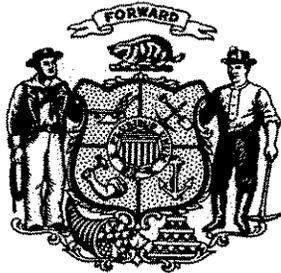


50 R

State of Wisconsin  
JOINT LEGISLATIVE COUNCIL

*Co-Chairs*  
**ALAN LASEE**  
President, State Senate

**STEVE WIECKERT**  
Representative, State Assembly



**LEGISLATIVE COUNCIL STAFF**  
**Terry C. Anderson**  
*Director*  
**Laura D. Rose**  
*Deputy Director*

January 30, 2003

Senator Carol A. Roessler, Co-Chair  
Joint Committee on Audit  
Room 8 South, State Capitol  
Madison, WI 53701

Representative Suzanne Jeskewitz, Co-Chair  
Joint Committee on Audit  
Room 314 North, State Capitol  
Madison, WI 53701

Dear Senator Roessler and Representative Jeskewitz:

Last summer, the Joint Legislative Council created the Special Committee on Improving Wisconsin's Fiscal Management and directed it to examine ways for Wisconsin to improve its ability to manage its finances using modern financial management and policy practices in the context of the budget process. One of the needs identified by the Special Committee is that of greater legislative understanding of state financial statements prepared in accordance with generally accepted accounting principles (GAAP). Financial statements based on GAAP more accurately depict the state's financial condition by emphasizing an accrual accounting approach under which revenues are recorded when they are earned, rather than when they are collected, and liabilities are recorded when they are incurred, rather than when they are paid out.

At its December 18, 2002 meeting, the Special Committee voted to recommend this letter, requesting the Joint Committee on Audit to hold one or more informational hearings on the Department of Administration's State of Wisconsin Comprehensive Annual Financial Report (CAFR) for fiscal year 2001-02, which is prepared in accordance with GAAP. As part of the CAFR, the state Legislative Audit Bureau (LAB) performs an examination of the state's general purpose financial statements, in compliance with s. 13.94 (1) (c), Stats. This examination is made in accordance with GAAP, and the LAB's report is contained in the financial section of the CAFR. As of June 30, 2002, the general fund balance as reported in the CAFR was a deficit of -\$1,484.3 million, whereas the general fund balance as calculated using the state's budgetary basis of accounting on this date was a surplus of \$74.6 million.

We understand that the Joint Committee on Audit is planning to hold public hearings in March on the CAFR. We recommend that these hearings address the key reasons for the fund balance deficit as reported under GAAP, and believe that this would go a long way towards

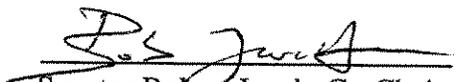
contributing to legislative and public understanding of our state budget situation. The Special Committee asks you to support this recommendation, and thanks you for your consideration of this important step towards improving Wisconsin's fiscal management.

Sincerely,



---

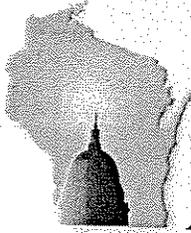
Representative Donald Friske, Co-Chair  
Special Committee on Improving  
Wisconsin's Fiscal Management



Senator Robert Jauch, Co-Chair  
Special Committee on Improving  
Wisconsin's Fiscal Management

cc: Janice Mueller, State Auditor, LAB  
Jacob Klam, Deputy State Auditor, LAB

RJ:DF:ksm;tlj;jal



WISCONSIN DEPARTMENT OF  
ADMINISTRATION

JIM DOYLE  
GOVERNOR

MARC J. MAROTTA  
SECRETARY

Division of Executive Budget and Finance  
State Controller's Office  
Post Office Box 7932  
Madison, WI 53707-7932  
Voice (608) 266-1694  
Fax (608) 266-7734 TTY (608) 267-9629  
[www.doa.state.wi.us/debf/sco.htm](http://www.doa.state.wi.us/debf/sco.htm)

February 10, 2003

Recipients of Wisconsin's Comprehensive Annual Financial Report:

I have enclosed a copy of the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002. This Fiscal Year 2002 CAFR represents the first year in which the State is required to implement the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Financial Section of this CAFR consists of four parts: (1) management's discussion and analysis, (2) basic financial statements, (3) additional required supplementary information, and (4) optional other supplementary information.

Within the basic financial statements this CAFR contains the government-wide financial statements that provide a broad view of the State's operations, and the fund financial statements that focus on individual parts of the State government, reporting the State's operations in more detail than the government-wide statements. These financial statements also include notes that explain some of the information in the financial statements and provide more detail.

I am pleased to report that the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Wisconsin for its fiscal year 2001 CAFR. The GFOA's Certificate is a prestigious national award recognizing conformance with the highest standards for state and local government financial reports. The State of Wisconsin is again applying for the Certificate, and the 2002 CAFR has been submitted to the GFOA.

A copy of the CAFR is also available on the State of Wisconsin, Department of Administration homepage on the World Wide Web: <http://www.doa.state.wi.us/debf>.

If you have specific questions or comments regarding the CAFR's contents, please contact me at (608) 266-3628.

Sincerely,

  
William J. Raftery, CPA  
State Controller

Enclosure



WISCONSIN STATE LEGISLATURE

**Joint Audit Committee**

Committee Co-Chairs:  
State Senator Carol Roessler  
State Representative Suzanne Jeskewitz

February 20, 2003

Senator Robert Jauch, Co-chair  
Special Committee on Improving  
Wisconsin's Fiscal Management  
Room 19 South, State Capitol  
Madison, WI 53701

Representative Donald Friske, Co-chair  
Special Committee on Improving  
Wisconsin's Fiscal Management  
Room 312 North, State Capitol  
Madison, WI 53701

Dear Senator Jauch and Representative Friske:

We received your letter concerning the preparation of the state's financial statements in accordance with generally accepted accounting principals (GAAP).

It is important to continually evaluate state practices, but the current economic situation has made this vital. Examining the effect of GAAP for Wisconsin would certainly change the outlook of the state's financial condition. Realizing revenues when they are earned and liabilities when they are incurred could lead to a greater understanding of the state's actual budget situation.

As you stated, the Joint Committee on Audit plans to hold a meeting in March on the Comprehensive Annual Financial Report. Since this report is based on GAAP the hearing will consider the report in those terms. The committee will consider your recommendation to address the key reasons for the balance deficit as reported under GAAP.

Thank you for all of the work your committee did in finding ways to improve Wisconsin's fiscal condition. We look forward to discussing your recommendation soon.

Sincerely,

Senator Carol Roessler  
Co-chair  
Joint Audit Committee

Representative Suzanne Jeskewitz  
Co-chair  
Joint Audit Committee

Cc: Janice Mueller, State Auditor  
Jacob Klam, Deputy State Auditor



SJK  
KIA  
MAR 04 2003  
SS

# Wisconsin Legislative Council Legislator Update

March 2003

## Joint Legislative Council Meets to Introduce Bills

The Joint Legislative Council met on February 19, 2003 for the first time this session. Four study committees presented their recommendations as follows:

### ➤ PUBLIC HEALTH SYSTEM'S RESPONSE TO TERRORISM AND PUBLIC HEALTH EMERGENCIES

Senator Judy Robson, Senate Co-Chair, Special Committee on the Public Health System's Response to Terrorism and Public Health Emergencies, presented the report and recommendation of the committee contained in WLC: 0103/1, relating to creating a public health council, reimbursement for quarantine costs, intrastate mutual aid, requiring use of the incident command system in emergency response, exemption from liability during a state of emergency, threats to release or disseminate harmful chemical, biological, or radioactive substances, providing a penalty, and making appropriations.

Following a brief discussion, the Council recommended introduction of the committee's legislative proposal in the Senate. The motion to introduce was adopted by a vote of Ayes, 15; Noes, 3; and Absent, 4.

### ➤ IMPROVING WISCONSIN'S FISCAL MANAGEMENT

Senator Robert Jauch and Representative Donald Friske, Co-Chairs, Special Committee on Improving Wisconsin's Fiscal Management,

presented the report and recommendations of the committee.

The following drafts and joint resolution were approved for introduction as companion proposals in both houses of the Legislature:

- **LRB-1490/2**, relating to deadlines for the transmittal of the Building Commission's long-range state building program recommendations and the delivery of the Governor's biennial budget message and a report on the timeliness of the submittal of agency budget requests.
- **LRB-1492/1**, relating to identification and removal of specified types of policy from an executive budget bill.
- **WLC: 0077/2**, relating to the budget stabilization fund, the generally accepted accounting principles deficit reduction fund, the general fund deficit based on generally accepted accounting principles, and making appropriations.

The motion to introduce these proposals was adopted by a vote of Ayes, 17; Noes, 0; and Absent, 5.

