



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #480

GPR Base Budget Reductions (Legislature)

[LFB 2003-05 Budget Summary: Page 292, #2]

CURRENT LAW

The adjusted base budget for state operations for the Legislature consists of the following components:

<u>Entity</u>	<u>2002-03 Adjusted Base GPR</u>
Assembly	\$19,926,700
Senate	13,489,200
Legislative Documents	7,359,200
Retirement Committees	174,800
Retirement Actuarial Studies	14,200
Revisor of Statutes Bureau	739,800
Legislative Reference Bureau	4,497,200
Legislative Audit Bureau	4,497,100
Legislative Fiscal Bureau	3,109,500
Legislative Council	3,190,500
Legislative Technology Services Bureau	2,049,000
Memberships in National Associations	<u>148,900</u>
	\$59,196,100

GOVERNOR

Reduce base level funding for the total GPR-supported operations of the Legislature by \$5,920,000 annually and delete 60.0 FTE positions. The dollar reduction amount equals 10.0% of the total GPR adjusted base for the Legislature. This reduction would be accomplished by the

establishment and operation of a single GPR appropriation for the Legislature for the 2003-05 biennium, as described below. The position reduction equals 7.4% of base budgeted GPR positions for the Legislature.

Consolidated single GPR appropriation for all legislative operations. Under the Governor's recommendation, there would be established (for the 2003-05 biennium only), a single, sum sufficient GPR appropriation from which all the GPR-supported operations of the Legislature would be funded. This would encompass the current GPR appropriations for the following entities or purposes: (a) Assembly; (b) Senate; (c) Legislative Documents; (d) Memberships in National Associations; (e) Retirement Committees and retirement actuarial studies; (f) Revisor of Statutes Bureau; (g) Legislative Audit Bureau; (h) Legislative Council; (i) Legislative Fiscal Bureau; (j) Legislative Reference Bureau; and (k) Legislative Technology Services Bureau. The appropriation level in this new sum sufficient appropriation would be established by totaling the adjusted base for each of these entities, plus the standard budget adjustments as approved by the Governor for each entity, then reducing that total by an amount equal to 10% of the total adjusted base and placing that resultant total dollar figure in the new, consolidated appropriation for each fiscal year of the 2003-05 fiscal biennium.

Zero-fund existing appropriations. The current, separate appropriation line for each of these separate entities would be set at zero for each fiscal year of the 2003-05 fiscal biennium. Further, any expenditures from the existing sum sufficient appropriations would be prohibited from the effective date of the bill until the effective date of the 2005-07 biennial budget act, except for any funds that are encumbered in those appropriations prior to the effective date of the bill. The new sum sufficient appropriation would be available to fund expenditures for any of the purposes currently authorized under the separate GPR appropriations for the cost of operations of the Legislature.

Allocation of funding to purposes. The Joint Committee on Legislative Organization (JCLO) would be required, before the effective date of 2005-07 biennial budget act, to allocate the monies within this new appropriation for each of the purposes authorized under the current appropriation language for the existing GPR appropriations. Further, in the event that JCLO has not acted to fully allocate these funds among those purposes, the individual officers who have authority under current law to make expenditures under the current law appropriations would be authorized to make expenditures for those same purposes from the new appropriation, except that each officer could not make any such expenditure that would result in the total authorized expenditures by that officer exceeding 90% of the total amount available for expenditure by that officer in the 2001-03 fiscal biennium.

Sunset of new appropriation. No expenditures from this new, consolidated GPR sum sufficient appropriation would be permitted after the effective date of the 2005-07 biennial act, except for any funds that have been encumbered in that appropriation prior to that effective date.

DISCUSSION POINTS

1. The annual reduction to the Legislature's budget in SB 44 of \$5,920,000 GPR is equal to 10% of the total adjusted base of the total GPR budget for the Legislature. If the reduction percentage were taken against each individual appropriation line, it would similarly be a 10% reduction to the operating budgets of the Assembly, the Senate, the documents and dues appropriations and of each of the services agencies' GPR budgets. Under the Governor's budget, however, the allocation of the amounts that would be available to each entity from the single appropriation would be determined by the Joint Committee on Legislative Organization.

