

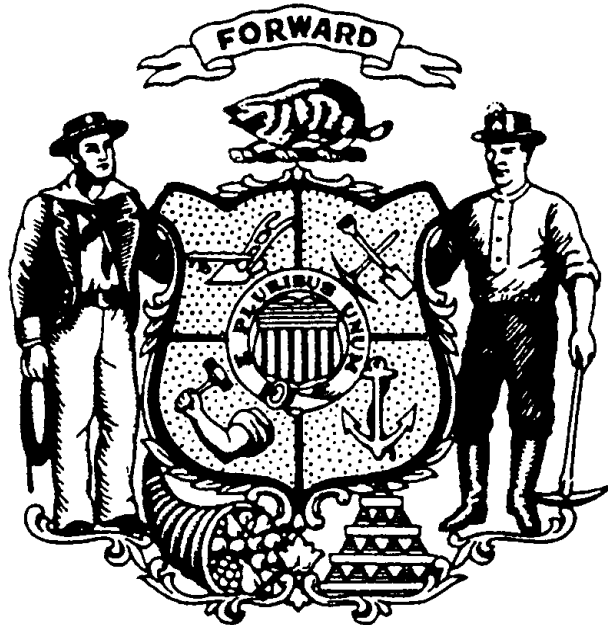
STATE OF WISCONSIN

REFORMING GOVERNMENT

GROWING OUR ECONOMY

2011-13 EXECUTIVE BUDGET SUMMARY

SCOTT WALKER, GOVERNOR



MARCH 2011

DIVISION OF
EXECUTIVE BUDGET AND FINANCE
DEPARTMENT OF ADMINISTRATION

REFORMING GOVERNMENT – GROWING OUR ECONOMY

The Governor's budget balances the \$3.6 billion deficit through innovative government reforms and permanent reductions in spending bringing government in line with taxpayers' ability to pay.

The budget makes the tough choices to get our state back on the path to prosperity while providing the core services our citizens expect.

The Governor is focused on growing Wisconsin's economy by promoting investment in Wisconsin-based business with the goal of creating 250,000 jobs.

The overall fiscal goals of the Governor's 2011-13 budget are as follows:

1. Foster meaningful long-term economic growth and job creation, laying the groundwork for creating 250,000 jobs by 2015.
2. Recognize the tax burden on people by balancing the budget through measures that generate savings at the state and local level.
3. Ensure a strong and sustainable budget outlook by bringing on-going spending in line with on-going revenues.

REFORMING GOVERNMENT – GROWING OUR ECONOMY

The Governor has several important policy goals that guided decisions throughout the development of the 2011-13 budget:

1. Promote job creation by providing nearly \$200 million to the Wisconsin Economic Development Corporation and exempting from taxation capital gains that are reinvested in Wisconsin businesses.
2. Protect local schools while expanding educational opportunities by providing mandate relief, focusing on reading achievement in early grade, and expanding Wisconsin's school choice and charter school programs.
3. Enhance higher education by providing autonomy to Wisconsin's flagship institution – UW-Madison, and by avoiding cuts to student financial aid.
4. Maintain critical health care services to Wisconsin's seniors, disabled individuals and low-income families by providing over \$1.2 billion GPR to replace one-time federal funding.
5. Ensure public safety by repealing early release of offenders and expanding efforts to protect children from Internet predators.

BUDGET AND ECONOMIC OUTLOOK

- Wisconsin's economy is recovering.
 - ✓ FY11 through FY13 revenue estimates, excluding the impact of January 2011 special session legislation, have been revised upward by \$207 million since November 2010.
 - ✓ Wisconsin's unemployment rate continues to be below the national average.

- Wisconsin is projected to have solid revenue growth over the next two fiscal years.
 - ✓ Tax revenues are projected to grow by \$473 million (3.7 percent) in FY12, and by another \$526 million (4.0 percent) in FY13, under the January 2011 Legislative Fiscal Bureau revenue estimates.
 - ✓ These estimates provide biennial revenue growth over base of about \$1.5 billion.