In addition, the Joint Legislative Council approved for introduction in the Assembly and Senate, respectively, the following resolutions:

- **LRB-1493/2**, relating to limitations on assembly consideration of specified Assembly amendments and Assembly substitute amendments to an executive budget bill.
- **LRB-1494/2**, relating to limitations on senate consideration of specified Senate amendments and Senate substitute amendments to an executive budget bill.

The motion to introduce was adopted by a vote of Ayes, 14; Noes, 3; and Absent, 5.

The following proposed joint resolution failed to be approved for introduction by the Joint Legislative Council:

- **LRB-1849/1**, relating to the veto procedure for appropriation bills (first consideration). The motion to introduce failed by a vote of Ayes, 11; Noes, 6; and Absent, 5. [12 affirmative votes are needed for introduction.]

#### ➤ **PUBLIC AND PRIVATE BROADBAND**

Representative Phil Montgomery, Assembly Co-Chair, presented the report and recommendation of the committee contained in LRB-1652/1, relating to directing the Department of Electronic Government to develop a database and Web site on broadband transmission service availability, public access to certain records created for this purpose, and granting rule-making authority.

After a brief discussion, Council recommended introduction of the committee's legislative proposal in the Assembly. The motion to introduce was adopted by a vote of Ayes, 17; Noes, 0; and Absent, 5.

#### ➤ **REVIEW OF THE OPEN RECORDS LAW**

The Special Committee on Review of the Open Records Law, Co-Chaired by Senator Jon Erpenbach and Representative Mark Gundrum, presented its report and recommendation to the Joint Legislative Council. The draft presented to the Council was WLC: 0040/3, relating to access to public records.

The Council recommended introduction of the committee's legislative proposal as companion bills in both houses of the Legislature. The motion to introduce was adopted by a vote of Ayes, 14; Noes, 3; and Absent, 5.

#### **Other Business**

Consideration of 2001 Joint Legislative Council bills for reintroduction was deferred until the next meeting which will be held on **March 12**. Also at that meeting, the Council will receive the reports of the Special Committees on Mental Health Parity, Relative Caregivers, Review of Fireworks Law, and State-Tribal Relations.

#### **Study Committee Reports**

##### ➤ **DRAFTING SUBCOMMITTEE OF THE RECOD. OF CH. 767, ACTIONS AFFECTING THE FAMILY**

The Drafting Subcommittee of the Special Committee on Recodification of Ch. 767, Actions Affecting the Family, held its fourth meeting on Friday, February 14 in Madison. Several interested persons addressed the subcommittee concerning a provision in the proposed paternity subchapter relating to paternity by publication. After receiving testimony concerning the controversial nature of the proposal, the drafting subcommittee agreed to delete the provision from the proposal, in keeping with the admonition of the study committee's co-chairs that controversial items not be included in the committee's recommendations.

The subcommittee then proceeded to review drafts of all the other subchapters of reorganized ch. 767. The subcommittee was assisted in its review by Janet Nelson, Milwaukee County Department of Child Support Enforcement, and Lucy Cooper, Milwaukee County Family Court Commissioner's office. Following its review and discussion of the drafts, the subcommittee agreed to hold one more meeting before presenting the package to the full committee. The next meeting of the drafting subcommittee is scheduled to be held on Friday, March 21.



WISCONSIN STATE LEGISLATURE

**Joint Audit Committee**

Committee Co-Chairs:  
State Senator Carol Roessler  
State Representative Suzanne Jeskewitz

March 7, 2003

Mr. Marc Marotta, Secretary  
Department of Administration  
101 East Wilson Street, 10<sup>th</sup> Floor  
Madison, Wisconsin 53702

Dear Mr. Marotta:

On April 1, 2003, the Joint Legislative Audit Committee will hold an informational hearing on the State of Wisconsin's Fiscal Year 2001-02 Comprehensive Annual Financial Report (CAFR). The Committee will also engage in a discussion of the generally accepted accounting principles on which the CAFR is based, and the effect of these principles on the calculation of the State's deficit.

Because the Department of Administration is responsible for annual preparation of the CAFR and the Legislative Audit Bureau issues the independent auditor's opinion on the report, representatives from both agencies are invited to offer testimony to the Committee. Given the subject matter and the Committee's interests, we would like to suggest that Mr. William Raftery, State Controller, and Mr. Frank Hoadley, Capital Finance Officer, join you in offering testimony on behalf of the Department of Administration.

As the enclosed hearing notice indicates, we have allowed one hour for this informational briefing. Testimony from the State Auditor and her response to our questions will occupy the first 30 minutes of the hearing. Testimony by and questions addressed to you and staff from the Department of Administration will compose the remaining 30 minutes of scheduled hearing time. Please plan to provide fourteen (14) written copies of your testimony to committee members and the clerks at the time of the hearing.

Thank you for your assistance and we look forward to your testimony. Should you have any questions, please contact our offices.

Sincerely,

Senator Carol A. Roessler  
Co-chairperson  
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz  
Co-chairperson  
Joint Legislative Audit Committee

Enclosure

cc: Mr. William Raftery, State Controller  
Mr. Frank Hoadley, Capital Finance Officer  
Ms. Janice Mueller, State Auditor  
Ms. Pam Shannon, Legislative Council

---

The Comprehensive Annual  
Financial Report

Wisconsin Legislative Audit Bureau  
April 2003

1

---

---

---

---

---

---

---

---

---

Sound Financial Management

- ◆ Meets ongoing cash needs
- ◆ Accumulates reserves
- ◆ Allows for intergenerational equity
- ◆ Limits debt to a prudent level
- ◆ Reports finances in a timely and meaningful way

2

---

---

---

---

---

---

---

---

---

Financial Audits

- ◆ Attest to the fair presentation of the financial statements
- ◆ Ensure assets are safeguarded
- ◆ Assess the internal controls and compliance with laws
- ◆ Ensure compliance with debt limits and other fiscal requirements

3

---

---

---

---

---

---

---

---

## State Financial Reports

- ◆ Annual Fiscal Reports (Budgetary Basis)
- ◆ Comprehensive Annual Financial Report (GAAP)

4

---

---

---

---

---

---

---

---

## Annual Fiscal Report

- ◆ Is primarily a cash basis of accounting (checkbook accounting)
- ◆ Is easy to understand
- ◆ Is based on Wisconsin Statutes
- ◆ Provides a scorecard on whether budget is balanced

5

---

---

---

---

---

---

---

---

## Annual Fiscal Report

- ◆ Is subject to manipulation by transfers between years
- ◆ Provides an incomplete picture of finances

6

---

---

---

---

---

---

---

---

**Comprehensive Annual  
Financial Report (CAFR)**

- ◆ Recognizes all current liabilities in the General Fund
- ◆ Is consistent for all government entities and across years
- ◆ Allows bond rating agencies to conduct financial analyses
- ◆ Serves as an annual report for citizens

7

---

---

---

---

---

---

---

---

**General Fund Balance  
June 30, 2002**

Budgetary Basis	\$ 74,638,000
GAAP Basis	(1,484,333,000)
Difference	\$ 1,558,971,000

8

---

---

---

---

---

---

---

---

**GAAP Recognizes Liabilities  
at Year-end**

Shared revenue liability	\$492,878,000
Projected income tax refunds	\$658,813,000
Unpaid Medicaid claims	\$160,095,000

9

---

---

---

---

---

---

---

---

## Assembly Bill 178

(Special Committee on Improving Wisconsin's Fiscal Management)

- ◆ Requires GAAP-based statements
- ◆ Directs the Governor to act if the GAAP deficit increases
- ◆ Funds the Budget Stabilization Fund (Rainy Day Fund)
- ◆ Funds a GAAP Deficit Reduction Fund

10

---

---

---

---

---

---

---

---

## Changes in the Financial Reporting Model

- ◆ Requires management to discuss finances in simpler language
- ◆ Adds a government-wide statement
- ◆ Records the value of roads and bridges and requires condition assessments
- ◆ Treats the University of Wisconsin as a business enterprise

11

---

---

---

---

---

---

---

---

## Improved Financial Management

- ◆ Responsible budgeting
- ◆ Accurate and timely reporting
- ◆ Effective auditing

12

---

---

---

---

---

---

---

---

The Comprehensive Annual  
Financial Report

Wisconsin Legislative Audit Bureau  
April 2003

13

---

---

---

---

---

---

---

---

**The Comprehensive Annual Financial Report**

Department of Administration  
 Division of Executive Budget and Finance  
 State Controller's Office

April 2003

---

---

---

---

---

---

---

---

**Comprehensive Annual Financial Report**

- **First GAAP-based report issued -- 1990 CAFR**
  - All states prepare GAAP financial statements
  - Virtually all large-size local governments (counties and municipalities) in Wisconsin prepare GAAP statements
- **Who uses CAFR?**
  - Investment Community
  - Federal Government
    - Requires GAAP-based financial statements for recipients of federal financial assistance.
  - Oversight bodies/managers
  - Constituents

