



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: 2019-21 and 2021-23 General Fund Budget

The following tables (in millions) provide information on the condition of the state's general fund for 2019-21 and 2021-23 under the 2019-21 budget recommendations of the Joint Committee on Finance. Table 1 displays the projected 2019-21 general fund condition statement under Joint Finance.

TABLE 1
2019-21 General Fund Condition Statement
Joint Finance

	<u>2019-20</u>	<u>2020-21</u>
Revenues		
Opening Balance, July 1	\$948	\$830
Taxes*	17,321	17,630
Departmental Revenues		
Tribal Gaming Revenues	24	25
Other	<u>550</u>	<u>536</u>
Total Available	\$18,843	\$19,021
Appropriations, Transfers, and Reserves		
Gross Appropriations	\$18,376	\$19,214
Transfer to Transportation Fund	43	44
Compensation Reserves	13	95
Less Lapses	<u>-419</u>	<u>-455</u>
Net Appropriations	\$18,013	\$18,898
Balances		
Gross Balance	\$830	\$123
Less Required Statutory Balance	<u>-80</u>	<u>-85</u>
Net Balance, June 30	\$750	\$38

*Includes \$50 million in 2019-20 and -\$69 million in 2020-21 under 2019 AB 251 as recommended by the Joint Committee on Finance.

Table 2 focuses only on the 2020-21 fiscal year. 2020-21 is the "base year" for construction of the 2021-23 budget.

TABLE 2

2020-21 General Fund Condition Statement

	<u>2020-21</u>
Opening Balance, July 1	\$830
Revenues (Taxes and Departmental Revenues)	<u>18,191</u>
Total Available	\$19,021
Net Appropriations	\$18,898
Gross Balance	\$123

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

2020-21 Balance of Revenues and Expenditures

	<u>2020-21</u>
2020-21 Revenues	\$18,191
Net Appropriations	<u>18,898</u>
Difference	-\$707

Table 3 indicates that net appropriations exceed revenues by \$707 million. Thus, the structure of the general fund shows an imbalance of -\$707 million. The -\$707 million becomes \$123 million when the \$830 million opening balance is considered. However, Table 3 focuses only on the revenues and net appropriations for the 12-month period (July, 2020, through June, 2021).

Table 4 shows estimated 2021-23 general fund commitments. This table reflects estimated increases or decreases of various items for each year of the 2021-23 biennium as a change to base year (2020-21) revenues and net appropriations.

TABLE 4**2021-23 General Fund Commitments**

	<u>2021-22</u>	<u>2022-23</u>
Revenues (Taxes and Departmental Revenues)		
2020-21 Base Revenues	\$18,191	\$18,191
Modifications to Base		
2018 IRC Update (2017 Act 231)	\$9	\$14
EITM Zone Revenue	36	71
Section 179 Expensing	7	10
8.0 Collector Project Positions	-1	-1
Low-Income Housing Tax Credit	<u>-7</u>	<u>-14</u>
Subtotal -- Modifications	\$44	\$80
Total	\$18,235	\$18,271
Net Appropriations		
2020-21 Base	\$18,898	\$18,898
Modifications to Base		
Depletion of TANF Balance	\$0	\$28
Debt Service on Appropriation Bonds	26	31
Debt Service on General Obligation Bonds	-3	-24
Debt Service Savings on Bond Repayments	-17	-12
Milwaukee Private School Choice Program	8	16
Forestry Mill Rate	4	8
EITM Zone Tax Credits	29	65
General Wage Adjustments (2%/2%)	21	21
Disproportionate Share Hospital Payments	-30	-30
DHS Forensic Unit	-3	-3
Wisconsin Secure Program Facility Expansion	1	1
Video Service Provider Fee Aid Payment	5	5
DOJ Division of Criminal Investigations	-1	-1
DOJ Grant Programs	-2	-2
Correctional Officer Pay Progression	<u>2</u>	<u>2</u>
Subtotal -- Modifications	\$40	\$105
Total	\$18,938	\$19,003

Table 5 places the figures from Table 4 into condition statement format for the 2021-23 biennium

TABLE 5

2021-23 General Fund Condition Statement (Before Revenue Growth and Program Expansion)

	<u>2021-22</u>	<u>2022-23</u>
Opening Balance, July 1	\$123	\$90
Revenues (from Table 4)	<u>18,235</u>	<u>18,271</u>
Total Available	\$18,358	\$18,361
Net Appropriations (from Table 4)	\$18,938	\$19,003
Required Balance	<u>90</u>	<u>95</u>
Total	\$19,028	\$19,098
Balance	-\$670	-\$737
Biennial Amount		-\$1,407

Table 5 shows that, for 2021-22, the general fund would have an estimated imbalance of -\$670 million after meeting commitments under current law and the provisions of Joint Finance and maintaining the required statutory balance. In 2022-23, an imbalance of -\$737 million (above the 2021-22 imbalance of -\$670 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 2019-21 and 2021-23 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 2019-21 budget provisions of Joint Finance. No assumptions are made regarding revenue modifications in 2021-23 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 2021-23 and the 10 preceding biennia.

TABLE 6

General Fund Amounts

	<u>1st Year</u>	<u>2nd Year</u>	<u>Total</u>
For the 2021-23 Biennium (Jt. Finance)	-\$670	-\$737	-\$1,407
For the 2021-23 Biennium (Governor)	-847	-1,113	-1,960
For the 2019-21 Biennium	-325	-630	-865
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

In addition, it should be noted that at the end of 2018-19, the budget stabilization fund will have an estimated balance of \$617 million.

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