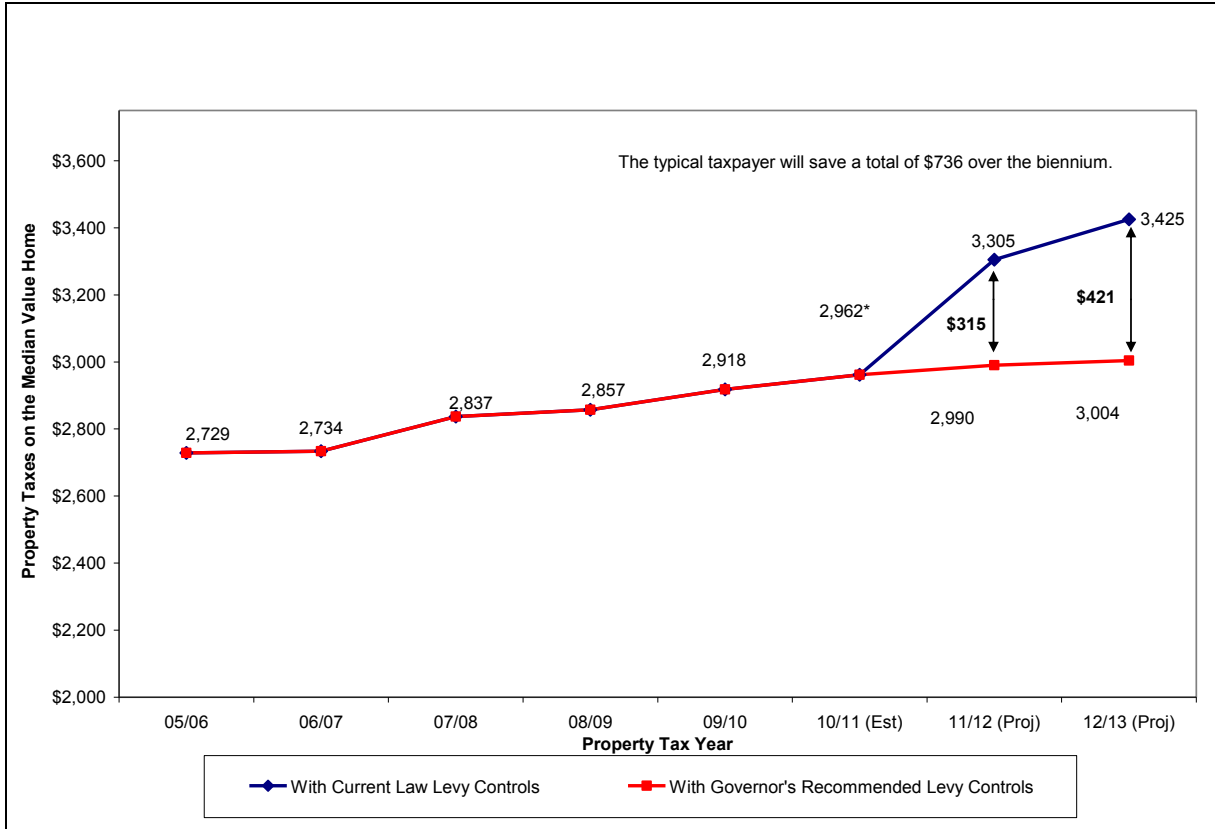
RESTORE FISCAL DISCIPLINE – STATE AND LOCAL BUDGET REFORM

- Reduces all funds spending by over \$4.2 billion biennially compared to the fiscal year 2010-11 adjusted base, a 6.7 percent reduction over base year doubled.
- Reduces the structural deficit by 90 percent from \$2.5 billion to less than \$250 million, an all-time low in the history of tracking this measure.
- Brings state employee contributions toward pensions and health insurance in line with private sector by requiring 5.8 percent of salary towards pension and 12.6 percent towards health insurance premiums.
- Eliminates 735 FTE positions that have been vacant for longer than 12 months.
- Reduces funding, excluding salary and fringe benefits, in most GPR and PR appropriations by 10 percent.
- Eliminates raids on segregated funds, while working to restore past raids on segregated funds.
- No tax or fee increases.
- Freezes property tax levy at the greater of zero percent, or net new construction.
- Provides greater flexibility for local units of government through mandate reform.

