



A Comparative Summary of the Budget Repair Bill

May 16, 2008

After a couple of months of negotiations, the Legislature finally agreed on a compromise, which was approved by both houses during the week of May 12 and was signed by the Governor and partially vetoed on May 16. The following document compares the final bill, Act 226, with the very different versions that had previously been proposed by Governor and each house of the Legislature.

The first table below provides an overview of how each of the plans proposed balancing the budget. (The negative numbers in the table are spending increases.) It also shows how much each plan would leave in the state reserve funds and what the structural imbalance would be in the 2009-11 biennium. The structural imbalance is the amount of General Purpose Revenue growth needed in the next biennium simply to maintain the current levels of spending (and to offset phased-in tax cuts).

The deficit repair bill is based on an estimate made in mid-February of a \$652 million revenue shortfall. However, that amount was reduced to \$526.9 million after the Department of Administration cut debt service costs by about \$125 million by rolling over some short-term borrowing into longer-term debt. The \$526.9 million figure was the starting point used in the legislative deliberations.

Overview of the Budget Repair Plans (\$s in millions)

	Governor	Assembly	Senate	Conf. Com.	Act 226
Measures affecting the General Fund balance					
Lapses or transfers to the General Fund	330.4	361.0	40.0	69.0	270.0
Reduction in compensation reserves	0	0	0	0	24.0
School aid delay	0	125.0	125.0	125.0	0
Wisconsin Shares (child care subsidies)	0	0	-18.6	-18.6	-18.6
Highway funding	0	-50.0	0	0	0
Transfer of REAL ID reserve	5.0	0	22.0	22.0	2.0
Hospital assessment	125.0	0	125.0	0	0
Increased funds for rural hospitals and IMDs	-2.5	0	-2.5	0	0
Corporate tax changes (net effect)	6.0	0	125.3	15.0	15.0
Streamlined sales tax	0	0	1.3	0	0
Using Universal Service Fund for library aid	11.3	0	11.3	0	0
Endowment fund transfer for Medicaid	30.0	0	36.0	209.0	209.0 ^a
Reduced Medicaid appropriation	0	0	0	10.0	10.0
Tobacco use control grants	0	0	0	-0.25	-0.25
Cut in the Rainy Day Fund	21.7	55.0	55.0	57.0	57.0
Cut in the required Statutory Balance	0	45.0	10.0	40.0	0
Total net savings	526.9	536.0	529.8	528.2	568.2
Net balance	0	9.1	2.9	1.3	41.3
Remaining reserves	100.8	22.5	57.5	25.5	65.5
Total balance	100.8	31.6	60.4	26.8	106.8
Structural imbalance	1,416	1,649	1,370	1,694	??

The matrix on the following pages explains the various plans in greater detail. For even more detail, see the Legislative Fiscal Bureau summary: http://www.legis.state.wi.us/lfb/2007-09Bills/2008_05_12_cc.pdf

	Governor	Assembly	Senate	Act 226 (w. vetoes)
Agency budget cuts and lapses	Directs agencies to cut and lapse to the General Fund \$330.4 million (which comes on top of \$200 million of cuts agencies were already required to make by the biennial budget bill). Much of the amount that would be lapsed is from the funds that would be freed up by changes in transportation project financing described below.	Directs the executive branch to cut \$361 million GPR in this biennium and again in the next (which includes & modifies the \$111 million in cuts ordered in Feb.). In contrast to the Governor's plan, the savings could not come from lapses from segregated funds, like transportation. It would allow cuts from employee compensation reserves, but not from general school aids.	Reduces the cuts and lapses to \$40 million, rather than the \$111 million in the mid-Feb. directive. Provides that none of the new lapses or transfers can come from the Dept. of Transportation, Dept. of Revenue, WI Tech. College System, or from general or categorical school aids.	The Conf. Committee version would have lapsed \$69 million to the General Fund, while limiting where the lapses could come from (by excluding DOT, DOR, general or categorical school aids, SeniorCare benefits and tobacco control grants. The Governor's vetoes increase the cuts/lapses to \$270 million & remove restrictions on where the lapses can come from.
School aid	No change	Delays \$125 million in school aid payments to the next biennium.	Delays \$125 million in school aid payments to the next biennium.	The Conf. Committee bill included the payment delay, but it was vetoed by the Governor.
Wisconsin Shares (child care subsidy program)	Not changed by the bill. However, because of a funding shortfall, DWD has proposed an emergency rule restricting reimbursements when children are absent.	Maintains current funding (and allows DWD policy change).	Adds \$18.6 million for Wis. Shares to close the shortfall, and adds statutory language to preclude further implementation of DWD's new absence policy.	The Conf. Committee version was the same as the Senate's. The Gov. approved the added funding but vetoed the statutory change, which leaves open the option of a future change in the absence policy.
Four-year-old kindergarten (4K) phase-in	No change to current law, which according to DPI requires districts offering 4K to make it available to all eligible children, district-wide.	No change to current law	No change to current law	Puts into the statutes the DPI requirement that school districts offering 4K must make it available district-wide, but allows a 5-year phase-in for existing 4K programs that aren't district-wide.
Increase in federal highway aid	Uses an unanticipated \$77 million increase in federal highway funding to free up state Transportation Fund dollars to transfer to the General Fund (see next p.).	No change to current law.	Authorizes the spending of the increased federal funding: \$20 million for major highway development and \$57 million for highway rehabilitation.	Same as the Senate

