



SCOTT WALKER
OFFICE OF THE GOVERNOR
STATE OF WISCONSIN

P.O. Box 7863
MADISON, WI 53707

To the Honorable Members of the Assembly:

I have approved Assembly Bill 40 as 2011 Wisconsin Act 32 and deposited it in the Office of the Secretary of State.

This budget reflects a return to the bedrock principles of our state's constitution – frugality and moderation. It's a budget that is, for the first time in many years, balanced – now and in the future – with a structural surplus of over \$300 million in the 2013-15 biennium. It avoids relying on accounting gimmicks, fund raids and one-time funds. With this budget, we have begun to put our state's financial house in order and make our finances more transparent. And this budget is enacted before the start of the new biennium – with the earliest signing date since 1967.

Last March, I introduced a budget based on those fundamental values in our constitution. My budget brought spending in line with revenues - now and in the future - it did not raise taxes; it provided local governments with the tools to reduce costs and maintain essential services; and it set priorities on job creation and economic development. The budget I sign today, with limited vetoes, remains consistent with those goals and values. I want to commend the Legislature for its work in completing the budget on time. Together we have put Wisconsin back on a course toward job creation and prosperity. True economic growth requires a robust

private sector. By balancing the budget through limits on government spending and focusing on priorities, we are on our way to creating 250,000 jobs by 2015.

Over 50 percent of Wisconsin's general fund budget is devoted to local government services – primarily to public schools and public safety. Preserving those services and reducing spending demanded that local officials be given the tools to truly manage costs. With employee compensation the largest part of those costs, changes to state and local government employee collective bargaining and increased employee contributions to pensions and health insurance costs were critical to preserving government services and Wisconsin's quality of life.

These changes will help set Wisconsin on a course toward stable, affordable and effective government. State and local government will become more nimble in the face of change and be able to achieve continuous improvement. With these tools, state and local officials can help lay the foundation for success – for our school children, our higher education graduates, our entrepreneurs and our businesses.

This budget protects Wisconsin tax payers – including middle class families, seniors in their homes and small businesses. It does not raise taxes. It freezes municipal, county and technical college district levies. It reduces school district revenue limits in line with necessary state aid reductions and consistent with savings from cost-containment measures. It limits growth in property taxes on the median value home to less than 1 percent each year. It eliminates regional transit authorities and their potential to independently raise local taxes.

This budget promotes job creation. It provides tax incentives for investing capital gains in Wisconsin businesses and growing manufacturing jobs. It devotes \$160 million to the new Wisconsin Economic Development Corporation in support of our state's economic prosperity. It promotes Wisconsin tourism by investing approximately \$14 million annually in our state's marketing efforts, a nearly 40 percent increase. It supports business expansion by investing over \$5.7 billion in our state's transportation system. It streamlines business licensing and regulation through a new Department of Safety and Professional Services.

Education is critical to job creation and Wisconsin's future prosperity. Wisconsin's public schools and higher education systems are among the best in the country. Flexible and accountable operations are central to ensuring Wisconsin children and young adults receive the best education possible. The budget invests \$15 million in better school performance data systems, sets the stage for improved reading attainment in early grades and puts the state on a course toward implementing high quality student assessment systems.

The University of Wisconsin-Madison and all University of Wisconsin System campuses are given greater financial and management flexibility along with a greater focus on accountability through annual reports measuring time to graduation, accessibility to key courses and other important performance and outcome measures. Low-income families are given greater access to education by lifting the enrollment cap on the Milwaukee private school choice program, expanding choice to Racine and protecting higher education grants from cuts.

Ensuring sustainable health care programs is the cornerstone of this budget. Due to the sunset of one-time federal funding and dramatic expansions in program participation, nearly all of the general fund revenue growth over the next two years is allocated to fund Medicaid. In order to bring health care costs in future budgets in line with available revenue, the Department of Health Services will begin implementing various measures to "bend-the-cost-curve." These measures include revamping BadgerCare so that it functions more efficiently and effectively, modifying Family Care toward a greater emphasis on self-directed and focused care, consolidating and streamlining back-office eligibility functions, and preserving SeniorCare.

The following is a brief summary of how this budget, including my vetoes, will address some of the key issues facing the citizens of Wisconsin:

Economic Development

- Provides more than \$160 million in funding over the biennium for the newly created Wisconsin Economic Development Corporation to support a concentrated focus on economic development in the state.
- Increases tourism marketing from \$9.9 million in fiscal year 2010-11 to \$13.8 million annually in part by redirecting arts spending to emphasize those activities that both support the arts and grow the economy.
- Ensures Wisconsin's meat processing industry can participate in national and global markets by authorizing 10.0 FTE positions for meat inspection activities.

- Reduces regulatory burdens on business expansion by streamlining reporting and eligibility requirements under the prevailing wage law.
- Improves the solvency of the unemployment trust fund by implementing a one-week delay in receiving initial benefits, similar to benefit programs in many other states.
- Creates the Department of Safety and Professional Services to consolidate the regulatory and licensing functions of several agencies to improve the cost-effectiveness and efficiency of operations. Licensing fees charged to regulated professions will be frozen at the same level as the previous biennium, which is due, in part, to the increased efficiency expected from the consolidated operations.

General Fund Taxes

- Protects middle class families, seniors and small businesses by avoiding any tax increases despite one of the largest deficits in state history.
- Provides an income and franchise tax credit for manufacturers and agricultural producers, reducing the tax burden on those industries to encourage job creation and investment in Wisconsin in sectors where the state has a competitive advantage.
- Creates a capital gains deferral for realized gains reinvested in Wisconsin-based businesses as well as a 100 percent capital gains exclusion for gains realized on

Wisconsin-sourced capital assets held for more than five years to create an incentive for greater investment in Wisconsin businesses.

Shared Revenue and Tax Relief

- Enacts the strongest levy limits in Wisconsin history by limiting levy increases for counties and municipalities to the greater of 0 percent or the change in equalized value due to net new construction, and creating a new levy limit on technical college districts, which limits increases to changes in property values unless approved by the voters in the district.
- Provides local governments with additional flexibility in meeting budget challenges by increasing the ability of local governments to realize employee compensation savings, repealing the emergency services maintenance of effort requirement, allowing local governments to create combined municipal protective services departments to provide both police and fire services, and suspending the county operating limit for two years to prevent counties with low mill rates from being forced to reduce levies due to falling property values.

K-12 Education

- Protected sustainable funding for equalization aid in the face of one of the largest deficits in state history.
- Provides a \$50 per pupil revenue increase in fiscal year 2012-13 and creates a one-time \$42.5 million GPR categorical aid program to match district revenue increases.

- Expands the private school choice program by repealing the enrollment limit, allowing schools throughout the state to serve eligible city of Milwaukee residents, raising the income threshold to 300 percent of poverty and allowing the Racine School District to participate in the program based on newly established program criteria.
- Supports greater accountability and performance by investing \$15 million in the development of a statewide student information system and requiring the Department of Public Instruction to implement a new pupil assessment based on mastery of Common Core Standards by 2014-15.
- Invests in education by ensuring all elementary school students can read at grade level by providing \$1.2 million over the biennium in support of the Governor's Read to Lead Task Force.

Higher Education

- Provides greater financial and management flexibility to the University of Wisconsin-Madison and the University of Wisconsin System campuses, including the ability to establish separate personnel management and compensation systems.
- Requires the University of Wisconsin-Madison and University of Wisconsin System campuses to provide annual accountability reports, including time to receive a

degree, availability of key courses, economic development activities and other important measures.