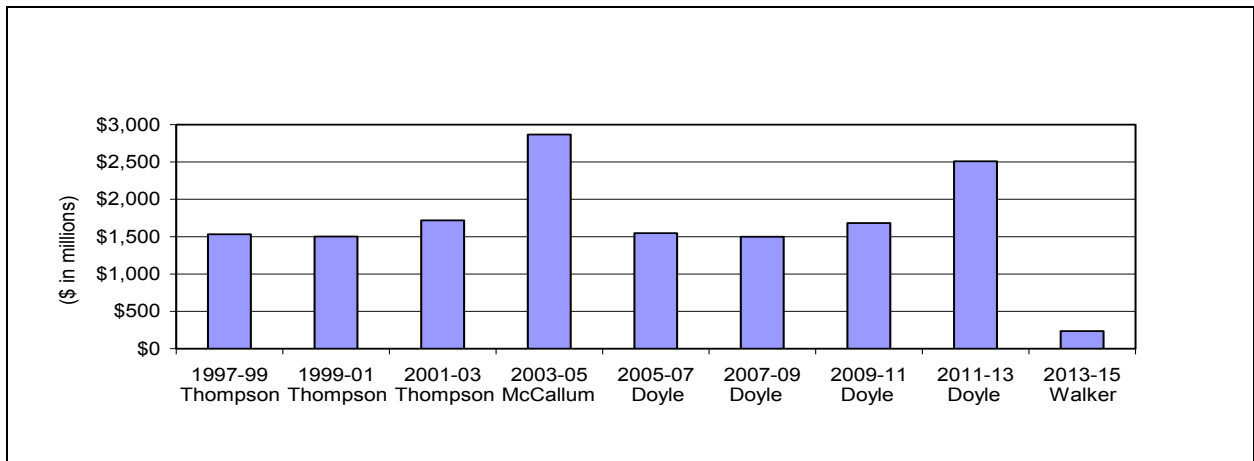
SAVINGS FROM EMPLOYEE COMPENSATION CHANGES OFFSET AID REDUCTIONS
(\$ in millions)

	School Districts	Municipalities ¹	Counties ¹	Technical Colleges	Special Districts	Totals
Total General Revenues (2009)	10,724.4	5,316.7	4,879.5	1,496.4		
State Aid	5,324.9	1,072.5	424.2	135.2	0.0	6,956.9
Projected Compensation Savings						
WRS Contributions (at 5.8%)	283.7	55.6	37.1	33.8	9.0	419.2
Health Insurance Contributions (at 4.2%) ³	<u>205.2</u>	<u>42.6</u>	<u>27.2</u>	<u>24.4</u>	<u>6.5</u>	<u>305.9</u>
Total Contribution Savings ²	488.9	98.3	64.3	58.2	15.5	725.1
Aid Cuts	438.4	98.9	63.8	35.8	0.0	636.9
Savings Less Aid Reductions	50.5	-0.7	0.5	22.4	15.5	88.2
Reductions as a Percentage of State Aid	8.2%	9.2%	15.0%	26.5%	N/A	9.2%
¹ County and Municipal State Aid reflects the county and municipal aid account, youth aids, payments for municipal services, general transportation aids and transit aids.						
² Savings estimates for counties and municipalities adjust for excluding police officers and fire fighters as well as assumptions regarding utility and other municipal enterprise employees. Counties' realizable savings are adjusted for program areas not typically funded by Shared Revenues or their equivalents. Actual amounts may vary.						
³ 4.2% of salary assumption is based on 12% of premiums plus accompanying plan design changes that are worth an equivalent of 4.2% of salary.						

LEVY LIMITS KEEP PROPERTY TAX BILLS UNDER CONTROL



DRAMATIC REDUCTION IN STRUCTURAL DEFICIT



BALANCING THE BUDGET

Department of Administration Report – November 19, 2010	-\$1,489
Adjustments to DOA Report	
DOA Budget Request – Continuation of 2009-11 Cuts	-800
DHS Budget Request – Medicaid Assumptions	<u>-1,067</u>
Net Deficit	-\$3,356
DOR Revenue Reestimates – December 2010	293
2011 Jobs Legislation (Health Savings Accounts, Jobs-Related Tax Credits)	-117
Legislative Fiscal Bureau Revenue Reestimates – January 31, 2011	-86
Legislative Fiscal Bureau FY11 Appropriation, Lapse and GPR-Earned Reestimates – January 31, 2011	67
Legislative Fiscal Bureau FY11 Appropriation Shortfalls – January 31, 2011	<u>-199</u>
Net Deficit	-\$3,398
Injured Patients and Families Compensation Fund (IPFCF) Settlement – Principal Repayment	<u>-200</u>
Net Deficit	-\$3,598
Medicaid – Administrative Savings	29
FY11 Budget Repair Bill – Change to Net Deficit	<u>115</u>
2011-13 Budget Gap	-\$3,455
Governor Walker's Plan for Addressing the Budget Deficit	
<u>Spending Changes</u>	2,920
GPR Spending Cuts	\$1,729
Net Reductions From Agency Requests and Other Reestimates	627
Other Cuts and Lapses to General Fund	267
Medicaid Reestimates and Efficiencies	494
GPR Spending Increases	-197
<u>Revenue Changes</u>	-118
Capital Gains Exclusion for Wisconsin-Based Investments	-\$36
Transfer of Motor Vehicle-Related Sales to Transportation Fund	-35
Combined Reporting Modifications	-46
IRC Update and Other Changes	-1
<u>Other Changes</u>	<u>654</u>
Debt Restructuring	\$439
Debt Service on FY11 and FY12 Debt Restructuring	-51
Legal Settlement Reserve (Change From IPFCF Principal Repayment)	150
Compensation Reserve (Change From November 19, 2010 Report)	87
Lapses to General Fund	71
Overall Balance of \$107 Million	-42
Actions to Balance the Budget	<u>\$3,455</u>