	Governor	Assembly	Senate	Act 226 (w. vetoes)
Transportation bonding	Authorizes the Dept. of Transportation (DOT) to issue \$190 million in new bonds for transportation projects, and assumes DOT will issue \$67 million of previously authorized bonds. (The new debt would be general obligation bonds, which are repaid from general tax dollars, whereas the other \$67 million would be supported with Transportation Fund dollars.)	Does not authorize any new bonding.	Authorizes \$50 million of new general obligation bonds for the state highway rehabilitation program, to offset the amount transferred to the General Fund pursuant to the biennial budget bill.	Authorizes \$50 million of new general obligation bonds for the state highway rehabilitation program, in order to offset the effect of transferring \$50 million of transportation funds to the General Fund.
Transfer of Real ID implementation funds	Because of a delay in the federal Real ID requirements, the Gov. proposes to defer spending \$5 million of the \$22 million set aside for implementing the fed. law.	No change to current law.	Cuts and lapses the full \$22 million set aside in 2007-09 for implementation of the Real ID requirement.	The Conf. Committee version was the same as the Senate's; but the Gov. vetoed it to limit the transfer to \$2 million, rather than \$22 million.
Transfer or lapse of Transportation Fund dollars	Authorizes the transfer of up to \$293 million to the Gen. Fund (including \$50 million under Act 20), which would be offset by: the increases in bonding and federal funds, & \$5 million saved by the delay in the implementation of the Real ID law.	Does not transfer any funding from the Dept. of Transportation. In fact, it would block \$50 million of transportation funds that would be lapsed pursuant to the biennial budget (Act 20).	Limits transfers to the \$50 million that was authorized by Act 20, and that is replaced with the bonding noted above.	The Conf. Committee bill was very similar to the Senate's, but the Governor vetoed the limitation on transfers from the Dept. of Transportation.
Kenosha-Milwaukee commuter rail extension	Maintains current law	Maintains current law	Provides the SE WI Regional Transit Authority responsibility to develop and operate a commuter rail transit system connecting Kenosha, Racine & Milwaukee, financed partly by a \$15 vehicle rental fee.	Maintains current law

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County transportation aid payment delay – to fund highway maintenance	Maintains current law	Maintains current law	Maintains current law	Permanently delays until July the April quarterly payment to counties for general transportation aid, thereby yielding a one-time \$24.8 million increase for highway maintenance in 2008-09.
Hospital assessment and Medicaid (MA) rate increase	Applies a 0.7% assessment on hospital revenue (until 6/30/09). Most would be used to increase the MA reimbursement rate for hospitals – thereby capturing federal matching funds – but \$125 million would be used to help balance the budget (by replacing GPR \$s for MA), and \$2.5 million GPR to increase funding allocated for rural hospitals & IMDs.	Maintains current law	Same as the Governor’s bill.	Maintains current law
Tobacco bond refinancing	The tobacco bond refinancing authorized by Act 20 generates \$68 million/yr. by extending the bonds 10 years, and transferring \$50 million/yr. to the MA Trust Fund. This bill transfers another \$30 million over the biennium. (saving GPR \$s for Medicaid).	Maintains current law (as modified by Act 20).	Generates \$36 million GPR over 2 years by transferring the full \$68 million per year (compared to \$50 million under Act 20, and \$65 million proposed by the Governor).	The Conf. Committee bill would have generated \$209 million in this budget from the sale of more of the state’s future tobacco settlement payments (above the \$50 million/yr. authorized by Act 20). In conjunction with the Act 20 authority, this would give the state an added \$709 million over the next decade, but would produce a \$1.5 billion loss from FY 2018 to 2030. The Gov. retains the refinancing but plans to use less of the payment up front. ^b

