR**

Reduce the GPR state operations appropriations of a number of state agencies by 3.5% in 2001-02 and 5.0% in 2002-03. These across-the-board reductions would total \$26.4 million in 2001-02 and \$80.5 million in 2002-03.

The following chart displays the sum of Act 16 state operations reductions and those recommended by the Governor in SS AB 1.

	<u>2001-02</u>	<u>2002-03</u>	<u>Total</u>
Act 16 --5.0% Reduction	\$39,876,400	\$39,872,900	\$79,749,300
Act 16 -- 1.55% Reduction	8,508,500	8,508,500	17,017,000
SS AB 1	<u>26,374,200</u>	<u>80,536,500</u>	<u>106,910,700</u>
Total	\$74,759,100	\$128,917,900	\$203,677,000

## DISCUSSION POINTS

1. In December, 2001, the Secretary of the Department of Administration informed state agencies that, in addition to the across-the-board reductions of Act 16, the Governor had ordered him to reduce "agency state operations appropriations by 3.5% for fiscal year 2001-02." Although the directive did not apply to all agencies, it was anticipated that the 3.5% reduction would save \$28,305,500 in 2001-02.

2. In his budget reform bill, the Governor has recommended that agency appropriations be reduced in 2001-02 to accomplish his December 3.5% direction and that a further reduction of 5.0% for most agencies be implemented for 2002-03.

3. Although the Governor's December order required that the reduction come from "state operations appropriations," the bill does not uniformly take reductions for all agencies from their state operations appropriations. In some of the agencies, the 3.5% and 5.0% is realized by reducing local assistance and aids appropriations as well as those for state operations, and in other instances, the percentage reduction varies from the 3.5% and 5.0%.

4. The following table identifies the amount, and percentage of reductions of the state operations appropriations of each agency under the Governor's bill. The percentages in the table reflect the reduction in the state operations appropriations (less debt service and fuel and utilities) from the Act 16 amounts. It should be noted that the reductions identified below are those which constitute an "across-the-board" cut. In some instances, the bill may delete or significantly modify a state operations appropriation (for example, the Youth Challenge Program in the Department of Military Affairs). Those items are not included in the table.

<u>Agency</u>	<u>SS AB 1 State Operations GPR Reductions</u>			
	<u>2001-02</u>		<u>2002-03</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Administration	\$241,300	1.8%	\$444,600	3.9%
Adolescent Pregnancy Prevention Bd.	800	3.4	1,200	5.1
Agriculture, Trade and Consumer Protection	468,700	2.4	558,800	2.8
Arts Board	12,400	3.5	17,600	5.0
Board on Aging and Long-Term Care	27,400	3.5	39,100	5.0
Circuit Courts	0	0.0	0	0.0
Commerce	229,900	2.9	316,300	4.1
Corrections	1,229,400	0.2	18,510,900	2.9