- Maintains current funding levels for financial aid programs and phases out the unsustainable Wisconsin Covenant program.
- Seeks to prevent unfair competition in telecommunications and broadband services between the University of Wisconsin and the private sector by increasing legislative oversight in order to focus university supported programs on education and research activities.

Health Care, Children and Families

- Protects the state's most vulnerable citizens by preserving the health care safety net provided by Medicaid, BadgerCare Plus and SeniorCare while implementing significant program reforms to bring an end to the unsustainable rate of program growth.
- Requires a comprehensive review of the Family Care long-term care program to ensure that public dollars are used in the most effective way to support the needs of the elderly and people with disabilities. Over the past five years, the Family Care program has grown from five pilot counties to 56 counties covering 80 percent of the state's population. During that expansion, there has not been an adequate review of the effectiveness of the program in meeting the care needs of participants and providing services in a cost-effective and accountable manner.

- Redesigns the income maintenance eligibility determination system for public benefits to improve the accuracy and timeliness of eligibility determinations, while reducing total program costs by \$40 million per year once fully implemented.
- Provides funding for building projects to help address the shortage of nurses and support public health education in Wisconsin. New facilities include the Madison School of Nursing, the River Falls Health and Human Performance Building, and the Milwaukee School of Public Health.
- Reforms the Wisconsin Works (W-2) program to emphasize work and the Wisconsin Shares child care program to provide information on the quality of child care services, to contain costs and to combat fraud.

Transportation

- Strengthens the finances for Wisconsin's transportation infrastructure system by transferring \$160.1 million in general fund revenue to the transportation fund, including an ongoing transfer of 0.25 percent of general fund taxes annually, with an annual minimum of \$35.1 million.
- Makes progress toward addressing the state's critical highway infrastructure needs by providing \$3.2 billion for highway construction and maintenance, an increase of \$429.3 million over the biennium.
- Creates a new Southeast Wisconsin freeways megaprojects program to fund construction on the I-94 North-South corridor project and the Zoo Interchange in

Milwaukee County. The budget provides a total of \$420.0 million for those two projects, an increase of \$229.9 million above current funding levels.

- Ensures local highway projects are completed efficiently by increasing competition and allowing greater private sector participation through new requirements that local governments award projects to the lowest bidder, not perform construction for private development projects, and limit the use of their workforce to projects occurring in all towns, and cities and villages with populations under 5,000.

Justice

- Invests in programs to assist law enforcement, including additional resources to fight Internet crimes against children, funding for an interoperable communications system and staff resources at the state crime labs to ensure DNA samples are processed in a timely fashion.
- Consolidates juvenile correctional facilities to manage decreasing populations while saving resources and minimizing county placement costs.
- Provides funding for Victim Information and Notification Everyday (VINE) and VINE Protective Order services to protect public safety and provide information to victims and affected parties.
- Provides funding to the State Public Defender for the revised indigency standard which became effective June 19, 2011.

Natural Resources and Environment

- Maintains hunting and fishing license fees and parks admission fees at current levels to ensure that even in times of economic challenges access to Wisconsin's abundant natural resources are kept affordable.
- Requires the Stewardship program to focus only on the best value purchases by reducing bonding authority by \$234 million through fiscal year 2019-20, saving Wisconsin as much as \$80 million in total debt service costs.
- Modifies the formula for aids provided in lieu of property tax payments for lands purchased through the Stewardship program, saving the state \$190,000 in fiscal year 2012-13, but reducing future payments by half or more. Total payments for aids in lieu of property taxes are estimated to be \$13.2 million in fiscal year 2012-13.
- Ensures a balance between environmental protection and local costs by specifying that the Department of Natural Resources may not enforce an administrative rule for nonagricultural performance standards for runoff from urban areas if the provision has a reduction in total suspended solids exceeding 20 percent.
- Reduces bonding authority under the Working Lands program by \$12 million and repeals the conversion fee for rezoning from a farmland preservation district. This will allow landowners to decide for themselves the best use of their property without paying a penalty if the use of the land will change.

General Government and Veterans

- Limits growth in spending from all funds to 1.8 percent over the biennium, despite a \$1.8 billion, 11 percent increase in funding for health care programs and eliminates over 1,000 FTE positions compared to the base year. This small rate of growth, over 70 percent lower than the previous budget, is achieved through increased state and local government employee contributions to pensions and health insurance, elimination of long-term vacancies, closure of state facilities, and across-the-board cuts to many programs.
- Requires more transparency in state government through on-line reporting of state expenditures, grants and contracts on a searchable Internet Web site available to the public.
- Ensures the solvency of the veterans trust fund over the next biennium by providing \$5 million GPR in additional funding to support benefits to veterans.
- Strengthens the veterans tuition remission program by expanding it to include the University of Wisconsin-Madison Executive Masters in Business Administration program, distance education, on-line and 100 percent fee funded programs, and by increasing the number of credits or semesters eligible for state tuition remissions.
- Provides \$1.8 million GPR and 5.0 FTE GPR positions to the Government Accountability Board and \$10 million SEG and 55.0 FTE SEG positions to the Department of Transportation for the implementation of the voter identification legislation.

- Separates the core functions of promoting job growth from regulating job creators by funding the new public/private Wisconsin Economic Development Corporation focused solely on job creation and a new Department of Safety and Professional Services that can provide a one-stop shop for commercial regulation.
- Improves customer service by consolidating responsibilities for trademark and trade name registrations and notary public commissions with the corporate filing activities at the Department of Financial Institutions.

Building Program

- Helps ensure an adequate number of dentists in Wisconsin by providing \$16 million in general fund supported borrowing and private funds for expansion of the Marquette Dental School.
- Helps improve homeland security and coordination of law enforcement and intelligence data by providing \$6.8 million for a Fusion Center at the Department of Military Affairs.
- Provides funding for educational facilities including the Horicon Marsh International Education Center. The Horicon Marsh is recognized as a Wetland of International Importance. The center provides educational experiences for scientists and visitors who come from around the world.
- Encourages fiscal responsibility by reducing previously authorized bonding for projects that have not moved forward or were constructed under budget.

- Directs the Department of Administration to use the proceeds from the sale of buildings to reduce outstanding debt whenever possible.

I have made 50 vetoes to the budget. These vetoes remove unnecessary reports and requirements, clarify program implementation timelines, and improve the intended focus of certain programs. These vetoes reduce spending by \$10,000 SEG.

There were three items in the budget that I did not veto but that require additional clarification:

- The budget authorizes the Attorney General to allocate penalty surcharge revenues in support of prosecutor positions. I respectfully request that the Attorney General allocate a portion of these revenues in support of an existing drug crimes prosecutor position in St. Croix County. St. Croix County is one of the fastest growing areas of the state and continues to combat methamphetamine abuse.
- The budget expands the current law prohibition on the use of government funds to pay for the performance of abortions to specifically include the University of Wisconsin Hospital and Clinics Authority. I feel strongly that taxpayer dollars should not support the performance of elective abortions. However, concerns have been raised about the potential for this provision to have the significant and unintended consequence of compromising the accreditation of the obstetrics and gynecology residency program operated by the University of Wisconsin Hospital and Clinics. In-state training programs are a critical

component of averting a physician shortage, particularly in the urban and rural areas of the state, and it is essential that we retain and grow physician residency opportunities in Wisconsin.

