



Legislative Fiscal Bureau

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February 15, 2012

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Administration: Plan for 2011-12 Lapses -- Agenda Item III

On December 23, 2011, the Secretary of the Department of Administration submitted his plan for the funding lapses required under the provisions of 2011 Act 32 to the Joint Committee on Finance under a 14-day passive review process. An objection to the plan was reported on January 4, 2012. Therefore, the request to approve the plan has been scheduled for the Committee's February 15, 2012, meeting under s. 13.10 of the statutes.

The first section of this paper provides background information on the Act 32 lapse requirement. The second section presents an overview of the allocation of the reductions as proposed by the Secretary of Administration. The final section provides a brief discussion for each agency of the source of the moneys identified in the lapse plan.

Background

Act 32 requires the Secretary of Administration to lapse \$174.3 million during each of the 2011-13 and 2013-15 biennia from the unencumbered balances of GPR and PR appropriations to executive branch state agencies, other than sum sufficient and federal appropriations. Act 32 defines executive branch state agency as any office, department, or independent agency in the executive branch of state government. Before lapsing any moneys under this provision, the Secretary has to develop a plan and submit the plan to the Joint Committee on Finance for approval under a 14-day passive review process.

Act 32 specifies that these lapses cannot occur if the lapse would violate: (a) a condition imposed by the federal government; or (b) the federal or state constitution. Act 32 provides that no lapse can be made from PR appropriations of the UW System.

Although Act 32 establishes a biennial lapse requirement of \$174.3 million, the general fund condition statement for Act 32 includes an estimated \$123.15 million of moneys from this provision in 2011-12 and \$51.15 million in 2012-13. In order to provide the moneys included in the projected general fund balance, the lapse plan submitted by the Secretary would generate \$123.29 million in 2011-12.

In addition to the \$174.3 million lapse requirements for executive branch agencies, Act 32 specifies the following lapse requirements for the 2011-13 and 2013-15 biennia: Courts, \$16,960,400; Legislature, \$9,232,200; and Office of the Governor, \$582,200.

Allocation of the Reductions by the Secretary of Administration

The Secretary of Administration established an initial set of lapse targets for state executive branch agencies in a memorandum to state agency heads dated October 14, 2011. Agencies were directed to send their lapse plans for 2011-12 to the State Budget Office in DOA by November 7, 2011. In the October 14 memorandum, the Secretary indicated that: "These plans should minimize layoffs of state employees and should take advantage of high vacancy rates that exist in most state agencies."

In identifying lapse targets in the October 14 memorandum, specific exemptions were granted for high-priority programs, including: "school aids, higher educational financial aid, technical college aid, certain correctional programs and other institutions that operate 24/7, Medical Assistance and direct care programs with the Department of Health Services, child welfare programs within the Department of Children and Families and certain appropriations for the District Attorneys and State Public Defender." Once these programs were excluded, the remaining agency appropriations were subject to a 5.21% reduction to generate \$123 million in lapses.

After considering the responses of state agencies to the October memorandum, the Secretary of Administration made adjustments, in some cases, to the initial lapse numbers, which are included in the lapse plan submitted to the Committee on December 23, 2011. Attachment 1 compares the initial allocation of lapses from October with the proposed allocation of lapses in December.

Source of Agency Lapse Amounts

This section identifies the appropriations or programs which will be used by each agency to generate the lapse amounts under the plan. The information in this section is taken from the materials submitted to the Committee and discussions with staff of the State Budget Office and agency personnel.

Administration (\$8,912,775)

A total lapse of \$8,912,775 would be made from the Department's GPR and PR appropriations as follows: (a) state agency construction project management and supervision, \$4,574,775 PR; (b) state agency space rental account, \$934,700 PR; (c) comprehensive planning grant, \$60,200 GPR; (d) land program, comprehensive planning and land program grants,

\$1,916,000 PR; (e) Division of State Facilities, \$466,300 PR; (f) Division of Gaming, \$31,200 PR; and (f) tribal gaming cash receipts, \$929,600 PR. Of the total, lapses are attributable to: (a) appropriation cash balance reductions, \$6,439,075 PR (\$4,574,775 from construction management and supervision, \$934,700 from state agency space rental, and \$929,600 from tribal gaming); (b) agency position vacancy savings, \$497,500 PR (\$466,300 from the Division of State Facilities, and \$31,200 from the Division of Gaming); and (c) a reduction in aids and local assistance, \$1,976,200 (\$60,200 GPR associated with a 12-year old comprehensive planning grant to Clark County which was unobligated, and \$1,916,000 PR associated with comprehensive planning and land program grants).

Agriculture, Trade and Consumer Protection (\$2,308,883)

The Department of Agriculture, Trade and Consumer Protection (DATCP) proposed lapsing the following amounts from GPR grant appropriations: (a) \$211,200 from financial assistance for testing for Johne's disease, an intestinal disease most commonly affecting dairy cows; (b) \$102,083 from aids to county and district fairs; (c) \$321,000 from the agricultural development and diversification grant program; (d) \$200,000 from Buy Local, Buy Wisconsin grants; (e) \$1,100,400 from aids to county land and water conservation departments for staffing costs; and (f) \$374,200 from farmland preservation planning grants. The Governor subsequently instructed the county and district fair aids reduction to be reallocated, and DATCP and DOA propose to instead transfer this amount (\$102,083) from registration fees paid by telemarketers under the state's do-not-call program.

