



**JIM DOYLE**

**Governor  
State of Wisconsin**

To the Honorable Members of the Assembly:

I have approved Assembly Bill 100 as 2005 Wisconsin Act 25 and deposited it in the Office of the Secretary of State.

Over five months ago, I introduced a budget that addressed a \$1.6 billion deficit by focusing on two simple goals – protecting Wisconsin's taxpayers and investing in Wisconsin's priorities. My budget froze property taxes for the next two years, but in a way that was responsible and did not sacrifice the quality of our schools and vital local services. As with my previous budget, we solved this deficit without raising any taxes – income, sales, corporate or excise. Instead, we set priorities and funded them by using savings gained by making state government more efficient and additional revenue generated from economic growth.

After five months of debate – too often in the wee hours of the morning and out of sight of public scrutiny – the Legislature returned a budget to me. It froze property taxes, but did so at the expense of our schools. At a time of record gas and utility price increases, they told schools they would have to live with only a one percent increase. The state's association of school boards and other experts suggest the Legislature's actions would be devastating to our schools: over 4,000 teachers losing their jobs, larger class sizes, and cuts to programs ranging from reading to math to arts, music, and athletics.

My first impulse was to send the budget back to the Legislature and make it start over again. But the Wisconsin Constitution entrusts the Governor with broad powers to improve on the Legislature's work and set different priorities, as long as the budget remains balanced. While some may criticize me for being too bold, I undertook to reshape this budget to one that protected both property taxpayers and our children.

The end result is a budget that much more closely resembles the one I submitted in February than the one passed in the dead of night by the Legislature. It freezes property taxes for two years and protects our schools.

I have said repeatedly that taxes are too high in Wisconsin. That is why, when I sought this office, I promised to solve the state's fiscal problems without raising taxes. Perhaps no single tax is as onerous as the property tax, especially for our seniors who want to stay in their homes and middle-class families trying to make ends meet. Additionally, rising property taxes have created an unhealthy tension between property taxpayers and our schools.

In my first budget, I made holding down property taxes a top priority. Despite a \$3.2 billion deficit, I restored shared revenue, fully funded nearly \$1 billion in property tax credits and increased funding for our schools. But I would not go as far as signing a property tax freeze, which would have cut spending for schools by over \$400 million.

During the past two years, we have worked hard so that we can now deliver the property tax relief our citizens deserve without sacrificing the quality of our schools and vital local services. By cutting spending elsewhere in state government, and by promoting economic growth to raise revenue, we now are in a position for a responsible freeze.

The freeze I am signing today means that the average homeowner's property tax bill will be frozen this December and be reduced by an average of \$5 next year. That's compared to an average property tax increase of \$119 a year over the past five years.

While the end result is the same to the average taxpayer, the freeze I am signing today differs from the one presented to me by the Legislature in several key respects:

First, the Legislature's budget froze property taxes by cutting the amount schools can spend by a total of \$350 million over two years. My freeze maintains the current revenue cap limits that have been in place for over a decade, under both Republican and Democratic governors. In short, my property tax freeze is responsible, while the Legislature's freeze is really a freeze on our kids' education that would force devastating cuts to our schools.

Second, the Legislature's freeze allowed localities to increase their spending only if they were experiencing growth. My freeze enables all communities to deal with the impact of inflation on providing services by allowing a minimum increase of two percent, or the rate of growth, whichever is higher.

Third, the Legislature's freeze also included technical colleges, even though they already have mill rate limits and constitute only a small portion of the overall levy. My freeze maintains the current law mill rate limits on technical colleges so they will not have to raise their tuitions or cut their vital role in worker training and economic development.

Fourth, the Legislature's freeze lasted for three years even though the state budget extends for only two. My freeze is for two years because it only works if the state keeps its commitment to

funding schools and shared revenue. As I said in my budget address, the state shouldn't put a freeze on communities longer than we can guarantee our funding commitment to them.

Fundamental to a sound school system and real property tax relief is the level of state financial support for schools. The bill I am signing today returns the state to the goal of funding two-thirds of local school costs. The increase in state school aid necessary to reach two-thirds will be funded by increasing the general fund balance by almost \$360 million through my vetoes of excessive state spending, unnecessary financing strategies, ill-conceived tax giveaways and pork barrel projects. Over 95 percent of this increase will be allocated under the bill to deliver real property tax relief. The remainder will help eligible University of Wisconsin students pay tuition, restore planning grants to communities and reinstate funding for quality child care.

I also used my veto pen to increase direct property tax relief by over \$73 million through the school levy tax credit. Taken together, the budget I am signing today will increase state funding for schools and property tax relief by over \$400 million compared with the Legislature's budget. Schools will receive a modest 3 percent cost-of-living increase, just as they have received annually for many years under Democratic and Republican administrations alike. The additional funding I am providing through my vetoes will enable the state – rather than local taxpayers – to shoulder the burden of paying for the increased costs of education over the next two years so that property taxes can be frozen.

When we think of property taxpayers, we think of the elderly couple or the young family. But many Wisconsin businesses pay property taxes as well. In fact over the next two years, the property tax freeze will save Wisconsin businesses over \$270 million compared to estimated

levy increases without a freeze. This tax cut will give businesses the resources they need to expand their operations and create new jobs to grow Wisconsin's economy.

Balancing two budgets without raising taxes and enacting a property tax freeze are just the beginning of reducing the tax burden on Wisconsin citizens. The budget I am signing includes \$325 million in tax cuts over the next four years. It cuts a penny off the gas tax. It allows parents to deduct the cost of college tuition up to the cost of the average University of Wisconsin tuition. Working people who are not provided health insurance benefits at their jobs will be able to deduct the full costs of their health insurance. Unemployed persons will also be aided in maintaining their health coverage by allowing them to deduct the costs of their policies. Those serving our country will be able to deduct their military income, and those disabled veterans and widows of those killed in action will get credits for their property taxes. I have also used my veto pen to accelerate by one year (to 2008) the implementation of a full exclusion of social security benefits from taxation for Wisconsin seniors. Supporting education, health care, veterans and our seniors – the tax cuts I am signing today invest in our priorities and help to foster a Wisconsin that is optimistic about its future. These tax cuts, along with holding the line on state taxes and freezing property taxes, are a major step in reducing the tax burden on Wisconsin citizens.

We would not be in the position to invest in our schools, freeze property taxes and afford tax cuts if it were not for aggressive actions in reducing government spending in the rest of state government and for economic growth. This budget, along with the previous one, achieves

major reductions in the government spending so we can invest in priorities. Some of these reductions include:

- Cuts \$272 million from agency operating budgets and reduces the state government work force by 1,900 positions. Over four years, my administration will have reduced the state work force by a total of 3,900 positions through elimination of agencies and programs, streamlining of state government and increased efficiency of agency operations.
- Implements my Accountability, Consolidation and Efficiency (ACE) Initiative, with savings of \$35.5 million in the 2005-07 biennium and almost \$150 million over the next four years. Savings will be realized through bulk purchasing of commodities, better commodity contract negotiation strategies, consolidating computer network servers and streamlining of human resources management.
- Includes \$36 million in savings associated the sale of low-priority state buildings and related assets due to improved use of state-owned office space.
- Continues innovative approaches that control state employee health insurance costs by leveraging the state's purchasing power. These approaches have already saved millions of dollars by holding this year's health insurance cost increases to 4.9 percent (less than half of the national average increase of over 11 percent), by reducing prescription drug costs by \$25 million through use of a pharmacy-benefits manager, and through a \$14 million savings from initial health care provider organization bids.

- Reduces excessive spending and pursues more reasonable financing strategies to save nearly \$160 million in transportation spending during the 2005-07 biennium. My vetoes maintain the robust highway spending increase of 16 percent included in my original budget.
- Eliminates over \$7 million of legislative earmarks and pork barrel projects.
- Accomplishes state Medicaid cost savings of over \$130 million, including \$40 million proposed by the Governor and adopted by the Legislature and approximately \$90 million saved through vetoes. Savings will be realized through further prescription drug cost containment measures, improvements in quality control and fraud prevention, expansion of managed care, increases in federal support, and vetoes of targeted rate increases for certain providers due to insufficient GPR funding. State Medicaid program costs are also benefiting from a renegotiated fiscal agent contract that will save \$93 million over the five year contract period.
- Achieves savings by reducing the number of state automobiles by 1,000.

Added to these reductions in spending are increases in state revenue resulting from an improved economy. From fiscal year 2004-05 through fiscal year 2006-07, the nonpartisan Legislative Fiscal Bureau projects the average growth in state tax revenues will be 5.2 percent a year. This rate of growth is almost two and one-half times the 2.2 percent increase experienced in the prior three fiscal years (fiscal year 2001-02 through fiscal year 2003-04). Revenue growth for the base year and the two years of the 2005-07 biennium exceeds the estimated five percent average increase in net GPR spending over the biennium.

The budget I am signing today contains 139 vetoes. In total, when the cuts in other programs are balanced against the added support for public schools, my vetoes will reduce appropriations from all funding sources by \$115 million compared to the Legislature's budget. Many of these vetoes were needed to reduce state spending while adequately funding schools so that we can freeze property taxes. A number of these vetoes are technical in nature and were required to make provisions workable. Many of the vetoes curb attempts by the Legislature to micromanage the day-to-day operations of state agencies by eliminating burdensome new reporting requirements. The Legislature has a legitimate interest in knowing how state programs are working, but at a time when we are trying to streamline state government and make it work efficiently and cost effectively, it is counterproductive to impose unnecessary new reporting requirements.

While I have serious concerns about many aspects of the budget passed by the Legislature, in many other areas we were able to work together. All too often in Madison, the ten percent of issues where we disagree get far more attention than the 90 percent of issues where we agree. From protecting critical health care programs – to supporting Wisconsin's veterans – to reforming corrections policies – to cutting the size and cost of government – to funding special education and school transportation – to cutting taxes, my administration worked with Republicans and Democrats in the Legislature and got important things done in this budget. In other states, budget debates broke down into partisan paralysis and government shutdowns, but Wisconsin passed its budget on time. I want to thank Republicans and Democrats in the Legislature who worked with my administration over the past several months to forge consensus on many important issues. While what we achieved in the areas we agreed on will probably not get the same level of attention as the areas where we disagreed, the progress we made on a bipartisan basis is significant and will have real benefits to the people of Wisconsin.