I have thoroughly reviewed this provision and do not believe it would prohibit the hospital from meeting the accreditation standards. I encourage the hospital to take the steps necessary to meet the intent of this provision by ensuring tax dollars are not directly funding the performance of abortions, while maintaining the accreditation of this very important physician training program.

- Several months ago, I provided the Unemployment Insurance Advisory Council with a proposal that would have increased the waiting period to receive benefits to one week and also would have revised Wisconsin law to allow the state to take advantage of extended unemployment benefits provided by the federal government. Unfortunately, the council did not act on either measure at that time. The Legislature acted on the first provision - requiring recipients of unemployment to wait one week before receiving their benefits. I applaud the Legislature for their decisive action on this issue. Recently, the Unemployment Insurance Advisory Council voted unanimously in support of utilizing additional federal unemployment funds, a measure I fully support. I am now calling on lawmakers to act on the council's recommendation and modify Wisconsin laws to allow the state to take advantage of these additional federal funds.

I commend the leadership of the Legislature in maintaining its focus through some of the most difficult political discussions this state has ever faced. They improved on my budget and accomplished something few ever thought attainable – a structural surplus. Together, we are paying our bills and staying focused on job creation.

The budget I sign today reflects a return to Wisconsin's values. From Superior to Kenosha and from Green Bay to Platteville, we are independent-minded, moderate, pragmatic and frugal. This budget embraces those values by giving our local officials the tools to truly focus spending on delivering efficient and effective government services. Together we move forward with a stable government that has put its fiscal house in order so that its people can engage in private enterprise and create jobs that fuel our economy.



Respectfully submitted,

Scott Walker
Governor

Date: June 26, 2011

VETO MESSAGE

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A. AGRICULTURE, ENVIRONMENT AND JUSTICE

AGRICULTURE, TRADE AND CONSUMER PROTECTION

1. Agricultural Chemical Funds Report

Section 9103 (2u)

This provision would require the Department of Agriculture, Trade and Consumer Protection to study and evaluate the condition of the agricultural chemical cleanup fund and the agrichemical management fund and their structural imbalances. The department would also be required to report its findings to the Joint Committee on Finance by December 31, 2011.

I am partially vetoing this provision to remove the date by which the department must report to the Joint Committee on Finance. I object to this provision because requiring this evaluation to be prepared by the specified date places an undue burden on the department to produce a quality report. Vetoing this provision will provide the department with more time and flexibility to prepare its report and make recommendations to the committee.

2. Grain Inspection Program Report

Section 9103 (3q)

This provision would require the Department of Agriculture, Trade and Consumer Protection to report to the Joint Committee on Finance by January 1, 2012, on the specific actions or administrative efforts the department has planned to reduce and eliminate the remaining deficit in the grain inspection program.

I am vetoing this provision because I object to requiring additional reporting requirements for a program that has been in deficit since the end of fiscal year 2000-01. The department has been and will continue to explore all options for deficit reduction, but has limited options for addressing the deficit without limiting services. Vetoing this provision will allow the department to continue working toward a solution to the deficit in the grain inspection program without the added burden of preparing a report.

CORRECTIONS

3. Inmate Litigation Loans

Section 3014m

This provision specifies that a prisoner may not receive more than \$100 annually in litigation loans. Any amount that the prisoner repays in the year may be re-loaned without counting against the limit. Prisoners must repay prior loans in full or make arrangements for repayment with the warden of the institution before receiving a litigation loan.

I am partially vetoing this provision to eliminate the requirement that the repayment arrangements be made with the warden of the institution because it is too burdensome on the Department of Corrections. This partial veto allows the department flexibility to designate a procedure for making repayment arrangements taking into consideration the duties of the warden and the movement of inmates between institutions.

4. Nursing Services Report

Section 9111 (1u)

This provision requires the Department of Corrections secretary to report to the Joint Committee on Finance by October 1, 2011, on nursing staff and costs for each facility and a summary of each contract for nursing services for fiscal years 2009-10 and 2010-11.

I am vetoing this provision because it is unnecessary and burdensome. The department currently provides information it has available to the Legislature and other interested parties on these matters, and the department continues to work to improve data management.

DISTRICT ATTORNEYS AND OFFICE OF STATE EMPLOYMENT RELATIONS

5. Pay Progression for Certain Attorneys

Sections 9113 (3c) and 9155 (3c)

Section 9113 (3c) requires the Association of State Prosecutors and the Director of the Office of State Employment Relations (OSER) to develop a pay progression plan for assistant district attorneys. The plan must include a detailed description of how the system would be structured and administered and also the fiscal cost of the system in future biennia. This plan must be submitted to the Joint Committee on Finance by October 1, 2011, and is subject to 14-day passive review. The pay progression system would be funded from any salary savings realized from hiring new attorneys to replace attorneys who retire during the period of January 1, 2011, through June 30, 2013.

I am partially vetoing this section to remove the requirement that OSER work with the Association of State Prosecutors and to remove the required parameters of the plan, submission to the Joint Committee on Finance and the funding mechanism. I am maintaining the language requiring the Director of OSER to develop a pay progression plan for assistant district attorneys. I object to the requirement that OSER must work with the Association of State Prosecutors on a pay progression plan without involving the District Attorneys. The executive budget required OSER to work with the District Attorneys to develop a distribution plan for the \$1,000,000 annual funding provided for assistant district attorney compensation. In order to return to this intent, I direct OSER to work with the District Attorneys to develop a pay progression plan for future implementation. I continue to support a system that increases retention of experienced prosecutors around the state and this partial veto maintains that support.

Section 9155 (3c) requires the Wisconsin State Attorneys Association and the Director of the Office of State Employment Relations to develop a pay progression plan for attorneys who are included in the legal collective bargaining unit. The plan must include a detailed description of how the system would be structured and administered and also the fiscal cost of the system in future biennia. This plan must be submitted to the Joint Committee on Finance by October 1, 2011, and is subject to a 14-day passive review. The pay progression system would be funded from any salary savings realized from hiring new attorneys to replace attorneys who retire during the 2011-13 biennium.

I am vetoing this section because I object to the requirement that the Office of State Employment Relations must work with the attorneys association without involving the agencies who employ these attorneys. I also object to the selection of this bargaining unit to receive a pay progression system when no information has been presented to indicate there is a recruitment or retention problem among this group.

NATURAL RESOURCES

6. Brownfield Site Assessment Grants

Sections 2990r and 9155 (3g)

These provisions restrict the amount of a grant to 67 percent of eligible project costs for brownfield site assessment grants and require the Wisconsin Economic Development Corporation to give priority in awarding brownfield site assessment grants to applicants who would have been on the funding list for fiscal year 2010–11 awards in the Department of Natural Resources.

I am partially vetoing Section 2990r as it relates to the required level of matching funds an applicant must contribute to receive a grant and vetoing Section 9155(3g) relating to priority in awarding grants because I object to limiting the flexibility of the Wisconsin Economic Development Corporation in issuing grants for this program.

Vetoing these provisions will also maintain the current match requirement of the recipient of each grant and allow the corporation to issue a grant that covers up to 80 percent of project costs, but maintains the flexibility to issue grants that cover a smaller portion of the project costs. This will continue to allow the opportunity for higher priority projects to be adequately funded.