2. Following the introduction of SB 44, the Department of Administration determined that in compiling the adjusted base figures for the Assembly for inclusion in the Governor's budget, a technical budget adjustment category called full funding calculations was not included in the total budgeted level for the Legislature. The Department indicates that this resulted in a level of funding that was lower than what should have been included in the Governor's budget recommendation for the Legislature. The administration has requested that a total \$2,264,900 GPR in 2003-04 and \$2,335,400 GPR in 2004-05 that should have been included as a full funding calculation for the Assembly, be added to the Committee's version of the budget.

3. In contrast to the Legislature's budget, the appropriations for the Courts were not reduced. Rather, language is provided that would require the Chief Justice of the Supreme Court, acting as the administrative head of the judicial system, to take actions during the 2003-05 biennium to ensure that a total of \$750,000 GPR annually is lapsed from the Courts' sum certain appropriations or is subtracted from budgeted expenditure estimates for the Courts' sum sufficient appropriations funded from GPR. This lapse requirement is equal to 1.1% of the total adjusted base for state operations of the Circuit Courts, the Court of Appeals and the Supreme Court. [The Committee adopted the Governor's recommendation regarding the Courts at its May 8, 2003, executive session on SB 44.]

4. The Governor's Office budget was handled in yet another way. The principal appropriation for the Office, a sum sufficient appropriation, was made subject to a base budget reduction of \$666,800 GPR annually. This represents a 19% reduction to the GPR adjusted base level of funding for the agency.

5. Base budget reductions for each of these three branches were thus handled in differing manners. First, the base reduction percentages that were used to establish reduction amounts for each branch were set at differing levels. Second, the way in which the reductions would be accomplished is different. The Governor's proposed base budget reduction provisions for the Legislature may therefore be considered from these two different aspects: (a) the amount of funding reduction that the Committee may consider appropriate for the Legislature; and (b) the procedure by which any required reduction amount is to be implemented.

Amount of Funding Reduction

6. Under SB 44, most state agency, state operations GPR appropriations would generally be reduced. Although the annual percentage reduction varies, a number of agencies would be subject to reductions of 10% annually.

7. For the 2001-03 biennium, the three branches, like state agencies, were subjected to reductions in their GPR-supported state operations appropriations. Reductions occurred in 2001 Act 16 (the biennial budget), 2001 Act 109 (the 2001-03 budget adjustment act) and 2003 Act 1 (the 2002-03 budget adjustment act). The following table shows the budget reduction percentages for the three branches for 2001-02 and 2002-03.

	<u>Act 16 Reduction %</u>		<u>Act 109 Reduction %</u>		<u>Act 1</u>
	<u>2001-02</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2002-03</u>	<u>Reduction %</u> <u>2002-03</u>
Office of the Governor	5.0%	5.0%	5.0%	10.5%	6.0%
Legislature (including service agencies)	5.0	5.0	3.5	6.5	6.0
Court of Appeals	4.0	4.0	3.5	2.75	6.0
Circuit Courts	4.0	4.0	3.5	2.75	1.0
Supreme Court					
Court Operations	4.0	4.0	3.5	2.75	6.0
Director of State Courts	4.0	4.0	3.5	6.25	6.0
Law Library	4.0	4.0	3.5	6.25	6.0

8. The reductions for the Legislature are typical of the percentage reductions experienced by most agencies. As shown, the reductions for the Office of the Governor under Act 109 were greater than those of the Legislature. The reductions for the Courts were somewhat less than those of the Office of the Governor and the Legislature under each of the three acts.

9. The following table shows the cumulative reduction for the three branches for 2002-03 (the base year for the 2003-05 biennium). [Note: the reduction percentages shown in the table are arrived at by adding the 2002-03 percentages from the preceding table but differ slightly from the figures shown due to interaction effects.]

	<u>Cumulative % Reduction for 2002-03</u>
Office of the Governor	21.50%
Legislature (including service agencies)	17.50
Court of Appeals	12.75
Circuit Courts	7.75
Supreme Court	
Court Operations	12.75
Director of State Courts	16.25
Law Library	16.25

10. Salaries and fringe benefits account for 73.5% (\$44,630,500 GPR) of the base budget for the Legislature (830.97 GPR positions). As a point of comparison, salaries and fringe benefits account for 75.7% (\$2,659,500 GPR) of the base budget for the Office of the Governor (47.75 GPR positions), and 89.7% (\$61,674,800 GPR) of the Courts' base budget (698.0 GPR positions).

