

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

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|--|--|
| LRB Number 07-4268/1 | Introduction Number AB-0001(MR8) |
| Description State finances and appropriations | |
| Fiscal Effect | |
| State: | |
| <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate | |
| <input checked="" type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Create New Appropriations | <input checked="" type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues |
| <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs | |
| Local: | |
| <input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate | |
| 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory |
| 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts | |
| Fund Sources Affected | |
| <input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input checked="" type="checkbox"/> SEGS | |
| Affected Ch. 20 Appropriations | |
| Agency/Prepared By | Authorized Signature |
| DOA/ Jennifer Kraus (608) 266-1353 | Jennifer Kraus (608) 266-1353 |
| Date | |
| 3/17/2008 | |

Fiscal Estimate Narratives

DOA 3/17/2008

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|---|-----------------------------------|------------------------|
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| Description State finances and appropriations | | |

Assumptions Used in Arriving at Fiscal Estimate

This bill was introduced on behalf of the Governor as a budget adjustment bill to Act 20 given recent revenue reestimates. This bill will ensure that the state finishes each fiscal year with a sufficient ending balance; will avoid payment delays to vendors, school districts and local governments; reassure financial markets regarding the state's financial condition; and maintain adequate funding for essential state and local services. The bill calls for the following changes:

- Increase the authority of the Department of Administration secretary to lapse or transfer funding from executive branch agency appropriations by \$330.4 million over the biennium. This provision is in addition to similar authority in 2007 Wisconsin Act 20 (the 2007-09 biennial budget) to lapse or transfer \$200 million from executive branch agencies to the general fund. This provision replaces the administrative action outlined in the February 12, 2008, memo to state agency heads designed to generate an additional \$111 million in lapses.
- Secure \$700 million in new federal revenues over the biennium in support of a Medicaid rate increase for hospitals through implementation of a 0.7 percent assessment on hospital revenues. The new federal revenues will help to reduce state taxpayer support for Medicaid by \$125 million GPR over the biennium. In addition, provide \$2.5 million GPR in fiscal year 2008-09 for a supplement to rural hospitals and institutions for mental disorders. Sunset the hospital assessment and the associated Medicaid rate increases at the end of the 2007-09 biennium.
- Ensure full funding of Act 20 expenditure levels in the state highway program by authorizing \$190 million in GPR-funded general obligation bonds for the transportation program and adjusting appropriation authority in the appropriations for major highways, southeast Wisconsin freeways and highway rehabilitation to reflect receipt of an additional \$76.9 million in federal transportation funds and issuance of an additional \$67 million of already authorized transportation revenue bonds. Limit the total amount of the 2007-09 transfer from the transportation fund to \$293 million. These provisions will help preserve state support for critical education, local government, health care and economic development programs funded from both the general and transportation funds.
- Prohibit corporations from using captive rental real estate investment trusts as a means of avoiding taxes on profits generated in Wisconsin. This provision is expected to increase revenues by \$6 million in fiscal year 2008-09.
- Transfer \$5 million in fiscal year 2007-08 from the Joint Committee on Finance supplemental appropriation to the general fund related to implementation of the federal REAL ID law. Due to delays in rule development at the federal Department of Homeland Security, this funding will not be fully utilized this year.
- Ensure ongoing funding for public library systems by providing \$11.3 million from the universal service fund beginning in fiscal year 2008-09. Act 20 provided funding for public library aid in fiscal year 2007-08 from this fund. The universal service fund already provides direct ongoing support to provide statewide access to public library services and resources.
- Modify the tobacco bond refinancing proposal under Act 20 to generate \$15 million more annually in ongoing savings. The bond proceeds will be deposited into the permanent endowment fund and then transferred to the Medical Assistance trust fund, with a corresponding reduction in the Medical Assistance GPR appropriation.
- Adopt the following provisions to improve cash flow and budget management during the remainder of the 2007-09 biennium:

1. Authorize the Department of Administration secretary to transfer funds from the budget stabilization fund to the general fund during the 2007-09 biennium if the actual general fund balance goes below \$65 million.
2. Increase the revenue shortfall threshold under s. 16.50 (7), Wisconsin Statutes, to two percent and sunset this change after the 2007-09 biennium.
3. Increase the inter-fund borrowing limit under s. 20.002 (11), Wisconsin Statutes, to ten percent and sunset this change after the 2007-09 biennium.
4. Reflect the budget stabilization fund balance in calculating the structural balance requirements under s. 20.003, Wisconsin Statutes, and sunset this change after the 2007-09 biennium.

The provisions of this bill, in addition to certain administrative actions taken previously, will result in a gross ending balance of \$65 million in each year of the biennium. This amount, combined with the estimated balance in the budget stabilization fund will leave a total general fund reserve of approximately \$100 million on June 30, 2009. This is approximately \$22 million less than the total of the combined reserves in Act 20.

Long-Range Fiscal Implications

By addressing the budget shortfall now, this bill will better position the state for the 2009-11 biennium.