7. Economic Impact Analysis

Section 9135 (3f)

This provision would require the Department of Natural Resources to prepare an economic impact analysis for the phosphorous effluent limitation and shoreland zoning administrative rules by December 31, 2011.

I am partially vetoing this provision to remove the date by which the department must prepare its analysis. I object to this provision because requiring these analyses to be prepared by the specified date may compromise the quality of the analyses. This partial

veto will provide the department greater time and flexibility to prepare an economic impact analysis on each of the rules. While it is important for the department to conduct the analyses, it is more important to provide the time necessary to fully evaluate the impact of these rules.

OFFICE OF JUSTICE ASSISTANCE

8. Report on Drug Offender Diversion Surcharge Fund

Section 9101 (4j)

This section requires the Department of Administration to submit a plan to the Joint Committee on Finance reporting how the department will reduce state appropriations by \$1,917,900 over the 2011-13 biennium and lapse the associated funding to the general fund to eliminate the deficit in the drug offender diversion surcharge fund.

I am vetoing this section because this requirement is unnecessary. This deficit will be examined again in developing the 2013-15 biennial budget.

9. Repeal of Traffic Stop Data Collection Requirements

Sections 373 [as it relates to s. 20.505 (6) (kq) and (kr)], 717 [as it relates to s. 20.505 (1) (id) 5g. and 5r.], 737 and 738

These provisions relate to funding for the traffic stop data collection requirements enacted in 2009 Wisconsin Act 28. Section 373 includes two appropriations, Traffic stop data collection; state and Traffic stop data collection; local in the Chapter 20 schedule. Section 717 funds the two appropriations from justice information fee revenues deposited in the Department of Administration. Sections 737 and 738 detail the appropriations in the Chapter 20 language.

I am vetoing these provisions at the request of the Legislative Reference Bureau because of conflicts with passage of separate legislation, 2011 Wisconsin Act 29. As passed by the Legislature, conflicts would be created regarding these sections between the act and the biennial budget without the veto. The intent remains to repeal the requirements for traffic stop data collection and provide mandate relief to law enforcement agencies. This veto retains that intent but ensures no statutory language conflicts will exist with Act 29 after the biennial budget bill is enacted.

SUPREME COURT

10. Judicial Compensation Commission

Section 9155 (1j)

This section creates a seven-member Judicial Compensation Commission to review the salaries of the justices of the Supreme Court, Court of Appeals judges and judges of the Circuit Court. No later than December 1, 2012, the commission must submit a report to

the Governor and the Joint Committee on Employment Relations that includes recommendations on salaries of the justices and judges. The committee must review the recommendations for the 2013-15 fiscal biennium and approve the recommendations, unless a majority of members agree not to approve or agree to modify the recommendations. The Governor must provide funding sufficient to implement the recommendations for the 2013-15 fiscal biennium. If the salary adjustment approved by the committee is less than the percentage of any across-the-board pay adjustments for any other position in the classified service, the annual salary adjustment for the justices and judges is increased equal to the percentage increase of the highest across-the-board pay adjustment provided for any position in the classified service. Staff and support services will be provided by the Director of State Courts and the commission sunsets after December 1, 2012.

I am vetoing this section because I object to the requirement to provide a certain amount of funding for judicial salaries in the 2013-15 biennium. I also object to required salary increases for justices and judges when state employees are facing salary reductions due to increased contributions for health insurance and pension. Judicial salaries are included in the compensation plan, similar to all other elected officials, and will be adjusted as necessary under that system.

B. EDUCATION, CHILDREN AND FAMILIES

CHILDREN AND FAMILIES

11. Transitional Jobs Demonstration Project

Sections 1385 and 1385c

These sections require that any host site for employing individuals or placing work crews under the Transitional Jobs Demonstration Project be a business that is operated for profit, except that in the case of a natural disaster for which the Governor has declared a state of emergency under s. 323.10, the Department of Children and Families shall give preference to any work crew placement or host site involved in natural disaster recovery.

I am partially vetoing section 1385 and vetoing section 1385c because this requirement is overly prescriptive and may be contrary to the goal of moving individuals back to productive work. Currently, 51 percent of transitional jobs placements are with nonprofit host sites, such as hospitals and community agencies. These placements provide valuable work experience to individuals and give these individuals the skills to move into unsubsidized employment.

However, I am cognizant that the best way to move individuals into unsubsidized, private-sector employment is to give them experience working in the private sector. Therefore, I am directing the department give preference to host sites that are for-profit businesses.

12. Local Child Support Enforcement

Section 9108 (2i) (a) 2.

The bill requires the Department of Children and Families to develop, and submit to the Joint Committee on Finance no later than August 31, 2011, a detailed plan for distributing child support incentive payments to counties during calendar years 2012 and 2013. This provision prohibits the department from basing the child support incentive plan on an across-the-board reduction to child support incentive payments made in calendar year 2011.

I am vetoing this provision because the department already distributes federal child support incentive payments and state funding to counties for child support enforcement activities under an incentive program. The distribution is based on a county's share of statewide support cases that receive enforcement services from a county child support agency and already established performance standards. Therefore, an across-the-board reduction should be an option the department can consider in developing its plan.

13. Fingerprinting for Child Care Providers

Section 1335d

This provision requires the Department of Children and Families, a county department, an agency contracted to administer the Wisconsin Shares program, or school board to require any person seeking a license to operate a child care center, certification as a child care provider or a contract to operate a child care program, be fingerprinted on two fingerprint cards, each bearing a complete set of the person's fingerprints. Additionally, the Department of Justice may provide the fingerprint cards to the Federal Bureau of Investigation for the purposes of verifying the identity of the person fingerprinted and obtaining records of his or her criminal arrests and convictions.

Under current law, agencies already have the authority to require fingerprints of certified and licensed child care providers if those agencies determine there is a reasonable basis for further investigation as a result of required background checks.

I am vetoing this provision because requiring fingerprints of all child care providers creates an unnecessary burden for small child care businesses. If there is reasonable basis for further investigation as a result of required background checks, fingerprints can already be required. However, for child care providers who wish to participate in the Wisconsin Shares program, additional safeguards must be implemented to ensure that taxpayer dollars are spent properly. Reducing fraud and protecting the safety of children in the Wisconsin Shares program are top priorities of my administration. Therefore, I am directing the Department of Children and Families to amend the administrative rules for certified and licensed child care providers to require that any provider who wishes to participate in the Wisconsin Shares program submit fingerprints to the Department of Children and Families, a county department, or agency contracted to administer the Wisconsin Shares program.

14. Rules Related to Child Care Subsidies for Children of Child Care Providers

Section 9108 (2c)

The bill prohibits distribution of child care funds for services that are provided for a child by a child care provider who is the parent of the child or who resides with the child. Additionally, if a child's parent is a child care provider, the bill prohibits the distribution of funds for services that are provided for the child by another child care provider who is not the child's parent. These provisions would not apply if the child's parent has applied for, and been granted, a waiver of the prohibitions. The bill further provides that the Department of Children and Families shall specify the circumstances or standards under which a waiver will be granted by rule.

Section 9108 (2c) requires the department to submit the rules in proposed form to the Legislative Council staff under s. 227.15 (1) of the statutes no later than the first day of the fourth month beginning after the effective date of the bill.

I am vetoing this provision because it is unnecessary. Current law already requires submission of proposed rules to Legislative Council staff and I am directing the department to submit these proposed rules by January 1, 2012.