Despite our many areas of agreement, there are several key problems in the budget that my vetoes address and which are highlighted below.

My budget increased the state's investment in the University of Wisconsin System and financial aid by nearly \$100 million. For the first time in a decade, the proposed increase in funding for the University of Wisconsin System and financial aid exceeded that for the Department of Corrections. The proposed increase in financial aid, when added to the progress we made in the last budget, would have resulted in more than doubling financial aid over four years. My budget made significant cuts to University administration by eliminating 200 positions, but used those savings to invest in adding 120 new faculty members to improve the quality of instruction provided to our students. Unfortunately, the Legislature, responding to sensational news stories rather than the needs of students and parents, cut \$86 million from my modest proposals for the University of Wisconsin System budget and financial aid. While I share their concerns about disturbing examples of administrative excess, we should still invest in financial aid, teaching and research.

Access to higher education is critical for Wisconsin's economic growth and diversification. The Legislature reduced my proposed increase for University of Wisconsin System student financial aid by \$11 million and ignored the need to increase the maximum grant from \$2,500 to \$3,000 a year. Thousands of students who had already been notified of their financial aid for this fall would have had their aid slashed when the Legislature changed the law in order to reduce their benefits. By using the current law funding mechanism for the Wisconsin Higher Education Grant program, my vetoes increase student financial aid by 22 percent compared with the Legislature's budget. While I cannot increase the maximum grant through a veto, the overall funding increase will help nearly 26,000 students pay for a quality education. Combined with

the last budget, the financial aid increase provided through my vetoes will fulfill my promise to more than double the state's commitment to financial aid for University of Wisconsin System students in my first term as Governor – from \$41.6 million in the 2001-03 fiscal biennium to \$84.3 million in the 2005-07 fiscal biennium.

I do want to acknowledge that the Legislature did include in their budget my proposal to make college tuition tax deductible up to the cost of an average University of Wisconsin System tuition. This is an important step, along with the increases in financial aid, in making college education more affordable for middle-class families.

Educational achievement in later school years is highly correlated with receiving quality child care. My budget had sought to refocus the state's current \$300 million investment in child care subsidies for low-income families on higher-quality child care centers and providers through additional funding for child care staff training and implementation of a provider reimbursement system based on measures of quality. It simply makes no sense that the state pays the best child care center the same as the worst one.

In response, the Legislature ignored my quality improvement initiatives and cut \$16 million in funding for current programs that help improve the quality of child care providers. The Legislature combined these cuts with a 15 percent increase in the amount that low-income families pay out-of-pocket for child care. For a family earning less than \$30,000 a year, the extra cost of child care would be nearly \$500 a year.

The budget I am signing today includes partial vetoes to restore \$8 million in funding for the TEACH and REWARDS programs that help to improve the quality of child care professionals,

removes the 15 percent added fee increase and makes other investments to help ensure our kids get the best start in life. Unfortunately, my veto pen cannot restore my proposal for the innovative Quality Care for Quality Kids quality reimbursement and rating system. I am also unable to restore the funding for the Early Childhood Excellence Centers, another key program for improving the quality of child care in Wisconsin. I will continue to pursue these initiatives and hope the Legislature will revisit the merits of the proposals outside the context of the budget debate.

Wisconsin's quality of life and tourism economy are closely tied to our beautiful and plentiful natural areas, lakes and rivers. Preserving Wisconsin's natural beauty has been championed by many Wisconsin Governors, most notably Gaylord Nelson and Warren Knowles. Their namesake, the bipartisan Warren Knowles-Gaylord Nelson Stewardship 2000 Program, helps local communities develop parks and leverages millions of dollars of private resources for land preservation. Protecting the Stewardship 2000 Program should be a top priority for all who believe, as I do, that Wisconsin's future is directly tied to preserving its wild and scenic areas.

The Legislature, as they did in the 2003-05 budget, continued its assault on the Stewardship 2000 Program, adopting two proposals aimed at weakening the program. One proposal would drain the funding for the program by requiring it to purchase nearly 80,000 acres of land the state already owns – land that is already protected. One part of state government would buy land from another part of state government, but not one additional acre of land would be protected and there would be no money left to protect valuable natural areas, wildlife habitat, water quality and fisheries; nor any funds to expand opportunities for outdoor recreation.

The other proposal by the Legislature to undercut the Stewardship 2000 Program would reduce state aids-in-lieu of property tax payments to communities that have land within their boundaries that has been purchased with program funds. Not only does the first proposal raise serious constitutional issues, it is nonsensical and weakens efforts to preserve and protect Wisconsin's wild areas. The second proposal will increase local property taxes. I have vetoed both of these provisions.

The bill I am signing today maintains current law on the recycling tipping fee and surcharge. Lowering the tipping fee, as the Legislature proposed, would make Wisconsin an attractive dumping ground for trash from all over the Midwest. It is a special interest favor of the worst kind. Not only is the tipping fee a critical element in reducing the amount of out-of-state waste deposited in Wisconsin landfills, the revenue supports property tax relief through grants to local governments for their state-mandated recycling efforts. With this veto, I am protecting both Wisconsin's environment and its property taxpayers.

In another, and perhaps its most inexplicable, attack on Wisconsin's environment and its future economic success, the Legislature eliminated the entire comprehensive planning law. Better known in the real estate and planning community as "Smart Growth," this law provided \$2 million annually to towns, villages, cities and counties to help them make sensible decisions about housing construction, business development, land preservation and transportation investments. This program is all about small government, local control and economic growth. I have vetoed the Legislature's short-sighted repeal of this important program and restored planning grant funding to Wisconsin's communities.

With my veto pen, I have changed this budget to better reflect the priority most Wisconsin citizens place on quality public schools. Not only have I been able to reverse the unwise lowering of the revenue caps, but I have also provided funding for mentoring for new teachers without having to resort to raising taxes on teachers to pay for it. I was also able to veto the attempts to cripple the successful SAGE small classroom initiative. These proposals, under the guise of "flexibility," could have cut the program essentially in half and increased class sizes in Milwaukee by as much as 60 percent. They contradict everything academic researchers tell us and what parents and teachers know: there's nothing better to help kids learn math and reading in the early grades than a quality teacher and a small class size. Unfortunately, my veto pen does not allow me to recreate what I proposed for the SAGE program which was to increase the per student reimbursement for the first time since it was started nearly a decade ago. I sympathize with school districts who find it harder each year to pay for this worthwhile program, and I pledge to work with them to get the funding our students deserve.

I commend the Legislature for having the common sense in this budget to maintain funding for our important four-year-old kindergarten program, which is a national leader in providing quality early education for our children. I am disappointed, however, that they did not approve my proposal to provide extra funding so school districts that want to start a four-year-old kindergarten program do not face a financial disincentive because of the quirks of the school finance formula.

As recent news stories clearly evidence, we must do something as a state to help many of our school districts like Florence that are struggling with increasing costs and declining enrollment. I offered a practical solution which would have aided the nearly 60 percent of districts facing

declining enrollment. Unfortunately the Legislature ignored this proposal, and I am unable to address it with my veto power.

We also must do something as a state to improve the way we pay teachers. My budget included two proposals that were rejected by the Legislature and which I am unable to change. First, I recommended the repeal of the qualified economic offer (QEO) law which stifles creative bargaining over better ways to pay teachers and innovative means to hold down health insurance costs. Second, I suggested helping communities explore better ways to pay teachers so that we could attract and retain the best teachers for our children. Instead of paying teachers based solely on their number of years of teaching and advanced degrees earned, we could find ways to pay teachers for the skills and knowledge that actually matter in a classroom. It would also help us find ways to reward teachers for taking tough teaching assignments or accepting hard-to-fill positions ranging from special education to math and science.

Finally, I remain mystified as to how the Legislature could approve a two-year budget of over \$50 billion and not find \$1.3 million to increase funding for the school breakfast program. We rank last in the nation in providing our children with school breakfasts, and it is an embarrassment. While I cannot fix this omission through my veto pen, I will continue to lead the fight to ensure that Wisconsin does better in giving every child the opportunity to start the day with a healthy breakfast.

From the day I introduced my budget, I have been very clear about my priorities: freezing property taxes and protecting the quality of public schools. To achieve this goal, especially when I must work from the options presented in the budget the Legislature passed, I have made a number of tough decisions. Doubtless some of these decisions will be unpopular, and

will upset the special interest groups that got them placed in the budget, but they are needed so we can provide property taxpayers with the relief they need and our children with the quality public schools they deserve. Budgets are about choices – and I choose the property taxpayers and schoolchildren of this state.

Transportation is the lifeblood of Wisconsin's economy. My budget proposed a 16 percent increase in highway spending over the next two years. The Legislature, opting for more road spending rather than adequate funding for schools and property tax relief, passed a 19 percent highway spending increase. The additional spending includes \$38 million just for a preliminary study of reconstructing the Milwaukee Zoo Interchange – a project that won't be built for at least another eight years. Spending \$38 million on this preliminary road study on the same day that the Legislature voted to cut small class sizes by \$38 million was one of the most flagrant examples of misplaced priorities in the entire budget process.

The Legislature also added \$60 million to reduce the amount of bonding used to finance the cost of reconstructing the Marquette Interchange. At a total cost of \$810 million, the Marquette Interchange is the largest single highway construction project the state has ever undertaken. The Legislature proposed using debt to finance only 14 percent of the cost. That's like you or me putting down \$129,000 in cash to buy a \$150,000 house – and then not having any money left over to buy groceries, put gas in the car or help the kids get a good education.

Wisconsin families know they have to be careful about how much they borrow for major purchases like a house, but they also need to make sure they can pay their other bills and take care of their children. Similarly, the state needs to make sure it can meet important priorities like providing property tax relief and protecting Wisconsin's schools.

In fact, we already have a balanced strategy for using debt to finance highway projects. Most large highway projects rely on bonding for around 50 percent of the total cost. Highway 29 in central Wisconsin was built that way, as were Highways 41 and 53, and 141 and 151. Once rebuilt, the Marquette Interchange is expected to last at least 50 years. My vetoes will result in using 20 year bonds to finance 36 percent of the cost of the project. Compared with previous major highway construction projects, this remains a conservative financing approach.