11. The Legislature was made subject to a reduction percentage of 10% while the Courts were subject to a reduction percentage of only 1.1%.

12. The Committee could consider a lesser reduction percentage for the Legislature than the 10% selected by the Governor. The table below indicates the alternative reductions, shown as a fiscal change to SB 44, that would result from selecting a percentage reduction for the Legislature that would be less than 10%.

13. Further, the Legislature's FTE complement includes the 132 elected State Representatives and State Senators. In addition, the statutes provide for the election by each of the houses of the Legislature of a chief clerk and a sergeant at arms. Also, the statutes require the Joint Committee on Legislative Organization to appoint a head for each of the statutory legislative service agencies. Base level salaries and fringe benefit costs for the state elected members of the Legislature total \$8.3 million annually. Base level salaries and fringe benefits cost for the other statutory employees of the Legislature total \$1.4 million annually. The table below indicates the fiscal change to SB 44 that would result if the Committee were to exclude those salary and fringe benefit costs from the adjusted base amounts that would be subject to any given percentage level of reduction.

Annual Reduction Percentage	Annual Change to SB 44		
	Total State Operations	State Operations Less Legislators	State Operations Less Legislators and Statutory Employees
0%	\$5,920,000	\$5,920,000	\$5,920,000
1	5,328,000	5,411,100	5,426,200
2	4,736,100	4,902,300	4,932,400
3	4,144,100	4,393,400	4,438,500
4	3,552,200	3,884,500	3,944,700
5	2,960,200	3,375,600	3,450,900
6	2,368,200	2,866,800	2,957,100
7	1,776,300	2,357,900	2,463,300
8	1,184,300	1,849,000	1,969,500
9	592,400	1,340,100	1,475,600
10	0	831,300	981,800

Implementation of Required Base Budget Reductions

14. Although the percentage reductions for the three branches varied in 2001-03, they were treated uniformly in the implementation of the each of the reduction actions. Under 2001 Act 16, the appropriations for all three branches were reduced. Under 2001 Act 109 and 2003 Act 1, in recognition of the separate powers of the three branches, the appropriations were not reduced but instead the Governor, the Chief Justice of the Supreme Court and presiding officers of the Legislature were required to ensure that the amounts generated by the required reduction percentages would lapse to the general fund for their respective branch.

15. A second consideration for the Committee would be whether the reduction amount should be required to be taken as a reduction to the appropriation line or should be required to be met as a lapse. Under the SB 44, the Courts reduction would be a lapse requirement, the same reduction approach as was required under both 2001 Act 109 and 2003 Act 1, whereas the Legislature's reduction, as well as the reduction for the Governor's Office, would be applied as a reductions to each branch's appropriations.

16. The Committee could provide that the Legislature's reduction amount be established as a lapse requirement from the Legislature's total GPR budget level and that the Co-chairs of the Joint Committee on Legislative Organization be required to take actions to ensure that, during the 2003-05 biennium, the reduction amount would be lapsed to the general fund from all of the GPR appropriations provided to the Legislature for state operations purposes. If that action were taken, the Committee could also delete the Governor's proposal to provide a single consolidated appropriation for the Legislature from which the Joint Committee on Legislative Organization would then be required to allocate portions of to the individual appropriations for the Assembly, Senate, legislative service agencies and other appropriations.

17. Alternatively, the Committee could require that any reduction amount chosen be

implemented using the language of the Governor's budget recommendations. This would mean that the reduction amount would be reflected in the amount of funding actually provided in the new consolidated appropriation for the entire Legislature that would be in effect for the 2003-05 biennium. Under the Governor's proposed language, the Joint Committee on Legislative Organization would then be required to allocate for expenditure, from the new single appropriation, the amounts to be expended for each of the purposes presently authorized under the twelve separate appropriations that currently fund the GPR-supported operations of the Legislature.

18. Another alternative would be to make the following modifications to the Governor's proposed implementation procedures. The initial funding level for the Legislature for the 2003-05 biennium could be specified in the new consolidated, single GPR appropriation for the entire Legislature as under the Governor's recommendation. The Joint Committee on Legislative Organization (JCLO) would then determine how this total level of funding would be allocated for expenditure by the different spending entities within the Legislature. However, the Committee could modify the Governor's proposed procedures by providing that those amounts, as allocated by JCLO, would then be required to be transferred by DOA from the new consolidated appropriation to the existing separate appropriations in the amounts determined by JCLO. This alternative would still achieve the reduction goal as under the Governor's proposal, and yet let legislative leaders determine how that total level of reduced funding is best allocated among the individual entities of the Legislature.