15. Child Care State Administration and Licensing

Section 9108 (1v) (b)

The bill transfers \$1,000,000 annually from the Department of Children and Families' economic support federal block grant operations appropriation to the Joint Committee on Finance's federal funds general supplementation appropriation for an automated attendance tracking system. This section requires the department to submit a request, by January 1, 2012, for these funds under a 14-day passive review process along with a plan that details how the automated attendance tracking system would work and how these funds would be spent.

I am partially vetoing this section to remove the due date because it is overly restrictive. The department needs sufficient time to fully research the best options for implementation of the automated attendance tracking system for child care providers.

PUBLIC INSTRUCTION

16. Submission of Data for Choice Program Eligibility Determinations

Sections 2532m [as it relates to s. 118.60 (2) (a) 1. b.] and 2536g

Section 2532m creates a parental choice program for school districts other than Milwaukee that meet certain criteria. This section includes pupil eligibility criteria as well. Under the section, pupils are eligible to participate in the parental choice program if family income is 300 percent of the federal poverty level or less. Section 2532m [as it relates to s. 118.60 (2) (a) 1. b.] establishes a method of determining income eligibility and requires participating schools to submit certain data to the Department of Revenue.

The budget also revises income eligibility for the Milwaukee parental choice program, incorporating the 300 percent of the federal poverty level ceiling set forth in section 2532m. Section 2536g also requires participating schools to submit certain data to the Department of Revenue for income eligibility determinations.

I am partially vetoing sections 2532m [as it relates to s. 118.60(2) (a) 1. b.] and 2536g to require participating schools to submit family income data to the Department of Public Instruction instead of the Department of Revenue. I object to the process proposed because it unnecessarily requires participating schools to report data to multiple state agencies. The Department of Public Instruction is the primary contact at the state level for schools in the parental choice program. Further, it is responsible for determining eligibility of schools and of pupils whose eligibility cannot be determined by the Department of Revenue, and as such also likely will collect information from participating schools. Therefore, it is appropriate for the Department of Public Instruction to collect all data and share it as needed with the Department of Revenue.

UNIVERSITY OF WISCONSIN SYSTEM

17. Approval for University of Wisconsin-Madison Employment Plans

Sections 970L, 2426L and 9152 (1c) (b)

The bill gives additional operational flexibility to the University of Wisconsin-Madison related to employee compensation, personnel systems and labor negotiations. It allows the University of Wisconsin System and the University of Wisconsin-Madison to provide supplemental pay plans in the 2011-13 biennium funded from base resources to provide competitive pay; transfers all current University of Wisconsin System employees to a new personnel system and University of Wisconsin-Madison employees to a new personnel system, beginning on July 1, 2013; and transfers labor contracts and future labor negotiations, subject to 2011 Wisconsin Act 10, from the Office of State Employment Relations to the University of Wisconsin System and the University of Wisconsin-Madison.

These sections require the Chancellor of the University of Wisconsin-Madison to submit compensation, personnel system plans and tentative labor agreements related to University of Wisconsin-Madison employees to the Board of Regents for approval, prior to submitting these plans to the Joint Committee on Employment Relations.

I object to the requirement that the Chancellor of the University of Wisconsin-Madison submit the supplemental pay plan, personnel system plan and tentative labor agreements to the Board of Regents for approval. Under the bill, these plans will already require approval from the Joint Committee on Employment Relations.

Therefore, I am partially vetoing sections 970L, 2426L and 9152 (1c) (b) to eliminate the Board of Regents' review and approval. I originally proposed restructuring the University of Wisconsin-Madison into a public authority to provide greater autonomy to manage compensation and human resources to recruit top faculty and remain an engine for research and patent production. Removing this level of approval will give the state's flagship campus the level of autonomy it needs to successfully compete in the global higher education environment.

18. Annual Reporting of Contractual Service Procurements

Sections 239g and 9452 (1d) [as it relates to s. 16.705 (8) (intro.)]

These sections exempt the University of Wisconsin System from reporting the procurement of contractual services annually to the Governor and the Legislature.

I am vetoing section 239g and partially vetoing section 9452 (1d) [as it relates to s. 16.705 (8) (intro.)] because I object to this reduction in accountability and transparency in state government. It is important to continue to report procurements of contractual services to ensure that all state agencies are spending tax dollars responsibly. It is also important to collect information necessary for the State Bureau of Procurement to analyze and respond to procurement trends throughout state government.

19. Joint Committee on Finance Authority to Postpone Telecommunications Services Prohibition

Section 1015x

This section defines telecommunications services and third-party entity and, beginning July 1, 2013, prohibits the University of Wisconsin System from becoming a member, shareholder or partner in any third-party entity or other person that offers, resells, or provides telecommunications services to the general public or to any public or private entity unless the third-party entity or other person does not offer, resell or provide telecommunication services that it did not offer, resell, or provide on June 15, 2011, and the third-party entity or other person does not offer, resell, or provide telecommunications services to a private entity, to the general public, or to a public entity other than a university or a university-affiliated research facility or a facility approved by the Joint Committee on Finance that it is not already serving on June 15, 2011. The section allows the Joint Committee on Finance to postpone the July 1, 2013, effective date for these prohibitions through majority vote.

I am partially vetoing this section to remove the authority of the Joint Committee on Finance to postpone these prohibitions because the University of Wisconsin System should not compete with private sector businesses in providing telecommunications services. The bill does not prohibit the University of Wisconsin System from participating in a third-party comprised entirely of universities and university-affiliated research facilities. There is no need to delay the prohibitions included in the bill beyond July 1, 2013.

20. Review of Position Titles and Classifications

Sections 2410L and 9452 (1d) [as it relates to s. 111.825 (3m)]

These sections require the Wisconsin Employment Relations Commission to determine if titles or classifications newly created by the University of Wisconsin-Madison or the Board of Regents of the University of Wisconsin System would make the person who holds the position an employee eligible for a bargaining unit, and to assign any eligible new position title or classification to the appropriate collective bargaining unit; and set July 1, 2013, as the effective date.

I am vetoing section 2410L and partially vetoing section 9452 (1d) [as it relates to s. 111.825 (3m)] to remove the commission's review and assignment of newly created titles or classifications, because this provision significantly expands the commission's responsibilities beyond current law and unnecessarily burdens the commission. The effect of this veto is to limit the commission's role to unit clarification as under current law.

21. Technical Correction to "Academic Faculty"

Sections 2410a and 2410b

These sections create bargaining units for University of Wisconsin System and University of Wisconsin-Madison employees, except "academic faculty" and "academic staff." The term "academic faculty" does not appear in current law under s. 36.13, as referenced in sections 2410a and 2410b.

I am partially vetoing these sections to remove the term "academic" because the reference is incorrect and a technical modification is necessary. In statute, this type of employee is referred to only as faculty.

C. GENERAL GOVERNMENT AND ECONOMIC DEVELOPMENT

EMPLOYMENT RELATIONS COMMISSION

22. **Include Certain Emergency Medical Service Providers in the 2011 Wisconsin Act 10 Collective Bargaining Exemptions**

Section 2406d

This section defines public safety employees for the purpose of employee compensation and collective bargaining changes under 2011 Wisconsin Act 10. An emergency medical service provider for the emergency medical services departments in Door and Waushara Counties is included in the definition of public safety employee. Under Act 10, current public safety employees retain the ability to bargain for wages, hours and conditions of employment, including the ability to bargain for employer payment of employee-required retirement and health insurance contributions.