OVERALL BUDGET RECOMMENDATIONS

- The budget recommends the following GPR spending.
 - ✓ FY12 recommended GPR spending is \$14.0 billion, a \$178 million (-1.3 percent) decrease compared with FY11.
 - ✓ FY13 recommended GPR spending is \$14.7 billion, a \$740 million (5.3 percent) increase over FY12.
- The budget recommends total biennial spending from all fund sources (GPR plus federal, segregated and program revenues) of \$59.3 billion:
 - ✓ FY12 recommended all funds spending is \$29.3 billion, a \$2.5 billion (-7.8% percent) decrease compared with FY11.
 - ✓ FY13 recommended all funds spending is \$30.0 billion, a \$724 million (2.5 percent) increase over FY12.
 - ✓ Growth in overall spending is modest, with the first year reduction in spending reflecting permanent reductions in GPR appropriations and the effect of creating the University of Wisconsin-Madison as a separate entity.
- The budget cuts a total of 21,325 positions.
 - ✓ 20,163 positions are cut associated with organizational changes, including establishing an autonomous University of Wisconsin-Madison, elimination of the UW Hospitals and Clinics Board and the elimination of the Department of Commerce.
 - ✓ 1,656 positions are eliminated, including the elimination of long-term vacancies, closure of state facilities and program reductions.

**GENERAL FUND CONDITION UNDER GOVERNOR'S BUDGET
AND FISCAL YEAR 2010-11 BUDGET REPAIR LEGISLATION**

(\$ in millions)

	2011-13 Governor's Budget			2013-15 Estimates	
	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
OPENING BALANCE, JULY 1	\$25.7	\$65.1	\$99.0	\$107.3	-\$21.3
REVENUES AND TRANSFERS					
Taxes	12,691.4	13,139.0	13,597.1	13,575.7	13,554.2
Departmental Revenues					
Tribal Gaming Revenues	22.3	25.7	26.9	26.9	26.9
Other	<u>782.6</u>	<u>596.2</u>	<u>607.2</u>	<u>605.2</u>	<u>605.2</u>
Total Available	\$13,522.1	\$13,826.1	\$14,330.2	\$14,315.2	\$14,164.9
APPROPRIATIONS, TRANSFERS AND RESERVES					
Gross Appropriations	\$14,157.7	\$13,987.4	\$14,727.5	\$14,783.2	\$14,783.2
Compensation Reserves	96.0	26.8	77.9	77.9	77.9
Legal Settlements Reserve	0.0	25.0	25.0	25.0	25.0
Less Biennial Appropriation Spend Ahead	-242.7	0.0	0.0	0.0	0.0
Less Estimated Lapses	<u>-554.0</u>	<u>-312.2</u>	<u>-607.5</u>	<u>-549.6</u>	<u>-549.6</u>
Total Expenditures	\$13,457.0	\$13,727.1	\$14,222.9	\$14,336.5	\$14,336.5
BALANCES					
Gross Balance	\$65.1	\$99.0	\$107.3	-\$21.3	-\$171.6
Less Required Statutory Balance	<u>-65.0</u>	<u>-65.0</u>	<u>-65.0</u>	<u>-65.0</u>	<u>-65.0</u>
Net Balance, June 30	\$0.1	\$34.0	\$42.3	-\$86.3	-\$236.6
Structural Balance	\$39.4	\$33.9	\$8.3	-\$128.8	-\$150.3

Detail may not add due to rounding.

PROMOTE JOB CREATION AND ECONOMIC DEVELOPMENT

- Provides over \$196 million for the recently enacted Wisconsin Economic Development Corporation to support economic development programs and operations.
- Prioritizes investment in Wisconsin-based businesses by:
 - Establishing 100 percent exclusion from capital gains tax for investors who invest in Wisconsin-based business and hold those investments for five or more years.
 - Expand the capital gains tax deferral for investments in qualified new business ventures to include all Wisconsin-based businesses to encourage investors to reinvest investment earnings in Wisconsin.
- Restores integrity to segregated transportation fund and invests a total of \$5.7 billion in Wisconsin's Transportation System. Including, \$225 million for accelerated reconstruction of the Zoo interchange and \$195 million to continue construction of the I-94 corridor between Wisconsin's border with Illinois and the Mitchell Interchange in Milwaukee.
- Increase funding for Tourism marketing to encourage additional investment in our state's economy.

