



Legislative Fiscal Bureau

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: 2017-19 and 2019-21 General Fund Budget

The following tables (in millions) provide information on the condition of the state's general fund for 2017-19 and 2019-21 under the Governor's 2017-19 budget recommendations (2017 AB 64/SB 30). Table 1 displays the projected 2017-19 general fund condition statement under the Governor's bill.

TABLE 1
2017-19 General Fund Condition Statement
2017 AB 64/SB 30

	<u>2017-18</u>	<u>2018-19</u>
Revenues		
Opening Balance, July 1	\$453	\$298
Taxes	15,973	16,573
Departmental Revenues		
Tribal Gaming Revenues	26	26
Other	<u>493</u>	<u>447</u>
Total Available	\$16,945	\$17,344
Appropriations, Transfers, and Reserves		
Gross Appropriations	\$16,899	\$17,619
Transfers to:		
Budget Stabilization Fund	20	0
Transportation Fund	40	41
Compensation Reserves	14	35
Less Lapses	<u>-326</u>	<u>-438</u>
Net Appropriations	\$16,647	\$17,257
Balances		
Gross Balance	\$298	\$87
Less Required Statutory Balance	<u>-70</u>	<u>-75</u>
Net Balance, June 30	\$228	\$12

Table 2 focuses only on the 2018-19 fiscal year. 2018-19 is the "base year" for construction of the 2019-21 budget.

TABLE 2

2018-19 General Fund Condition Statement

	<u>2018-19</u>
Opening Balance, July 1	\$298
Revenues (Taxes and Departmental Revenues)	<u>17,046</u>
Total Available	\$17,344
Net Appropriations	\$17,257
Gross Balance	\$87

Table 3 addresses the structure of the general fund budget. To do so, only the revenues, net appropriations, and the difference between the two is shown. Thus, Table 3 ignores the opening balance and focuses only on the revenues and net appropriations for the 12 months of the fiscal year.

TABLE 3

2018-19 Balance of Revenues and Expenditures

	<u>2018-19</u>
2018-19 Revenues	\$17,046
Net Appropriations	<u>17,257</u>
Difference	-\$211

Table 3 indicates that net appropriations exceed revenues by \$211 million. Thus, the structure of the general fund shows an imbalance of \$211 million. The -\$211 million becomes \$87 million when the \$298 million opening balance is considered. However, Table 3 focuses only on the revenues and net appropriations for the 12-month period (July, 2018, through June, 2019).

Table 4 shows estimated 2019-21 general fund commitments. This table reflects estimated increases or decreases of various items for each year of the 2019-21 biennium as a change to base year (2018-19) revenues and net appropriations.

TABLE 4**2019-21 General Fund Commitments**

	<u>2019-20</u>	<u>2020-21</u>
Revenues (Taxes and Departmental Revenues)		
2018-19 Base Revenues	\$17,046	\$17,046
Modifications to Base		
Capital Gains Exclusions -- WI Investments	-\$17	-\$23
Limit Historic Rehabilitation Credit	13	14
Delay Credit Card Refund Law	-9	-10
Sales Tax Holiday	11	11
Sales Tax on Internet Access	<u>0</u>	<u>-166</u>
Subtotal -- Modifications	-\$2	-\$174
Total	\$17,044	\$16,872
Net Appropriations		
2018-19 Base	\$17,257	\$17,257
Modifications to Base		
Disaster Damage Aids	-\$3	-\$3
Homestead Tax Credit Indexing	5	7
Depletion of TANF Balance	30	75
TANF Work Participation Penalties	20	7
Services for Victims of Sex Trafficking	4	4
Depletion of Federal Child Welfare Funds	5	5
EITC for Newly-Married Claimants	2	4
Participation in Employment Training -- Foodshare		
Recipients with Dependent Children	13	23
Participation in Employment Training -- MA Recipients		
Without Dependent Children	16	16
Fully Fund 2% General Wage Adjustment	47	47
Corrections Health Service Unit Staffing	1	1
Debt Service on General Obligation Bonds	25	-4
Debt Service on Appropriation Obligation Bonds	62	66
One-Time Per Pupil Aid	-20	-20
Private School Choice Program	6	12
Covenant Program	-2	-3
Sunset Forestry Mill Tax	<u>3</u>	<u>6</u>
Subtotal -- Modifications	\$214	\$243
Total	\$17,471	\$17,500

Table 5 places the figures from Table 4 into condition statement format for the 2019-21 biennium.

TABLE 5

**2019-21 General Fund Condition Statement
(Before Revenue Growth and Program Expansion)**

	<u>2019-20</u>	<u>2020-21</u>
Opening Balance, July 1	\$87	\$80
Revenues (from Table 4)	<u>17,044</u>	<u>16,872</u>
Total Available	\$17,131	\$16,952
Net Appropriations (from Table 4)	\$17,471	\$17,500
Required Balance	<u>80</u>	<u>85</u>
Total	\$17,551	\$17,585
Balance	-\$420	-\$633
Biennial Amount		-\$1,053

Table 5 shows that, for 2019-20, the general fund would have an estimated imbalance of -\$420 million after meeting commitments under current law and the provisions of 2017 AB 64/SB 30 and maintaining the required statutory balance. In 2020-21, an imbalance of -\$633 million (above the 2019-20 imbalance of -\$420 million) would occur.

The Department of Administration (DOA) is required to include general fund condition statements for the current and succeeding biennia under the Governor's budget recommendations. The DOA analysis for 2017-19 and 2019-21 is displayed in the "Budget in Brief." Also, the Legislative Fiscal Bureau must prepare a similar report at each stage of the biennial budget process.

It is important to note that the amounts shown in Tables 4 and 5 represent commitments under current law and the provisions of AB 64/SB 30. No assumptions are made regarding revenue modifications in 2019-21 due to such unknowns as future law changes or economic factors. Likewise, no assumptions are made to appropriations regarding changes in caseloads, population estimates, enrollments, employee compensation, or inflation.

The intent of the exercise is to provide policymakers with an indication of the beginning point for the budget of the succeeding biennium. It does not project whether the next budget will have a surplus or a deficit (the Constitution requires that the Legislature pass a balanced budget). Rather, the analysis is intended to serve as a guide during current budget deliberations and provide some insight regarding the succeeding budget.

Table 6 lists the estimated amounts under this exercise for 2019-21 and the 10 preceding biennia.

TABLE 6
General Fund Amounts

	<u>1st Year</u>	<u>2nd Year</u>	<u>Total</u>
For the 2019-21 Biennium (Governor)	-\$420	-\$633	-\$1,053
For the 2017-19 Biennium	-27	-183	-210
For the 2015-17 Biennium	-1,069	-697	-1,766
For the 2013-15 Biennium	140	6	146
For the 2011-13 Biennium	-1,232	-1,279	-2,511
For the 2009-11 Biennium	-800	-882	-1,682
For the 2007-09 Biennium	-653	-846	-1,499
For the 2005-07 Biennium	-701	-845	-1,546
For the 2003-05 Biennium	-1,340	-1,527	-2,867
For the 2001-03 Biennium	-693	-1,026	-1,719
For the 1999-01 Biennium	-589	-914	-1,503

In addition, it should be noted that the budget stabilization fund currently has a balance of \$282 million. The Governor's 2017-19 budget would transfer \$20 million from the general fund to the budget stabilization fund to increase the budget stabilization fund to \$302 million.

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