In the 2003-05 biennium, \$120 million was directly allocated from the transportation fund for state aid to schools and property tax relief. My budget proposed increasing this allocation to a total of \$172 million in the 2005-07 biennium by using transportation revenues to help school districts pay the cost of transporting students to their local school. It makes no sense to me why the transportation fund helps pay for adults to ride buses to work, but not to support the costs of children to ride buses to school. In their budget, the Legislature removed the entire transportation fund allocation for schools.

By pursuing more reasonable financing strategies for major highway construction projects and reducing excessive spending in the Legislature's transportation budget, my vetoes will save almost \$160 million. The budget I am signing today will transfer these savings to the general fund in support of property tax relief through funding two-thirds of school costs.

In my budget, I offered a balanced approach for financing the state's SeniorCare, BadgerCare and Medical Assistance programs. This approach employed strategies used by many other states to secure additional federal Medicaid revenues and control prescription drug prices. Adopting those strategies would have brought more than \$120 million in new federal revenue to the state. But instead of containing health care costs and securing a fair share of federal

revenues for Wisconsin, the Legislature opted to divert state support from our schools and, thereby, place property taxpayers at risk.

I made it very clear when I delivered my budget message to the Legislature that Wisconsin cannot and will not pit the needs of kids against the needs of their grandparents. Wisconsin must look with optimism to both the present and the future.

Since the Legislature chose not to implement any financing strategy for Medical Assistance-related programs, the spending included in the bill for nursing home rate increases, outpatient hospital rate increases and pharmacy reimbursement rates is unsustainable.

Instead, the Department of Health and Family Services will accelerate implementation of ongoing prescription drug cost containment and federal Medicaid revenue maximization strategies to help preserve eligibility and benefits in light of the Legislature's failure to adequately finance the Medical Assistance budget.

The Legislature proposed a few targeted tax reductions in its budget. Some of those proposals were adopted by the Senate to secure passage of the budget. I have vetoed those measures, both because of how they were enacted and because they divert state revenues from property tax relief. For example, at the same time the Legislature was cutting funding for public schools, they passed a \$15 million a year tax break for parents (no matter what their income level) who send their kids to private school or homeschool them. That money is much better used for investing in our public schools and providing property tax relief for our citizens. Interestingly, my office received numerous phone calls from parents who homeschool their children, and these calls were overwhelmingly in opposition to this unnecessary and expensive proposal.

The following is a brief summary of how this budget, including my vetoes, will address some of the key issues facing the citizens of Wisconsin:

### **Property Tax Relief**

- Freezes property taxes on an average value home for two years so that the typical homeowner has no increase in property taxes this December and a \$5 decrease next year. This compares to an average yearly increase of \$119 over the past five years.

As with every property tax freeze proposal that has been offered in the past several years, there will be some variation in what an individual taxpayer's bill may look like next year. For example, someone who builds a new addition on his or her house will obviously pay more in taxes next year. Local citizens might decide to pass a referendum to help their local school. While the "average" taxpayer will see taxes frozen, many people will see their bill go down. Some people may see their bill go up – but those that do go up will see much smaller increases than they would without this freeze.

- Provides an \$861 million increase in state school aid to fund two-thirds of school costs (over 66 percent), including an increase in direct property tax relief through expansion of the school levy tax credit from \$469 million to \$593 million, effective with 2006 property tax bills.
- Preserves essential local services and economic development investments by limiting the increase in municipal and county property tax levies to the greater of two percent or the local growth in new construction, in each year of the biennium.

## **Revenue and General Fund Taxes**

- Cuts taxes for Wisconsin's greatest generation by accelerating a 100 percent exclusion for Social Security benefits to begin in 2008.
- Supports our veterans and military personnel by creating a veterans property tax relief credit for widows of veterans killed in action and veterans over 65 with a 100 percent service disability, expanding the military income tax credit up to \$300 for every person on active duty outside the U.S., updating the state's tax code to incorporate the Military Family Tax Relief Act, and allowing any individual or corporate entity to designate an additional payment to the veterans trust fund on their tax return.
- Improves access to health care by expanding deductions for medical insurance premiums to 100 percent for employed persons without employer-provided health insurance and creating a deduction for an unemployed person's purchase of health insurance beginning at 33 percent in 2007 and increasing to 100 percent by 2009.
- Improves Wisconsin's business tax climate by modifying the single sales factor apportionment for computer software, intellectual property and services.
- Increases access to higher education by expanding the deduction for college tuition from \$3,000 to the average tuition level in the University of Wisconsin System.

## **Economic Development and Transportation**

- Restores comprehensive planning statutes and state-funded grants to assist communities in planning for efficient and effective use of limited resources. This program provides

significant benefits to property taxpayers, farmers, developers, local governments and all citizens by keeping service and development costs manageable.

- Promotes business development throughout the state by improving the Enterprise Development Zone program to allow the creation of enterprise development zones within development zones, allow multiple businesses to be eligible for tax credits within a single zone and increase the statutory cap on the number of zones from 79 to 98. This will unleash over \$170 million in tax credits that can be used to help distressed communities in Wisconsin generate economic development and new jobs.
- Improves highway safety and enhances economic development by providing almost \$1.75 billion of state and federal funding for highway rehabilitation and construction projects over the biennium. This includes an 8.7 percent increase for state highway rehabilitation and a 13.6 percent increase for major highway development over the biennium.
- Provides the funding needed to ensure that the reconstruction of the Marquette Interchange remains on track to be completed on time and on budget. In addition, the budget allocates \$19.3 million in fiscal year 2005-06 and \$49.4 million in fiscal year 2006-07 for critical projects on the Southeast Wisconsin freeway system and provides over \$32 million to begin preliminary engineering for the next phase of the Southeast Wisconsin freeway system reconstruction.
- Assists in expanding the transportation options for those who need access the most by increasing elderly and disabled transportation aids by \$6 million, a 36 percent increase, over the biennium. General transportation and transit aids are also increased by two percent in

each calendar year to help communities maintain safe and efficient local road and transit systems.

- Invests in Southeast Wisconsin economic development by providing \$800,000 in fiscal year 2005-06 for final engineering for the Metra commuter rail extension and by creating a Regional Transit Authority covering Kenosha, Racine and Milwaukee counties.
- Enhances Wisconsin's image as a premier tourism destination by dedicating an additional \$3.8 million over the biennium to tourism promotion.
- Promotes economic development in the city of Green Bay by providing a grant of \$1.4 million for a downtown redevelopment project.
- Supports collaborative research and development of new technologies by providing \$500,000 to the University of Wisconsin-Milwaukee to establish a Biomedical Technology Alliance in Southeastern Wisconsin.

### **Environmental Protection and Resource Management**

- Protects Wisconsin's natural beauty and tourism economy by vetoing a requirement that the Warren Knowles-Gaylord Nelson Stewardship 2000 Program be used to purchase land already owned by the state Board of Commissioners of Public Lands.
- Maintains the recycling tipping fee and business surcharge at current levels to ensure adequate future funding for important recycling programs including financial assistance for responsible units and recycling efficiency incentive grants.

- Provides an additional \$5.6 million over the biennium to fund various forestry programs including grants to local units of government, third-party certification of forestry practices, invasive species management, forest fire prevention, and several education and professional development programs.

## **Agriculture**

- Creates a bioindustry grant program to promote research, development and implementation of technologies to use agricultural and forest products and waste as energy sources or to create other biobased products with beneficial uses. This program will assist agricultural and timber producers by adding value to existing products and converting currently unused materials into potential income-producing assets.
- Encourages modernization of livestock production systems through the creation of a new Livestock Farm Investment Tax Credit program.

## **Education and Workforce Development**

- Reverses the Legislature's ill-advised and harmful cut to school district revenue limits, enabling Wisconsin schools to continue to provide high-quality public education program for our children.
- Restores \$330 million to general school aids over the biennium to deliver real property tax relief and provide school districts the revenues needed to maintain financial resources at the modest levels needed to provide a high-quality public education. Schools will be able to spend about an additional three percent annually – the same level of increase that they have been allowed for many years under Republican and Democratic administrations alike.

- Preserves the current kindergarten through third grade level requirement for the Student Achievement Guarantee in Education (SAGE) small class size initiative that research has shown produces long-lasting benefits for student learning.
- Deletes the Legislature's proposed 50 percent increase to teacher license fees, while still providing \$1.35 million in new funding to support a mentoring program for beginning teachers.
- Increases pupil transportation reimbursement rates, especially for districts that must bus students over long distances, and increases funding by \$12.75 million over the biennium.
- Increases special education aid by \$12.5 million over the biennium, including \$3.5 million for a new program to offset the high cost of educating disabled students with the greatest needs.
- Increases funding for bilingual-bicultural education by \$2.4 million over the biennium.
- Helps ensure that college remains affordable for lower income Wisconsin residents by increasing financial aid programs by \$22.9 million over the biennium.
- Recognizes the importance of the University of Wisconsin System to the state's economy by providing \$5 million over the biennium to retain high-demand faculty at system campuses.

- Strengthens Wisconsin's leadership role in cutting-edge multidisciplinary biomedical research by providing \$2.5 million over the biennium to help support research on Alzheimer's disease and \$150 million in general fund supported borrowing and gifts for the first phase of the construction of the Wisconsin Institute for Discovery.
- Ensures access to affordable child care for low-income working families by fully funding the estimated child care subsidy caseload and eliminating the Legislature's proposed 15 percent increase in family copayments.
- Restores \$4 million annually of the \$16 million cut by the Legislature for child care resource and referral centers, grants to child care providers for training and technical assistance, scholarship and bonuses for child care providers to improve retention of highly-qualified staff, and grants to local entities to improve the quality and increase the availability of child care services.
- Continues to allow adequate investments in worker training by maintaining the current law mill rate limit on Wisconsin Technical College District levies.
- Provides \$2 million over the biennium to Wisconsin's technical colleges to provide skills training or other educational services that directly benefit Wisconsin businesses.

### **Human Services**

- Preserves Medicaid eligibility for Wisconsin's most vulnerable residents: the elderly, disabled and low-income families.

