



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #360

### Base Operations Reduction (Governor)

[LFB 2003-05 Budget Summary: Page 185, #2]

#### CURRENT LAW

The adjusted base budget for state operations of the Governor's Office is as follows:

<u>Component</u>	<u>2002-03 Adjusted Base</u>
Executive Office Operations	\$3,149,000
Contingent Fund	21,700
Memberships in National Associations	145,900
Executive Residence Operations	<u>195,300</u>
	\$3,511,900

#### GOVERNOR

Reduce base funding by \$666,800 annually (\$571,800 from salary and fringe benefit costs and \$95,000 from supplies and service costs) to reflect the deletion of 8.0 existing positions in the Governor's Office.

#### DISCUSSION POINTS

1. The \$666,800 GPR annual reduction to the Governor's Office represents a 19% reduction to the adjusted GPR state operations base level of funding for the agency.

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

3. With the exception of the Courts, all agency reductions would be implemented by decreasing the appropriation level for the agency. The Courts' appropriations, however, would not be reduced but rather, the Chief Justice would be directed to ensure that the required \$750,000 reduction annually would be lapsed to the general fund for the Courts' total appropriations. [At its May 8, 2003, executive session on SB 44, the Committee adopted the Governor's recommendation for the judicial branch.]

4. 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 percentage 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

5. The reductions shown 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.

6. 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.]

Cumulative %  
Reduction for 2002-03

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

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

8. Under SB 44, the budget of the Office of the Governor is reduced by \$666,800 GPR annually (a 19.0% reduction). In contrast, the operations of the Legislature are reduced by \$5,920,000 GPR annually (a 10.0% annual reduction), and the operations of the Courts are made subject to a lapse of \$750,000 annually (the equivalent of a 1.1% annual reduction).

9. An argument could be made that any across-the-board reduction imposed on the Governor's Office should recognize the elected nature of the Chief Executive of the state who heads the executive branch of state government. Although not expressly stated, the similar elected nature of members of the judicial branch may account for the reason that the required reduction for the Courts was not as great as those of other agencies in 2003-05. However, the Office of the Governor and Legislature also have elected and statutorily authorized positions.

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

11. The reductions under SB 44 for the Office of the Governor and the Legislature are reductions to the agencies' funding. The reduction for the Courts is a required lapse during the biennium.

12. The Committee could consider the proposed base budget reduction for the Governor's Office in terms of two different aspects: (a) the amount of funding reduction to be required for the Office; and (b) the method by which the reduction amount chosen for the Office by the Committee is to be implemented.

**A. Amount of Funding Reduction**

13. The Committee could consider a lesser reduction percentage for the Governor's Office. The table below indicates the alternative reductions, shown as fiscal change to SB 44, that would result from the Committee selecting a percentage reduction for the Governor's Office that would be less than the Governor's 19%.

14. Further, the Governor's Office budget includes the salary and fringe benefit costs for the Governor and his statutory chief of staff. The table below also shows 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 Base Less Gov. & Chief of Staff
0%	\$666,800	\$666,800
1	631,700	634,900
2	596,600	603,100
3	561,400	571,200
4	526,300	539,300
5	491,200	507,500
6	456,100	475,600
7	421,000	443,800
8	385,800	411,900
9	350,700	380,000
10	315,600	348,200
11	280,500	316,300
12	245,400	284,400
13	210,300	252,600
14	175,100	220,700
15	140,000	188,900
16	104,900	157,000
17	69,800	125,100
18	34,700	93,300
19	0	61,400

**B. Implementation of Required Base Budget Reduction**

15. Although the percentage reductions for the three branches varied in 2001-03, they were treated uniformly among three branches 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, 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.

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

17. As an alternative to the Governor's recommendation, the Committee could provide that the Governor's Office reduction amount be established as a lapse requirement from the Office's total GPR budget level.

## ALTERNATIVES

### Amount of Funding Reductions

1. Approve the Governor's recommendation.
2. Using the Governor's Office total adjusted base GPR state operations appropriations, modify the Office'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%	\$666,800	\$1,333,600
b.	1	631,700	1,263,400
c.	2	596,600	1,193,200
d.	3	561,400	1,122,800
e.	4	526,300	1,052,600
f.	5	491,200	982,400
g.	6	456,100	912,200
h.	7	421,000	842,000
i.	8	385,800	771,600
j.	9	350,700	701,400
k.	10	315,600	631,200
l.	11	280,500	561,000
m.	12	245,400	490,800
n.	13	210,300	420,600
o.	14	175,100	350,200
p.	15	140,000	280,000
q.	16	104,900	209,800
r.	17	69,800	139,600
s.	18	34,700	69,400
t.	19	0	0

3. Using the Governor's Office base GPR state operations appropriations less the salary and fringe benefit costs for the Governor and the statutory Chief of Staff, modify the Office'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%	\$666,800	\$1,333,600
b.	1	634,900	1,269,800
c.	2	603,100	1,206,200
d.	3	571,200	1,142,400
e.	4	539,300	1,078,600
f.	5	507,500	1,015,000
g.	6	475,600	951,200
h.	7	443,800	887,600
I.	8	411,900	823,800
j.	9	380,000	760,000
k.	10	348,200	696,400
l.	11	316,300	632,600
m.	12	284,400	568,800
n.	13	252,600	505,200
o.	14	220,700	441,400
p.	15	188,900	377,800
q.	16	157,000	314,000
r.	17	125,100	250,200
s.	18	93,300	186,600
t.	19	61,400	122,800

4. Delete provision.

<u>Alternative A4</u>	<u>GPR</u>
<b>2003-05 FUNDING</b> (Change to Bill)	\$1,333,600

**B. Implementation**

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

2. Specify that any alternative reduction be implemented, as would have been required under the Governor's recommended reduction amount, as a reduction to the appropriation.

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