



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #1120

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

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

CURRENT LAW

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

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

GOVERNOR

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

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

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

DISCUSSION POINTS

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

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

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

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

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

SS AB 1 State Operations GPR Reductions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Column 1 -- Agency.

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

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

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

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

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

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

ALTERNATIVES TO BILL

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

ATTACHMENT

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

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

ATTACHMENT (continued)

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

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