SS AB 1 State Operations GPR Reductions

Agency	2001-02		2002-03	
	Amount	%	Amount	%
Court of Appeals <i>hold over</i>	\$0	0.0%	\$0	0.0%
District Attorneys	0	0.0	0	0.0
Educational Communications Board	191,800	3.5	274,200	5.0
Elections Board	34,000	3.5	46,400	5.0
Employee Trust Funds	6,000	2.8	0	0.0
Employment Relations	205,000	3.5	292,900	5.0
Employment Relations Commission	92,800	3.5	132,500	5.0
Ethics Board	8,700	3.5	12,400	5.0
Governor <i>hold over</i>	174,000	5.0	347,700	10.0
Health and Family Services	2,131,900	1.1	3,041,800	1.6
Higher Educational Aids Board	28,100	3.5	40,100	5.0
Historical Society	354,200	3.5	506,100	5.0
Judicial Commission	0	0.0	0	0.0
Justice	1,202,100	3.5	1,737,700	5.0
Legislature	(2,182,400)	(3.5)	(3,081,100)	(5.0)
Assembly	746,700	3.5	1,046,300	5.0
Senate	522,800	3.5	724,500	5.0
Legislative Documents	275,500	3.5	393,600	5.0
Membership Dues	5,600	3.5	7,900	5.0
Retirement Committees	6,400	3.5	9,100	5.0
Actuarial Studies	500	3.5	700	4.9
Revisor of Statutes Bureau	25,800	3.5	36,900	5.0
Legislative Reference Bureau	145,800	3.5	224,900	5.0
Legislative Audit Bureau	153,900	3.5	219,900	5.0
Legislative Fiscal Bureau	110,700	3.5	155,400	5.0
Legislative Council	114,500	3.5	159,500	5.0
Legislative Technology Services Bureau	74,200	3.5	102,400	5.0
Lieutenant Governor	19,700	3.5	28,200	5.0
Military Affairs	0	0.0	0	0.0
Miscellaneous Appropriations				
Capitol Office Relocation	154,600	3.5	55,200	5.0
Natural Resources	1,746,600	3.8	2,465,400	5.4
Personnel Commission	30,100	3.5	43,100	5.0
Program Supplements	350,900	0.8	594,700	1.3
Public Defender				
Program Administration	83,100	3.5	119,400	5.0
All Other	0	0.0	0	0.0
Public Instruction	960,900	3.4	1,481,300	5.0
Revenue	2,869,100	3.5	4,150,200	5.0
State Treasurer	1,900	3.5	1,400	4.8
Supreme Court	(245,500)	(2.2)	(350,700)	(3.2)
General Operations	0	0.0	0	0.0
Director of State Courts	181,200	3.5	258,800	5.0
Law Library	64,300	3.5	91,900	5.0
TEACH Board	23,200	3.5	32,000	5.0
Tourism	147,200	1.3	210,200	1.9
University of Wisconsin System	(10,097,000)	(1.1)	(40,436,400)	(4.4)
General Operations	10,000,000	1.2	40,000,000	4.7
System Administration	97,000	1.0	436,400	4.5
All Other	0	0.0	0	0.0
Veterans Affairs	0	0.0	9,200	1.3
Wisconsin Technical College System	35,500	1.0	159,600	4.5
Workforce Development	788,000	2.2	998,100	2.9
TOTAL	\$26,374,200	1.1%	\$80,536,500	3.4%

*hold over*

5. In aggregate, state operations appropriations under the bill are reduced by 1.1% in 2001-02 and 3.4% in 2002-03. As the table indicates, for some agencies or programs, no reduction has been recommended by the Governor and in other instances the reduction is less than 3.5%/5.0%.

- *Department of Administration.* The bill would reduce the agency's general program operations by 2.5% in 2001-02 and 4.1% in 2002-03; Special and Executive Order Committee funds would be reduced by 0.0% in 2001-02 and by 37.5% in 2002-03; and general program operations for housing assistance would not be reduced.

- *Agriculture, Trade and Consumer Protection.* Although the Department's state operations appropriations are not reduced at the 3.5%/5.0% level, the bill would reduce the Department's total GPR appropriations (excluding debt service and fuel and utilities) by 3.5% and 5.0%. To achieve these overall percentages, the bill would reduce various aids and local assistance appropriations.

- *Commerce.* Similar to DATCP, Commerce's total GPR appropriations would be reduced by 3.5% and 5.0%. This is accomplished through reductions to non-state operations appropriations.

- *Corrections.* The reductions in the table identified for the Department of Corrections (DOC) include: (a) across-the-board budget reductions; (b) position reductions; and (c) prison contract bed cost reductions. The reduction in 2001-02 is based on reducing central office costs by 3.5%. The reduction identified in the table for 2002-03 represents only a portion of the reductions in DOC for that year. Total 2002-03 reductions equal 6% due to savings from delayed correctional facility openings, cost reductions offset by increases in fees to offenders and the elimination of certain programs (chemical castration and the secured work program).

- *Employee Trust Funds.* The Department's general program operations appropriation for the Private Employer Health Care Coverage Program would be reduced by 2.8% in 2001-02. There is no appropriation for this program in 2002-03.

- *Health and Family Services.* The reductions for this agency would be applied at the 3.5%/5.0% rate for all state operations appropriations except those for the mental health institutes, Sand Ridge Treatment Center and the Wisconsin Resource Center.

- *Legislature.* In addition to the reductions shown in the table, the bill would reduce the budgets of both the Assembly and Senate by \$1.0 million, annually, because of the elimination of the caucus staffs.

- *Program Supplements.* The bill would not make reductions in certain compensation and fringe benefit-related appropriations, the supplemental appropriations of the Joint Committee on Finance and amounts for agency relocations.

- *Public Defender.* The Governor's bill would reduce the administrative appropriation of the agency by 3.5% and 5.0%. Reductions have not been recommended in the trial, appellate and

private bar appropriations. (A shortfall in the agency's private bar appropriation is addressed in LFB Paper #1215)

- *Tourism.* Rather than a reduction in its appropriations, the bill would require that the agency lapse \$357,400 GPR in the biennium from four appropriations.

