



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #1121

Program and Segregated Revenue Lapses and Transfers (Budget Management)

[LFB Summary of the Governor's Budget Reform Bill:
Program and Segregated Revenue Lapses and Transfers to the General Fund]

CURRENT LAW

2001 Act 16 (the biennial budget) directed the Secretary of the Department of Administration to lapse, in each year of the biennium, a total of \$18,800,000 from executive branch agencies. The provision specified that the DOA Secretary recommend specific lapses or transfers to the general fund from those executive branch agencies' state operations appropriations funded from program revenue or segregated fund sources. Certain appropriations (such as debt service amounts, lease rental payments, DOT construction projects, the state patrol and institutions established for the care or custody of individuals) were exempt from the reduction. The \$18.8 million was estimated to be approximately 5% of annual SEG and PR state operations appropriations and was, therefore, similar to the annual 5% base budget reductions which were applied to GPR state operations appropriations.

Under Act 16, the Secretary was directed to submit, by agency and appropriation, his recommendations regarding the lapses and transfers to the Joint Committee on Finance for its approval.

On December 18, 2001, the Joint Committee on Finance met under s. 13.10 and took action on the Secretary's recommendations. The following table identifies the lapse and transfer amounts, by agency, as recommended by the DOA Secretary and as approved by the Joint Committee on Finance for the 2001-02 fiscal year. [Note: The DOA Secretary has not yet submitted a plan to the Committee for 2002-03.]

2001-02 PR and SEG Lapse and Transfer Amounts

<u>Agency</u>	<u>DOA Secretary</u>	<u>Joint Finance</u>
Administration	\$1,685,000	\$1,685,000
Agriculture, Trade and Consumer Protection	195,200	195,200
Child Abuse and Neglect Prevention Board	16,000	16,000
Commerce	1,344,300	1,344,300
Electronic Government	2,250,000	2,250,000
Financial Institutions	759,100	759,100
Health and Family Services	475,300	475,300
Historical Society	174,200	174,200
Insurance	653,500	653,500
Justice	132,300	132,300
Natural Resources	659,600	652,300
Public Instruction	135,500	135,500
Public Service Commission	666,300	666,300
Regulation and Licensing	497,800	497,800
Revenue	1,081,800	0
State Fair Park	638,600	638,600
Transportation	7,211,700	7,211,700
Veterans Affairs	<u>223,800</u>	<u>223,800</u>
 TOTAL	 \$18,800,000	 \$17,710,900

At the s. 13.10 meeting, the Committee approved all of the recommendations of the DOA Secretary with the following modifications:

- *Financial Institutions.* The Committee directed that the agency's general program operations appropriation be reduced by the \$759,100 PR by placing that amount into unallotted reserve. This was done to ensure that that amount would be received by the general fund.
- *Natural Resources.* The Committee did not approve the Secretary's recommendation that \$7,300 SEG be transferred to the general fund by a reduction in a general operations appropriation funded from the snowmobile account. Further, the Committee directed the Secretary to submit an alternative plan for the \$7,300.
- *Revenue.* The DOA Secretary had recommended that \$1,081,800 SEG in 2001-02 be transferred to the general fund from the general program operations appropriation for the state lottery. Based on issues relating to the use of those funds as specified in the State Constitution, the Committee denied the request and asked that the Secretary submit an alternate plan for the \$1,081,800.

- *Transportation.* The Committee adopted a motion to prohibit DOA, in submitting its plan for transferring \$18,800,600 in 2002-03 from PR and SEG agencies, from including expenditure reductions in DOT appropriations related to the planning, design or construction oversight of the transportation projects. Also, the Committee directed that the 2002-03 plan could not include a transfer to the general fund of more than \$6,190,900 from DOT.

GOVERNOR

In addition to the amounts specified in Act 16, the bill would lapse or transfer from various agency program revenue and segregated accounts the following amounts.

<u>Agency</u>	<u>2001-02</u>	<u>2002-03</u>
Administration	\$1,179,500	\$1,685,000
Agriculture, Trade and Consumer Protection	136,700	195,200
Child Abuse and Neglect Prevention Board	11,200	16,000
Commerce	941,000	1,344,300
Electronic Government	3,051,900	4,359,900
Financial Institutions	531,400	759,100
Health and Family Services	332,700	475,300
Historical Society	121,900	174,200
Insurance	5,457,500	653,500
Natural Resources	841,500	652,300
Public Instruction	94,900	135,500
Public Service Commission	466,400	666,300
Regulation and Licensing	348,500	497,800
State Fair Park	447,000	638,600
Transportation	4,333,600	6,190,900
Veterans Affairs	<u>156,700</u>	<u>223,800</u>
TOTAL	\$18,452,400	\$18,667,700

In addition to the amounts shown above, the bill would reduce the Act 16 transfer requirement for 2001-02 and 2002-03 as follows:

<u>Agency</u>	<u>2001-02</u>	<u>2002-03</u>
Natural Resources	-\$7,300	-\$7,300
Revenue	-1,081,800	-1,081,900
Transportation	<u>0</u>	<u>-1,020,800</u>
TOTAL	-\$1,089,100	-\$2,109,900