- Controls prescription drug costs by adopting a reduced reimbursement rate of the average wholesale price discounted by 16 percent and reducing the pharmacy dispensing fee by 50 cents.
- Increases the quality of life for Wisconsin's seniors and improves the use of long-term care resources by implementing the Community Relocations program allowing more than 1,400 seniors to live independently in the community instead of nursing homes. This is a significant step toward the goal of reducing the nursing home population by 25 percent over the next eight years.
- Implements cost containment measures for Medicaid and BadgerCare programs including: reducing fraud through new initiatives to improve Medicaid program quality assurance, enhancing efforts for collection of third-party claims, improving disease management for frequent users of emergency room services, and expanding use of managed care for Supplemental Security Income recipients to improve care and reduce costs.
- Provides more time for all stakeholders in the Health Insurance Risk Sharing Plan (HIRSP) to work together to craft a privatization proposal that ensures that policyholders are protected and sufficient state safeguards are maintained.
- Increases monthly payments to foster families by five percent starting in calendar year 2006 to provide support for food, clothing, housing, personal care and other expenses of foster children.

- Provides \$400,000 GPR in fiscal year 2006-07 to establish a new dental clinic for low-income, disabled and elderly individuals in Chippewa Falls.

### **Public Safety**

- Provides \$216,900 PR over the biennium to support two methamphetamine drug enforcement efforts, including an enforcement response team and drug-endangered children training program.
- Provides \$100,000 PR annually for grants to communities to divert youths from gang activities and substance abuse through prevention and treatment programs.
- Implements measures to reduce recidivism and prison costs by providing funding and staff for alcohol and other drug abuse treatment units at the Racine and Taycheedah Correctional Institutions and by reducing the maximum term of probation from two years to one year for certain nonviolent misdemeanor offenses.

### **State Government Operations**

- Provides free tuition at University of Wisconsin System and Wisconsin Technical College System campuses for families of Wisconsin service personnel who died while on active duty and for disabled veterans and their families.
- Provides \$117,300 GPR each year for a housing demonstration program for homeless veterans in Milwaukee.

- Provides \$13 million over the biennium to maintain operations at the veterans home at King and to expand operations at the veterans home at Union Grove.
- Implements the Accountability, Consolidation and Efficiency (ACE) initiative, which will generate significant savings for the state by streamlining the administration of procurement, human resources, server and network support, and facility and space management and by investing in new administrative information technology systems.
- Maintains state ownership and operation of University of Wisconsin System and other state agency power plant and wastewater treatment facilities.
- Authorizes the Department of Administration to restore the Senate-sponsored 2.3 percent across-the-board GPR reduction to state agencies, including the Department of Military Affairs, and allocate the net \$4 million cut to state agencies in a way that does not compromise critical public services.
- Deletes the requirement added by the Senate that nonrepresented employees begin paying 1.5 percent of wages into the Wisconsin Retirement Fund. This provision would have amounted to a 1.5 percent pay cut for all nonrepresented employees – with the notable exception of the legislators who voted for it, who are protected by state law from any changes to their compensation package during their terms. Not only is it patently unfair, it would have seriously hurt the University of Wisconsin System's ability to attract and retain great faculty, staff and researchers.

There are also several budget provisions I did not or could not veto that warrant discussion.

1. Single Factor for Corporate and Technology Firms: I was gratified that the Legislature approved my proposal to extend the single factor sales apportionment for corporate income to technology and service firms in Wisconsin. It just makes no sense to have a corporate tax policy that penalizes Wisconsin employers for every job they create in our state. This change places Wisconsin technology firms on the same footing as manufacturers and in a more favorable tax climate than many other states. The Legislature appropriately preserved the apportionment of income from sales of intangible property.

However, the resulting revisions do not benefit Wisconsin-based biotechnology and franchising firms. I look forward to working with the Legislature to address this unintended consequence.

2. Specific Position Reductions: Through several legislative motions, not directly included as part of the budget bill, the Legislature has attempted to dictate specific position reductions in this bill. In some instances, most notably the sale of all state-owned power plants and wastewater treatment plants, and closure of the Milwaukee W-2 State Oversight Office, the bill includes no specific language regarding position reductions. It is my intent to give executive branch agencies discretion in implementing these reductions or requesting additional position resources. This means that the Department of Corrections will have the flexibility to substitute other positions in place of the correctional unit supervisor and assistant unit supervisor positions deleted in a Joint Committee on Finance motion. Executive branch agencies with power plant and

wastewater treatment facilities will be able to seek restoration of the positions through approval processes authorized under current law. Similarly, the Department of Workforce Development will have the same latitude in finding ways to ensure the Milwaukee Office is adequately staffed.

3. **Medical Assistance Cost Containment Efforts:** Containing health care costs, while preserving eligibility and access for Wisconsin's Medicaid populations, is one of my top priorities, and I am disappointed with certain actions the Legislature has taken to hamstring these important efforts. Therefore, I am directing the Department of Health and Family Services secretary to take the following actions to maximize the state's ability to manage the Medicaid program in the most efficient and effective way possible:

Transportation Broker – The Legislature reversed my recommendation to implement a competitively-bid brokerage system for nonemergency transportation under Medicaid – which would have improved service, lowered costs and helped stamp out fraud – only to turn around and levy an undesignated cut to the nonemergency transportation services budget without offering one idea for a way to actually achieve those savings. I maintain my position that a brokerage system is best for Wisconsin taxpayers, and I am directing the Department of Health and Family Services secretary to continue development of this initiative.

Home Care, Personal Care and Private Duty Nursing Reduction – The Legislature doubled the percentage reduction I had proposed for home care, personal care and private duty nursing services. A cut of this magnitude directed exclusively at these community long-term care services would have a chilling effect on the state's ability

to implement my community relocation program. Therefore, I am directing the Department of Health and Family Services secretary to manage this reduction across the entire Medicaid program.

Request for Information on Community Long-Term Care Options – As our population ages, we need to seek out new, innovative, cost-effective delivery systems for community long-term care services. I was dismayed that the Joint Committee on Finance failed to recognize the value in gathering additional information on options for community care. I remain committed to finding solutions for this issue, and I am instructing the Department of Health and Family Services to issue a Request for Information (RFI) to managed care organizations regarding their ability to develop primary, acute and long-term managed care on a regional basis. Further, I am directing the department to issue the RFI within the first six months of fiscal year 2005-06. Upon receipt of the RFI results, the information should be provided to the Department of Administration.

4. Milwaukee Child Welfare: I was disappointed that the Legislature failed to acknowledge our legal and moral obligation to provide sufficient resources to safeguard children in the Milwaukee child welfare system. Recruiting and retaining high-quality caseworkers has been demonstrated to hinge in large part on providing adequate compensation and training. While the Legislature cut the funding I had proposed for these critical functions so that they could await the results of yet another study, the needs of these children cannot wait. Therefore, I am directing the Department of Health and Family Services secretary to identify and reallocate funding toward the Bureau of Milwaukee Child Welfare reinvestment plan, especially for activities related to caseworker retention and training.

5. Milwaukee State W-2 Oversight Office: One of the casualties of this budget was the Legislature's decision to abruptly delete funding for the W-2 office located in Milwaukee. This action will undermine state oversight of the largest and most challenging W-2 service area, but was done without language that allows me to reverse the decision. However, I am determined to keep this key office open and retain the state's W-2 presence in Milwaukee. This is especially important because Milwaukee has over 75 percent of Wisconsin's W-2 caseload. Furthermore, over the past year, a string of well-publicized missteps by Milwaukee's then-largest W-2 provider only serves to emphasize a compelling need to maintain the state's Milwaukee office. I am directing the Department of Workforce Development secretary to identify funding from within existing revenue to ensure that the Milwaukee office remains open and fully operational.
  
6. Controlling Invasive Aquatic Species: My budget included a comprehensive approach to preventing and reducing the impact of aquatic invasive species in the state. The Legislature, however, chose to greatly reduce the effectiveness of my proposal by removing the ability of local and state law enforcement officers to enforce common sense restrictions on transporting these nuisance species from one body of water to another. While concern was raised regarding one aspect of the enforcement powers, the Legislature illogically chose to eliminate the statewide requirement to remove aquatic plants and zebra mussels from boats and equipment rather than rationally adjusting the provision to focus enforcement on boat landings.
  
7. Nonpoint Source Pollution Abatement Grants to Farmers and Other Landowners: While I commend the Legislature for retaining the additional funding I provided for cost-share grants to farmers and other landowners for nutrient management planning and grants to

counties to ensure adequate staff is available to assist farmers and other landowners, I am deeply disappointed that the Legislature reduced the funding I provided to assist landowners and communities in installing practices that would reduce nonpoint source pollution. Farmers and communities rely on this funding to support efforts to protect Wisconsin's abundant waters. This unjustifiable reduction in funding will have a significant negative impact on the efforts of local communities statewide to grow and develop recreational, economic and tourism opportunities, and to improve the environment for fish, wildlife, citizens and visitors to this state.

8. Sturgeon Bay Bridge: The bill contains a provision to make the construction of a new bridge in the city of Sturgeon Bay a priority for the Department of Transportation. The existing bridge that connects the two sides of the city is scheduled for reconstruction, and without the new bridge, the two sections of the city would be completely separated by the Sturgeon Bay Ship Canal during the reconstruction. To ensure that the city remains connected for emergency response and traffic safety purposes, I am committed to doing everything in the state's power to get this project under construction within the provision's one-year timeframe. Unfortunately, the Federal Highway Administration has indicated that the preliminary activities (e.g., reevaluation of the environmental assessment, final design, real estate acquisition, U.S. Army Corps of Engineers and Coast Guard permits, etc.) for such a project would take three years to complete. I do not accept that timeframe and am directing the Department of Transportation secretary to work with the Federal Highway Administration, U.S. Army Corps of Engineers and Coast Guard to expedite this project.

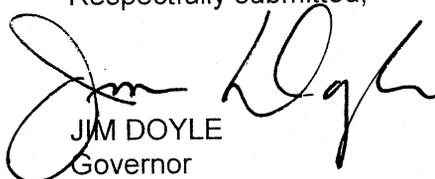
Protecting taxpayers and investing in our priorities. Those were my simple goals when I introduced the budget, and the goals I have met through my vetoes in signing the budget. This budget delivers true property tax relief by enacting realistic limits on local levies, maintaining the strict current law revenue limits for schools and providing adequate state school aid and direct property tax credits.