The lapse amounts reflect the full amount appropriated for each purpose, with the exceptions of: (a) county conservation staffing grants, which are appropriated \$3,843,100 GPR each year in a continuing appropriation under Act 32, as well as \$5,036,900 SEG from the nonpoint account of the environmental fund; and (b) telemarketer registration fees. The reduction in county staffing grants represents a reduction of about 29% of the GPR appropriation or 12.4% of the \$8,888,000 in combined GPR/SEG amounts. DATCP is budgeted \$1,028,000 PR in 2011-12 from telemarketer registration fees, which have generated revenues of at least \$1.77 million in each of the last five years.

Children and Families (\$8,318,827)

The plan would lapse \$8,318,827 in 2011-12 from the following appropriations: (a) the children and family services interagency and intra-agency programs appropriation, \$4,727,500 PR; (b) the interagency and intra-agency aids; income augmentation services receipts appropriation, \$3,400,000 PR; and (c) the economic support general program operations appropriation, \$191,327 GPR.

A lapse of \$8,127,500 PR would be made from income augmentation funds, which are federal medical assistance funds reimbursed for targeted case management services provided to children in out-of-home care who are not eligible for reimbursement under Title IV-E of the Social Security Act. These funds may be used for any purpose. A new appropriation was created under

2011 Act 32 specifically for these funds, beginning July 1, 2011. Income augmentation funds received prior to this date would be lapsed from the interagency and intra-agency programs appropriation (\$4,727,500 PR). Income augmentation funds received on or after that date would be lapsed from the new appropriation (\$3,400,000 PR). Finally, \$191,327 GPR would be lapsed from the supplies and services allocation in the child support enforcement program.

Corrections (\$9,461,595)

The plan would lapse \$9,461,595 in 2011-12 from various appropriations under the Department of Corrections. According to the Department, the lapse amounts would be realized through: (a) the use of cash balances; (b) vacancy savings; (c) cuts to operational costs; and (d) cuts to aids or local assistance. By appropriation, the lapse amounts include:

a. Cash Balances. \$1,346,400 PR from cash balances as follows: (1) \$846,400 PR from the sex offender management appropriation [s. 20.410(1)(gd)], (revenue for the appropriation is generated from a \$100 annual fee that offenders who must register as sex offenders pay to partially offset costs for monitoring sex offenders); and (2) \$500,000 PR from juvenile corrections sanctions [s. 20.410(3)(hr)] (revenue for the appropriation is generated from payments for the corrective sanctions program from the state or counties).

b. Vacancy Savings. \$200,400 GPR from the juvenile corrections general program operations appropriation [s. 20.410(3)(a)].

c. Operational Cuts. \$3,816,500 GPR from cuts to operational costs, as follows: (1) \$500,000 from services for drunken driving offenders [s. 20.410(1)(bd)]; (2) \$50,000 from pharmacological treatment for sex offenders [s. 20.410(1)(bm)]; (3) \$1,941,700 from fuel and utilities [s. 20.410(1)(f)]; (4) \$1,000,000 from Becky Young community corrections [s. 20.410(1)(ds)]; (5) \$124,800 from juvenile corrections general program operations [s. 20.410(3)(a)]; and (6) \$200,000 from purchased services for offenders [s. 20.410(1)(d)].

d. Aids or Local Assistance Cuts. \$4,098,295 GPR from cuts to aids or local assistance, as follows: (1) \$256 from reimbursing counties for community corrections holds [s. 20.410(1)(bn)]; (2) \$194,000 from reimbursement claims of counties containing juvenile correctional facilities [s. 20.410(3)(c)]; and (3) \$3,904,039 from youth aids allocations [s. 20.410(3)(cd)]. Regarding the lapse amount from youth aids (\$3,904,039), a breakout of how youth aids allocations would be adjusted, by county, as a result of the lapse requirement is identified in Attachment 2 to this memorandum. Overall, the reduction in youth aids represents a 4.4% reduction in 2011-12.

Educational Communications Board (\$254,677)

The Educational Communications Board (ECB) would lapse \$100,000 from cash reserves built up over a period of 15 years intended to fund as-needed repairs to weather service towers. ECB currently has 1.5 vacant positions and would delay hiring for these positions until it has generated \$62,577 in savings. In addition, ECB would lapse \$50,000 budgeted to reimburse DOA

for human resources services that generally goes unexpended; \$24,400 in savings from reductions in purchasing, training, and travel; and \$17,700 from its appropriation for fuel and utilities due to lower than expected energy costs.

Employment Relations Commission (\$166,586)

A total lapse of \$166,586 would be made from the agency's GPR general program operations appropriation as a result of salary and fringe benefit savings associated with vacant positions.

Financial Institutions (\$1,415,082)

Lapses of \$1,415,082 PR would be made in the Department of Financial Institutions (DFI) in 2011-12. DOA's lapse plan would: (a) reduce expenditures and hold positions vacant in the general programs operations appropriation by \$1,001,843 PR; (b) lapse funds that were received through a settlement with securities firms and designated for financial education from the gifts, grants, settlements, and publications appropriation of \$393,500 PR; (c) reduce supplies and services expenditures related to financial literacy by \$15,600 PR from the payday loan database and financial literacy appropriation; and (d) require a cash lapse of \$4,139 PR from the balance in the investor education and training fund.

Government Accountability Board (\$227,335)

A lapse totaling \$227,335 GPR would be made from the Board's GPR biennial general program operations appropriation. The lapse would include: (a) \$178,549 associated with delaying filling 5.0 two-year project positions that were created to implement the new voter identification requirements under Act 23; and (b) \$48,786 in supplies and services funding provided for voter identification training and outreach.

Health Services (\$18,561,982)

The administration proposes to lapse \$18,561,982 of moneys that would otherwise be available to support medical assistance (MA) benefits costs to the general fund.