DISCUSSION POINTS

1. The Joint Committee on Finance directed the Department of Administration, as a part of the Committee's actions at its s. 13.10 meeting at its December 18, 2001, to find alternative lapses or transfers in lieu of DOA's proposed transfers of: (a) \$7,300 SEG annually from DNR's snowmobile account; (b) \$1,081,800 SEG annually from DOR's general program operations appropriation for the operation of the state lottery; and (c) a total of \$1,020,800 SEG in 2002-03 from DOT's appropriations. However, under the bill, the session law provision under Act 16 would be amended to delete, from the original Act 16 expected total lapses and transfers of \$18,800,000 annually to the general fund, a total of \$1,089,100 in 2001-02 and \$2,109,900 in 2002-03. This would result in a revenue loss to the general fund compared to the Act 16 amounts. An alternative the Committee could consider would be to delete this provision from the bill, thereby requiring the Department of Administration to return to the Committee under s. 13.10 with an additional proposal for accomplishing lapses or transfers from PR or SEG appropriations within state government under the Act 16 provisions equal to the \$1,089,100 in 2001-02 and \$2,109,900 in 2002-03. This action would result in an increase in the general fund ending balance under the bill of \$3,199,000.

2. With certain exceptions, the additional proposed PR lapses and SEG transfers for 2001-02 and 2002-03 represent: (a) for 2001-02, an additional 70% of the lapse/transfer amounts approved to date for 2001-02 by the Joint Committee on Finance; and (b) for 2002-03, an additional 100% of the amounts approved to date for 2001-02 by the Committee under the Act 16 provisions. These overall percentages are the same as an additional 3.5% reduction (lapse/transfer) in 2001-02 and an additional 5.0% reduction (lapse/transfer) in 2002-03 from the affected appropriations, similar to the additional 3.5% and 5% reductions required of GPR-funded agencies under the bill.

3. The exceptions to this overall general lapse/transfer determination process were the following:

- *Electronic Government.* Under the Joint Committee of Finance approval of the 2001-02 lapses required under Act 16, the Department of Electronic Government is to lapse a total of \$2,250,000 PR (\$1,000,000 from its general operating appropriation and \$1,250,000 from its appropriation for telecommunications services). Under the bill, the total additional lapse amount in each year from its general operating appropriation would be larger (\$2,176,900 in 2001-02 and \$3,109,900 in 2002-03). The additional lapse amount from its telecommunications services appropriation would be the same additional 70% and 100% of the Act 16 lapse level approved by the Joint Committee on Finance for 2001-02.

- *Insurance.* In addition to requiring lapse amounts equal to the 70% and 100% of the Joint Committee on Finance PR lapse amounts required for this agency, the bill would require a further lapse of \$5,000,000 in 2001-02 from unallocated revenue that is credited to the agency's general operations PR appropriation.

• *Natural Resources.* The lapses under the bill in 2001-02 would be higher than the 70% amounts due to a greater lapse amount coming from the nonpoint account in 2001-02 than in the Joint Finance Committee amount approved for 2001-02 under the Act 16 required lapse.

• *Transportation.* The lapses under the bill for the Department of Transportation would equal, in 2001-02, 70% of the amount, and in 2002-03, 100% of the amount, that the Committee indicated would be the maximum that the DOA Secretary could submit as total transfers that could be taken in 2002-03 from the Department of Transportation as a part of achieving the total of \$18,800,000 in required Act 16 lapses and transfers in 2002-03. For DOT, the bill would also create a new, sum certain segregated appropriation to allow transfer from the transportation fund to the general fund of these lapsed funds. In addition, DOT would be required to submit to DOA two reports, one for each fiscal year, which specifies the applicable appropriations to be affected, the amounts to be lapsed and the anticipated actions to be taken by DOT under these proposed lapses.

4. The Committee could adopt a modification to provide that the Department of Financial Institutions budget be reduced by \$531,400 PR in 2001-02 and by \$759,100 PR in 2002-03 to accomplish the intent that this level of additional lapses actually accrue to the general fund. This would be comparable to the action taken by the Committee relative to DFI when it acted on the PR lapse plan for that agency in December of last year. This action would ensure that this additional amount would lapse, in addition to any other lapses that might occur simply from the agency receiving greater revenues than anticipated in the budget. This could otherwise occur because, under current law, all balances remaining in the Department's PR general program operations appropriation automatically lapse to the general fund at the close of each fiscal year.

5. The Committee could choose to modify any of these PR lapses or SEG transfers as recommended by the Governor.

ALTERNATIVES TO BILL

1. Adopt the Governor's recommendation.
2. Modify the Governor's recommendation to delete the provision that would reduce the required PR and SEG lapses under Act 16 by \$1,089,100 in 2001-02 and by \$2,109,900 in 2002-03.

<u>Alternative 2</u>	<u>GPR-REV</u>
2001-03 REVENUE	\$3,199,000

3. Modify the Governor's recommendation to add a provision reducing the level of the Department of Financial Institutions' general program operations PR appropriation by \$531,400 PR in 2001-02 and by \$759,100 PR in 2002-03 to adjust for the additional lapse requirement under the bill.

Alternative 3	PR
2001-03 FUNDING	- \$1,290,500

4. Modify the Governor's recommendation to modify one or more of the Governor's recommended PR lapse or SEG transfer amounts.

5. Delete the Governor's recommendation to require additional PR lapses and SEG transfers totaling \$18,452,400 in 2001-02 and \$18,667,700 in 2002-03.

Alternative 5	GPR-REV
2001-03 REVENUE	- \$37,120,100