



# Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #626

## Appropriations Lapse and Reestimate Requirement (Circuit Court, Court of Appeals and Supreme Court)

[LFB 2011-13 Budget Summary: Page 111, #2 and #3;  
Page 160, #2; Page 418, #2, and Page 419, #3]

### CURRENT LAW

Under provisions of 2009 Act 28 and 2011 Act 10, the Circuit Courts, Court of Appeals and Supreme Court are required to lapse a total of \$8,564,800 to the general fund from general purpose revenue appropriations over the 2009-11 biennium.

### GOVERNOR

Delete funding as follows to reflect: (a) fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage; and (b) a 10% reduction to supplies and other non-personnel costs.

#### Increased Employee Contributions for Pensions and Health Insurance

	<u>2011-12</u>	<u>2012-13</u>	<u>Fund Source</u>
Circuit Courts	\$3,632,400	\$3,632,400	GPR
Court of Appeals	460,600	460,600	GPR
Supreme Court	634,400	634,400	GPR
Supreme Court	18,700	18,700	FED
Supreme Court	442,200	442,200	PR
Supreme Court	<u>17,700</u>	<u>17,700</u>	SEG
	\$5,206,000	\$5,206,000	Total
	(4,727,400)	(4,727,400)	GPR
	(18,700)	(18,700)	FED
	(442,200)	(442,200)	PR
	(17,700)	(17,700)	SEG

### Appropriation Reductions

Circuit Courts	\$2,467,700	\$2,467,700	GPR
Supreme Court	226,900	226,900	GPR
Supreme Court	<u>632,600</u>	<u>632,600</u>	PR
	\$3,327,200	\$3,327,200	Total
	(2,694,600)	(2,694,600)	GPR
	(632,600)	(632,600)	PR

### DISCUSSION POINTS

1. Under provisions of 2009 Act 28, the Chief Justice of the Supreme Court, acting as administrative head of the judicial system, was required to lapse from sum certain appropriation accounts or subtract from the expenditure estimates of sum sufficient appropriations or both, in the Circuit Courts, the Court of Appeals and the Supreme Court, \$7,411,400 over the 2009-11 biennium. In 2011 Act 10, the total amount was increased to \$8,564,800. Lapse requirements were also created for the Legislature and the Office of the Governor.

2. Beginning in 2001-03, and in each subsequent biennium, the Office of the Governor, Courts, and Legislature have been required to lapse amounts from their appropriated levels to the general fund. This method of expenditure reductions was implemented in recognition of the separation of powers of the three branches. Under these provisions, it was the responsibility of the Governor, Chief Justice of the Supreme Court, and Co-chairs of the Joint Committee on Legislative Organization to take actions to ensure that the statutorily-directed lapses were met for their respective branches.

3. Under the bill, for the 2011-13 biennium, specific appropriations in the Circuit Courts, Court of Appeals, and the Supreme Court are reduced by a total of \$16,120,400 (all funds) associated with increased employee retirement and health care contributions, and a 10% reduction to supplies and services. Appropriation reductions by fund source are as follows: \$7,422,000 GPR, \$18,700 FED, \$1,074,800 PR and \$17,700 SEG annually.

4. Associated with the reductions, the bill also includes a provision which specifies that the DOA Secretary lapse \$638,200 PR annually from various Supreme Court appropriations (\$425,600 associated with WRS and health care, and \$212,600 associated with appropriation reductions). The Committee should note that the DOA-directed lapse for the Courts (\$638,200 PR) is less than the reductions to their appropriations (\$1,074,800 PR) as a result of: (a) \$16,600 PR annually in a law library gifts and grants appropriation which was excluded from the PR lapse; and (b) rather than accounting for the \$420,000 PR reduction to the new circuit court automation program (CCAP) appropriation as part of a lapse from the Courts, DOA would account for a \$420,000 PR lapse under the new DOA appropriation for justice information systems surcharge (JISS) revenue.