The federal Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) authorized the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) to provide performance bonus payments to qualifying states that increase enrollment of children in their MA programs above a baseline level. For the purpose of determining eligibility for bonus payments, only children who meet the state's eligibility criteria that were in effect on July 1, 2008, for CHIP-funded MA expansion programs, such as BadgerCare Plus, are counted.

In order to qualify for a bonus payment, a state must implement at least five of eight program features that simplify the application and renewal process. These features are:

- a. Continuous eligibility (assuring coverage for a child for 12 months, regardless of changes in the family's circumstances, with limited exceptions);
- b. Liberalization of asset requirements for MA and CHIP eligibility (imposing no asset test for children, or allowing administrative verification of assets);
- c. Eliminate requirements for in-person applications or face-to-face interviews for applications and renewals, unless there are discrepancies or individual circumstances justifying in-person applications or face-to-face interviews;
- d. Use of the same application and renewal forms for MA and CHIP;
- e. Automatic/administrative renewals for both MA and CHIP, which could include either of the following: (1) the state providing a pre-printed form with eligibility information available to the state, along with a notice that eligibility will be renewed and continued based on the information contained in the form unless the state is provided other information that affects the child's eligibility; or (2) the state makes a redetermination to the maximum extent possible based on information in the individual's Medicaid file, or other information available to the state, before it seeks information from the child's parent or representative;
- f. Presumptive eligibility for children for both MA and CHIP;
- g. "Express Lane" eligibility in both MA and CHIP, which is an option provided in CHIPRA that permits states to automatically enroll and renew eligible children in MA and CHIP, based on findings from an "Express Lane" agency designated by the state; and
- h. Premium assistance to subsidize qualified group health and employer-sponsored coverage, using MA and CHIP funds.

States with enrollment increases of up to 10% above their calculated baseline enrollment may qualify for "first tier" performance bonus payments. These payments equal the number of children above the baseline number, multiplied by 15% of the estimated per capita state MA expenditures for most MA-eligible children.

States with enrollment increases that exceed 10% of their calculated baseline enrollment may also qualify for "second tier" performance bonus payments. These payments equal the number of enrolled children above the number of children in the first tier, multiplied by 62.5% of the projected per capita state expenditures for this population of children.

For FFY 2009-10, Wisconsin demonstrated to CMS that it had implemented five of the program features listed above -- (b), (c), (d), (e), and (h). In addition, the state showed that it had increased the average monthly number of children enrolled in the program by 85,557 above the FFY 2009-10 baseline for the state (368,429), for a total average monthly enrollment in that year of 453,986. This increase enabled the state to qualify for both "first tier" and "second tier"

performance bonus payments. Wisconsin received a performance bonus payment of \$23,076,127, which DHS used to support MA program costs in the 2009-11 biennium.

On December 28, 2011, DHS announced that 23 states, including Wisconsin, would receive FFY 2010-11 CHIPRA performance bonus awards. Wisconsin's performance bonus payment for this year is \$24,541,778. This amount was based on a FFY 2010-11 monthly average number of unduplicated qualifying children of 467,963.

The MA budget established for the 2011-13 biennium under Act 32 did not assume that the state would receive any CHIPRA bonus payments for FFYs 2010-11 through FFY 2012-13 to offset the state's share of MA program costs. The administration's intent is to use the CHIPRA bonus funding to replace \$24.5 million of GPR funding currently budgeted for MA benefits costs in 2011-12, and lapse \$24.5 million from the GPR MA appropriation to partially satisfy agency lapse requirements for 2011-12. Of the \$24.5 million the administration expects to lapse to the general fund in 2011-12, \$18,561,982 is part of the DOA-allocated lapse plan that is currently before the Committee. The remaining amount (\$5,938,018) has been allocated to meet agency-specific lapse requirements in Act 32.

The state may qualify for additional bonus payments in FFY 2011-12 and 2012-13. DHS anticipates using any FFY 2011-12 performance bonus award to satisfy 2012-13 lapse requirements authorized in Act 32.

Higher Educational Aids Board (\$51,049)

The Higher Educational Aids Board (HEAB) would lapse \$36,200 in salary savings generated by the executive secretary position which was held vacant for the first six months of the fiscal year. In addition, HEAB will lapse \$14,849 from its allocation for supplies and services. HEAB had planned to use these funds to post of online applications for the Wisconsin covenant and academic excellence scholarship programs on its website.

Historical Society (\$710,847)

Lapses of \$710,847 in 2011-12 would be made in the Wisconsin Historical Society from the following appropriations: (a) general program operations, \$545,500 GPR; and (b) energy costs; energy-related assessments, \$165,347 GPR. Of the total, lapses are attributable to: (a) salary savings from delayed recruitments to fill various vacancies, \$255,000; (b) fringe benefits savings associated with delayed recruitments and anticipated excess budget authority for fringe benefit costs, \$290,500; and (c) anticipated utilities savings based on the past five years of expenditures, plus an additional 10% in as yet unidentified savings in utilities costs, \$165,347.

Insurance (\$1,424,933)

Under current law, all insurance fees paid to OCI, such as agency licensing and appointment fees, are credited to a program revenue (PR) appropriation that supports the agency's general

program operations. 2011 Wisconsin Act 32 specifies that any unencumbered PR balance in that appropriation that exceeds 10% of the expenditures from that appropriation will lapse to the general fund at the end of the fiscal year, beginning in 2011-12.

Using current projections of fee revenue and updated opening appropriation balances, the total amount available for lapse from OCI to the general fund exceeds Act 32 estimates by approximately \$1.0 million in 2011-12. DOA has designated \$1,424,933 of projected surplus revenues as part of the 2011-12 lapse plan submitted to the Committee. This would result in a surplus revenue lapse under the Act 32 provisions of approximately \$20.9 million at the end of this fiscal year.