PROTECT SCHOOLS AND EXPAND EDUCATIONAL OPPORTUNITIES

- Provides local school districts with the management tools and flexibility to ensure that reductions in state aid preserve more dollars for the classroom.
- Creates a third grade reading initiative that will require all third graders in Wisconsin's public schools achieve basic literacy by the end of third grade.
- Increases accountability in our education system by providing \$15 million GPR to Department of Public Instruction to create a student information system that will provide longitudinal data to state policymakers, school districts, parents and citizens on the performance of the state's public education system and its students.
- Eliminates enrollment caps for the Milwaukee Choice Program and the virtual charter school program.
- Phases out income eligibility requirement for the choice program.
- Allows any school in Milwaukee County to participate in the choice program.
- Allows any four-year UW Campus to establish charter school.
- Extends open enrollment application from February to last weekday in April.

ENHANCE HIGHER EDUCATION

- Positions UW-Madison to improve its ability to remain a world leader in research and instruction by restructuring the campus as an independent authority. Greater independence for the state's flagship campus will enhance the Madison campus' potential as a major research institution for job creation, recruitment of top faculty and students, research and patent production, and to better serve Wisconsin's businesses, parents and students.
- Prioritizes funding for UW System campuses over administration by requiring larger share of aid reduction to be realized by UW System Administration – 25 percent compared to 11 percent for campuses.
- Exempts student financial aid from GPR reductions, while providing a modest tuition increase for UW System institutions to keep resident undergraduate tuition affordable for Wisconsin's families.
- Prevents cuts to financial aid by limiting Wisconsin Covenant program to students signing pledge before September 30, 2011.
- Directs UW System to develop plan to transition UW Milwaukee into a private authority.

MAINTAIN CRITICAL HEALTH CARE SERVICES

- Reforms state's Medicaid program to address unsustainable long term costs while maintaining health care safety net for those in need.
- Maintains funding for Medicaid, BadgerCare Plus, Family Care and SeniorCare programs based on actual expenditures in prior years.
- Expands programs that encourage and support the self-direction of services, providing individuals the opportunity to decide how and when services are delivered to best meet their needs while promoting the efficient use of benefits.
- Conducts thorough review of Family Care program, including results of LAB audit to ensure maximum efficiency and effectiveness going forward.
- Centralizes and automates Income Maintenance eligibility determination system to achieve \$48 million in annual savings and a decrease of 270 FTE positions.

ENSURE PUBLIC SAFETY

- Exempts Police and Fire from employee pension and benefit changes to ensure no gaps in coverage from first responders.
- Repeals early release to sentences changes approved in 2009-2011 Budget.
- Provides additional resources and positions to DNA lab to address rising requests.
- Provides additional resources and positions to investigate on-line predators targeting children.
- Provides funding for Victim Information and Notification Everyday services to protect crime victims through a centralized system for information on offender status and location.
- Provides funding for pay progression schedule for Assistant District Attorneys to retain experienced ADAs and ensure efficient and effective prosecutions.

FOCUS NATURAL RESOURCES AND ENVIRONMENTAL PROGRAMS

- Maintain the ideals of the Stewardship Program while refocusing scarce state resources on priority lands by requiring full public access, eliminate aids in lieu of property taxes on future purchases, prohibiting purchase of development rights, and requiring at least two appraisals.
- Keep hunting and fishing license fees at current levels.
- Protect our lakes and rivers and improve water quality in Wisconsin by providing an additional \$20 million over the biennium to reduce nonpoint source water pollution.
- Provide relief to municipalities by reforming regulations for effluent limitations on phosphorous so that Wisconsin's regulations are no more stringent than neighboring states, and repealing and recreating the municipal separate storm sewer systems stormwater standard that requires communities to reduce total suspended solids by 2013, so the standards are no more stringent than federal law and take into account its cost to municipalities.
- Eliminate the requirement that a municipality or county operate a recycling program to manage solid waste in compliance with the disposal restrictions, and eliminate the financial assistance for local governmental recycling programs.
- Strengthen Wisconsin's meat industry by authorizing additional meat inspectors to ensure food safety and support business growth.