5. On March 29, 2011, in her testimony before the Committee, the Chief Justice specifically addressed the DOA directed lapse requirement. "The amounts and procedures for assigning lapses to specific court appropriations are not specified. Under previous budget bills, the

Chief Justice, as the administrative head of the judicial branch, was given the authority to identify the best way to make these reductions. The flexibility we have had in the past is crucial to our efforts to balance difficult cuts with our constitutional responsibilities."

6. The bill creates a lapse requirement of \$9,232,200 for the Legislature which is applicable in both the 2011-13 and 2013-15 biennia. Similar to the expenditure reduction of other agencies and the Courts, the amount determined for the Legislature was based upon increased employee retirement and health care contributions and a 10% reduction to supplies and other non-personnel costs.

7. Based on the prior treatment of reductions for the three branches, and as requested by the Chief Justice, the Committee may wish to convert the appropriation reductions under the Circuit Courts, Court of Appeals and Supreme Court to a lapse requirement, and make the lapse applicable to both the 2011-13 and 2013-15 biennia. In order to be consistent with other current and past lapse requirements, the total lapse amounts could exclude FED and SEG funding. Likewise, gifts and grants lapse (\$16,600 PR annually) and the JISS lapse accounted for under DOA (\$420,000 PR annually) could be excluded. Lastly, the DOA directed lapse requirement for the Courts could be deleted. As a result, under this alternative, the Chief Justice, as administrative head of the judicial branch, would be required to lapse \$16,120,400 over the 2011-13 biennium, and again in the 2013-15 biennium. [Alternative 2] Given that the GPR expenditure reduction under this alternative is the same as that of the bill, there would be no impact to the general fund.

8. On May 12, 2011, the Committee delayed action on Paper #625 related to Circuit Court Automated Information Systems. An alternative in that paper (Alternative 2) would retain the current distribution methodology for JISS revenue to the courts of \$6 of every \$21.50 JISS assessment (the remaining \$15.50 would be deposited to the DOA appropriation). As indicated above, the bill assumes that \$420,000 in JISS revenue associated with CCAP appropriation reductions will lapse from the newly created DOA JISS appropriation. If, under Paper #625, the Committee retains the \$6 amount for CCAP under the Courts, it may be appropriate to increase the Courts' lapse amount by \$420,000 annually and decrease the amount identified for DOA by an equivalent amount. [Alternative 3] If, however, the Committee retains the Governor's recommendation under Paper #625, the lapsing revenue from JISS is accounted for under DOA and no modification is necessary.

## **ALTERNATIVES**

1. Approve the Governor's recommendation to delete: (a) \$4,727,400 GPR, \$18,700 FED, \$442,200 PR and \$17,700 SEG annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage; and (b) \$2,694,600 GPR and \$632,600 PR annually associated with a 10% reduction to supplies and other non-personnel costs.

2. Convert the appropriation reductions under the Circuit Courts, Court of Appeals and the Supreme Court to a lapse requirement of \$16,120,400. Delete the DOA directed lapse of \$638,200 annually from Courts' appropriations. Make the lapse requirement applicable to both the

2011-13 and 2013-15 biennia.

<b>ALT 2</b>	<b>Change to Bill</b>	
	Funding	GPR-Lapse
GPR	\$14,844,000	Courts \$16,120,400
FED	37,400	DOA Directed
PR	2,149,600	Lapse <u>- 1,276,400</u>
SEG	<u>35,400</u>	
Total	\$17,066,400	Total \$14,844,000

3. Increase the Courts' lapse amount by \$420,000 annually and decrease the amount identified for DOA by an equivalent amount. [This alternative may be selected if the Committee decides to retain current law related to the distribution of JISS revenues to the Courts under Paper #625.]

4. Delete the provisions.

<b>ALT 4</b>	<b>Change to Bill</b>
	Funding
GPR	\$14,844,000
FED	37,400
PR	2,149,600
SEG	<u>35,400</u>
Total	\$17,066,400

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