19. Under this alternative, a session law provision would be included to direct DOA to establish under the current existing appropriations, the level of funding determined by JCLO to be allocated to each entity. These GPR appropriations would increase in total by an amount equal to the total funding in the new appropriation. However, the initial level in that consolidated appropriation would decrease by an equal amount, so that there would be no net change to the Legislature's total budget level. Once the allocation amounts were determined by JCLO and DOA transferred those amounts into the respective individual appropriations, spending procedures under each appropriation would operate as under current law.

ALTERNATIVES

A. Amount of Funding Reduction

1. Approve the Governor's recommendation to reduce the appropriation of the Legislature by \$5,920,000 GPR annually.

2. Modify SB 44 by providing \$2,264,900 GPR in 2003-04 and \$2,335,400 GPR in 2004-05 as recommended by the Department of Administration.

<u>Alternative A2</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$4,600,300

3. Using the Legislature's total adjusted base GPR state operations appropriations, modify the Legislature's reduction requirement to be one of the following percentages:

	<u>Annual Reduction Percentage</u>	<u>Annual Change to SB 44</u>	<u>Biennial Change to SB 44</u>
a.	0%	\$5,920,000	\$11,840,000
b.	1	5,328,000	10,656,000
c.	2	4,736,100	9,472,200
d.	3	4,144,100	8,288,200
e.	4	3,552,200	7,104,400
f.	5	2,960,200	5,920,400
g.	6	2,368,200	4,736,400
h.	7	1,776,300	3,552,600
I.	8	1,184,300	2,368,600
j.	9	592,400	1,184,800
k.	10	0	0

4. Using the Legislature's base GPR state operations appropriations less the salary and fringe benefit costs of elected legislators, modify the Legislature's reduction requirement to be one of the following percentages:

	<u>Annual Reduction Percentage</u>	<u>Annual Change to SB 44</u>	<u>Biennial Change to SB 44</u>
a.	0%	\$5,920,000	\$11,840,000
b.	1	5,411,100	10,822,200
c.	2	4,902,300	9,804,600
d.	3	4,393,400	8,786,800
e.	4	3,884,500	7,769,000
f.	5	3,375,600	6,751,200
g.	6	2,866,800	5,733,600
h.	7	2,357,900	4,715,800
I.	8	1,849,000	3,698,000
j.	9	1,340,100	2,680,200
k.	10	831,300	1,662,600

5. Using the Legislature's base GPR state operations appropriation less the salary and fringe benefit costs of elected legislators and statutorily authorized employees, modify the Legislature's reduction requirement to one of the following percentages:

	<u>Annual Reduction Percentage</u>	<u>Annual Change to SB 44</u>	<u>Biennial Change to SB 44</u>
a.	0%	\$5,920,000	\$11,840,000
b.	1	5,426,200	10,852,400
c.	2	4,932,400	9,864,800
d.	3	4,438,500	8,877,000
e.	4	3,944,700	7,889,400
f.	5	3,450,900	6,901,800
g.	6	2,957,100	5,914,200
h.	7	2,463,300	4,926,600
I.	8	1,969,500	3,939,000
j.	9	1,475,600	2,951,200
k.	10	981,800	1,963,600

6. Delete provision.

<u>Alternative A6</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$11,840,000

B. Reduction Implementation

1. Specify that any reduction be implemented as a required lapse to the general fund from the Legislature's budget.

2. Specify that any reduction be implemented as would have been required under the Governor's recommended reduction procedure, except adjust the amount of funding provided in the proposed single, consolidated appropriation by the amount selected to be the reduction amount for the Legislature.

3. Specify that any reduction be implemented by adjusting the amount of funding to be provided in the proposed single, consolidated appropriation by the amount selected to be the reduction amount for the Legislature. In addition, modify the Governor's language to provide that after JCLO determines the portions of the total amount in that consolidated appropriation that are to be allocated to each separate appropriation purpose established under current law, DOA would then be required to allocate those amounts to the existing GPR appropriations under the Legislature and to reduce the amounts in the consolidated new appropriation by a similar amount, so that there would be no net change to the budget level for the Legislature.

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