Justice (\$2,466,603)

Total lapses of \$2,466,603 would be made in the Department of Justice (DOJ) from the following appropriations: (a) criminal history searches, fingerprint identification, \$1,363,365 PR; (b) Legal Services' investigation and prosecution, \$300,000 PR; (c) Administrative Services' general program operations, \$200,000 GPR; (d) Administrative Services' gifts, grants, and proceeds, \$145,700 PR; (e) terminal charges (Transaction Information for the Management of Enforcement (TIME) system), \$126,544 PR; (f) Law Enforcement Services' general program operations, \$100,000 GPR; (g) reimbursement for victim and witness services, \$66,009 GPR; (h) victim payments, victim surcharge, \$46,554 PR; (i) tribal law enforcement assistance, \$36,203 PR; (j) county-tribal programs, local assistance, \$32,880 PR; (k) county law enforcement services, \$25,524 PR; (l) crime victim restitution, \$13,924 PR; and (m) Office of Crime Victim Services' general program operations, \$9,900 GPR.

Lapses totaling \$1,935,609 PR would be attributable to cash balances including: (a) \$1,363,365 PR from criminal history search fees for non-criminal justice searches of the state's criminal history database; (b) \$300,000 PR from amounts recovered by DOJ for the expenses of investigation and prosecution of violations, including attorney fees; (c) \$145,700 PR from amounts deposited to the Administrative Services' gifts, grants, and proceeds appropriation for such things as discretionary legal settlement awards, proceeds from conferences, and sales of publications; and (d) \$126,544 PR in fees paid by local law enforcement to utilize and maintain the TIME system. The TIME system provides law enforcement agencies across the state access to a variety of law enforcement-related databases.

A total of \$309,900 GPR in operational reductions, including a: (a) \$200,000 GPR reduction to the Administrative Services' general program operations appropriation; (b) \$100,000 GPR supplies and services reduction to funding provided to the Division of Criminal Investigation; and (c) \$9,900 GPR reduction to the Office of Crime Victim Services' general program operations appropriation as a result of salary savings by holding one full-time position vacant.

Lapses totaling \$221,094 would be made to aids to individuals and local assistance programs including: (a) \$94,607 PR in reductions to three grant programs providing grant funding to support law enforcement services on tribal lands and in counties bordering tribal reservations; (b) \$66,009

GPR in funding provided to reimburse counties for costs incurred in providing victim and witness services; (c) \$46,554 PR in revenue from Part A of the crime victim and witness surcharge provided to make compensatory payments to crime victims; and (d) \$13,924 PR in restitution payments made by criminal offenders to provide restitution to crime victims.

Lieutenant Governor (\$20,498)

A total lapse of \$20,498 GPR would be made from the Lieutenant Governor's general program operations appropriation as a result of holding the policy director position vacant.

Military Affairs (\$364,700)

Total lapses of \$364,700 GPR would be made from the Department's general program operations appropriations for National Guard operations and emergency management services. Lapses would be attributable to salary and fringe benefit reductions associated with vacant positions. The Department indicates that these lapses would result in the loss of some federal matching grant funds associated with National Guard Bureau Funding and the Emergency Management Performance Grant (EMPG) program. The federal government provides a 50% match under the EMPG program. The federal government sets different match rates for funding received by the state from the National Guard Bureau.

Miscellaneous Appropriations (\$605,675)

DOA would reduce the GPR transfer to the nonpoint account of the segregated environmental fund by \$603,071, from \$11,577,300 to about \$10,974,200 in 2011-12. In addition to the GPR transfer, the nonpoint account is supported by \$3.20 of the \$13-per-ton state tipping fee assessed to most waste disposed of in Wisconsin landfills, as well as interest on the account balance. Total nonpoint account revenues in 2011-12 are budgeted at about \$29.8 million under Act 32. The planned reduction would represent 5.2% of the GPR transfer and about 2% of total revenues.

The plan would also lapse \$2,604 from the \$50,000 GPR that had been appropriated on a one-time basis in 2011-12 for the Special Task Force on UW Restructuring and Flexibility.

Natural Resources (\$2,725,505)

The Department of Natural Resources and DOA allocated the \$2,725,505 lapse in fiscal year 2011-12 to the following four appropriations: (a) \$116,205 in salary and fringe benefits from a Bureau of Watershed Management general operations appropriation; (b) \$120,400 to delete all funding for a water resources appropriation for remedial action in the Great Lakes and their tributaries; (c) \$1,780,900 from a state park, forest and riverway road maintenance appropriation; and, (d) \$708,000 from nonpoint source water pollution abatement grants for landowners to install best management practices.

2011 Act 32 specifies that DNR must expend not less than one-third of the amounts in the schedule from the state park, forest and riverway road maintenance appropriation in each fiscal year for the renovation, marking, and maintenance of a town or county highway located within the boundaries of a state park, state forest, or other property under the jurisdiction of DNR or for the renovation, marking and maintenance of roads which DNR certifies are utilized by a substantial number of visitors to state parks, state forests, or other DNR properties. DNR indicates that the requirement that one-third of the amounts in the schedule (\$886,000 in 2011-12) be expended for local town or county highways will be met.

Office of State Employment Relations (\$295,777)

A total lapse of \$295,777 would be made from the agency's PR general program operations appropriation as follows: (a) \$45,777 transferred from the appropriation's cash balances; and (b) \$250,000 as a result of salary and fringe benefit savings associated with vacant positions.

Office of the State Public Defender (\$263,100)

A lapse of \$263,100 GPR would be made from the Office's trial representation appropriation. Lapses would be attributable to salary and fringe benefit reductions associated with holding positions vacant, including attorney positions. The Office indicates that holding these positions vacant would increase the number of cases assigned to private bar attorneys and increase the projected private bar shortfall.