---

---

---

---

---

---

---

---

**CAFR Background Information**

- **GAAP -- generally accepted accounting principles**
  - common set of measurement standards
  - measures financial position and results of operations
- **GASB -- Governmental Accounting Standards Board**
  - sets accounting standards for state and local governments
- **CAFR -- Comprehensive Annual Financial Report**
  - official annual report prepared by governments following GAAP

---

---

---

---

---

---

---

---

### Components of CAFR

- **Introductory Section**
- **Financial Section**
  - Management Discussion and Analysis (MD&A)
  - Auditor's report
  - Basic financial statements:
    - Government-wide statements
    - Fund statements -- *presents column for each major fund, with one column for nonmajor funds in the aggregate*
  - Notes to the financial statements
  - Required supplementary information -- *includes budget to actual reconciliation and infrastructure information*
  - Supplementary information -- *presents columns for each of the nonmajor funds*
- **Statistical Section**

---

---

---

---

---

---

---

---

### Management Discussion and Analysis

Page 2 of Attachment

- Provides an objective and easily readable analysis of State's financial activities based on currently known facts, decisions, or conditions.
- Eight elements required, for example:
  - Discussion of basic financial statements
  - Analysis of significant changes in account balances
  - Discussion of capital assets and long-term debt activity

---

---

---

---

---

---

---

---

### Financial Statements

- **Balance Sheet** - reflects the resources owned or available and amounts owed as of a given date.
- **Operating Statement** - reflects all activity (*for example, revenues and expenses*) occurring throughout the entire fiscal year.

Governments prepare financial statements at two perspectives:

- **Government-wide perspective**
- **Fund perspective**

---

---

---

---

---

---

---

---

### Government-Wide Perspective

Pages 3 through 5 of Attachment

- Presents broad view of the State's operations
  - Excludes fiduciary funds (*for example, Wisconsin Retirement System*)
- Prepared using *economic resources* measurement focus and *accrual* basis of accounting
  - Similar to businesses in the private sector

7

---

---

---

---

---

---

---

---

### Government-Wide Perspective (continued)

- Separate columns for:
  - governmental activities
  - business-type activities
  - component units
- Presents two financial statements:
  - Statement of Net Assets
  - Statement of Activities

8

---

---

---

---

---

---

---

---

### Government-Wide Perspective (continued)

- Statement of Net Assets
  - Similar to balance sheet used in private sector
  - Assets - Liabilities = Net Assets
  - Net assets:
    - Capital assets net of related debt
    - Restricted net assets (*example: Constitutionally restricted public land funds*)
    - Unrestricted net assets

9

---

---

---

---

---

---

---

---

**Government-Wide Perspective (continued)**

- Statement of Activities
  - Reports revenues and expenses similar to those reported on operating statement used in private sector  
*however*
  - Also places emphasis on cost recovery by function/program (program revenues *versus* general revenues)

10

---

---

---

---

---

---

---

---

**Fund Perspective**

- Presents all funds
  - Includes fiduciary funds.
- Provides more detailed information of the State's most significant funds, including the General Fund.
- Distinguishes between three different fund categories:
  - Governmental funds (example: General Fund)
  - Proprietary funds (example: University of Wisconsin System)
  - Fiduciary funds (example: Wisconsin Retirement System)

11

---

---

---

---

---

---

---

---

**GAAP General Fund**

Pages 8 and 9 of Attachment

- Varies from budgetary basis General Fund. GAAP General Fund excludes:
  - University of Wisconsin System (reported as an enterprise fund)
  - Various other Program Revenue (PR) activities
- Financial statements present:
  - Balance sheet
  - Statement of revenues, expenditures and changes in fund balance.

12

---

---

---

---

---

---

---

---

**GAAP General Fund (Continued)**

- Balance Sheet
  - Activity reported on a *current economic resources* measurement focus, *modified accrual* basis of accounting.
    - Capital assets not reported
    - Long-term liabilities not reported

13

---

---

---

---

---

---

---

---

**GAAP General Fund (Continued)**

- Statement of Revenues, Expenditures, and Changes in Fund Balance
  - Can not compare revenues and expenditures to those reported in the budgetary basis General Fund.
    - Extraction of certain activity to separate GAAP funds
    - Accruals of revenues and expenditures

14

---

---

---

---

---

---

---

---



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:  
State Senator Carol Roessler  
State Representative Suzanne Jeskewitz

April 30, 2003

Mr. Frank Hoadley, Capital Finance Officer  
Department of Administration  
101 East Wilson Street  
Madison, Wisconsin 53703

Dear Mr. Hoadley:

In discussing the State's finances with Senator Roessler, you recently suggested that the Budget Stabilization Fund (commonly referred to as the Rainy Day Fund) and the GAAP Deficit Reduction Fund described in 2003 Assembly Bill 178 and Senate Bill 65 could be combined. The purpose of this letter is to request more information on this idea and your view on possible benefits and consequences of combining the funds.

The two funds were developed in order to address two related issues: the desire to have funds available when revenues fall short of projections, and the need to address continuing accounting deficits created when the State ends each fiscal year with financial commitments that exceed available resources. The Legislative Council's Special Committee on Improving Wisconsin's Fiscal Management expressed its opinion on the priority of the funds by its proposal to first transfer any General Fund balances to the Rainy Day Fund before allowing a transfer to the GAAP Deficit Reduction Fund. It was the Committee's view that bond rating agencies would react most favorably if the Rainy Day Fund were given this funding priority.

We have several questions regarding the two funds or their combination into a single fund:

- How do you view the Rainy Day Fund effect on the State's underlying fiscal problems and evaluation of bond agencies?
- What spending criteria would be appropriate for a combined fund?
- Under what circumstances would the combined fund be spent?
- How much should be deposited and maintained in each fund or the combined fund in order to have a positive effect on the State's bond rating?

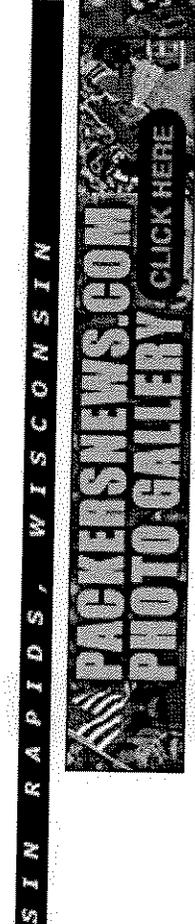
We appreciate your views on these issues and any other analysis that may be helpful in addressing improvement in the State's financial management.

Sincerely,

Senator Carol A. Roessler, Co-chair  
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

cc: Janice Mueller, State Auditor



WISCONSIN RAPIDS, WISCONSIN  
NEWS | SPORTS | PACKERS | ENTERTAINMENT | CLASSIFIEDS | CARS | JOBS | HOMES | INFO

Wisconsin Rapids Weather  
Temp: 45 °F  
Hi: 59 °F  
Lo: 45 °F

OPINION

Print | Email | Talk Back

Sun, May 18, 2003



# Central Wis. leaders can learn from Moody's

Subject: Political parochialism and turf wars.  
We need to revive talks on consolidation.

The fact that Moody's Investors Service assigned the Marathon County village of Weston a better bond rating last week is great for Weston's residents.

But the way in which Moody's assessed the village holds lessons for all central Wisconsin residents and government leaders in the area.

"Located in Marathon County in proximity to Wausau, village residents continue to benefit from the region's role as an economic center for north central Wisconsin," Moody's analysts wrote.

Moody's realizes something that seems to escape many elected officials and some of the people they serve: Political boundaries are all but ignored by almost everyone.

Why is that important? Because political boundaries, and the politicians and bureaucrats who consider them unassailable, are barriers to cooperation that can save taxpayer money and yield better services.

This isn't an earth-shattering discovery by Moody's. Marketing gurus and businesses have realized for years that customers ignore municipal lines when looking for the best selections, products and prices.

- Front Page
- Local News
- Sports
- Packers
- Business
- Lifestyle
- Opinion
- Editorial Cartoons
- Public Records
- Obituaries
- Space.com
- E-Technology
- Classifieds
- Autos
- Homes
- Apartments
- Jobs
- Weather
- Contacts & Info
- Pit Stop Picks



They, like Moody's, look at the entire area's unemployment rate, economic diversity and overall soundness when making decisions.

That's why, in Marathon County, the tiny town of Rib Mountain is home to national retailers such as Best Buy and Wal-Mart. The businesses didn't look at the town's 7,500 residents as their customer base. All 130,000 county residents are their clients.

The same holds true for the Stevens Point metro area. Municipalities may have competed for the retailer, but would Menards have built its giant store in Plover were Point's residents not next door? Of course not.

This is a lesson our government leaders need to learn.