Two years ago, I signed a budget that brought us out of the depths of the worst deficit in the state's history. Today, I sign a budget that moves Wisconsin on toward full recovery. It cuts taxes and grows our economy. It assists Wisconsin's service personnel, veterans and their families who are making the greatest sacrifices to protect freedom for us all. It builds on my efforts to streamline and improve state operations. It helps parents and students with accessing higher education. It protects our environment and abundant natural resources.

Wisconsin is a great state because we have always been optimistic about our future. I am optimistic for Wisconsin – present and future. I sign a budget today, after vetoes, that keeps us on course to a brighter future for all Wisconsin citizens.

On Wisconsin.

Respectfully submitted,

  
JIM DOYLE  
Governor

Date: July 25, 2005



**VETO MESSAGE**

**TABLE OF CONTENTS**

A. EDUCATION AND WORKFORCE DEVELOPMENT ..... 1

ARTS BOARD..... 1

1. Required Lapse to the General Fund ..... 1

HIGHER EDUCATIONAL AIDS BOARD ..... 1

2. Wisconsin Higher Education Grants; University of Wisconsin System Students .. 1

PUBLIC INSTRUCTION..... 2

3. School District Revenue Limits..... 2

4. Increasing Funding for School Aids and Property Tax Relief ..... 3

5. Milwaukee Parental Choice Program Eligibility ..... 4

6. Milwaukee Charter School Pupil Eligibility..... 5

7. Milwaukee and Racine Charter School Program Funding..... 5

8. Student Achievement Guarantee in Education (SAGE) Program ..... 6

9. Mentoring Grants for Initial Educators ..... 7

10. Federal Administrative Funding..... 8

11. Special Education Studies..... 8

UNIVERSITY OF WISCONSIN SYSTEM ..... 8

12. Surcharge Beyond 125 Percent of Graduation Requirements ..... 8

13. Course Retake Surcharge ..... 9

14. Task Force on University of Wisconsin-Waukesha ..... 9

15. Collaboration Study ..... 10

16. Repeal of Certain University of Wisconsin System Reporting Requirements ..... 10

17. Midwest Higher Education Compact ..... 11

18. Higher Education Committee ..... 11

19. Study of Joint Academic Programs ..... 12

20. University of Wisconsin System Building Project Cost Study..... 12

WISCONSIN TECHNICAL COLLEGE SYSTEM ..... 12

21. Levy Limits on Technical College Districts ..... 12

22. Jobs Advantage Training Program..... 13

WORKFORCE DEVELOPMENT ..... 14

23. W-2 Contracts and Oversight ..... 14

24. Child Care Quality Improvement Programs..... 15

25. Child Care Subsidy Program Family Copayments ..... 15

26. Children First..... 16

B. ENVIRONMENTAL AND COMMERCIAL RESOURCES ..... 17

AGRICULTURE, TRADE AND CONSUMER PROTECTION ..... 17

1. Fish Hatcheries ..... 17

2. Bioindustry Grant Program..... 17

|  |    |
|--|----|
| COMMERCE .....   | 18 |
| 3. Petroleum Environmental Cleanup Fund Award (PECFA) Program Changes....    | 18 |
| 4. Increase in Enterprise Development Zones .....                            | 18 |
| 5. Small Business Requirement for Enterprise Development Zones Program ..... | 18 |
| 6. Small Business Requirement for the Wisconsin Development Fund .....       | 19 |
| 7. Biomedical Technology Alliance Earmark .....                              | 19 |
| 8. City of Green Bay Earmark .....   | 20 |
| 9. Minority Business Finance Program Earmark .....                           | 20 |
| 10. Community Development Block Grant Earmarks .....                         | 20 |
| ENVIRONMENTAL IMPROVEMENT PROGRAM .....                                      | 21 |
| 11. Clean Water Fund Bonding .....   | 21 |
| 12. Present Value Subsidy Limit .....  | 21 |
| LAND USE .....   | 21 |
| 13. Comprehensive Planning and Land Information Aids .....                   | 21 |
| 14. Land Information Modernization Grants .....                              | 22 |
| NATURAL RESOURCES .....  | 22 |
| 15. Recycling Tipping Fee and Business Surcharge.....                        | 22 |
| 16. Business Waste Reduction and Recycling Assistance.....                   | 23 |
| 17. Air Permits .....  | 24 |
| 18. Passive Review of Obligations Under the Stewardship 2000 Program.....    | 24 |
| 19. Town Board Approval of Purchases Under the Stewardship 2000 Program..... | 24 |
| 20. Calculation of Aids-in-Lieu of Property Taxes .....                      | 25 |
| 21. Public Access and Managed Forest Law .....                               | 25 |
| 22. Expenditures from Forestry Revenues .....                                | 26 |
| 23. State Park Admission Fees for Senior Citizens.....                       | 27 |
| 24. Ice Shanty Permit for Nonresidents.....                                  | 27 |
| 25. Chief Warden Authority .....   | 27 |
| 26. Appropriation for Safety Education Courses .....                         | 28 |
| 27. Snowmobile Account Adjustments .....                                     | 28 |
| 28. Cladophora Algae Study .....   | 28 |
| 29. Marsh Restoration .....  | 29 |
| 30. Water Resources Account Lapses .....                                     | 29 |
| 31. Water Regulation and Zoning Fees.....                                    | 29 |
| 32. Division Administrators .....  | 30 |
| BOARD OF COMMISSIONERS OF PUBLIC LANDS.....                                  | 30 |
| 33. Sale of Board of Commissioners of Public Lands Holdings .....            | 30 |
| STATE FAIR PARK BOARD .....  | 31 |
| 34. Expenditure Plan .....   | 31 |
| TRANSPORTATION .....   | 31 |
| 35. Transportation Infrastructure and Fund Transfer.....                     | 31 |
| 36. Local Roads Improvement Program.....                                     | 34 |
| 37. Highway Engineering Positions .....                                      | 35 |
| 38. Expressway Policing Aids .....   | 35 |
| 39. License Plate Rebasng.....   | 36 |
| 40. Gold Star License Plate.....   | 36 |

|           |   |           |
|-----------|---|-----------|
| 41.       | Regional Transit Authority Membership .....   | 36        |
| 42.       | Freight Rail Preservation Program .....   | 37        |
| 43.       | Harbor Assistance Program .....   | 37        |
| 44.       | Eisner Avenue .....   | 37        |
| 45.       | Safety Study .....  | 38        |
| 46.       | Sugar River State Trail Underpass.....  | 38        |
| <b>C.</b> | <b>HEALTH AND FAMILY SERVICES AND INSURANCE .....</b>   | <b>39</b> |
|           | <b>HEALTH AND FAMILY SERVICES .....</b>   | <b>39</b> |
| 1.        | Health Insurance Risk Sharing Plan (HIRSP) Privatization.....   | 39        |
| 2.        | Authority to Transfer from the General Fund to Other Funds (Medical Assistance Trust Fund and Budget Stabilization Fund)..... | 40        |
| 3.        | Nursing Home Bed Assessment – GPR-Earned Revenues.....  | 41        |
| 4.        | Nursing Home Rate Increase .....  | 42        |
| 5.        | Community Relocations Initiative .....  | 42        |
| 6.        | Functional Screen .....   | 43        |
| 7.        | Nursing Home Reimbursement Rates.....   | 43        |
| 8.        | Pharmacy Reimbursement – Rates for Brand Name Prescription Drugs.....   | 43        |
| 9.        | Pharmacy Reimbursement – Dispensing Fees .....  | 44        |
| 10.       | Prohibition Against Limitations on Reimbursement for Psychotropic Medications .....   | 45        |
| 11.       | Report on Physician Prescribing Practices.....  | 45        |
| 12.       | Report on Capping the Number of Brand Name Prescription Drugs.....  | 45        |
| 13.       | Generic Drug Copayments .....   | 46        |
| 14.       | Outpatient Hospital Reimbursement Rates .....   | 46        |
| 15.       | Essential Access City Hospital Payments .....   | 47        |
| 16.       | Bariatric Surgery Prohibition.....  | 47        |
| 17.       | Actuarial Soundness of Health Maintenance Organization Reimbursement Rates .....  | 48        |
| 18.       | Family Planning Funding Preference .....  | 48        |
| 19.       | Foster Care Rates .....   | 48        |
| 20.       | Termination of Parental Rights Warning in Subsidized Guardianships.....   | 49        |
| 21.       | Bureau of Milwaukee Child Welfare Report on Caseworker Retention.....   | 49        |
| 22.       | Study of Funding Options for Refugee Family Strengthening Project.....  | 49        |
| 23.       | Study of Evidence-Based Practices .....   | 50        |
| 24.       | Supplemental Security Income Benefits Appropriation .....   | 50        |
| 25.       | Supplemental Security Income Managed Care Expansion Reporting Requirement.....  | 50        |
| 26.       | Health Care Information Study and Reports.....  | 50        |
| 27.       | Joint Services Study .....  | 51        |
| <b>D.</b> | <b>JUSTICE .....</b>  | <b>52</b> |
|           | <b>CIRCUIT COURTS .....</b>   | <b>52</b> |
| 1.        | Register in Probate Copy Fee .....  | 52        |
|           | <b>CORRECTIONS.....</b>   | <b>52</b> |
| 2.        | Pilot Program for Pharmaceutical Contracting .....  | 52        |
| 3.        | Study of Funding for Long-Term Care Inmates .....   | 52        |
| 4.        | Facilities Study .....  | 53        |