	Governor	Assembly	Senate	Act 226 (w. vetoes)
Tobacco use control grants	No change	No change	No change	Increases funds for tobacco use control grants by \$250,000 in 2008-09.
Medicaid benefits funding reduction	No change	No change	No change	Reduces GPR funding for Medicaid benefits by \$10 million in 2008-09, reflecting anticipated savings.
Corporate income tax policy	Generates \$6 million by closing a loophole in which a business transfers its real property to a real estate investment trust (REIT) & lowers its taxable income by claiming a deduction for rent paid to the REIT.	Maintains current law.	In lieu of the changes recommended by the Gov., the Senate adopts combined reporting (starting in 2008), which treats a business and its subsidiaries as a single entity, reducing tax avoidance. Raises \$40.5 million in FY'08 & \$90 million in FY'09. Also cuts the corporate income tax rate from 7.9% to 7.8%, in 2009, reducing taxes \$5.2 million in FY 2009 & \$11.5 million/yr. thereafter.	Generates \$6 million by making the change recommended by the Governor and another \$9 million by closing the loophole that allows corporate income tax deductions for interest paid to related business entities.
Streamlined sales tax	Maintains current law.	Maintains current law.	Modifies the state's sales & use tax laws to conform to the Streamlined Sales & Use Tax Agreement. On balance, would reduce sales taxes, but the state would see a net gain of \$1.3 million from increase in voluntary compliance.	Maintains current law.
Budget reserves	Reduces the budget stabilization (rainy day) fund by \$21.7 million. No change in the \$65 million statutory reserve. Leaves a total balance in both accounts of \$101.6 million.	Reduces the budget stabilization fund by \$55 million and the statutory reserve by \$45 million. Leaves a total balance in those two funds of \$22.5 million.	Reduces the budget stabilization fund by \$55 million and the statutory reserve by \$10 million, thereby leaving a total balance in both funds of \$57.5 million.	The Conf. Committee reduced the budget stabilization fund by \$57 million & the statutory reserve by \$40 million. The Gov. vetoed the cut in the statutory reserve and leaves a total balance of \$106million. ^c

	Governor	Assembly	Senate	Act 226 (w. vetoes)
Public library financing	Public library aid would be financed by a \$11.3 million transfer from the Universal Service Fund, replacing GPR funds in FY 2009.	Maintains current law.	Same as the Governor's plan.	Maintains current law.
Nonresident snowmobile trail use sticker	Maintains current law	Maintains current law	Maintains current law	Increases the annual fee for non-resident use of snowmobile trails. An estimated increase of \$545,000 would go to the snowmobile account of the conservation fund.
Property tax exemption for low-income housing	Maintains current law	Maintains current law	Maintains current law	The Governor vetoed a Conf. Committee provision that would have expanded the property tax exemption for low-income housing.
Shared revenue – utility aid hold-harmless	Maintains current law	Maintains current law	Maintains current law	Makes a small change in Shared Revenue payments in 2009-10 by creating a hold harmless provision in the utility component of the allocation formula, which will increase aid for 4 municipalities by a total of \$139,000/yr.
Other non-fiscal changes	Maintains current law	Maintains current law	Maintains current law	Adds a number of non-fiscal changes, including: provisions relating to expansion of the do-not-call program; control of invasive species; sale of long-term care insurance; and tougher criminal penalties for prisoners who escape custody.
Compensation reserves	No change	No explicit change, but may have led to cuts in the compensation reserves.	No change	The Governor is assuming that \$24 million will be available from the comp. reserves.

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Footnotes

^a The Governor aims to reduce the up-front funding from the refinancing of the tobacco settlement dollars to \$150 million, instead of \$209 million. However, the bill still specifies that GPR funding for Medicaid will be reduced by \$209 million, based on the Legislature's intent that there would be enough tobacco settlement funding added to the endowment fund to offset \$209 million in GPR spending. Assuming the tobacco settlement funding available in 2007-09 is reduced to \$150 million and substantial savings aren't found in the Medicaid budget (beyond whatever is used for the \$270 million to be lapsed and the \$10 million in required GPR savings in Medicaid), some or all of the \$59 million difference will come from the \$106.8 million total in the spending balance and reserves.

^b See previous footnote.

^c The first table shows a total balance in Act 226 (including the reserve funds) of \$106.8 million. However, the calculations used by the Doyle Administration to come up with a balance of more than \$100 million are based on the use of \$209 million of tobacco settlement refinancing in this biennium. To the extent that the Governor succeeds in reducing that amount (as discussed in footnote a), the balance will be reduced.