



Legislative Fiscal Bureau

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August 31, 2023

TO: Members
Assembly Committee on Ways and Means

FROM: Sean Moran and Dave Loppnow

SUBJECT: 2023-25 and 2025-27 General Fund Budget if Tax Reductions under Assembly Bill 386
Take Effect

The following tables (in millions) provide information on the condition of the state's general fund for 2023-25 and 2025-27 under 2023 Act 19 (the 2023-25 budget), modified to reflect the estimated fiscal effect of the tax reductions proposed in Assembly Bill 386. Table 1 shows the net effect to the general fund estimated under AB 386. Table 2 displays the projected 2023-25 general fund condition statement under Act 19 and the provisions of AB 386.

TABLE 1

Estimated Effect to 2023-25 General Fund Condition Statement under Assembly Bill 386

	<u>2023-24</u>	<u>2024-25</u>	<u>2023-25 Biennium</u>	<u>Fund Source</u>
Tax Reductions under AB 386	- \$1,550	- \$1,403	- \$2,953	GPR-Tax
Interest Earnings on General Fund Balance	<u>- 40</u>	<u>- 90</u>	<u>- 130</u>	GPR-Rev
Net Effect to General Fund	- \$1,590	- \$1,493	- \$3,083	

TABLE 2

2023-25 General Fund Condition Statement under Act 19 and Assembly Bill 386

	<u>2023-24</u>	<u>2024-25</u>
Revenues		
Opening Balance, July 1	\$6,877	\$2,757
Taxes	21,251	22,014
AB 386 Tax Reductions	-1,550	-1,403
Departmental Revenues		
Tribal Gaming Revenues	0	9
Reduced Interest Earnings	-40	-90
Other	<u>832</u>	<u>726</u>
Total Available	\$27,370	\$24,013
Appropriations, Transfers, and Reserves		
Gross Appropriations	\$22,651	\$21,041
Transfers to:		
Building Program	1,234	0
PFAS Trust Fund	110	0
Local Government Fund	0	1,563
Innovation Account	0	303
Transportation Fund		
EV Sales Tax	39	55
0.25% Transfer	48	52
Other	556	0
Compensation Reserves	311	398
Less Lapses	<u>-336</u>	<u>-384</u>
Net Appropriations	\$24,613	\$23,028
Gross Balance	\$2,757	\$985
Less Required Statutory Balance	<u>-100</u>	<u>-105</u>
Net Balance, June 30	\$2,657	\$880

Table 3 shows estimated 2025-27 general fund commitments. This table reflects estimated increases or decreases of various items for each year of the 2025-27 biennium as a change to base year (2024-25) revenues and net appropriations under Act 19 and AB 386.

TABLE 3

2025-27 General Fund Commitments -- Act 19 and Assembly Bill 386

	<u>2025-26</u>	<u>2026-27</u>
Revenues (Taxes and Departmental Revenues)		
2024-25 Base Revenues	\$21,256	\$21,256
Modifications to Base		
Interest Earnings	-60	-90
Broadband Exemption (Telephone Companies)	-16	-11
2017 Act 231 -- IRC Update	19	10
IIJA Automatically Adopted -- IRC Update	4	7
ARPA Automatically Adopted -- IRC Update	-1	3
CAA23 Automatically Adopted -- IRC Update	-5	-16
Federal Expiration of SALT Deduction	-40	-90
Low-Income Housing Tax Credit	-6	-6
DOR Advanced Technology System	3	7
Expiring Auditor Project Positions	<u>-29</u>	<u>-39</u>
Subtotal -- Modifications	-\$131	-\$225
Total	\$21,125	\$21,031
Net Appropriations		
2024-25 Base	\$23,028	\$23,028
Modifications to Base		
DHS -- WisCaregiver Careers	-2	-2
DHS -- Allied Health Professional Training Grants	-2	-3
DCF -- Child Support Information Technology Modernization Project	-7	-8
Innovation Account	-300	-300
Innovation Planning Account	-3	-3
Historical Society IT Services	-2	-2
School Mental Health	-15	-15
Milwaukee Choice	9	19
Independent Charter	3	6
Appropriation Obligation Bonds	-24	-60
General Obligation Bonds	-76	-61
DOA -- District Attorney IT	-4	-4
EITM Zone (Foxconn)	9	1
Refundable Research Credit	10	10
Expiring Auditor Project Positions	-2	-3
Sales Tax Transfer to Local Government Fund	24	24
Forestry Mill Rate	<u>5</u>	<u>11</u>
Subtotal -- Modifications	-\$377	-\$390
Total	\$22,651	\$22,638

Table 4 places the figures from Table 3 into condition statement format for the 2025-27 biennium.

TABLE 4

**2025-27 General Fund Condition Statement – Act 19 and Assembly Bill 386
(Before Revenue Growth and Program Expansion)**

	<u>2025-26</u>	<u>2026-27</u>
Opening Balance, July 1	\$985	\$110
Revenues (from Table 3)	<u>21,125</u>	<u>21,031</u>
Total Available	\$22,110	\$21,141
Net Appropriations (from Table 3)	\$22,651	\$22,638
Required Balance	<u>110</u>	<u>115</u>
Total	\$22,761	\$22,753
Balance	-\$651	-\$1,612
Biennial Amount		-\$2,263

Table 4 shows that, for 2025-26, the general fund would have an estimated imbalance of -\$651 million after meeting commitments under Act 19 and AB 386. In 2026-27, an imbalance of -\$1,612 million would occur, resulting in a cumulative balance of -\$2,263 million.

It is important to note that the amounts shown in Tables 2 and 3 represent commitments under Act 19 and AB 386. No assumptions are made regarding revenue modifications in 2025-27 due to such unknowns as future law changes or economic factors. Likewise, no assumptions are made to appropriations regarding changes in caseloads, population estimates, enrollments, employee compensation, or inflation.

The intent of the exercise is to provide policymakers with an indication of the beginning point for the budget of the succeeding biennium. It does not project whether the next budget will have a surplus or a deficit (the Constitution requires that the Legislature pass a balanced budget). Rather, the analysis is intended to serve as a guide during current deliberations of the Legislature and provide some insight regarding the succeeding budget.

Over the past 10 biennia, the estimated amounts under this exercise ranged from \$1,021 million to -\$2,511 million. For eight of the previous 10 biennia, the exercise resulted in a negative number. The average of those eight biennia was -\$1,430 million.

It should be noted that at the end of the 2023-25 biennium, the budget stabilization fund will have an estimated balance of \$1.8 billion, excluding any interest or other deposits that may accrue to the fund.

DL/lb