|     |   |    |
|-----|---|----|
| 5.  | Unit Supervisors .....  | 53 |
| 6.  | Contract Bed Funding .....  | 54 |
| 7.  | Sale of Inmate Products .....   | 54 |
| 8.  | Juvenile Correctional Facility Cost Reduction .....                           | 54 |
| 9.  | Juvenile Correctional Services Deficit .....                                  | 55 |
| 10. | Youth Diversion Program in Ward 3 in the City of Racine .....                 | 55 |
|     | JUSTICE .....   | 56 |
| 11. | County Law Enforcement Services Grant .....                                   | 56 |
| 12. | Drug Law Enforcement and Crime Laboratories Appropriations Lapse .....        | 56 |
|     | OFFICE OF JUSTICE ASSISTANCE .....  | 56 |
| 13. | Interagency and Intra-Agency Aids Appropriation .....                         | 56 |
| E.  | STATE GOVERNMENT OPERATIONS .....   | 58 |
|     | BUDGET MANAGEMENT .....   | 58 |
| 1.  | Lapse to General Fund.....  | 58 |
| 2.  | Transfer from the Joint Committee on Finance Appropriation.....               | 60 |
| 3.  | Limit on Expenditure of General Fund Revenues.....                            | 60 |
|     | ADMINISTRATION .....  | 61 |
| 4.  | Asset Sales Reporting Dates .....   | 61 |
| 5.  | Vacant Attorney Positions .....   | 62 |
| 6.  | Sale of State-Owned Heating, Cooling and Wastewater Treatment Facilities .... | 62 |
| 7.  | Limitations on Resale of Telecommunications Services by State Agencies .....  | 62 |
| 8.  | Video Gaming Devices and Pari-Mutuel Race Track Licensing .....               | 63 |
| 9.  | Payment of Fiscal Year 2004-05 MHEC Membership Dues .....                     | 64 |
| 10. | Required Reports on Information Technology.....                               | 64 |
| 11. | Pension Obligation Lapses and Transfers.....                                  | 64 |
|     | BUILDING COMMISSION.....  | 64 |
| 12. | General Fund Supported Borrowing Target .....                                 | 64 |
|     | EMPLOYEE TRUST FUNDS .....  | 65 |
| 13. | Required Nonrepresented State Employee Retirement Contributions .....         | 65 |
|     | REGULATION AND LICENSING .....  | 66 |
| 14. | Transfer of Alcohol and Other Drug Abuse Counselor Certification .....        | 66 |
|     | VETERANS AFFAIRS.....   | 66 |
| 15. | Operational Efficiency Consultant .....                                       | 66 |
| F.  | TAX .....   | 68 |
|     | GENERAL FUND TAXES .....  | 68 |
| 1.  | Individual Income Tax Exclusion for Social Security Benefits .....            | 68 |
| 2.  | Private School and Homeschool Tax Credit.....                                 | 68 |
| 3.  | Adoption Expenses Credit .....  | 68 |
| 4.  | Health Savings Accounts .....   | 69 |
| 5.  | Sales Tax on Services Provided by Temporary Help Companies.....               | 69 |

|     |  |    |
|-----|--|----|
| 6.  | Individual and Corporate Income and Franchise and Insurance Premiums<br>Tax Credit for HIRSP Assessments ..... | 70 |
| 7.  | Withholding from Nonresident Members of Pass-Through Entities – Technical<br>Veto .....                        | 70 |
| 8.  | Definition of Taxable Sales – Technical Veto .....   | 70 |
|     | REVENUE .....  | 71 |
| 9.  | Lottery Vending Machine Placements .....   | 71 |
|     | SHARED REVENUE AND TAX RELIEF .....  | 71 |
| 10. | School Levy Tax Credit .....   | 71 |
| 11. | Levy Limit for Counties and Municipalities .....   | 71 |
| 12. | Shared Revenue Utility Aid – Distribution Formula .....  | 73 |



## **A. EDUCATION AND WORKFORCE DEVELOPMENT**

### **ARTS BOARD**

#### **1. Required Lapse to the General Fund**

##### *Section 9204*

This section requires the Wisconsin Arts Board to lapse five percent of the total amount appropriated under each of the board's general purpose revenue appropriations to the general fund in fiscal years 2005-06 and 2006-07.

I am vetoing this section in its entirety to preserve state funding for the arts. State support for the arts in Wisconsin, on a per capita basis, is only one-third of the national average, ranking Wisconsin near the bottom nationally in state support for arts programs. Given the continuing importance of cultural programs to Wisconsin's economic development and quality of life, the insignificant savings that would result from this lapse is not worth putting the arts in Wisconsin at an even greater risk.

### **HIGHER EDUCATIONAL AIDS BOARD**

#### **2. Wisconsin Higher Education Grants; University of Wisconsin System Students**

##### *Section 166d*

This section caps the sum sufficient appropriation for the Wisconsin Higher Education Grants for University of Wisconsin System students at \$37,057,200 in fiscal year 2005-06 and \$39,280,600 in fiscal year 2006-07.

I am partially vetoing this section to increase the cap to \$45,057,200 in fiscal year 2005-06. I object to the Legislature's failure to keep the doors of higher education open to all Wisconsin students, regardless of their family income. The Legislature would have provided \$76.3 million over the 2005-07 biennium for Wisconsin Higher Education Grants, an \$11.1 million reduction from my original budget proposal. If signed into law, this reduction would make it increasingly difficult for low-income students to pay for a University of Wisconsin education. Furthermore, the Legislature rejected my proposal to increase the statutory maximum for grant awards from \$2,500 to \$3,000, making it impossible for the board to hold the neediest students harmless from University of Wisconsin tuition increases for the full 2005-07 biennium. As a result of the Legislature's refusal to increase the maximum grant award, the board must now send letters rescinding 2005-06 financial aid awards above \$2,500 to those University of Wisconsin students with the greatest financial need.

This veto, while not able to restore my proposal to increase the maximum grant amount, more closely reflects my original proposal to protect lower income students from University of Wisconsin tuition increases over the next two academic years.

My original budget called for \$87.4 million to be appropriated for Wisconsin Higher Education Grants for University of Wisconsin System students over the biennium. While the Legislature decreased the amount to \$76 million, my veto will increase the amount for grants to \$84.3 million, \$8 million above the amount provided by the Legislature. Maintaining adequate financial aid is a critical component to keep higher education accessible and affordable and is also central to Wisconsin's long-term economic development goal of increasing the number of citizens with a college education. My veto will help to expand postsecondary opportunities for all qualified students and reverse the Legislature's decision to make the University of Wisconsin less affordable for students from low- and moderate-income backgrounds.

## **PUBLIC INSTRUCTION**

### **3. School District Revenue Limits**

*Sections 1915, 1915d, 1915e, 1915f, 1915g, 1915h, 1919 and 1919d*

These sections reduce the allowable increase in school district revenue per pupil under the school district revenue limits to \$120 for the 2005-06 school year and to \$100 for the 2006-07 school year and every year thereafter. Under current law, the allowable increase in school district revenue per pupil under the revenue limits would be \$248 in 2005-06 and an estimated \$252 in 2006-07.

As I did in the 2003-05 biennial budget, I am vetoing these sections because they significantly reduce the resources available to invest in our children and make it extremely difficult for our locally elected school boards to provide all pupils with a quality education. Since 1993, the state has subjected school districts to the most stringent revenue controls imposed on any unit of local government in order to slow the growth of property taxes. While I believe that it is fiscally prudent to keep current law revenue limits in place, the provisions passed by the Legislature would reduce school spending to levels below inflation and would force districts to make deep cuts in the classroom.

Defenders of reducing revenue limit authority like to point out that school aids and tax credits will still increase by \$458 million over the biennium, even after the \$480 million cut to my original, fiscally responsible school aid and school levy tax credit proposal. They believe that, with an increase of this magnitude, schools should have little to complain about.

What proponents fail to explain is that general school aid, while critical for property tax relief, has little to do with what school districts can actually spend. Revenue limits do, and these provisions would forever cap per pupil revenue increases at \$100 per year, regardless of how much school aid the Governor and Legislature provide. A \$100 increase is only slightly over half of the \$190 limit that existed in 1993, when limits were first implemented. Based on inflation estimates from the Congressional Budget Office, school districts would be forced to reduce their spending per pupil by over ten percent in the next decade alone, or almost \$1,000 per pupil as measured in current dollar terms, if this provision is not vetoed.

As recent events in northeastern Wisconsin demonstrate, school districts already struggle under existing revenue limits to provide our children the quality education they

deserve, and to keep pace with increasing staff and materials costs. These challenges have occurred during the same period that has seen Wisconsin's average teacher salaries decline from 14th nationally in 1990 and nearly \$1,300 above the national average to 27th in 2003 and more than \$4,000 below the U.S. average. In addition, it is noteworthy that, while the Legislature reduced the per pupil revenue limit increase for public schools to \$120 in 2005-06 and to \$100 in 2006-07 and thereafter, it authorized increases of \$196 in 2005-06 and \$123 in 2006-07 for pupils attending the Milwaukee choice and charter schools. The Legislature's priorities are clear, and they do not include our public schools.

Restoring current law revenue limits will not result in excessive spending. Revenue increases for the average school district will still be less than three percent annually. However, denying school boards access to these modest increases will seriously impair their ability to ensure that every child in Wisconsin receives a high-quality education. These cuts will also jeopardize the state's ability to maintain a highly-skilled work force and will diminish Wisconsin's reputation as a desirable place to live and raise a family.

Current law revenue limits will not increase property taxes for the average homeowner because I am also using my partial veto authority to restore more than \$400 million in school aids and credits that the Legislature cut from my budget (see Public Instruction, Item #4 and Tax Section, Shared Revenue and Tax Relief, Item #10). Restoring these funds to an amount similar to what I originally proposed makes it possible for school districts to maintain reasonable expenditure levels without property tax increases and will return state support for schools to over 66 percent of costs.

#### **4. Increasing Funding for School Aids and Property Tax Relief**

*Sections 9155 (2), 9155 (3), 9155 (4) (title), 9155 (4) (a) and 9155 (4) (b)*

These nonstatutory provisions authorize the Department of Administration secretary to lapse and transfer certain monies to the general fund.

I am partially vetoing these provisions to authorize the Department of Administration secretary to transfer \$330 million from the general fund to the general equalization aids appropriation in the Department of Public Instruction. This veto, combined with my veto to provide additional funds to the school levy tax credit (see Tax Section, Shared Revenue and Tax Relief, Item #10), will largely restore the responsible property tax relief initiative that the Legislature unwisely deleted from my original 2005-07 biennial budget proposal. As noted in my veto message restoring current law revenue limits for school districts (see Public Instruction, Item #3), it is critical that Wisconsin's public schools have the resources needed to ensure that all our children will continue to be able to receive a quality education regardless of their circumstances.

I object strongly to what the Legislature has done to schools in this budget. The Legislature's budget would reduce future annual school revenue increases to about half the amount authorized for the 1993-94 school year, when limits were first implemented. Some school district administrators believe that, at these levels, their allowable increases may not even cover anticipated growth in fuel and maintenance costs, even if teacher compensation were frozen. At a time when Wisconsin's and the nation's economy is under siege from global competition, it is foolhardy to think that providing a

quality education is a luxury we can no longer afford. Our children must have more opportunities to learn, not fewer. A strong public education system is what made Wisconsin a great place to live, and it is what will make Wisconsin a great place to live and do business in the 21st century.