When municipalities compete among themselves and give deals on land, utilities or taxes to lure businesses away from one another, taxpayers lose.

Conversely, when a new business or industry comes into a metro area, everyone wins. A doctor at the new Saint Clare's Hospital in Weston might live in Wausau, shop in Rib Mountain, attend church in Schofield and dine in Rothschild.

The doctor isn't obsessed with the boundaries. Elected officials are.

That's why, in Wisconsin Rapids, officials have been talking for more than five years about a regional aquatic facility. They're talking, not doing.

And Rapids is struggling toward a simple connection between its water system and that of neighboring Port Edwards. A hookup would ensure that both communities have water if one's system fails. But residents still are waiting for that assurance.

This can be done.

In Marathon County, Weston and Schofield merged police departments to form the Everest Metro Police because it made sense. It saved money for both communities by cutting duplication, and residents have quality police protection as a result.

In Portage County, residents enjoy a paramedic-level ambulance service, thanks to a long-standing partnership between the city and county. The city and several municipalities also have pulled together as a group to bargain for better cable-television contracts. But failures are more common than successes. The Wausau area, for example, has been considering a metro fire and ambulance service for years. Residents have spent time and tax

money studying the problem.

But petty squabbles over power and control - and politicians more afraid of voter reaction than committed to doing the right thing for constituents - have kept it from happening.

Former Gov. Scott McCallum pushed for government consolidation when he proposed cutting shared revenue to municipalities. When he was defeated, discussion of consolidation screeched to a halt.

It needs to be revived. Central Wisconsin residents shouldn't sacrifice good government service at reasonable cost to political parochialism and turf wars.

As Moody's recognizes, we're all in this together.

**[Back to Top](#)**



---

[Front Page](#) | [News](#) | [Packers](#) | [Sports](#) | [Entertainment](#) | [Homes](#)  
| [Autos](#) | [Jobs](#) | [Classifieds](#) | [Contact Us](#)

---

Copyright © 2003

Use of this site signifies your agreement to the [Terms of Service](#).  
Send your questions and comments to [Gannett Wisconsin Online](#).

APPLETON - NEENAH - MENASHA, WISCONSIN



The new leader in commercial construction.



NEWS | VIEWS | SPORTS | PACKERS | ENTERTAINMENT | CLASSIFIEDS | CARS | JOBS | COMMUNITY | INFO

Appleton Weather

Temp: 69 °F  
Hi: 75 °F  
Lo: 63 °F

LOCAL NEWS

Posted July 20, 2003



- [Main Page](#)
- [News](#)
- [Sports](#)
- [Packers](#)
- [Outdoors](#)
- [Timber Rattlers](#)
- [Racing](#)
- [Business](#)
- [Entertainment](#)
- [Life & Style](#)
- [News-Record](#)
- [Current](#)
- [Views](#)
- [Obituaries](#)
- [Records](#)
- [Local Coupons](#)
- [National Coupons](#)
- [Community](#)
- [Corrections](#)
- [Classifieds](#)
- [Personals](#)
- [Autos](#)
- [Jobs](#)
- [Apartments](#)
- [Weather](#)

## Doyle wants \$150M rainy day fund

By Ben Jones

P-C Madison bureau chief

MADISON — Gov. Jim Doyle said he will use his veto power to create a \$150 million budget stabilization fund to prepare Wisconsin for possible future revenue shortfalls.

Doyle said he will make "serious cuts" across state government to carve out the fund, and he pointed toward the area of transportation.

"It will protect us against the big holes in this budget (2003-05) and the possible ups and downs of revenue so we can get away from, as we had in the past, not providing anything for a rainy day," Doyle told *The Post-Crescent* in an interview late in the week.

Some Republican lawmakers were skeptical of Doyle's plan, saying the timing is wrong and that transportation needs are too great to cut further.

The cuts will be made to the state's \$48.9 billion state budget that was passed by the Legislature in June but is

### Gov. Doyle's budget veto promises

Gov. Jim Doyle has pledged to veto several provisions in the budget:

- The formula Republicans devised to distribute the state aid local governments use to pay for services.
- At least \$250 million in spending Republicans approved. Doyle has not specified details, but he plans to cut spending on medical assistance programs and transportation.
- A provision to reduce bonding in the state's stewardship fund, as well as an order to try to sell \$40 million in state land.

- [Contacts & Info](#)
- [Pit Stop Picks](#)



awaiting Doyle's signature.

The governor said he will not set a deadline for when he will sign budget into law, but he indicated it will be soon, days rather than weeks.

The budget makes cuts to help fix a \$3.2 billion budget deficit, and Doyle said he will pare additional dollars with his veto power, targeting areas where the Republican-controlled Legislature increased spending from the levels he proposed in February.

He said the stabilization fund is needed because revenues may come in lower than expected. He cited a recent announcement from the state Department of Revenue that indicates sales tax revenues for the budget year ending June 30 may be \$20 to \$25 million short.

While Doyle would not yet give specific details on what he will cut, he made it clear the transportation budget will be targeted.

He criticized lawmakers for adding \$200 million in spending on transportation projects to his proposal.

"My budget had a very healthy transportation budget," he said.

State Rep. Al Ott, R-Forest Junction, said he likes the concept of a rainy day fund, but he questions the timing. He said the state should set money aside when times are good.

"We have cut so much already, we have to be careful not to do damage," Ott said.

State Rep. Frank Lasee, R-Belleveue, said taking money out of the transportation fund would be a mistake.

- Programs inserted to win over Sen. Gary George, D-Milwaukee, including \$3 million for a Hmong cultural center in Milwaukee.
  - A \$46 million cut in 4-year-old kindergarten.
  - A provision to allow school districts to use resources for a program designed to reduce class sizes to cover special education costs.
  - An increase in the teachers license fee from \$100 to \$150.
  - An increase in the co-payment that enrollees in the state's prescription drug plan pay for their drugs.
  - Changes Republicans made to plan for drug purchasing pool.
- Doyle also will use his veto power to:
- Restore a \$23 million tax credit for farmers.
  - Alter how the value of

"Rob Peter to pay Paul? I think that is a poor idea," Lasee said.

State Rep. Dean Kaufert, R-Neenah, who co-chaired the budget-writing Joint Finance Committee, said he thinks Doyle's plan could hurt road-building projects.

"There are probably going to be a lot of road projects pushed off," Kaufert said. "There will be a lot of ticked-off local government and business people all over this state who thought they were going to get their road project done."

The projected cuts would delay the rebuilding of the Marquette Interchange in Milwaukee until next year.

Doyle said the cuts still will allow road building and maintenance to proceed.

He said the fund also may be used to bridge a shortfall in medical assistance programs. Doyle said that the Legislature's budget banks on receiving more than \$600 million from the federal government, when Doyle believes it will be closer to \$430 million.

Doyle did not say when or how he will act on a proposed Republican property tax freeze.

Republican legislative leaders criticized Doyle this past week for not yet signing the budget into law and for touring the state to announce vetoes.

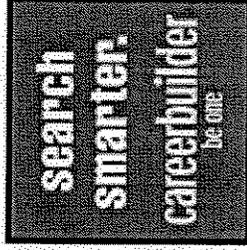
"Every day he spends wasting time on his veto dog-and-pony show around the state is another day that spending cuts the Legislature passed do not go into effect," Sen. Majority Leader Mary Panzer, R-West Bend, said in a release Thursday.

Doyle said his pace with the budget is similar to what

farmland is calculated for property taxes.

- Increase the amount of money veterans will be eligible for to cover the costs of fees if they go back to school.

ADVERTISEMENT



governors have done in the past. He noted the budget is a 1,200-page document and said his administration is still discovering items inserted by legislative Republicans.

*Ben Jones can be reached at 608-255-9256 or by e-mail at [bjones@postcrescent.com](mailto:bjones@postcrescent.com). The Associated Press contributed to this report.*

[Back to Top](#)



---

[Front Page](#) | [News](#) | [Packers](#) | [Sports](#) | [Entertainment](#) | [Community](#)  
[Autos](#) | [Jobs](#) | [Classifieds](#) | [Contact Us](#)

---

Copyright © 2003

Use of this site signifies your agreement to the [Terms of Service](#).  
Send your questions and comments to [Gannett Wisconsin Online](#).

**GREEN BAY PRESS-GAZETTE**  
www.greenbaypressgazette.com

**GREEN BAY, WISCONSIN**

*Make a date.*

www.wisconsincenter.com

NEWS | SPORTS | PACKERS | ENTERTAINMENT | CLASSIFIEDS | CARS | JOBS | HOMES | INFO

Green Bay Weather

Temp: 67 °F  
Hi: 74 °F  
Lo: 61 °F



**LOCAL NEWS**

Posted July 20, 2003

# Governor wants a cash stash

## Doyle says he'll use veto to create rainy-day fund

**By Ben Jones**  
*Gannett Wisconsin Newspapers*

MADISON — Gov. Jim Doyle said he will use his veto power to create a \$150 million budget stabilization fund to prepare Wisconsin for possible future revenue shortfalls.