- *University of Wisconsin System.* The University's appropriation for general operations (primarily instructional funding) and System Administration would be reduced by approximately 1.1% in 2001-02 and 4.5% in 2002-03. No reductions would be made to the UW's other state operations appropriations, which includes those for economic development research, area health education centers, educational technology, business schools, State Lab of Hygiene, Department of Family Practice and Medicine, laboratories, minority and disadvantaged programs and services received from the UW Hospitals and Clinics Authority.

- *Wisconsin Technical College System.* The bill would reduce WTCS, GPR state operations appropriations by 1.0% in each year and all other GPR appropriations (including grants and aids) by 4.5% in 2002-03.

- *Workforce Development.* The bill would not apply reductions to the general program operations appropriation for vocational rehabilitation services.

6. The bill makes no across-the-board reductions to the state operations budgets of the Court of Appeals, Circuit Courts, Supreme Court (except for the Director of State Courts and Law Library), District Attorneys, Judicial Commission and Department of Military Affairs.

7. The attachment displays the sum of across-the-board reductions in GPR, state operations appropriations for the 2001-03 biennium. The attachment shows, for each agency, the sum of reductions of Act 16 and those recommended by the Governor in SS AB 1. The columns of the attachment are as follows:

Column 1 -- Agency.

Column 2 -- 2000-01 Base GPR budget for state operations less debt service and fuel and utilities.

Column 3 -- The sum of 2001-02 GPR, state operations reductions. This includes the 5% and 1.55% reductions of Act 16 and the Governor's recommended reductions of SS AB 1.

Column 4 -- Shows the percentage reduction from the 2000-01 base budget for state operations (less debt service and fuel and utilities).

Columns 5, 6 and 7 -- Displays the information of Columns 2, 3 and 4 for 2002-03.

As the attachment shows, state operations appropriations would be reduced by \$203.7 million for the biennium (\$74.8 million in 2001-02 and \$128.9 million in 2002-03). Although the average percentage reduction is 3.2% in 2001-02 and 5.6% in 2002-03, a number of agencies would experience reductions in excess of 10% in each fiscal year.

8. If the Committee wishes to modify any of the reductions recommended by the Governor, it may want to limit its attention to the second year of the biennium. Because of the Governor's 3.5% reduction order in December, 2001, agencies have had the opportunity to prepare for the cuts in the first fiscal year. To impose additional reductions for 2001-02 at this time may be difficult to manage.

### **ALTERNATIVES TO BILL**

1. Adopt the across-the board reductions recommended by the Governor.
2. Modify any of the agency reductions recommended by the Governor.