Program Supplements (\$1,000,000)

A total lapse of \$1,000,000 GPR would be made from the Joint Committee on Finances' supplemental appropriation associated with funds reserved for security costs at the State Capitol in 2011.

Under Act 32, \$10 million GPR was placed in the Committee's reserve appropriation for potential costs associated with security at the Capitol in 2011. Through January 9, 2012, \$8,155,700 GPR has been released for these costs. The Department of Administration indicates that no additional release requests are anticipated. In addition, under Senate Bill 40 as passed by the Senate, \$800,000 GPR would be transferred from the Committee's GPR appropriation from monies reserved for Capitol security to support the costs of advanced manufacturing skills grants for technical colleges. [Senate Bill 40 is currently in the Assembly.] As a result, \$1,044,300 GPR remains from the Capitol security reserve amount, if SB 40 is enacted.

Public Instruction (\$1,975,377)

Lapses of \$1,975,377 in 2011-12 would be made in the Department of Public Instruction from the following appropriations: (a) Milwaukee parental choice program, \$1,500,000 GPR; (b) general program operations, \$325,377 GPR; (c) supplemental aids, \$20,000 GPR; and (d) alcohol and other drug abuse program, \$130,000 PR.

The \$1,500,000 lapse from moneys associated with the Milwaukee parental choice program would be attributable to funds set aside from the general school aids appropriation and budgeted for schools and students that later proved to be ineligible for the program in 2011-12. The Department indicates these funds have been retained over the past two school years, until any appeals of DPI's rulings had been resolved..

Of the \$325,377 lapsed from the general program operations appropriation, a portion would be attributable to savings generated by holding 8.0 positions in the state office vacant, and the remainder would be from other as yet unidentified savings efforts.

The supplemental aid program provides aid for school districts with low enrollment, a large geographic attendance area, and at least 80% of the real property in the school district is exempt from property taxation, taxed as forest croplands, owned or held in trust by a federally recognized American Indian tribe, or owned by the federal government. Only the Laona School District qualifies for the aid. Because aid is paid on a per pupil basis, Laona generates aid eligibility of approximately \$80,000 annually, while the appropriation is funded at \$100,000 in 2011-12.

The alcohol and drug abuse program is a state operations appropriation that provides mini-grants for school district demonstrations or to provide technical assistance. The \$130,000 lapse would equal 21.7% of the total appropriation, which is funded from program revenue from the penalty surcharge appropriation under the Department of Justice.

Public Service Commission (\$10,418)

The plan would lapse \$10,418 in 2011-12 from the Commission's appropriation for consumer education and awareness. These funds would be lapsed from the opening balance in the appropriation account.

Revenue (\$5,284,122)

A total of \$5,284,122 would be lapsed from numerous Department of Revenue appropriations in 2011-12. Lapses of \$272,222 PR would be made from the following appropriations: (a) business tax registration, \$100,000 PR; (b) ambulatory surgical assessment, \$88,200 PR; (c) administration of income tax check-off voluntary payments, \$9,022 PR; and (d) liquor tax administration, \$75,000 PR. Lapses of \$5,011,900 GPR would be made from the following appropriations: (a) collection of state taxes, general program operations, \$2,330,700 GPR; (b) state and local finance, general program operations, \$273,600 GPR; (c) administrative services and space rental, general program operations, \$2,254,000 GPR; (d) integrated property assessment system, \$123,600 GPR; and (e) expert professional services, \$30,000 GPR. Of the total, lapses are attributable to: (a) appropriation cash reductions, \$272,222 PR; (b) salary and fringe benefit reductions associated with vacant positions and reductions in LTE funding, \$3,872,700 GPR; and (c) supplies and services reductions and staff efficiencies, \$1,139,200 GPR.

Safety and Professional Services (\$4,275,257)

Lapses of \$4,275,257 would be made in the Department of Safety and Professional Services from the following appropriations: (a) professional regulation, general program operations, \$2,525,257 PR; (b) professional regulation, general program operations, Medical Examining Board, \$1,250,000 PR; and (c) safety and buildings operations, \$500,000 PR. Of the total, lapses are attributable to: (a) appropriation cash balance reductions, \$3,229,200; (b) salary and fringe benefit reductions associated with vacant positions, \$975,310; and (c) supplies and services reductions, \$70,747.

Shared Revenue (\$2,374,892)

The plan would reduce by \$2,374,892 the \$27,007,200 budgeted for the farmland preservation tax credit. This is consistent with estimates by the Department of Agriculture, Trade and Consumer Protection (DATCP) that approximately 3.4 million acres are eligible for the credit at an average credit of about \$7 per acre. However, because the statutes provide that the maximum amount of credits that may be claimed in any year is \$27,007,200, the administration reports claims in 2011-12 (for the 2011 tax year) would be honored up to the statutory maximum, even if total claims exceed the approximately \$24.6 million that would remain after the lapse. If claims were to exceed the revised estimate under the plan, additional amounts would need to be lapsed from one or more other appropriations in order to meet the overall lapse figures.

State Fair Park (\$9,376)

State Fair Park would transfer \$9,376 PR from its capital reserve. The statutes require that the capital reserve be funded by any unencumbered amounts remaining in the Park's general operations appropriation at the close of each fiscal year. The capital reserve allows State Fair Park to pay cash for emergency repairs, structural improvements or land and equipment acquisitions, as well as pay debt service on PR-supported bonding for State Fair Park facilities. While the capital reserve sub-account shows a positive balance, State Fair Park's overall program revenue account had a negative balance for a number of years. However, park revenues were sufficient to eliminate the overall deficit in 2010-11 and revenues are expected to be sufficient to allow a transfer to the general fund in 2011-12.

