



Legislative Fiscal Bureau

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April 1, 2019

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 Governor's 2019-21 budget recommendations (2019 AB 56/SB 59). Table 1 displays the projected 2019-21 general fund condition statement under the Governor's bill.

TABLE 1
2019-21 General Fund Condition Statement
2019 AB 56/SB 59

	<u>2019-20</u>	<u>2020-21</u>
Revenues		
Opening Balance, July 1	\$692	\$938
Taxes	17,794	18,115
Departmental Revenues		
Tribal Gaming Revenues	27	28
Other	<u>498</u>	<u>522</u>
Total Available	\$19,011	\$19,603
Appropriations, Transfers, and Reserves		
Gross Appropriations	\$18,453	\$19,821
Transfer to:		
Building Trust Fund	10	0
Compensation Reserves	25	95
Less Lapses	<u>-415</u>	<u>-418</u>
Net Appropriations	\$18,073	\$19,498
Balances		
Gross Balance	\$938	\$105
Less Required Statutory Balance	<u>-80</u>	<u>-85</u>
Net Balance, June 30	\$858	\$20

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	\$938
Revenues (Taxes and Departmental Revenues)	<u>18,665</u>
Total Available	\$19,603
Net Appropriations	\$19,498
Gross Balance	\$105

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	\$18,665
Net Appropriations	<u>19,498</u>
Difference	-\$833

Table 3 indicates that net appropriations exceed revenues by \$833 million. Thus, the structure of the general fund shows an imbalance of \$833 million. The -\$833 million becomes \$105 million when the \$938 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
(\$ in Millions)**

	<u>2021-22</u>	<u>2022-23</u>
Revenues (Taxes and Departmental Revenues)		
2020-21 Base Revenues	\$18,665	\$18,665
Modifications to Base		
First-Time Homebuyer Deduction	-\$2	-\$3
Repeal Net Operating Loss Carryback	-2	-2
2019 IRC Update	76	50
2018 IRC Update (2017 Act 231)	9	14
EITM Zone Revenue	36	71
Section 179 Expensing	7	10
38.0 Revenue Project Positions	-24	-32
8.0 Collector Project Positions	-1	-1
Low-Income Housing Tax Credit	<u>-7</u>	<u>-14</u>
Subtotal -- Modifications	\$92	\$93
Total	\$18,757	\$18,758
Net Appropriations		
2020-21 Base	\$19,498	\$19,498
Modifications to Base		
Depletion of TANF Balance	\$87	\$125
Debt Service on Appropriation Bonds	26	31
Debt Service on General Obligation Bonds	-3	-24
Milwaukee Private School Choice Program	8	16
Statutory Two-Thirds Funding Requirement	-60	110
Forestry Mill Rate	4	8
EITM Zone Tax Credits	29	65
Refundable Research Credit	7	7
Homestead Indexing	9	17
38.0 Revenue Project Positions	-2	-2
General Wage Adjustments (2%/2%)	21	21
Corrections Barracks Operations	3	3
DCF Cost Reimbursement for Secured Residential Care Centers	-3	-4
DHS Forensic Unit	-3	-3
Wisconsin Secure Program Facility Expansion	1	1
DOJ Division of Criminal Investigations	-1	-1
DOJ Grant Programs	-3	-3
Correctional Officer Pay Progression	<u>1</u>	<u>1</u>
Subtotal -- Modifications	\$121	\$368
Total	\$19,619	\$19,866

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	\$105	\$90
Revenues (from Table 4)	<u>18,757</u>	<u>18,758</u>
Total Available	\$18,862	\$18,848
Net Appropriations (from Table 4)	\$19,619	\$19,866
Required Balance	<u>90</u>	<u>95</u>
Total	\$19,709	\$19,961
Balance	-\$847	-\$1,113
Biennial Amount		-\$1,960

Table 5 shows that, for 2021-22, the general fund would have an estimated imbalance of -\$847 million after meeting commitments under current law and the provisions of 2019 AB 56/SB 59 and maintaining the required statutory balance. In 2022-23, an imbalance of -\$1,113 million (above the 2021-22 imbalance of -\$847 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 provisions of AB 56/SB 59. 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 (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 the budget stabilization fund currently has a balance of \$324 million.

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