Doyle said he will make "serious cuts" across state government to carve out the fund, and he pointed toward the area of transportation.

Some Republican lawmakers were skeptical of Doyle's plan, saying the timing is wrong and that transportation needs are too great to cut further.

The cuts will be made to the state's \$48.9 billion state budget that was passed by the Legislature in June but is awaiting Doyle's signature.

Doyle did not set a deadline for when he will sign budget into law, but he indicated it will be soon, days rather than weeks.

The budget makes cuts to help fix a \$3.2 billion budget deficit, and Doyle said he will pare additional dollars with his veto power, targeting areas where the Republican-controlled Legislature increased spending from the levels he proposed in February.

- [Front Page](#)
- [Local News](#)
- [Sports](#)
- [Packers](#)
- [Business](#)
- [Lifestyle](#)
- [Opinion](#)
- [Heller Cartoons](#)
- [Records](#)
- [Obituaries](#)
- [Space.com](#)
- [E-Technology](#)
- [Classifieds](#)
- [Autos](#)
- [Homes](#)
- [Apartments](#)
- [Jobs](#)
- [Weather](#)
- [Forums](#)
- [Contacts & Info](#)



He said the stabilization fund is needed because revenues may come in lower than expected. He cited a recent announcement from the state Department of Revenue that indicates sales tax revenues for the budget year ending June 30 may be \$20 to \$25 million short.

Doyle would not yet give specific details on what he will cut but said the cuts still will allow road building and maintenance projects to proceed.

State Rep. Al Ott, R-Forest Junction, said he likes the concept of a rainy day fund, but he questions the timing. He said the state should set money aside when times are good. "We have cut so much already, we have to be careful not to do damage," he said.

State Rep. Frank Lasee, R-Belleveue, said taking money out of the transportation fund would be a mistake. "Rob Peter to pay Paul? I think that is a poor idea," Lasee said.

Doyle said the new fund also may be used to bridge a shortfall in medical assistance programs.

— The Associated Press

[Discuss this topic in our forums](#)

[Back to Top](#)

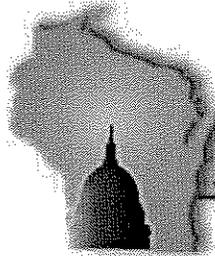


---

[Front Page](#) | [News](#) | [Packers](#) | [Sports](#) | [Entertainment](#) | [Homes](#)  
[Autos](#) | [Jobs](#) | [Classifieds](#) | [Contact Us](#)

Copyright © 2003

Use of this site signifies your agreement to the [Terms of Service](#).  
Send your questions and comments to [Gannett Wisconsin Online](#).



# **PRESS RELEASE**

## **WISCONSIN DEPARTMENT of ADMINISTRATION**

October 10, 2003

For Further Information Contact:

David Riemer, State Budget Director

Phone: (608) 266-1035 E-Mail: [David.Riemer@doa.state.wi.us](mailto:David.Riemer@doa.state.wi.us)

### **State Closes Fiscal Year 2002-03 Books with \$282 Million Shortfall**

The State of Wisconsin ended Fiscal Year 2002-03 (FY03) with a General Fund deficit of \$282.2 million, according to a report issued today by the state Department of Administration (DOA). This result was slightly better than the \$283.6 million shortfall that had been projected in February 2003, following enactment of emergency deficit reduction legislation (2003 Act 1) proposed by the Governor.

“Act 1 reduced the deficit by \$170 million, partially offsetting the \$454.1 million FY03 deficit that had been projected as the Doyle Administration took office in January. The \$282.2 million FY03 deficit was rolled into the \$3.2 billion budget challenge that was resolved by the biennial state budget bill (2003 Act 33) signed into law by Governor Doyle three months ago,” explained DOA Secretary Marc Marotta.

Marotta's comments accompanied the release of the state's *Annual Fiscal Report* for the budget cycle that ended on June 30, 2003. The report shows total state spending on programs funded with income, sales and other general taxes dropped 2%, from \$11.265 billion in FY02 to \$11.049 billion in FY03. Marotta cautioned that this expenditure decrease largely reflects the securitization of tobacco settlement proceeds by the 2001 Legislature. \$598.5 million of those one-time proceeds were used in FY03 to make shared revenue payments to local governments. If general funds had been used for these payments, total general fund spending would have been \$371.9 million, or 3.3%, higher than FY02.

(more)

October 10, 2003  
Page Two

The report also shows that 58.4% of state general spending in the last fiscal year was for school aids and other payments to local governments. Aids to individuals, such as medical assistance, accounted for 17.4% of general expenditures and the remaining 24.2% was earmarked for the University of Wisconsin System (9.5%) and all other state agencies (14.7%).

FY03 general fund tax revenues amounted to \$10.2 billion, which was \$179.5 million (1.8%) above the \$10.02 billion collected in FY02. This was \$23.8 million (0.2%) below the January 2003 Legislative Fiscal Bureau estimate. The tax collection shortfall was offset, however, by \$25.2 million in lower than expected expenditures due to administrative actions, including a hiring freeze and travel restrictions, lower interest costs on state bonds and higher than expected non-tax revenues.

The *Annual Fiscal Report* was prepared according to guidelines created by s. 16.04(3) of the *Wisconsin Statutes*. A copy of the report is available on-line at [http://www.doa.state.wi.us/pagesubtext\\_detail.asp?linksubcatid=376&linkcatid=225&linkid=](http://www.doa.state.wi.us/pagesubtext_detail.asp?linksubcatid=376&linkcatid=225&linkid=). A comprehensive fiscal report prepared under generally accepted accounting principles will be published by DOA in December.

# # #



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

JANICE MUELLER  
STATE AUDITOR

22 E. MIFFLIN ST., STE. 500  
MADISON, WISCONSIN 53703  
(608) 266-2818  
FAX (608) 267-0410  
Leg.Audit.Info@legis.state.wi.us

January 5, 2004

Governor James E. Doyle  
115 East, State Capitol  
Madison, Wisconsin 53702

Senator Alberta Darling and  
Representative Dean Kaufert, Co-Chairpersons  
Joint Committee on Finance  
State Capitol  
Madison, Wisconsin 53702

Dear Governor Doyle, Senator Darling, and Representative Kaufert:

Section 13.94 (1)(a), Wis. Stats., requires the Legislative Audit Bureau to audit the cash and securities held by the Office of the State Treasurer or held by others on behalf of the Office and to report our findings to the Governor and the Joint Committee on Finance. We have completed our audit and found the Office properly accounted for the cash and securities in its possession or held on its behalf by others.

As of June 30, 2003, the Office's cash records properly reconciled with the records of the State's working bank, which is US Bank, Milwaukee. We also verified that the Office's records agreed with the official accounting records maintained by the Department of Administration.

The Office also has custodial responsibilities for securities in four areas: bonds that provide for the payment of annuities to winners of the Wisconsin Lottery; bonds deposited with the Office, as required by statute, by insurance companies and banks operating in certain fiduciary capacities; investments purchased by the Tuition Trust fund for future educational costs of participants; and securities obtained through the Unclaimed Property Program.

Most of the securities that the Office is responsible for safeguarding are held by custodial banks. We verified that the Office's records of these securities properly reconciled with the records of the custodial banks. The value of the securities and their locations are summarized below.

<u>Program</u>	<u>Type of Security</u>	<u>Value as of June 30, 2003</u>	<u>Location</u>
Lottery	Bonds (at par value)	\$185,199,645	US Bank-Madison
Fiduciary Deposits	Bonds (at par value)		
	Insurance Companies	268,012,249	US Bank-Madison
	Banks	10,777,000	US Bank-Madison

Governor James E. Doyle  
Senator Alberta Darling and  
Representative Dean Kaufert  
Page 2  
January 5, 2004

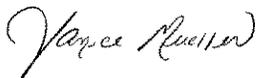
<u>Program</u>	<u>Type of Security</u>	<u>Value as of June 30, 2003</u>	<u>Location</u>
Tuition Trust Fund	Bonds (at market value)	\$ 13,288,963	Mellon Security Trust, New York, New York
Unclaimed Property Program	Various stocks, bonds, and other securities (at market value)	14,056,114	Fleet Bank Rochester, New York
Unclaimed Property Program	Mutual Funds (at market value)	1,612,357	Mellon Security Trust, New York, New York

The Office also holds in its vault certificates for certain unclaimed stocks and bonds that the Office has received, along with other contents of unclaimed safe deposit boxes. These certificates are generally registered in the name of the unclaimed property owner and frequently are for companies that may have been dissolved or merged with other companies. These securities are of an undetermined, but limited, value.