Tourism (\$747,810)

The 2011-12 lapse would include the following amounts: (a) \$290,316 GPR from general operations, including \$270,316 in salary and fringe benefits and \$20,000 in supplies and services; (b) \$448,000 GPR for tourism marketing; and (c) \$9,494 tribal gaming PR for tourism marketing. The operations reductions would represent over 10% of the Department's \$2.9 million general operations budget for 2011-12. The reduction in GPR marketing would represent about 38% of the \$1,172,000 GPR marketing appropriation in 2011-12, while the reduction in overall marketing funds would represent about 3.7% of the \$12.3 million total appropriated for 2011-12.

Transportation (\$176,421)

The plan would lapse \$176,421 in 2011-12 from the Department of Transportation's PR appropriations, with the intent to lapse the entire amount from the appropriation for damage claims. This would equal 6.9% of the estimate included for that appropriation in the Chapter 20 appropriations schedule. The damage claims appropriation is used to reimburse other DOT appropriations for the cost of repairing damages to DOT property, usually as the result of vehicle accidents. Revenues are typically collected from insurance claims. The effect of lapsing funds from the damage claims appropriation is that the cost to repair damages, typically incurred by the Department's maintenance and traffic operations appropriation, would not be reimbursed. Other DOT PR appropriations, all within the Division of State Patrol, would not be affected under the lapse plan, although the amounts in the appropriation schedule for those appropriations were used in calculating the total lapse from the Department's appropriations.

University of Wisconsin System (\$46,135,078)

The table below shows how the UW System would allocate the proposed 2011-12 lapse amongst the UW institutions. Each institution would be responsible for funding its portion of the lapse. Under Act 32, no funds can be lapsed from the UW System's program revenue appropriations, meaning that the entire amount must be lapsed from the UW System's GPR appropriations.

Allocation of Proposed Lapse by UW Institution

Eau Claire	\$2,345,863
Green Bay	1,128,776
La Crosse	1,899,341
Madison	17,356,348
Milwaukee	6,207,319
Oshkosh	2,257,640
Parkside	1,066,609
Platteville	1,305,136
River Falls	1,306,120
Stevens Point	1,929,202
Stout	1,773,549
Superior	700,290
Whitewater	1,985,927
UW Colleges	1,749,461
UW-Extension	2,078,362
UW System Administration	295,417
State Laboratory of Hygiene	488,315
Veterinary Diagnostic Laboratory	<u>261,402</u>
	\$46,135,077

Source: UW System

The institutions plan to fund their respective shares of the proposed lapse in a manner that would minimize the effect on students. For many, this means using one-time funds to backfill a portion of the lapse, holding open vacancies in administrative and other non-instructional areas, and delaying purchases and facilities maintenance and upgrades. However, given that instructional and other student-related costs are such a large part of each institution's GPR budget, few institutions were able to completely safeguard students. Reductions that would affect students include holding open instructional positions and cancelling or delaying initiatives aimed at improving student retention.

Use of One-Time Funding: Many institutions indicated that they would use tuition carryover or contingency funds to partially offset the proposed lapse. Tuition carryover funds are accumulated when actual tuition revenues exceed budgeted tuition revenues due to greater than anticipated enrollments. These funds can be used in future years to supplement the base budget in the case that tuition revenues are less than budgeted due to lower enrollments. These funds can also be used to fund special projects or initiatives such as technology upgrades, facility maintenance projects, laboratory revitalizations and upgrades, and increased on-campus student employment opportunities. When actual tuition revenues exceed budgeted tuition revenues over a number of years, these funds can be added to the institution's base budget and may support additional faculty positions, student advisors, and recruiters. In addition, savings from vacancies or using LTEs and other temporary staff may be carried over from one year to the next as contingency funds.

The ability to use one-time tuition carryover or contingency funds to offset the proposed lapse varies greatly from institution to institution. Since tuition carryover funds are generated by unanticipated increases in enrollments, institutions that have had little or no enrollment growth in the past few years have lower amounts of tuition carryover. Some institutions indicated that they would be able to largely offset the lapse using tuition carryover and contingency funds while others would be able to offset as little as \$100,000. All of the institutions indicated that tuition carryover and contingency funds are one-time monies and would not be available to offset base reductions and lapses in future years. For example, one institution indicated that all tuition carryover and contingency funds would be used in this year. Another institution indicated that, due to a combination of low enrollment and the proposed lapse, it is anticipated that tuition carryover and contingency funds would be depleted by the end of the biennium.

Savings from Vacancies: Several institutions reported an unusually large number of retirements and resignations in the past year. At one institution, 10% of tenure-track faculty retired or resigned in the past year. To fund the lapse, many institutions are holding positions open in order to generate savings. For example, an institution that reported 100 retirements and resignations in the past year has hired or plans to hire for only 60 of those positions in that year. Another institution has implemented a hiring freeze for any positions funded with state GPR except for positions that are critical to the institution. All GPR-funded hires must be approved by the chancellor.

Delay of Purchases and Facilities Maintenance and Upgrades: A number of institutions reported that they would delay purchases and technology upgrades to generate savings to fund the

lapse. One institution indicated that it would delay replacing faculty, staff, and classroom desktop computers until next year. The institution generally replaces computers every four years; this would extend the "life" of the computers to five years. Another institution had planned to upgrade campus security by implementing a program that would send cell phone alerts and installing additional security cameras. Several institutions would use funds set aside for facility maintenance projects and laboratory renewals and upgrades to fund the lapse.

