



Legislative Fiscal Bureau

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June 8, 2005

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 438 and Senate Bill 216: 2004-05 Budget Adjustments

Assembly Bill 438 and Senate Bill 216, which are companion bills, were introduced on May 24, 2005, and referred to the Joint Committee on Finance. The bills would increase funding for several programs or appropriations that are projected to have shortfalls in 2004-05. Each of these funding adjustments is discussed below.

SUMMARY OF BILLS

Corrections Energy Costs. The bills would provide \$7,300,000 GPR in 2004-05 for increased energy costs in the Department of Corrections. Funding for energy costs in 2004-05 is budgeted at \$14,220,200 GPR.

University of Wisconsin Energy Costs. The bills would increase the University of Wisconsin System energy costs appropriation by \$22,500,000 GPR for the 2004-05 fiscal year. It is estimated that the UW System's fuel and utility appropriation for 2004-05 faces a shortfall of \$29,700,000 of which \$7,200,000 would be funded from tuition. The UW System energy costs appropriation has \$46,221,400 GPR available in 2004-05.

Health and Family Services – Medical Assistance. The bills would transfer \$75,000,000 GPR in 2004-05 from the general fund to the medical assistance trust fund (MATF) to address the projected shortfall in the MATF in 2004-05. By transferring \$75,000,000 from the general fund to the segregated MA trust fund in 2004-05, the estimated balance in the MA trust fund would be \$0 as of June 30, 2005.

2003 Wisconsin Act 100 required the Department of Health and Family Services (DHFS) to allocate, in each year of the 2003-05 biennium, any additional revenue the state receives above the Act 33 budgeted amounts as a result of nursing home intergovernmental transfer (IGT) claiming to

support supplemental MA payments to county and municipal nursing homes. Act 100 required that the supplemental payments be supported by a SEG appropriation supported by the MATF. Because insufficient funds were available in the MATF to support these payments, 2005 Act 2 provided additional GPR authority to support the supplemental payments in 2004-05. The bills would permit the supplemental payments to county and municipal nursing homes to be supported by funding from either the GPR-funded or SEG-funded MA benefits appropriations.

Health and Family Services – SeniorCare. The bills would provide \$2 million to address a projected budget shortfall in the SeniorCare program for 2004-05. Based on a review of actual payment data through May 24, 2005, and recent average weekly payments the state has made to support SeniorCare benefits costs, it is estimated that approximately \$900,000 to \$1,200,000 GPR would be needed to fully support SeniorCare benefits costs in 2004-05. Because these payments fluctuate from week to week, the administration's bill would provide additional funding to ensure that the program is fully funded in the 2004-05 fiscal year. Any unexpended funds would lapse to the general fund on June 30, 2005.

Required General Fund Structural Balance. Under s. 20.003 (4m) of the statutes, no bill may be adopted by the Legislature if that bill would require the amount of moneys designated as "total expenditures" under the general fund condition statement for that fiscal year published under that s. 20.005(1) of the appropriations schedule (excluding any amounts transferred to the budget stabilization fund in that year) to be greater than the sum of the amount of moneys designated as "taxes" and as "departmental revenues" in that section of the appropriations schedule. The bills contain a non-statutory section stating that s. 20.003(4m), would not apply to the actions of the Legislature in adopting these bills.

FISCAL EFFECT

The following table summarizes the fiscal effect of the bills.

	<u>GPR</u>	2004-05 <u>GPR Transfer</u>	<u>SEG-REV</u>
Revenue Transfer			
Medical Assistance--Transfer GPR to MA Trust Fund	\$0	\$75,000,000	\$75,000,000
Appropriation Changes			
SeniorCare	2,000,000	0	0
University of Wisconsin -- Utility Costs	22,500,000	0	0
Corrections -- Utility Costs	<u>7,300,000</u>	<u>0</u>	<u>0</u>
Total Fiscal Effect	\$31,800,000	\$75,000,000	\$75,000,000

As indicated in the table, the bills would transfer \$75,000,000 from the general fund to the MA trust fund, and increase GPR expenditure authority by \$31,800,000 GPR on a one-time basis in 2004-05. Consequently, the bills would reduce the estimated June 30, 2005, general fund balance by \$106,800,000.

It should also be noted that under s. 16.518 of the statutes, the Secretary of Administration is required to calculate each year the difference between the amount of moneys actually deposited in the general fund as taxes with the amount of taxes that were estimated to be collected in that fiscal year as published in the general fund condition statement for the biennial budget bill (2003 Act 33 for the purposes of fiscal year 2004-05 calculations). Under published Act 33, estimated tax collections for fiscal year 2004-05 were \$11,357,350,000. Under the May 16, 2005, revenue re-estimates, total tax collections are projected to be \$11,449,100,000 or \$91,750,000 more than the Act 33 estimates. Section 16.518 requires that 50% of any excess taxes (actual taxes collected that exceed the estimated level of collections), shall be transferred to the budget stabilization fund.

However, section 16.518 also provides that any such transfer shall not be made if the transfer would cause the required statutory balance for the fiscal year to be less than the required reserve amount. Act 33 set the reserve amount at \$40 million for fiscal year 2004-05. It is estimated that the gross ending general fund balance for fiscal year 2004-05 will be about \$48.0 million. After deducting the required statutory balance of \$40 million, an estimated net ending balance of about \$8.0 million would result. Therefore, it is estimated that, under current law, approximately \$8.0 million would be required to be transferred to the budget stabilization fund.

In order for the estimated \$8.0 million to be retained in the general fund rather than being transferred to the stabilization fund, the bill would need to be amended.