Unfortunately, the Legislature gave Wisconsin taxpayers the unacceptable choice of either cutting schools or emptying their pocketbooks. My original budget proposal provided the only reasonable option, which was to protect both taxpayers and schools. With this veto, I will restore that balance. It is no secret that Wisconsin property taxes are too high and that we must continue to find ways to reduce this burden. By cutting spending in other parts of the budget and reallocating the savings to real property tax relief, my veto provides \$330 million to help us reach that goal.

As a result, unlike the Legislature's reckless proposal, we will not achieve this goal by sacrificing high-quality public schools. These funds will be used to offset the property tax impact of restoring school district revenue limit authority to the level needed to maintain quality schools. To ensure that the entire \$330 million is used for property tax relief, I am requesting the Department of Administration secretary to transfer \$155 million in fiscal year 2005-06 and \$175 million in fiscal year 2006-07 to the Department of Public Instruction's general equalization aids appropriation, where it will be paid out directly to school districts. In combination with my veto that partially restores my proposed increase to the school levy credit, we can restore current law revenue limit authority to public schools, preserve educational quality and freeze property taxes for the average Wisconsin homeowner.

## **5. Milwaukee Parental Choice Program Eligibility**

*Sections 1895h, 1895p and 9337 (6m)*

These sections make changes to pupil eligibility criteria for participation in the Milwaukee Parental Choice Program. Section 1895h allows pupils to remain eligible to participate in the program until family income exceeds 220 percent of the federal poverty level. Under current law, pupils may no longer participate if family income exceeds 175 percent of the federal poverty level. Section 1895p repeals the requirement that pupils entering the choice program must have either been enrolled in a choice school, been enrolled in a Milwaukee public school, been enrolled in grades kindergarten through three in a Milwaukee private school or not been enrolled in school in the previous year.

I am vetoing these provisions because they need to be part of a comprehensive proposal that addresses the needs of both choice program and Milwaukee Public Schools students. As included in this bill, these provisions will do little more than increase the number of pupils who will be denied access to the choice program because the number of eligible applicants will likely exceed the statutory enrollment cap sometime in this coming academic year. In addition, recent reports about the quality of some choice schools, including the lack of classroom materials and teachers and administrators lacking suitable training or experience, raise serious questions that need to be addressed before the program is expanded. While the No Child Left Behind Act requires the annual testing of all public school students (in grades three through eight and one high school grade), the Milwaukee Parental Choice Program still does not

require testing in any grades despite the expenditure of more than \$87 million in state tax dollars. Most of the choice schools offer a good quality education, but expanding the program without proper safeguards will allow the establishment of more schools that do not deliver the education that Milwaukee's children deserve.

I believe the modifications included in these sections have considerable merit, but should be part of a more comprehensive package that raises the choice cap, improves educational and operational accountability in the choice program, and benefits all students in Milwaukee, not just those in the choice program. I look forward to working with legislators and interested parties to resolve this issue in the fall session.

## **6. Milwaukee Charter School Pupil Eligibility**

*Sections 1883f, 1883r and 9337 (7m) (b)*

These sections modify the pupil eligibility criteria for participation in the Milwaukee charter school program. Under this provision, pupils residing outside the Milwaukee Public Schools district boundaries would be permitted to attend a Milwaukee charter school.

I am vetoing this provision because I object to the expansion of the Milwaukee Charter Schools original intent to serve as an educational option for families residing within Milwaukee Public Schools' boundaries. The Milwaukee Charter Schools Program should continue to focus on providing alternative educational opportunities for city of Milwaukee children. While the provision requires these charter schools to give preference in admissions to pupils who reside in Milwaukee, over time it is likely that nonresident pupils will diminish the ability of children in the city of Milwaukee to attend these schools.

## **7. Milwaukee and Racine Charter School Program Funding**

*Sections 1897g, 1897i, 1898b [as it relates to a charter school operating under s. 118.40 (2r)], 1898e, 1898m, 1898s, 1899m, 1912m, 9137 (4p) and 9337 (9m)*

This provision modifies the current funding mechanism for the independent charter schools operating in the Milwaukee and Racine school districts. Under current law, these independent charter schools are funded as a first draw on the general equalization aids appropriation. Under the modified formula created by this provision, the pupils attending independent charter schools would be counted as pupils in the Milwaukee and Racine school districts, respectively, and be funded under the current equalization aid formula in the same manner as pupils attending regular public schools.

I am vetoing this provision because I object to the immediate distributional impact that this change will have on school districts and the potential longer term impact it will have on Milwaukee and Racine. Under the current equalization aid formula, the fiscal impact of independent charter schools is distributed across all school districts that receive equalization aids, including the most affluent districts, which only receive aid under the "first tier" of the formula. The modified formula would exempt these affluent districts from any charter school cost impact, while distributing the costs across the remaining

school districts. About 120 Wisconsin school districts would lose approximately \$5.4 million in aid, with school districts in Madison, Middleton, Waukesha and Wauwatosa among the most negatively affected.

Second, while analysis indicates that the change appears revenue neutral for the Milwaukee and Racine school districts in the short-term, it is unclear what the long-term impact on those districts revenues would be, especially if charter school enrollments continue to increase. Without clear data on the long-term impact of this formula change on Milwaukee and Racine, I do not believe modifying the formula justifies the risk.

Lastly, the Legislature's primary intent in making this change appears to have been to create the appearance that the cost of these independent charter schools will be paid entirely by the Milwaukee and Racine school districts. The fact that the aid that pays for these charter schools will no longer be explicitly itemized in the aid notifications sent to school districts does not mean that other districts are not affected, it only means that the effect will not be apparent. Allowing the Milwaukee and Racine school districts to count pupils attending independent charter schools will increase the equalization aid allocations to Milwaukee and Racine, thereby reducing the aid allocations to all but the most affluent districts. Paying for these charter schools by running the program through the formula may redistribute and hide the impact, but it will not eliminate it.

I support the independent charter school program. These schools are chartered by the city of Milwaukee and University of Wisconsin System campuses, which are both accountable to the public. These schools also participate in the state's student testing program. Vetoing this funding change is not a criticism of the program, but simply reflects my concern that the benefit of not reporting the impact of independent charter schools on the distribution of equalization aid does not outweigh the potential financial risk to the Milwaukee and Racine school districts.

## **8. Student Achievement Guarantee in Education (SAGE) Program**

*Sections 1888m, 1888r, 1888s, 1891t and 1893m*

Sections 1888m, 1888r, 1888s and 1891t permit school districts that currently participate in the SAGE program to opt out of grades two, three or both. Section 1893m would expand the eligible uses of SAGE funding in the Milwaukee Public Schools district to include meeting the criteria for the prekindergarten through grade five (P-5) program. The P-5 program allows up to 25 students per teacher in grades prekindergarten through five, while the SAGE program requires a class size of no greater than 15 students in grades kindergarten through three.

I am vetoing sections 1888m, 1888r, 1888s and 1893m, and partially vetoing section 1891t, because they are contrary to the intent and spirit of the SAGE program. Research has shown that smaller class sizes in the early years of a child's education increases academic performance; the benefits are even greater for students from low-income families. Further, research indicates that the class reductions must occur over several grades in order for those gains to be sustained in later years. For example, studies of the Tennessee Student Teacher Achievement Ratio (STAR) program, which reduces class sizes to 13-17 pupils in grades kindergarten through three, have shown that pupils in small classes for at least three years had significant sustained benefits

through grade eight, while those in small classes for fewer than three years showed mixed long-term effects. That finding was replicated in separate studies conducted by researchers at Eastern Michigan University and the U.S. Department of Education. The positive results of sustained, small class size include reduced achievement gaps, greater student engagement, more time spent on active teaching, less time spent on classroom management and behavior problems, and lower rates of grade retention.

The positive impact of the SAGE program in Wisconsin is reflected in the most recent third grade reading achievement scores. In 1998, there was a 21-point difference between SAGE and non-SAGE schools in the percentage of students scoring proficient and advanced in reading achievement. The gap closed to just 8 points by 2005. This is solid evidence that Wisconsin's SAGE program is working for our children.

Allowing the Legislature's provisions to be implemented would reduce access to smaller class sizes for children throughout the state and diminish the benefit of the SAGE program. We should be working to expand, rather than eliminate, smaller class sizes for our children. My budget proposal included a \$44 million increase in SAGE funding, which was reduced to just \$6 million by the Legislature, and an increase in the per pupil reimbursement rate, from the current \$2,000 to \$2,500 per child by 2006-07. What is needed to support SAGE schools and encourage new ones is greater funding and the first reimbursement rate increase since the program was started in 1996, not flexibility that will destroy the positive impact of smaller class sizes. As Governor, I will continue to make funding increases for the SAGE program a priority.

## **9. Mentoring Grants for Initial Educators**

*Sections 140 [as it relates to s. 20.255 (2) (kg)], 173m, 187m, 1854g, 1854m and 9337 (6f)*

These provisions require the Department of Public Instruction to increase fees for teacher and administrator licenses from \$100 to \$150 as of July 1, 2006, and direct the department to use the revenue generated from the fee increase to distribute grants to school districts that provide mentors for new educators. The budget I submitted included GPR funding in each year to help pay for teacher mentors.

I fully support the mentoring grant program, but I object to raising teacher license fees for this purpose. This fee increase would be a tax on teachers who have already sacrificed salary increases under the provisions of the qualified economic offer. The 50 percent increase in teacher license fees would make Wisconsin's one of the highest in the country. Furthermore, the major benefits of a teacher mentoring program are to increase the quality of classroom instruction, support beginning teachers in their first years on the job, and reduce hiring and recruitment costs for school districts by improving teacher retention. These are costs that should be broadly distributed.

I am partially vetoing sections 140 [as it relates to s. 20.255 (2) (kg)], 173m and 187m and vetoing sections 1854g, 1854m and 9337 (6f) to eliminate the teacher license fee increase and the requirement that the department use licensing fee revenue for the mentoring grant program. My partial veto of section 140 [as it relates to s. 20.255 (2) (kg)] will also delete the reference to program revenue-service as the fund source of the appropriation created for the grant program. Under s. 20.005 (3), all

appropriations are made from the general fund unless otherwise indicated. Therefore, this partial veto will preserve the mentoring grant program and restore GPR as the fund source, beginning in fiscal year 2006-07. Under s. 20.003 (2), the Revisor of Statutes has the authority to renumber the appropriation for mentoring grants to make it consistent with the numbering system under s. 20.003 (3).