Cancelling or Delaying Initiatives and Special Programs: Several institutions would use funds that had been budgeted for campus initiatives and special programs to fund the lapse. For example, an institution that has had a large increase in enrollment had planned to hire 34 new faculty members in order to reduce its student-to-faculty ratio. Due to the proposed lapse, the institution has hired for only 11 of these positions. Another institution had planned to offer additional sections of general education courses, hire additional student advisors, increase mentoring for remedial math student, and hire an additional recruiter, but would instead use the funds set aside for the initiatives to fund its portion of the lapse. Two institutions indicated that programs offering students on-campus jobs, a tool which is used to increase student retention, would be cut. Another two institutions indicated that the campus's financial contribution to certain community events or programs would be held back.

The State Laboratory of Hygiene and the Veterinary Diagnostic Laboratory are attached to UW-Madison. Lapse amounts for each of these organizations are included in the overall UW System lapse.

State Laboratory of Hygiene (\$488,315): The majority of the GPR funding provided for the State Laboratory of Hygiene (SLH) is used to fund testing done on behalf of the Department of Health Services and the Department of Natural Resources. By statute, SLH must provide "laboratory service to the department of health services and the department of natural resources in the areas of water quality, air quality, public health and contagious diseases." In order to generate cost savings to fund the proposed lapse, SLH would have to reduce the testing services it provides to DHS and DNR.

Veterinary Diagnostic Laboratory (\$261,402): The Veterinary Diagnostic Laboratory (VDL) performs animal disease diagnostic testing for veterinarians and livestock producers throughout the state at its laboratories located in Madison and Barron. All GPR funding appropriated to VDL is used to support staff salaries. To fulfill its lapse requirement, VDL would continue to delay hiring for vacant positions, some of which have been held open for more than a year. If this is not sufficient to generate the amount of the lapse, VDL would have to reduce the number of tests that it offers and layoff the related staff members.

Veterans Affairs (\$85,038)

A total lapse of \$85,038 GPR would be made from the appropriation to construct a memorial at the Highground for Persian Gulf War veterans. The appropriation is a continuing GPR appropriation. As such, funds remain in the appropriation until expended. Through December,

2011, \$140,841 remained in the appropriation. Subsequent to the proposed lapse, \$55,803 would remain in the appropriation.

Wisconsin Economic Development Corporation (\$2,116,694)

WEDC would lapse \$2,116,694 for economic development activities. This represents approximately 6.2%, of its general operations and programs GPR appropriation (or about 2.5% of the \$84.8 million budgeted from all funds).

Workforce Development (\$547,425)

Lapses of \$547,425 (all funds) would be made in the Department of Workforce Development (DWD) in 2011-12. DWD's general program operations appropriation would lapse \$518,601 GPR by holding 12 positions in the Division of Equal Rights (ERD) vacant and delaying planned technological upgrades to central database systems maintained by ERD. DOA would lapse \$28,824 from the available balance in the unemployment interest and penalty payments appropriation.

Summary/Alternatives

2011 Act 32 requires that the DOA Secretary lapse \$174.3 million from GPR and PR appropriations of executive branch agencies. The general fund condition statement of Act 32 is based upon a lapse amount of \$123.15 million in 2011-12 and \$51.15 million in 2012-13. The Secretary's plan would lapse \$123.29 million in 2011-12.

The Committee could approve the plan as submitted and the administration would proceed to generate the lapse amounts of the plan. Alternatively, the Committee could modify the plan by changing any of the lapse amounts for any agency, appropriation, or program. In addition, the Committee could increase or decrease the lapse amount in 2011-12 and adjust the amount necessary in 2012-13 to ensure that the full \$174.3 million lapse amount is realized in the biennium. Because the \$174.3 million lapse figure is a statutory directive in Act 32, the Committee would not have the authority to modify the amount without legislative directive.

It should be noted that the gross general fund balance for 2011-12 is estimated at \$11.8 million and the gross balance for the end of the 2012-13 fiscal year is projected at -\$143.2 million. If the Committee were to shift more than \$11.8 million of the lapse to 2012-13 from 2011-12, a negative balance would result in both years of the biennium.

BL/lb
Attachments

ATTACHMENT 1

Comparison of Initial October Allocation and Proposed December Allocation of Lapses

	Initial Allocation <u>10/14/11</u>	Proposed Allocation <u>12/23/11</u>	<u>Difference</u>
Administration	\$7,983,175	\$8,912,775	\$929,600
Agriculture, Trade and Consumer Protection	2,308,883	2,308,883	0
Board for People with Developmental Disabilities	1,349	0	-1,349
Board on Aging and Long-Term Care	137,030	0	-137,030
Child Abuse and Neglect Prevention Board	122,934	0	-122,934
Children and Families	8,318,827	8,318,827	0
Corrections	9,461,595	9,461,595	0
Educational Communications Board	254,677	254,677	0
Employment Relations Commission	166,586	166,586	0
Financial Institutions	870,276	1,415,082	544,806
Government Accountability Board	227,335	227,335	0
Governor	1,229	0	-1,229
Health Services	18,561,982	18,561,982	0
Higher Educational Aids Board	51,049	51,049	0
Historical Society	710,847	710,847	0
Insurance	876,334	1,424,933	548,599
Justice	2,760,953	2,466,603	-294,350
Lieutenant Governor	20,498	20,498	0
Medical College of Wisconsin	248,739	0	-248,739
Military Affairs	896,316	364,700	-531,616
Miscellaneous Appropriations	605,675	605,675	0
Natural Resources	2,725,505	2,725,505	0
Office of State Employment Relations	295,777	295,777	0
Program Supplements	2,046,642	1,000,000	-1,046,642
Public Defender	263,100	263,100	0
Public Instruction	1,975,377	1,975,377	0
Public Service Commission	10,418	10,418	0
Revenue	5,284,122	5,284,122	0
Safety and Professional Services	2,629,283	4,275,257	1,645,974
Secretary of State	26,754	0	-26,754
Shared Revenue and Tax Relief	2,374,892	2,374,892	0
State Fair Park Board	9,376	9,376	0
Tourism	747,810	747,810	0
Transportation	176,421	176,421	0
University of Wisconsin System	46,135,078	46,135,078	0
Veterans Affairs	85,038	85,038	0
Wisconsin Economic Development Corporation	2,116,694	2,116,694	0
Workforce Development	<u>1,511,425</u>	<u>547,425</u>	<u>-964,000</u>
Total	\$123,000,001	\$123,294,337	\$294,336