In addition, the State Treasurer is a member of the College Savings Program Board, and the Office has administrative responsibility for the College Savings Program. The State has contracted with an external vendor, Strong Capital Management, to invest College Savings Program funds on behalf of program participants. The program is audited by an external public accounting firm. As of June 30, 2003, \$853,200,029 was invested in various mutual funds by Strong Capital Management for the College Savings Program.

We appreciate the courtesy and cooperation extended to us by the staff of the Office of the State Treasurer in conducting this review.

Sincerely,



Janice Mueller  
State Auditor

JM/KD/bm

cc: Members, Joint Committee on Finance  
Members, Joint Legislative Audit Committee  
Jack Voight, State Treasurer



[Classifieds](#) | [Jobs](#) | [Autos](#) | [Homes](#) | [Rentals](#) | [Obits](#) | [Archives](#) | [Search](#)



## Archives

[\[Back\]](#) [\[Email to a Friend\]](#) [\[Printer Friendly Version\]](#)



### Virtual newspaper edition available

See this story exactly as it appeared on the printed page - photos and all. Page appears in Adobe Acrobat format. If you don't have Adobe's free Acrobat Reader, download it now.

## Report Shows State's True Fiscal 2003 Deficit Was Record \$2.2 Billion

Wisconsin State Journal :: FRONT :: A1

Wednesday, December 31, 2003  
Tom Sheehan State government reporter

The state's bottom line has never been lower, no matter how you look at it.

A report released Tuesday shows the state ended fiscal year 2003 on June 30 with a \$2.2 billion general fund deficit, based on accounting standards that reflect the true bottom line, said Todd Berry, president of the Wisconsin Taxpayers Alliance.

That's the largest deficit, based on generally accepted accounting principles, the state has faced in the 13 years the state has tracked the figure. Those principles require that budget entries be recorded when they occur, Berry said.

The state's Comprehensive Financial Report reveals a bleaker state financial picture than the \$283 million deficit that will go down in the state's official budget books, Berry said. The numbers differ because the official number relies on "budgetary accounting," which allows officials to

time-shift entries.

We are the leaders in Buyer Representation. The Buyer Service Pledge puts our promises in writing for you.

**BUYING?**

- Search Listings
- Buying a Home
- Find an Agent
- Relocation
- Careers

The generally accepted accounting principle method offers a truer picture of finances, and bond-rating agencies rely on it to assess a state's financial health, Berry said.

Under this method, the state has registered a deficit each year since 1990, but this year's deficit is by far the largest. By comparison, the state ended fiscal year 2002 with a \$1.5 billion general fund deficit and fiscal year 2001 with a \$1.2 billion deficit, Berry said. The general fund is supported by tax collections, mostly on income and sales.

If a family making \$40,000 a year behaved like the state during fiscal year 2003, it would have spent \$6,400 more than it made, Berry said.

"The politicians did a bunch of things over the decades that allowed them to spend money we actually didn't have at that moment," Berry said.

For example, in the past, school aid payments have been recorded in one year and sent out during another year to protect the appearance of the bottom line, Berry said.

Meanwhile, the state's bond rating, which helps determine the interest rate on borrowing, has suffered, he said.

Even based on budgetary accounting methods, the state officially failed to balance its budget for the first time since the 1980s, said state Auditor Janice Mueller. This year's deficit may have been made worse because last year, the state spent all of its proceeds from a legal settlement with major tobacco companies, Mueller said.

Representatives from Gov. Jim Doyle's administration, which released the report, did not return phone calls for comment Tuesday.

**Related Advertising Links**

**Great Plains Software**

Leading Microsoft Reseller in CA, DE, MD, VA, PA and DC  
[www.kitsolutions.com](http://www.kitsolutions.com)

**Calculate future period**

amortization for prepaid expenses plus other items. Combine budget.  
[www.fdssi.com](http://www.fdssi.com)

# Legislative Fiscal Bureau

Robert Wm. Lang, Director

One East Main, Suite 301 • Madison, WI 53703  
Email: Fiscal.Bureau@legis.state.wi.us  
Telephone: (608) 266-3847 • Fax: (608) 267-6873



*State of Wisconsin*

January 15, 2004

Senator Alberta Darling, Senate Chair  
Representative Dean Kaufert, Assembly Chair  
Joint Committee on Finance  
State Capitol  
Madison, WI 53702

Dear Senator Darling and Representative Kaufert:

In January of each year, this office typically conducts a review of the status of the state's general fund and presents its findings to the Legislature. In the even-numbered year, the analysis includes an examination of economic forecasts and tax collection and expenditure data for the first six months of the current fiscal year. Our intention has been to complete that review and issue our findings prior to commencement of the January floorperiod (January 20 in 2004).

The economic forecast that we use as a primary resource in determining tax collection projections is prepared by Global Insight, Inc. In prior years, the January forecast has been available in the beginning of the month. This year, however, due to recent comprehensive revisions to the national income and product accounts by the U.S. Bureau of Economic Analysis, the January forecast has not yet been completed and will most likely not be available until later in the month. Therefore, we will not prepare our tax collection estimate until that report is completed.

We have, however, completed our review of departmental revenues and expenditures for the 2003-05 biennium. The purpose of this letter is to present our conclusions on those items. Following the identification of the reestimates is a discussion of the status of four programs that are funded with sum certain appropriations: (1) Elections Board federal HAVA matching funds; (2) foster care and adoption assistance; (3) the Office of the State Public Defender; and (4) medical assistance.

## Reestimates

In summary, departmental revenues, sum sufficient appropriations, and lapses to the general fund are, in aggregate, virtually the same as those contained in the 2003-05 budget (2003 Wisconsin Act 33). Although there are a number of reestimates in each of these categories, the net effect on the general fund balance is a reduction of \$4.9 million. (The gross general fund balance of Act 33 is \$186.4 million. After consideration of the \$40.0 million required statutory balance, the net balance of Act 33 is \$146.4 million.)

2003-04 Opening Balance. Act 33 anticipated an opening general fund balance of -\$283.6 million for 2003-04. The actual balance at the close of the 2002-03 fiscal year was -\$282.2 million. Thus, the opening balance for 2003-04 is \$1.4 million higher than shown in Act 33.

Departmental Revenues. Act 33 estimates departmental revenues at \$409.6 million in 2003-04 and \$408.6 million in 2004-05. Departmental revenues are non-tax receipts (including tribal gaming amounts) that are deposited into the general fund. Our review indicates that there is little change to the Act 33 estimates. The 2003-04 projection is now \$408.1 million (\$1.5 million below the Act 33 estimate) and the projection for 2004-05 is \$409.8 million (\$1.2 million above that of Act 33).

Sum Sufficient Appropriations. In aggregate, expenditures from sum sufficient, general purpose revenue (GPR) appropriations are expected to be slightly lower (\$1.8 million in 2003-04 and \$1.0 million in 2004-05) than those of Act 33. Some appropriations (such as the homestead and farmland preservation tax credits) require an upward revision, while others (such as payments for debt service and the income tax reciprocity programs) are less than amounts budgeted under Act 33.

Lapses. Lapses are amounts from sum certain, GPR appropriations that are not expected to be fully expended and then "lapse" or revert, to the general fund at the close of each fiscal year. Act 33 contains general fund lapse estimates of \$237.1 million in 2003-04 and \$224.6 million in 2004-05. Our review indicates that the Act 33 lapses should be adjusted downward by \$2.9 million in 2003-04 and by \$5.9 million in 2004-05.

## Sum Certain Appropriations

Unlike sum sufficient appropriations, which are automatically adjusted to fund selected programs, sum certain appropriations are those with a specific dollar amount that cannot be modified unless changed by the Legislature. Thus, if it is determined that a program under a sum certain appropriation will, unless modified, require a funding increase, the Legislature has the option of reducing the program's parameters, increasing the appropriation, prorating available funding, or letting the program cease due to insufficient funds.

In the course of our review, we have identified the following four programs funded from sum certain appropriations that merit attention.

Elections Board Federal HAVA Matching Funds. The new federal Help America Vote Act (HAVA) requires Wisconsin to create an official centralized computerized statewide voter registration list system (at an estimated five-year cost of \$21.2 to \$42.9 million) and to equip all polling stations with voting systems accessible to individuals with disabilities, including non-visual accessibility for the blind and visually impaired (at an estimated cost of \$8.2 to \$16.4 million). HAVA requires these changes to be in place by January 1, 2006.

Most of these costs will be supported with federal funds under Title II of HAVA, subject to a 5% state match. It is estimated that Wisconsin will be eligible to receive \$15,390,000 FED in Title II funds in 2003-04, requiring a state match totaling \$810,000 GPR. Provisions of Act 33 have already reserved \$333,000 GPR of this amount. Provisions of 2003 Assembly Bill 601, currently pending in the Senate, would appropriate the remaining match requirement of \$477,000 GPR in 2003-04.