I am partially vetoing this section to delete the reference to Door and Waushara counties because I object to limiting this eligibility to emergency medical service providers in two counties. With this veto, all emergency medical service providers will be covered by this provision, consistent with emergency medical services providers that are considered firefighter personnel for purposes of collective bargaining changes under Act 10.

23. **Modify Pay Provisions for City of Milwaukee Discharged or Suspended Police Officers**

Sections 1715h and 1715k

These sections require that any member of a police force in a first class city (currently only the city of Milwaukee) may not be discharged or suspended without pay or benefits until a decision regarding the discharge or suspension has been made by the Board of Police and Fire Commissioners or the time for filing an appeal has passed, unless felony or class A or B misdemeanor charges are also pending.

While I understand the concerns that this provision seeks to address, I object to this provision because I believe that changes to the current law provision should be dealt with through separate legislation in order to gather input from all affected parties regarding the process. My veto of these sections will return pay treatment of discharged or suspended officers in the city of Milwaukee to current law, which prohibits withholding pay and benefits for officers who have been suspended but permits the city to discharge a police officer without pay during the appeals process.

EMPLOYEE TRUST FUNDS

24. Required Minimum Annual Contributions by Local Governmental Units to a Retirement System

Section 1725e

This section requires local governmental units to pay employer contributions into the retirement system in which their employees are participating in an amount at least equal to all the employee-required contributions under that retirement system, no later than December 31 of each year.

I am vetoing this section because it may have the unintended consequence of creating an unfunded liability as the employer-required share will generally exceed the employee share due to employer contribution requirements for protective occupational classes. It may also result in overfunding if the retirement system is fully funded and payments are being made, when savings could be returned to taxpayers or used for other services. In addition, it may encourage employers to delay making payments into the system until the end of the calendar year, which creates the potential for a situation that negatively affects the system's cash flow.

25. Wisconsin Retirement System Vesting Requirements

Sections 1156k and 1156t

These sections modify the vesting requirements for state and local employees hired on or after the effective date of the bill. Under the provision, employees who separate from service with fewer than five years of creditable service in the Wisconsin Retirement System (WRS) and who are eligible for an annuity may only receive a partial annuity under a formula or money purchase benefit. The partial benefit is based on a percentage of credited employer contribution available to the employee and is based on the years of service. Under current law, employees are vested immediately, and the annuity upon retirement is based on a formula benefit calculated on years of service or a money purchase benefit which includes all employee and employer contributions.

I object to this provision as it is administratively difficult and expensive to implement, with little cost savings to the WRS. Because the annuity that would be calculated for employees with fewer than five years of service is relatively modest, those employees are already likely to take their accumulated employee contributions with them upon separation from WRS service.

I am partially vetoing these sections in order to require employees to have five years of service prior to being eligible for either a formula or money purchase annuity benefit by digit vetoing the annuity amount for those with less than five years of creditable service to zero. This provision, as modified by the partial veto, is similar to the vesting waiting period in 25 other states and the WRS vesting provisions that existed until 1998. It will also improve retention by encouraging employees participating in the WRS to work for a WRS-participating employer at least five years.

26. Study of Group Insurance Board Health Insurance Options

Section 9143 (2q) (a) 3.

This provision requires the director of the Office of State Employment Relations and the Department of Employee Trust Funds secretary to study the feasibility of certain health insurance options, including the implementation of a program beginning January 1, 2012, to provide an on-line marketplace for the purchase of prescription drugs. This program would act as a supplement to the existing pharmacy benefit management program provided by the Group Insurance Board plans. The entire study is required to be completed by October 31, 2011.

I am partially vetoing this provision to delete the requirement that the program, if implemented, be offered beginning on January 1, 2012, because it is overly burdensome. The Group Insurance Board is in the process of completing its contract negotiations for the calendar 2012 insurance plan year and would not be able to modify the plans after the study due date.

27. Payment of Employee-Required Contributions - Initial Applicability

Section 9315 (2q)

This provision establishes the initial applicability of modifications to the statutes dealing with employee-required contributions.

At the request of the Legislative Reference Bureau, I am partially vetoing the initial applicability treatment of certain provisions that were already addressed in 2011 Wisconsin Act 10. This veto will retain the initial applicability treatment of only those provisions that were revised in enrolled 2011 Wisconsin Assembly Bill 40 (the 2011-13 biennial budget).

GOVERNMENT ACCOUNTABILITY BOARD

28. Statements of Economic Interest

Section 357m

This provision modifies current law regarding access to statements of economic interest prepared by certain public officials and employees. Under the provision, persons wishing to examine a statement of economic interest must appear in person at the Government Accountability Board. Current law does not specify how the Government Accountability Board provides access to the records, other than requiring an individual wishing to inspect the records to provide his or her full name and address. Current practice allows for electronic access to the statements.

I am vetoing this provision because it limits access to statements of economic interest to in-person review. This violates the principles of transparency and open government that are fundamental to public oversight and a key tenet of my administration.

D. HEALTH SERVICES AND INSURANCE

HEALTH SERVICES

29. Family Care Cost-Effectiveness Study

Section 9121 (3g)

This section requires the Department of Health Services secretary to study the cost-effectiveness of the Family Care program, the Family Care Partnership, the IRIS self-directed care program and the program for all-inclusive care for the elderly (PACE). The study will compare the cost-effectiveness of each program to each of the other programs and is due to the Joint Committee on Finance by March 1, 2012.

I am partially vetoing this section to remove the requirement that the report be submitted by March 1, 2012, because the department is already required to prepare this information as a response to the 2011 Legislative Audit Bureau study of the Family Care program. The findings of that review are due to the Joint Legislative Audit Committee on August 31, 2012, and to submit a partial analysis in March would be premature.

30. Medicaid Family Planning Waiver Services

Sections 1439n, 1439w, 1439x, 1441b and 9421 (7)

This provision requires the Department of Health Services to request and implement a federal waiver to provide family planning services under Medicaid to women between the ages of 15 and 44 whose family income does not exceed 200 percent of the federal poverty level. The waiver must require parental notification of services provided to females under 18 years old and must specify that the determination of eligibility for minors is based on the income of a parent or guardian.

I am vetoing sections 1439w, 1439x and 9421 (7) and partially vetoing sections 1439n and 1441b because I object to the inflexibility of the language. This veto is not intended to end the program but to instead provide the department greater latitude to determine the appropriate ages and income levels for coverage of family planning services under Medicaid. The veto retains the provisions that require parental notification of family planning services provided to females under 18 years old and specify that eligibility for minors be based on family income and not individual income.

31. Study on the Purchase of Generic Drugs for Medical Assistance

Section 9121 (11i)

This provision requires the Department of Health Services to conduct a study to determine if a competitive bidding process for the purchase of generic drug equivalents provided through the Medical Assistance program would generate cost savings to the program. The study is due to the Joint Committee on Finance no later than December 31, 2011.

I am partially vetoing the provision to remove the requirement that the report be submitted by December 31, 2011, because I believe the department should have flexibility to review all aspects of this option and applying an arbitrary due date removes this flexibility.