ATTACHMENT 2

Youth Aids Allocations

<u>County Name</u>	<u>Pre-Lapse Allocation</u>	<u>Allocation After Lapse</u>	<u>Difference</u>	<u>Percent Decrease</u>
Adams	\$227,537	\$217,505	-\$10,032	-4.4%
Ashland	211,055	201,045	-10,010	-4.7
Barron	479,001	457,169	-21,832	-4.6
Bayfield	134,924	127,664	-7,260	-5.4
Brown	2,269,411	2,172,133	-97,278	-4.3
Buffalo	52,977	50,266	-2,711	-5.1
Burnett	183,030	173,063	-9,967	-5.4
Calumet	313,701	299,936	-13,765	-4.4
Chippewa	643,234	615,666	-27,568	-4.3
Clark	467,967	444,803	-23,164	-4.9
Columbia	383,896	367,120	-16,776	-4.4
Crawford	130,517	123,611	-6,906	-5.3
Dane	6,391,221	6,130,881	-260,340	-4.1
Dodge	667,181	635,544	-31,637	-4.7
Door	187,425	177,712	-9,713	-5.2
Douglas	994,997	943,095	-51,902	-5.2
Dunn	216,947	206,250	-10,697	-4.9
Eau Claire	1,106,403	1,055,579	-50,824	-4.6
Florence	49,640	46,947	-2,693	-5.4
Fond Du Lac	1,071,446	1,027,137	-44,309	-4.1
Forest	80,375	77,090	-3,285	-4.1
Grant	241,518	228,873	-12,645	-5.2
Green	229,452	218,361	-11,091	-4.8
Green Lake	134,973	128,832	-6,141	-4.5
Iowa	152,640	144,738	-7,902	-5.2
Iron	40,640	38,464	-2,176	-5.4
Jackson	181,546	172,776	-8,770	-4.8
Jefferson	610,897	580,967	-29,930	-4.9
Juneau	245,623	233,976	-11,647	-4.7
Kenosha	3,337,006	3,190,826	-146,180	-4.4
Kewaunee	107,333	101,743	-5,590	-5.2
La Crosse	1,286,210	1,225,717	-60,493	-4.7
Lafayette	70,996	67,465	-3,531	-5.0
Langlade	363,767	345,583	-18,184	-5.0
Lincoln	372,826	355,135	-17,691	-4.7
Manitowoc	574,823	545,724	-29,099	-5.1
Marathon	1,453,401	1,383,067	-70,334	-4.8
Marinette	511,963	487,271	-24,692	-4.8
Marquette	84,610	80,146	-4,464	-5.3
Menominee	523,958	499,689	-24,269	-4.6

<u>County Name</u>	<u>Pre-Lapse Allocation</u>	<u>Allocation After Lapse</u>	<u>Difference</u>	<u>Percent Decrease</u>
Milwaukee	\$34,703,524	\$33,260,076	-\$1,443,448	-4.2%
Monroe	665,654	632,406	-33,248	-5.0
Oconto	355,532	339,561	-15,971	-4.5
Oneida	575,980	551,038	-24,942	-4.3
Outagamie	1,743,731	1,662,338	-81,393	-4.7
Ozaukee	718,427	686,470	-31,957	-4.4
Pepin	57,220	54,256	-2,964	-5.2
Pierce	274,457	260,525	-13,932	-5.1
Polk	408,438	388,380	-20,058	-4.9
Portage	547,142	522,758	-24,384	-4.5
Price	126,391	119,777	-6,614	-5.2
Racine	4,277,045	4,082,424	-194,621	-4.6
Richland	104,436	100,133	-4,303	-4.1
Rock	3,557,365	3,402,420	-154,945	-4.4
Rusk	211,106	200,359	-10,747	-5.1
Saint Croix	562,101	533,885	-28,216	-5.0
Sauk	630,916	607,728	-23,188	-3.7
Sawyer	210,029	201,278	-8,751	-4.2
Shawano	519,467	494,261	-25,206	-4.9
Sheboygan	1,190,125	1,135,407	-54,718	-4.6
Taylor	205,997	196,397	-9,600	-4.7
Trempealeau	133,277	127,362	-5,915	-4.4
Vernon	185,638	175,902	-9,736	-5.2
Vilas	313,493	300,376	-13,117	-4.2
Walworth	899,517	857,783	-41,734	-4.6
Washburn	157,657	149,943	-7,714	-4.9
Washington	1,262,182	1,202,482	-59,700	-4.7
Waukesha	3,423,895	3,251,340	-172,555	-5.0
Waupaca	506,112	480,896	-25,216	-5.0
Waushara	250,419	237,747	-12,672	-5.1
Winnebago	1,759,197	1,685,350	-73,847	-4.2
Wood	<u>1,132,458</u>	<u>1,071,329</u>	<u>-61,129</u>	-5.4
Total	\$88,455,995	\$84,551,956	-\$3,904,039	-4.4%