Subject to congressional appropriation, the Elections Board estimates that Wisconsin will be eligible for an additional \$26 million FED in Title II funds in 2004-05, requiring the Legislature to appropriate an additional state match of \$1.3 million GPR in that fiscal year.

Foster Care and Adoption Assistance. Act 33 provides \$35.4 million GPR in 2003-04 and \$39.5 million GPR in 2004-05 in a sum certain appropriation to fund: (a) adoption assistance payments to families that adopt children with special needs to assist in the cost of care for these children; and (b) payments to families and agencies that provide foster care to children for whom the state serves as guardian. Based on a review of actual payments through December, 2003, it is estimated that an additional \$2.2 million GPR in 2003-04 and \$2.9 million GPR in 2004-05 will be needed to fully fund state foster care and adoption assistance payments in the 2003-05 biennium. Compared to the Act 33 estimate, the current estimate primarily reflects a decrease in the estimated percentage of total costs that can be supported by federal matching funds available under Title IV-E of the Social Security Act.

Office of the State Public Defender. Act 33 provides \$16.5 million GPR in 2003-04 and \$19.5 million GPR in 2004-05 to the Office of the State Public Defender (SPD) for its private bar and investigator reimbursement appropriation. This biennial appropriation funds private bar attorneys who accept assignment of defense cases for indigent persons qualifying for SPD representation. Based on actual payments and caseload through December, 2003, and caseload projections through the remainder of the 2003-05 biennium, it is estimated that an additional \$9.2 million GPR in 2004-05 will be required to fully fund SPD private bar reimbursement costs.

Medical Assistance. Based on a review of 2002-03 actual expenditures and average costs and a review of caseload information through December, 2003, it is estimated that an additional \$90.4 million GPR (\$51.3 million in 2003-04 and \$39.1 million in 2004-05) will be needed to

support services provided under the medical assistance (MA) program in the 2003-05 biennium, above the amounts budgeted in Act 33.

One of the primary differences between the current estimate and the Act 33 estimate is that actual 2002-03 average costs per person were greater than projected in Act 33, resulting in a higher base of expenditures on which future costs are projected. In addition, the average cost of drugs is projected to be higher than estimated in Act 33 and actual caseload increases are not slowing as quickly as anticipated in Act 33. As of the end of December, there were approximately 4,400 more individuals enrolled in MA than had been projected under Act 33.

In addition to the projected increase in benefits costs identified above, it is likely that additional GPR will be needed to support MA benefits costs in the 2003-05 biennium. Act 33 anticipated the receipt of additional federal MA funds under two new initiatives that have yet to be approved by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS).

Under an intergovernmental transfer (IGT) initiative, it was assumed that the state would receive an estimated \$213 million in 2003-04 in additional federal revenue for certain services counties provide under MA home- and community-based waiver programs. This additional revenue was to be deposited to the MA trust fund to support a portion of the state's share of MA base costs. In the spring of 2003, DHFS submitted a description of this proposal to CMS. CMS has expressed support for the long-term care reforms proposed by DHFS, but has questioned the creation or expansion of IGT programs as the means for states to increase federal support for their MA programs. DHFS is waiting for final resolution to proposed state plan amendments regarding MA claims for certain services provided by local governments, which are described below, before it prepares and submits a formal long-term care proposal for CMS approval.

Under the proposed state plan amendments, the state expected to receive \$119 million (\$71.6 million in 2003-04 and \$47.4 million in 2004-05) in federal MA matching funds from increased payments to local governments for non-institutional services, including home health, case management, emergency transportation, and school-based services. Some of this revenue would be deposited to the MA trust fund to support a portion of MA base costs, and the remainder would be used to support local government costs previously funded under shared revenue and school aid payments. DHFS is currently negotiating with CMS regarding these amendments. If CMS does not approve the amendments, DHFS would continue to pay local governments federal MA matching funds under the community services deficit reduction benefit (CSDRB) program. This program would be eliminated if the state plan amendments are approved. Consequently, \$17 million that is budgeted from the MA trust fund in 2004-05 to replace the CSDRB program would not be expended and would be available to partially offset any shortfall.

Several adjustments have been made to projected revenues to the MA trust fund, including reestimates of the amount of enhanced federal funding provided to the state under P.L. 108-27 that is available to support MA benefits in 2003-04 and interest earnings on the fund's cash balance.

The net effect of these adjustments is to increase the projected 2003-05 ending balance of the MA trust fund by approximately \$2.4 million. Finally, if CMS does not approve these initiatives, approximately \$2 million budgeted for administrative costs associated with them would not be expended for this purpose and would be available to partially offset any shortfall.

In summary, if the state is unable to secure any additional federal MA matching funds under these initiatives, approximately \$310.6 million GPR would be needed ( $\$213.0 + \$119.0 - \$17.0 - \$2.4 - \$2.0 = \$310.6$ ), in addition to the \$90.4 million GPR identified above, to fully support projected MA benefits in the 2003-05 biennium. Any additional federal MA funds the state receives under these or other initiatives would reduce the necessity to provide GPR funding by a corresponding amount.

Once Global Insight, Inc. has completed its economic forecast for January, 2004, we will prepare our tax collection report and distribute it to you and your colleagues in the Legislature. The report will also include a general fund condition statement for 2003-05 that will incorporate our tax collection projections and the departmental revenue, sum sufficient, and lapse reestimates contained in this letter. Depending upon the timing of the Global Insight, Inc. forecast, we hope to complete our report by the end of January or early February.

Sincerely,



Robert Wm. Lang  
Director

RWL/sas

cc: Members, Wisconsin Legislature

---

**The Comprehensive Annual  
Financial Report**

Legislative Audit Bureau  
February 2004

1

---

---

---

---

---

---

---

---

**Sound Financial Management**

- ◆ Meets ongoing cash needs
- ◆ Accumulates reserves
- ◆ Limits debt to a prudent level
- ◆ Allows for intergenerational equity
- ◆ Reports finances in a timely and meaningful way

2

---

---

---

---

---

---

---

---

**Financial Audits**

- ◆ Attest to the fair presentation of the financial statements
- ◆ Ensure assets are safeguarded
- ◆ Assess the internal controls and compliance with laws
- ◆ Ensure compliance with debt limits and other fiscal requirements

3

---

---

---

---

---

---

---

---

### State Financial Reports

- ◆ Annual Fiscal Reports (Budgetary Basis)
- ◆ Comprehensive Annual Financial Report (GAAP)

4

---

---

---

---

---

---

---

---

### Annual Fiscal Report

- ◆ Is primarily a cash basis of accounting (checkbook accounting)
- ◆ Is easy to understand
- ◆ Is based on Wisconsin Statutes
- ◆ Provides a scorecard on whether budget is balanced

5

---

---

---

---

---

---

---

---

### Annual Fiscal Report

- ◆ Is subject to manipulation by transfers between years
- ◆ Provides an incomplete picture of finances

6

---

---

---

---

---

---

---

---

### Comprehensive Annual Financial Report (CAFR)

- ◆ Recognizes all current liabilities in the General Fund
- ◆ Is consistent for all government entities and across years
- ◆ Allows bond rating agencies to conduct financial analyses
- ◆ Serves as an annual report for citizens

7

---

---

---

---

---

---

---

---

### General Fund Balance

June 30, 2003

Budgetary Basis	\$ (275,819,000)
GAAP Basis	<u>(2,242,539,000)</u>
Difference	\$ 1,966,720,000

8

---

---

---

---

---

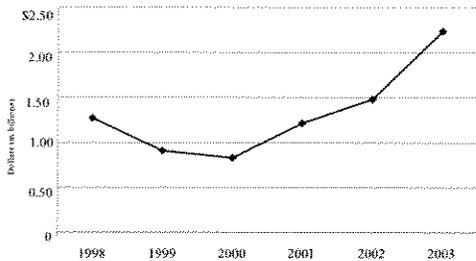
---

---

---

### General Fund GAAP Deficit

June 30, 1998 through 2003



9

---

---

---

---

---

---

---

---

### Comparisons to Other States

	General Fund Balance (in billions)	Standard & Poor's Bond Rating
Illinois	(\$3.31)	AA
<b>Wisconsin</b>	<b>(2.24)</b>	<b>AA-</b>
Minnesota	(0.93)	AAA
Ohio	0.19	AA+
Indiana	1.26	AA+
Michigan	1.31	AAA
Iowa	1.66	AA+

10

---



---



---



---



---



---



---

## 2003 Comprehensive Annual Financial Report

Department of Administration  
Division of Executive Budget and Finance  
State Controller's Office

February 2004

### CAFR Background Information

- **GAAP -- generally accepted accounting principles**
  - common set of measurement standards
  - measures financial position and results of operations
- **GASB -- Governmental Accounting Standards Board**
  - sets accounting standards for state and local governments
- **CAFR -- Comprehensive Annual Financial Report**
  - official annual report prepared by governments following GAAP

### Components of CAFR

- **Introductory Section**
- **Financial Section**
  - Management Discussion and Analysis (MD&A)
  - Auditor's report
  - Basic financial statements:
    - Government-wide statements
    - Fund statements -- *presents column for each major fund, with one column for nonmajor funds in the aggregate*
  - Notes to the financial statements
  - Required supplementary information -- *includes budget to actual reconciliation and infrastructure information*
  - Supplementary information -- *presents columns for each of the nonmajor funds*
- **Statistical Section**

## Two perspectives

- Government wide perspective [pages 3 through 5 of 10-page Fiscal Year 2003 Summary Financial Information Report (Summary Report\*)].
- Fund perspective  
Includes General Fund [pages 8 and 9 of Summary Report].

