



STATE OF WISCONSIN

DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Joel Brennan, Secretary
Brian Pahnke, Administrator

CORRESPONDENCE/Memorandum

Date: May 5, 2020

To: Agency Heads
Agency Budget Directors
Agency Financial Managers

From: Brian Pahnke
Administrator

Subject: Fiscal Year 2019-20 State Operations Lapses

As noted in Secretary Brennan's April 28, 2020, memorandum to agency heads, executive branch agencies are directed to constrain expenditures in fiscal year 2019-20 to result in a reduction in state operations appropriations of approximately 5 percent. The goal of these reductions is to improve the general fund's closing balance and provide additional cushion for any potential revenue loss that the state may realize in the coming months.

All lapses from state operations appropriations in executive branch agencies will be made under the Department of Administration's lapse authority under s. 16.50, Wisconsin Statutes. The lapses should be made in agencies' GPR sum certain, state operations appropriations as well as those PR sum certain state operations appropriations funded by tribal gaming revenues, and those state operations appropriations of the Department of Financial Institutions and Office of the Commissioner of Insurance.

Agencies subject to the lapse requirement will be notified by their assigned State Budget Office analyst as to the amount of the reduction the agency will need to plan for and implement. These amounts will be calculated based on an agency's state operations fiscal year 2019-20 budgeted amounts, including legislative actions to date. Certain appropriations were excluded from some agencies' bases related to health and safety concerns. Examples of those appropriations include the operations of state residential institutions in the Department of Corrections and Department of Health Services.

Certain administrative actions were previously announced and should assist agencies in achieving the 5 percent reduction. Those actions include restrictions on all state-sponsored travel not deemed essential for COVID-19 response and a hiring freeze for non-COVID-19 related positions or those deemed essential for continuing business functions. In addition, Secretary Brennan announced that the Discretionary Merit Compensation Program will be suspended, and the Discretionary Equity and Retention Award Program will be restricted for the remainder of the fiscal year.

A separate request for information on the impact of the public health emergency on agency expenditures and revenues has been sent to agencies. The costs that agencies identify as related to the emergency response may be eligible to be covered with federal funds the state has received or will receive under the Families First Coronavirus Relief Act or the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Costs determined to be eligible may be used toward an agency's reduction target.

Personnel Related Issues

Agencies have raised a variety of questions related to personnel costs and the reduction requirement. Some questions will be addressed on a case-by-case basis, but the following may clarify the actions agencies may take and the status of other year-end processes.

- Agency plans should not include assumptions of furloughs or layoffs of permanent or project positions.
- Additional information on pay plan supplements will be sent out in the near future.
- As noted earlier, a hiring freeze has been announced and the Discretionary Merit Compensation and Discretionary Equity and Retention Award programs are suspended or restricted.

Targets and Exemptions

As mentioned earlier, targets for each agency were calculated based on the agency's state operations appropriations, excluding debt service and sum sufficient appropriations. The target amounts also reflect the exclusions for health and safety cited earlier. Certain other purposes were also excluded after additional review. Agencies will be contacted by their assigned State Budget Office analyst with their target reduction, as well as information on which appropriations were included in the base calculation. However, if agencies are able to recognize savings in the excluded sum certain, non-debt service appropriations without jeopardizing the purpose of those appropriations, agencies should contact their assigned State Budget Office analyst to discuss the potential for those savings to apply toward achieving the agency's target lapse.

Certain agencies have been exempted from this 5 percent lapse requirement due to their mission, funding sources or size of operations. Although these agencies have been exempted, the expectation is that each of these agencies will do everything possible to reduce expenditures for the remainder of fiscal year 2019-20. This will be critical to maximize savings to ensure the state has as strong of an ending balance as possible on June 30, 2020. A list of the exempted agencies is found in Attachment A.

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Submission of Waiver Requests and Implementation Plans

Any agency that wishes to request a waiver or adjustment of their assigned lapse amount must submit the request and justification to Brian Pahnke, State Budget Director, by 3:00 p.m. on Friday, May 8, 2020. The State Budget Office will compile the requests for Secretary Brennan's review and decision. Agencies will be notified of the decision during the week of May 11, 2020.

By May 20, 2020, agencies must submit their detailed plans for allocating to numeric appropriations the 5 percent reduction for fiscal year 2019-20. The format for these plans is attached to this memorandum and available at the State Budget Office SharePoint site at:

<https://doa.sbo.wisconsin.gov/Agency%20Lapses/Forms/Current%20Fiscal%20Year.aspx>. Agencies should upload their plans to their assigned folder on the SharePoint site.

The lapse implementation plans must address all elements included in the format. The lapses must be presented at the numeric appropriation level and at the expenditure line level to facilitate verification of STAR budget transfer journals.

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Attachment A

Exempted Agencies

Board for People with Developmental Disabilities
Board of Commissioners of Public Lands
Board on Aging and Long-Term Care
District Attorneys
Educational Communications Board
Elections Commission
Employee Trust Funds, Department of
Ethics Commission
Higher Educational Aids Board
Investment Board
Kickapoo Reserve Management Board
Labor and Industry Review Commission
Lieutenant Governor, Office of the
Lower Wisconsin State Riverway Board
Medical College of Wisconsin
Public Service Commission
Safety and Professional Services, Department of
Secretary of State, Office of the
State Fair Park Board
State Public Defender
State Treasurer, Office of the
Transportation, Department of
Veterans Affairs, Department of
Wisconsin Employment Relations Commission
Wisconsin Historical Society