**ATTACHMENT**

**2001-03 Across-the-Board GPR, State Operations Reductions**

<u>Agency</u>	<u>2000-01 Base</u>	<u>2001-02</u>		<u>2000-01 Base</u>	<u>2002-03</u>	
		<u>Reductions</u>	<u>%</u>		<u>Reductions</u>	<u>%</u>
Administration	\$14,380,800	\$1,182,100	8.2%	\$14,380,800	\$1,385,400	9.6%
Adolescent Pregnancy Prevention Bd.	23,100	2,000	8.7	23,100	2,400	10.4
Agriculture, Trade and Consumer Protection	20,263,500	1,794,400	8.9	20,263,500	1,884,500	9.3
Arts Board	344,900	29,600	8.6	344,900	34,800	10.1
Board on Aging and Long-Term Care	628,500	58,800	9.4	628,500	70,500	11.2
Circuit Courts	53,826,200	2,153,000	4.0	53,826,200	2,153,000	4.0
Commerce	8,234,800	768,600	9.3	8,234,800	855,000	10.4
Corrections	584,463,200	3,527,300	0.6	584,463,200	20,808,800	3.6
Court of Appeals	7,892,100	413,000	5.2	7,892,100	413,000	5.2
District Attorneys	35,078,500	0	0.0	35,078,500	0	0.0
Educational Communications Board	5,675,700	563,100	9.9	5,675,700	645,500	11.4
Elections Board	913,800	79,700	8.7	913,800	92,100	10.1
Employee Trust Funds		6,000				
Employment Relations	6,097,000	604,000	9.9	6,097,000	691,900	11.3
Employment Relations Commission	2,783,300	274,900	9.9	2,783,300	314,600	11.3
Ethics Board	236,500	20,500	8.7	236,500	24,200	10.2
Governor	3,397,600	396,300	11.7	3,397,600	570,000	16.8
Health and Family Services	160,709,700	11,466,600	7.1	160,709,700	12,376,500	7.7
Higher Educational Aids Board	784,900	67,300	8.6	784,900	79,300	10.1
Historical Society	10,516,900	1,042,200	9.9	10,516,900	1,194,100	11.4
Judicial Commission	232,700	11,600	5.0	232,700	11,600	5.0
Justice	35,400,400	3,517,900	9.9	35,400,400	4,053,500	11.5
Legislature	(60,328,900)	(6,129,000)	(10.2)	(60,328,900)	(7,027,700)	(11.6)
Assembly	21,480,600	2,151,800	10.0	21,480,600	2,451,400	11.4
Senate	13,928,800	1,433,900	10.3	13,928,800	1,635,600	11.7
Legislative Documents	8,285,200	817,600	9.9	8,285,200	935,700	11.3
Membership Dues	167,600	16,600	9.9	167,600	18,900	11.3
Retirement Committees	222,700	20,900	9.4	222,700	23,600	10.6
Actuarial Studies	15,000	1,500	10.0	15,000	1,700	11.3
Revisor of Statutes Bureau	754,000	75,100	10.0	754,000	86,200	11.4
Legislative Reference Bureau	3,826,500	396,100	10.4	3,826,500	475,200	12.4
Legislative Audit Bureau	4,354,100	438,800	10.1	4,354,100	504,800	11.6
Legislative Fiscal Bureau	2,727,500	289,200	10.6	2,727,500	333,900	12.2
Legislative Council	2,874,400	302,600	10.5	2,874,400	347,600	12.1
Legislative Technology Services Bureau	1,692,500	184,900	10.9	1,692,500	213,100	12.6
Lieutenant Governor	525,600	46,000	8.8	525,600	54,500	10.4
Military Affairs	6,673,500	402,100	6.0	6,673,500	402,100	6.0
Miscellaneous Appropriations						
Capitol Office Relocation	4,118,900	154,600	3.8	4,118,900	55,200	1.3
Natural Resources	49,482,100	4,983,600	10.1	49,482,100	5,702,400	11.5
Personnel Commission	897,700	75,000	8.4	897,700	88,000	9.8

**ATTACHMENT (continued)**

**2001-03 Across-the-Board GPR, State Operations Reductions**

<u>Agency</u>	<u>2001-02</u>			<u>2002-03</u>		
	<u>2000-01 Base</u>	<u>Reductions</u>	<u>%</u>	<u>2000-01 Base</u>	<u>Reductions</u>	<u>%</u>
Program Supplements	\$95,910,500	\$350,900	0.4%	\$95,910,500	\$594,700	0.6%
Public Defender	(64,738,600)	(4,318,200)	(6.7)	(64,738,600)	(4,354,500)	(6.7)
Program Administration	2,493,500	238,200	9.6	2,493,500	274,500	11.0
All Other	62,245,100	4,080,000	6.6	62,245,100	4,080,000	6.6
Public Instruction	28,083,200	1,906,800	6.8	28,083,200	2,427,200	8.6
Revenue	84,326,000	8,385,500	9.9	84,326,000	9,666,600	11.5
State Treasurer	163,400	10,000	6.1	163,400	6,000	3.7
Supreme Court	(10,340,100)	(786,700)	(7.6)	(10,340,100)	(891,900)	(8.6)
General Operations	4,233,300	221,500	5.2	4,233,300	221,500	5.2
Director of State Courts	5,055,700	445,900	8.8	5,055,700	523,500	10.4
Law Library	1,051,100	119,300	11.4	1,051,100	146,900	14.0
TEACH Board	702,200	58,300	8.3	702,200	67,100	9.6
Tourism	11,957,100	929,400	7.8	11,957,100	992,400	8.3
University of Wisconsin System	(881,989,200)	(16,536,900)	(1.9)	(881,989,200)	(46,876,300)	(5.3)
General Operations	822,821,500	15,936,900	1.9	822,821,500	45,936,900	5.6
System Administration	10,060,400	600,000	6.0	10,060,400	939,400	9.3
All Other	49,107,300	0	0.0	49,107,300	0	0.0
Veterans Affairs	1,123,600	0	0.0	1,123,600	9,200	0.8
Wisconsin Technical College System	3,456,700	261,600	7.6	3,456,700	385,700	11.1
Workforce Development	45,397,500	1,445,600	3.2	45,397,500	1,655,700	3.6
<b>TOTAL</b>	<b>\$2,302,098,900</b>	<b>\$74,759,100</b>	<b>3.2%</b>	<b>\$2,302,098,900</b>	<b>\$128,917,900</b>	<b>5.6%</b>