\* The Summary Report contains excerpts from the 2003 Comprehensive Annual Financial Report.

## Government-Wide Perspective

Page 3 of Summary Report

### Statement of Net Assets -- Governmental Activities

- Prepared using *economic resources* measurement focus and *accrual* basis of accounting  
-- Similar to businesses in the private sector
  - Total *Net Assets* of \$6.95 billion
- |   |              |                |
|---|--------------|----------------|
| Breakdown:                                  |              | (in thousands) |
| - Invested in Capital Assets (\$13,313,560) |              |                |
| Net of Related Debt (\$2,223,449)           | \$11,090,111 |                |
| - Restricted                                | 657,578      |                |
| - Unrestricted                              | (4,799,930)  |                |

## Government-Wide Perspective (Continued)

### Statement of Net Assets -- Governmental Activities (Continued)

- States reporting a deficit *Unrestricted Net Assets* greater than \$1 billion (in thousands):
- |                             |                |
|-----------------------------|----------------|
| -- Illinois (6/30/02 *)     | \$(21,991,559) |
| -- New York (3/31/03)       | (20,846,000)   |
| -- California (6/30/02 *)   | (19,417,429)   |
| -- Florida (6/30/03)        | (10,107,344)   |
| -- Massachusetts (6/30/03)  | (9,334,788)    |
| -- Connecticut (6/30/02 *)  | (8,196,738)    |
| -- New Jersey (6/30/03)     | (7,924,865)    |
| -- Wisconsin (6/30/03)      | (4,799,930)    |
| -- Ohio (6/30/03)           | (4,272,028)    |
| -- Louisiana (6/30/03)      | (2,982,946)    |
| -- North Carolina (6/30/03) | (2,210,477)    |
| -- Maryland (6/30/03)       | (1,541,922)    |
| -- Kentucky (6/30/03)       | (1,288,090)    |
| -- South Carolina (6/30/03) | (1,140,464)    |

In addition to the 14 states listed above, 8 other states reported a deficit *Unrestricted Net Assets*.

\* 2003 information not yet available

**Government-Wide Perspective (Continued)**

**Statement of Net Assets -- Governmental Activities**  
(Continued)

- Comparison of surrounding states' *Unrestricted Net Assets* (in thousands):

-- Illinois (6/30/02 *)	\$ (21,991,559)
* 2003 information not yet available	
-- Indiana (6/30/03)	2,456,321
-- Iowa (6/30/03)	282,609
-- Michigan (9/30/03)	(652,923)
-- Minnesota (6/30/03)	(526,251)
-- Wisconsin (6/30/03)	(4,799,930)

**Government-Wide Perspective (Continued)**

Pages 4 and 5 of Summary Report

**Statement of Changes in Net Assets -**  
**Governmental Activities**

- Change in Net Assets of \$(670.8) million in 2003 compared to \$671.8 million in 2002\*.

\* 2002 included revenue generated from the *Tobacco Settlement Sale* of \$1,275.0 million.

**Government-Wide Perspective (Continued)**

Page 3 of Summary Report

**Statement of Net Assets -- Business-type Activities**

(Note: The University of Wisconsin System and the Unemployment Insurance Reserve represent the two largest business-type activities.)

- Total *Net Assets* of \$6.1 billion

Breakdown:	(in thousands)
- Invested in Capital Assets (\$3,130,519)	
- Net of Related Debt (\$302,131)	\$2,828,388
- Restricted	3,012,860
- Unrestricted	304,167

## Government-Wide Perspective (Continued)

Pages 4 and 5 of Summary Report

### Statement of Changes in Net Assets -- Business-type Activities

- Change in Net Assets of \$(77.8) million in 2003 compared to \$(183.4) million in 2002.

10

## GAAP General Fund

### Balance Sheet

- Comparison of surrounding states' General Fund  
*Total Fund Balance* in thousands:

-- Illinois (6/30/02 *)	\$ (3,306,239)
* 2001 information not yet available	
-- Indiana (6/30/03)	1,257,670
-- Iowa (6/30/03)	1,658,885
-- Michigan (9/30/03)	1,310,758
-- Minnesota (6/30/03)	(932,100)
-- Wisconsin (6/30/03)	(2,242,539)

In addition to the three states listed above, six other states reported a deficit *Total Fund Balance* in the General Fund.

11

## GAAP General Fund (Continued)

Page 9 of Summary Report

### Operating Statement

- Total *revenues* increased \$247.1 million from 2002 to 2003.

Largest changes in revenues:

- *Revenues from Federal/Other Governments* (referred to as *Intergovernmental Revenues* on the financial statements) increased by \$494.1 million.
- *Intergovernmental Transfers* (i.e., IGT program revenues) decreased by \$371.3 million.

12

**GAAP General Fund (Continued)**

**Operating Statement (Continued)**

- Total expenditures increased \$314.0 million from 2002 to 2003.

Largest change in expenditures:

- Education expenditures (which includes school aids, but excludes the University of Wisconsin System) increased \$248.3 million.

13

---

---

---

---

---

---

---

---

---

---

**GAAP General Fund (Continued)**

**Operating Statement (Continued)**

- Comparison of surrounding states' Net Change in Fund Balance (in thousands):

-- Illinois (year ended 6/30/02 *)	\$ (1,941,124)
* 2003 information not yet available	
-- Indiana (year ended 6/30/03)	178,628
-- Iowa (year ended 6/30/03)	(67,577)
-- Michigan (year ended 9/30/03)	(466,321)
-- Minnesota (year ended 6/30/03)	(1,616,442)
-- Wisconsin (year ended 6/30/03)	(758,739)

14

---

---

---

---

---

---

---

---

---

---

**GAAP General Fund (Continued)**

**Operating Statement (Continued)**

- States reporting deficit Net Change in Fund Balance greater than \$1 billion (in thousands):

-- California (year ended 6/30/02 *)	\$ (11,099,897)
-- New York (year ended 3/31/03)	(4,221,000)
-- Texas (year ended 8/31/02 *)	(4,106,503)
-- Illinois (year ended 6/30/02 *)	(1,941,124)
-- Minnesota (year ended 6/30/03)	(1,616,442)
-- Pennsylvania (year ended 6/30/02 *)	(1,582,627)
-- Connecticut (year ended 6/30/02 *)	(1,261,090)
-- Massachusetts (year ended 6/30/03)	(1,065,477)

\* 2003 information not yet available

- As compared to Wisconsin (758,739)

15

---

---

---

---

---

---

---

---

---

---

## GAAP General Fund (Continued)

### Fund Balance -- Statutory/GAAP General Fund

(in thousands)

- Statutory:
  - Undesignated Fund Balance -  
General Purpose Revenue \$ (282,221)
  
- GAAP:
  - Total Fund Balance (2,242,539)
  - Unreserved Fund Balance (2,638,150)

16

## Capital Assets/Infrastructure

Page 6 of Summary Report

- *Governmental Activities:*
  - Capital assets (net of accumulated depreciation) totaled \$13.3 billion at June 30, 2003, in comparison to \$12.8 billion as of June 30, 2002.

Infrastructure (the State highway system), which represents the largest capital asset category, totaled \$9.4 billion as of June 30, 2003, in comparison to \$9.2 billion as of June 30, 2002.

17

## Long-term Liabilities

Page 7 of Summary Report

- *Governmental Activities* long-term liabilities totaled \$5.4 billion as of June 30, 2003, compared to \$5.1 billion as of June 30, 2002.
  - The largest components of this liability were general obligation and revenue bonds payable.
  
- *Business-type Activities* long-term liabilities totaled \$2.8 billion as of June 30, 2003.

18

**General Obligation and Revenue Bonds/Notes**

- General obligation bonds of State totaled \$4.0 billion at June 30, 2003.
- Revenue bonds of State totaled \$1.9 billion at June 30, 2003. (Consists of transportation, petroleum inspection and environmental improvement revenue bonds.)

---

---

---

---

---

---

---

---