SAFETY AND PROFESSIONAL SERVICES

32. Bail Bond Surety Licensing

Sections 373 [as it relates to s. 20.165 (1) (gk)], 496m, 3205p, 3205r, 3212m, 3541g, 3541r and 9140 (5c)

These sections require the Department of Safety and Professional Services to regulate and license bail bond surety agents and corporations and to collect annual licensing fees of \$1,000 per agent or corporation, under requirements promulgated in administrative rule. Surety agents and corporations would be compensated 10 percent of the bond set.

I am vetoing this provision because it does not provide sufficient time to properly evaluate the proposal and to plan for appropriate regulation of this industry prior to the date of implementation. I agree with the intent of the provision to reduce local government administrative costs and ensure defendants show up for court dates. However, although the commercial bail bonds industry works well in many other states, there must be sufficient notice and planning to ensure that counties, courts and regulatory agencies are able to appropriately implement this provision to avoid implementation problems and misuse of the system. Considering this provision as separate legislation will provide time for adequate review and planning to ensure the successful implementation of a commercial bail bonds system in Wisconsin.

33. Unclassified Bureau Director Position Authority

Section 2760

This section reduces the number of unclassified bureau director positions allocated at the Department of Safety and Professional Services from not more than five to not more than two positions.

I am partially vetoing this section because I object to reducing the current number of unclassified bureau directors in the department. While the veto will permit the department to have up to five unclassified bureau director positions, I am directing the department to maintain the current staffing of three unclassified bureau directors and to remain within their current position authorization level.

VETERANS AFFAIRS

34. Chippewa Falls Veterans Home Cost-Benefit Analysis

Sections 234 and 9101 (2u)

These sections require the Department of Administration to conduct a cost-benefit analysis on the initial contract for the operation and staffing of the Veterans Home at Chippewa Falls and to submit the results to the Joint Committee on Finance by February 1, 2012, or before the Department of Veterans Affairs enters into a contract for the operation of the home. Further, the Department of Veterans Affairs is exempted from the current law requirement to conduct a cost-benefit analysis meeting the same criteria prior to entering into the contract.

I am vetoing section 234 because I object to exempting the Department of Veterans Affairs from the requirement to conduct a cost-benefit analysis prior to contracting for the operation of the home. Further, I am partially vetoing section 9101 (2u) requiring the Department of Administration to conduct a similar cost-benefit analysis because this requirement is unnecessary and duplicative of the Department of Veterans Affairs analysis.

35. Veterans Trust Fund Information

Section 9153 (2j)

This section requires the Department of Veterans Affairs to submit as part of its 2013-15 biennial budget request to the Department of Administration an estimate of the amount of revenues that will be deposited into the veterans trust fund during that biennium and that the total recommendation for appropriation from the trust fund is not greater than the amount to be deposited into the fund.

I am partially vetoing this section to remove the requirement that the total recommendation for appropriation from the fund is not more than available revenue because it is overly limiting on the department. It is widely understood that the veterans trust fund is facing financial uncertainty and to place such restrictions on the department does not work toward the goal of finding reliable revenue streams while maintaining services for Wisconsin's veteran population.

36. Military Funeral Honors Funding – Technical Veto

Sections 9253 (1j) and 9453 (1j)

This provision provides \$68,900 GPR funding in the second year of the 2009-11 biennium to reimburse veterans service organizations that provide military funeral honors for veterans in this state.

I am vetoing this provision at the request of the Legislative Reference Bureau because funding for this purpose has already been addressed in 2011 Wisconsin Act 27.

E. STATE GOVERNMENT OPERATIONS

ADMINISTRATION

37. Disclosure of Expenditures on Internet Web Site

Section 215m

This section requires the Department of Administration to disclose expenditures relating to state agency operations, state contracts and state grants on a searchable Internet Web site beginning July 1, 2013. Once the system is implemented, it requires agencies to submit expenditure information to the department within 60 days, and grant and contract information within 10 days. It also allows an agency to request an exemption from the requirement through the Joint Committee on Finance if the agency is upgrading its computer operations.

I am partially vetoing this section to remove specific dates and deadlines because the department must have flexibility in meeting the goal of this requirement. I am also vetoing the provision allowing agencies to request an exemption from the requirement because it is important that the reporting is complete and consistent for all agencies. I am very supportive of transparency in government and am in complete agreement with the goals of this requirement. When I was Milwaukee County Executive, our administration worked with the State of Missouri to develop a public portal for access to expenditure data. I will direct the Department of Administration secretary to work with states, such as Missouri, to expand the expenditure information available to the public through a searchable Internet Web site. I will further direct the department to immediately report monthly expenditures by state agency, funding source and appropriation through a publicly accessible Web site.

38. Base Budget Review

Sections 218d and 218e

This provision requires one-third of state agencies in each biennium to report an accounting of all expenditures by categories established by the Department of Administration for the prior three fiscal years and the last quarter of the prior three fiscal years. Reports would be due by September 15 and would be included in the agency budget submissions and incorporated in the compiled budget report due November 20 of each even-numbered year.

I am vetoing this provision in its entirety because it is unnecessary. I support the goal of increased transparency and accountability of state government through reporting. This requirement will be met through other reporting requirements in the bill and my directive to the department to immediately report monthly expenditures by state agency, funding source and appropriation through a publicly accessible Web site.

39. Report on Surplus Positions

Section 218h

This section requires the Department of Administration secretary to report quarterly to the Joint Committee on Finance: (a) the base number of existing surplus positions in each agency, (b) the number of surplus positions each agency has created, and (c) the amounts spent on surplus positions.

I am vetoing this section because it is duplicative of information already provided and that will be available through the Web site the department will create under other provisions in the bill. Currently, the department reports quarterly on surplus position creations and deletions. With the creation of the Web site for information on state agency expenditures, contracts and grants, actual expenditures, including salary and fringe benefits paid to state employees, will be available on a real time basis. Any additional information regarding surplus positions can be provided on an ad hoc basis, but providing it quarterly is unnecessary.

40. Procurement Bid Threshold

Sections 246g, 248g, 9301 (3f), and 9452 (1d) [as it relates to ss. 16.75 (1) (b) and (b) 2. and (2m) (b) and (b) 2. and 9301 (3f)]

These sections increase the dollar threshold requiring bids or competitive sealed proposals for procurements made by the Board of Regents of the University of Wisconsin System or the University of Wisconsin-Madison to \$50,000, effective July 1, 2013.

I am partially vetoing these sections to remove the language specific to the University of Wisconsin and the delayed effective date because I object to limiting this higher threshold to the University of Wisconsin System and the University of Wisconsin-Madison and delaying the effective date of this change. My budget recommendations to the Legislature in March included this change in the bid threshold for all agencies. With this veto, my original intent to provide all state agencies with the flexibility for more efficient and cost-effective procurement of goods and services will be met immediately.

41. Build and Lease Back Program

Section 9101 (5q)

This provision directs the Department of Administration to explore the feasibility of instituting a program for private construction of buildings for the purpose of leasing those buildings to the state. The study results would be submitted to the Joint Committee on Finance by December 1, 2011.

I am vetoing this provision because it would be duplicative of existing practices. The department, through the State Building Commission, already engages with private

contractors to construct buildings with lease/purchase agreements for state government operations.

42. Energy Efficiency Heating, Ventilating and Air Conditioning Systems Study

Section 9101 (1u)

This provision directs the Department of Administration to conduct a study on the feasibility of installing energy efficient systems in state buildings and to submit the study results to the Joint Committee on Finance by December 1, 2011.

I am vetoing this provision because it is unnecessary. The Division of State Facilities in the department is already responsible for addressing energy efficiency in state buildings. The department is working with the State Building Commission to continually improve energy efficiency throughout state-owned facilities.

F. TAX, TRANSPORTATION AND OPERATIONS

REVENUE

43. **Weight-Based Taxation for Moist Snuff Tobacco Products**

Sections 2637n, 2637p and 9441 (3u)

These sections convert the tax on moist snuff tobacco products from an ad valorem tax equal to 100 percent of the manufacturer's list price to a rate of \$1.76 per ounce and at an equivalent rate for any fractional part in excess of 1.2 ounces. These sections also specify that the tax on a can or package of moist snuff weighing less than 1.2 ounces shall be equal to the tax on a can or package weighing 1.2 ounces. The weight-based tax would take effect on January 1, 2012.

I am vetoing these sections because it may encourage the use of these products by children. Wisconsin's current ad valorem tax on moist snuff tobacco products maintains a level playing field and minimizes the attractiveness to youth, helping to improve public health.

44. **Sharing of Loss Carry-Forwards under the Corporate Income and Franchise Tax Incurred Before 2009**

Section 1894d

This section allows combined groups under the provisions of the corporate income and franchise tax to share net business loss carry-forwards that were incurred by group members prior to January 1, 2009. Beginning with the first tax year beginning after December 31, 2011, and each of the 19 subsequent tax years, a corporation that is a member of a combined group and had business loss carry-forwards incurred prior to January 1, 2009, may use up to 5 percent of its remaining business loss carry-forwards to proportionally offset the net income of other members of the combined group, to the extent such income is attributable to the unitary business. If the full 5 percent of the loss carry-forwards cannot be fully utilized in a given tax year, the remainder may be added in a subsequent tax year to the portion of loss carry-forwards that may offset group members' income in that year. A member of a combined group can continue to utilize its loss carry-forward until its loss carry-forward is completely used or expired except that pre-2009 loss carry-forwards may not be used in any taxable year that begins after December 31, 2031.

I am partially vetoing this section to remove the word "remaining" as it relates to the eligible loss carry-forwards that can be shared by a combined group member because the language in the bill is not consistent with the intent. The intent of this provision is to allow a business to use the full amount of the pre-2009 loss carry-forward over a period of 20 years, or until that group member's loss carry-forward is completely used or expired. The remaining amount of pre-2009 loss carry-forward will decrease each year, and because the percentage would be calculated on this decreasing amount, the business would never be able to share the full amount of its losses.

45. County and Municipal Levy Limits

Sections 1722b, 1722c and 1722d

Section 1722b changes the current law valuation factor percentage for use in setting county and municipal operating levies from the greater of 3 percent or the percentage change in equalized value due to net new construction to the greater of the percentage change in equalized value due to net new construction or one of two minimum valuation factors depending on the property tax year. Section 1722c establishes a 0 percent minimum valuation factor for levies set in 2011 and 2012. Section 1722d establishes the minimum valuation factor at 1.5 percent for levies set in 2013 and all subsequent years.

I am vetoing section 1722d and partially vetoing sections 1722b and 1722c to remove the scheduled increase in the minimum valuation factor for property tax years beginning after 2012 because I object to creating an automatic increase in the minimum valuation factor without knowledge of conditions in future years for taxpayers, counties and municipalities. The ongoing minimum valuation factor would continue to be 0 percent as a result of these vetoes. While these vetoes do not sunset the county and municipal levy limits for property tax years after 2012, it is my intention that the structure of county and municipal levy limits should be revisited in each budget in conjunction with state aid policies as well as current and projected economic conditions for taxpayers, counties and municipalities. I remain committed to protecting property taxpayers through strong property tax levy controls for counties, municipalities, school districts and technical college districts.

46. Property Tax Exemption for Certain University of Wisconsin–Madison Student Housing Facilities

Sections 1747n, 1748d, 9341 (4d) and 9441 (4d)

These sections repeal the property tax exemption for real and personal property of a housing facility that: is owned by a nonprofit organization; 90 percent of its residents are University of Wisconsin-Madison students; there are no more than 300 students living at the facility; and the facility offers support services and outreach programs to its residents, the public or private institution of higher education at which the student residents are enrolled, and the public.

I am vetoing these sections because the repeal of the property tax exemption for these student housing facilities would place a substantial financial burden on current and potential future student housing facilities at the University of Wisconsin–Madison that provide unique services to students attending the university, including scholarships for residents, student worship groups, and volunteer services not available at university or commercial student housing facilities.

TRANSPORTATION

47. County Highway Department Funding

Section 2221i

Section 2221i requires the Department of Transportation to work cooperatively with county highway departments to determine an appropriate level of state work sufficient to fully utilize the manpower and equipment needed for winter maintenance, and to submit, with each biennial budget request, a funding proposal for maintenance activities performed by counties that is no less than the base amount appropriated plus an inflationary factor, if the department determines that funding for county maintenance activities is inadequate.

I am partially vetoing this section to remove the requirement that the department submit budget requests that include funding equal to the amount appropriated in the base year plus an inflationary factor, for maintenance activities performed by counties, if the department determines that funding for county maintenance activities is inadequate. I am partially vetoing this section because funding amounts included in budget requests should be determined by available revenue and transportation priorities.

48. Department of Transportation 10-year Financing Plans

Section 2200m

Section 2200m requires the Department of Transportation to submit, with each biennial budget, a 10-year plan outlining transportation revenue estimates, proposed bonding and debt service.

I am partially vetoing this section to remove the requirement that the department submit this plan with each biennial budget, because requiring the department to repeat the plan every two years prevents implementation of any recommendations from the plan on a long-term basis. Long-term transportation finance planning is a valuable activity, at less frequent intervals than this section requires.

49. Southeast Wisconsin Freeway Megaprojects

Sections 9148 (7f) and 9148 (8f) (b)

Section 9148 (7f) requires the Department of Transportation to determine, by July 1, 2011, the portion of unencumbered funds in the department's expiring southeast Wisconsin freeway rehabilitation appropriations that are designated for southeast Wisconsin freeway megaprojects.

Section 9148 (8f) requires the department to provide the Joint Committee on Finance with a detailed project funding plan for the Zoo Interchange by December 1, 2011.

I am partially vetoing these sections to remove the dates because the department will not be able to comply with the requirements by the specified dates. Fiscal year 2010-11

expenditures and encumbrances will still be in the process of being finalized on July 1, 2011. Once expenditures and encumbrances have been finalized, the department will make the required determinations and transfers. In addition, the department has not selected a preferred design alternative for the Zoo Interchange project and will not have enough information for a detailed expenditure plan by December 1, 2011. The department will provide the Zoo Interchange plan when sufficient information is available.

50. Astronautics Funding

Section 373 [as it relates to s. 20.395 (2) (mq)]

Section 373 [as it relates to s. 20.395 (2) (mq)] provides \$10,000 SEG in fiscal year 2011-12 to the Wisconsin Aerospace Authority for Web site design.

I am partially vetoing section 373 [as it relates to s. 20.395 (2) (mq)] to reduce funding for this appropriation to \$0 in fiscal year 2011-12 because I object to earmarking these funds. By lining out s. 20.395 (2) (mq) and writing in \$0, I am vetoing the part of the bill that funds this provision. I am also requesting the Department of Administration secretary not to allot these funds.