## **10. Federal Administrative Funding**

### *Sections 1856f and 9437 (3v)*

These sections require the Department of Public Instruction to obtain approval from the Joint Committee on Finance, through a 14-day passive review process, for plans to use federal funding to support the department's general program operations.

I am vetoing these sections because it is important that state agencies have the flexibility to manage their budgets. Requiring agencies to seek approval from the Joint Committee on Finance for administrative costs that are supported with federal funds places an unnecessary burden on the agency and removes the operational flexibility required to provide services in an efficient manner. Furthermore, the department would be the only state agency subject to this requirement, and I object to it being singled out in this way.

## **11. Special Education Studies**

### *Section 9137 (2q)*

This section requires the Department of Public Instruction to complete a study of the distribution of special education aid on a census basis rather than a cost reimbursement basis and to report to the Joint Committee on Finance by December 1, 2006. This section also requests the Joint Legislative Council to study the effectiveness of the state's special education policy and funding, and to report its findings, conclusions and recommendations to the Legislature by January 1, 2007.

I am vetoing this section because it is unnecessary. The department may conduct studies without a specific statutory directive, and the Legislature does not require specific statutory language to request a Joint Legislative Council study.

## **UNIVERSITY OF WISCONSIN SYSTEM**

## **12. Surcharge Beyond 125 Percent of Graduation Requirements**

### *Section 697rm*

This section requires the University of Wisconsin System Board of Regents to charge students the full cost-per-credit for any credits exceeding 125 percent of the graduation credit requirements towards a first baccalaureate degree.

I am vetoing this section because it is unnecessary given current board policy. Beginning with the 2004-05 academic year, the Board of Regents requires that students

accumulating more than 165 credits or 30 credits above what the major requires, whichever is greater, pay a tuition surcharge equal to 100 percent of the cost of instruction. Furthermore, I am concerned that the requirement, if enacted, would adversely affect students who change majors, arrive with advanced placement credits or pursue double majors, issues that were considered by the Board of Regents prior to setting its current policy.

### **13. Course Retake Surcharge**

#### *Section 697s*

This section requires the University of Wisconsin System Board of Regents to charge students a 100 percent surcharge for each course retaken as a result of a failing grade on the first attempt.

I am vetoing this section because the issues that surround failing a course are often complex. Students do not always fail courses because they are not doing the work. Family and medical issues, the stress of adjusting to campus life, and the need to work to pay tuition while attending the university can result in academic problems for which students should not be penalized. In addition, many campuses already have course retake policies in place that discourage repeating courses while ensuring that students maintain adequate academic progress. Furthermore, enactment of this provision may do little more than encourage students to drop difficult courses early in the semester, simply to avoid the surcharge.

### **14. Task Force on University of Wisconsin-Waukesha**

#### *Sections 140 [as it relates to s. 20.285 (1) (a)] and 9152 (6r)*

These sections create a task force and provide \$30,000 GPR in fiscal year 2005-06 to study and develop an implementation plan for merging the University of Wisconsin-Waukesha with the University of Wisconsin-Milwaukee. Section 9152 (6r) further requires that the two campuses be merged no later than July 1, 2007.

The University of Wisconsin Board of Regents, under its existing authority, has the ability to review its policies and take actions to improve the quality of education and expand opportunities for students to complete baccalaureate degrees. To this end, a number of agreements between the University of Wisconsin-Milwaukee and the University of Wisconsin-Waukesha already exist to permit students at the University of Wisconsin-Waukesha to complete baccalaureate degree programs at Waukesha and receive a degree from the University of Wisconsin-Milwaukee.

The Board of Regents, in its on-going efforts to increase the number of baccalaureate degree recipients in Wisconsin, should give consideration to merging the two campuses. In such a review, the Board of Regents should examine the issue of maintaining access and affordability to the University of Wisconsin-Waukesha. The Board of Regents should consult with not only representatives of both the campuses, but also community, political and business leaders in the metropolitan Milwaukee area.

The Board of Regents should take any necessary actions, including recommending to the Legislature the merger of the aforementioned two campuses, to increase the number of baccalaureate degree recipients in Wisconsin.

Although there is no language in the budget bill that authorizes the increase to fund the task force, the purpose of this funding was included in a Joint Committee on Finance amendment to the bill. By lining out the system's s. 20.285 (1) (a) appropriation and writing in a smaller amount that deletes \$30,000 in fiscal year 2005-06, I am vetoing the part of the bill that funds the task force. I am also requesting the Department of Administration secretary not to allot these funds.

## **15. Collaboration Study**

### *Section 9152 (7f)*

This section requires the University of Wisconsin Board of Regents to study possible collaborative efforts between the University of Wisconsin-Superior and the University of Minnesota-Duluth.

I am vetoing this section because the study is unnecessary. Collaboration between the two institutions already exists and is ongoing. While I am in support of collaborative efforts and would encourage the Board of Regents to continue developing and implementing collaboration with Minnesota and other campuses where appropriate, there is no need for a study.

## **16. Repeal of Certain University of Wisconsin System Reporting Requirements**

### *Sections 78m, 484m, 486m, 695p, 697m, 697r, 704t, 704w, 704x and 738p*

These provisions repeal certain University of Wisconsin System reporting requirements, including reports on: (a) student fee funded reserves; (b) state-imposed costs not covered by general purpose revenue; (c) 100 percent fee funded course offerings; (d) the University of Wisconsin System's sick leave accounting system; (e) the industrial and economic development research program; (f) in-kind contributions and nonfederal gifts and grants; (g) interest paid by the system in the previous fiscal year due to any delayed payments to vendors; and (h) program revenue appropriations with a cash overdraft.

I am vetoing these provisions because I object to the elimination of these reports without further study, especially at a time when some University of Wisconsin policies and practices have come under question. It is important to keep all state agencies, including the University of Wisconsin System, accountable for the expenditure of state tax dollars. For example, one of the reports slated for elimination is a report on the University of Wisconsin System's sick leave policy, which has come under scrutiny recently.

Additionally, campuses are funding more student sponsored projects with student funded fees. One of the reports slated for elimination requires the system to report on the reserves being maintained for these student fee funded projects. To ensure that student interests are protected, it is important that the Governor and the Legislature be

aware of these reserves to make sure they are maintained at appropriate levels. Eliminating this report and the other reports included under this provision could erode the state's ability to monitor the University of Wisconsin System and hold it accountable. While some of these reports may provide little useful information and may warrant repeal, eliminating them should follow a review of their merits.

## **17. Midwest Higher Education Compact**

### *Section 140 [as it relates to s. 20.285 (1) (a)]*

This section provides \$40,000 annually to the University of Wisconsin System to partially cover Wisconsin's dues for membership in the Midwest Higher Education Compact. I am vetoing this provision because it is reasonable to expect the University of Wisconsin System to cover dues for an organization designed to benefit higher education. I am further requesting the Board of Regents to direct that these dues be paid from the system administration appropriation and not be charged to individual campuses.

Although there is no language in the budget bill that authorizes this increase, the purpose of this funding was included in a Joint Committee on Finance amendment to the bill. By lining out the system's s. 20.285 (1) (a) appropriation and writing in a smaller amount that deletes \$40,000 annually, I am vetoing the part of the bill that partially funds dues to the compact. I am also requesting the Department of Administration secretary not to allot these funds.

## **18. Higher Education Committee**

### *Section 9152 (9m)*

This section creates a committee to study the public benefits of the state's public system of higher education, expand baccalaureate degrees for state residents, foster economic development, provide a research environment to develop intellectual properties, and assist in the development of new businesses. The committee consists of representatives from the University of Wisconsin and Wisconsin Technical College systems and four legislators.

I am vetoing this section because I object to creating yet another group to study the future of the University of Wisconsin System. The latest study, *Charting a New Course*, was released in June 2004 by the Board of Regents, and it may convene another study committee at its discretion, but there is no need for statutory authorization. Furthermore, the proposed committee does not contain any representation from the public or business community.

**19. Study of Joint Academic Programs**

*Section 9152 (8q)*

This section requires the Board of Regents of the University of Wisconsin System and the Board of Trustees of the Medical College of Wisconsin to submit a report to the Joint Committee on Finance on the feasibility of creating joint academic programs.

I am vetoing this section because it is unnecessary. Collaboration between the University of Wisconsin System and the Medical College of Wisconsin is already well established. It was recently strengthened by the creation of the Wisconsin Institute for Biomedical and Health Technologies at the University of Wisconsin-Milwaukee. The institute will support interdisciplinary research in biomedical engineering, health care informatics, and clinical research on patient outcomes and treatment efficacy. The institute is one vehicle for the collaborative programming to support related economic development and research in southeastern Wisconsin. While I encourage these efforts to continue and expand, there is no need for a report.

**20. University of Wisconsin System Building Project Cost Study**

*Section 9152 (8m)*

This section directs the Legislative Audit Bureau to study and complete a cost comparison of University of Wisconsin System building projects with similar projects at other public universities.

I am vetoing this section because the Legislature does not need statutory authority to direct one of its own service agencies to conduct a study.

**WISCONSIN TECHNICAL COLLEGE SYSTEM**

**21. Levy Limits on Technical College Districts**

*Section 707m*

This section limits, for three years, the increase in property taxes that a technical college district may levy. Under this provision, technical college districts are limited to an annual increase in property tax levies of 2.6 percent. This section also provides adjustments to the limits for debt service and allows for the limits to be exceeded by referenda.

I am vetoing this section in its entirety because it restricts economic development and hinders educational attainment and job training. The Legislature fails to recognize the importance of the Wisconsin Technical College System to help Wisconsin's economy grow. If technical colleges do not have the ability to respond to the rapidly changing needs of businesses in Wisconsin, economic growth will suffer.

These levy limits also hinder educational attainment and job training. The limits on technical college levies will require students to pay more for classes or reduce the course availability at the technical colleges. In either case, this diminishes our ability to

provide individuals with the skills necessary to improve their earnings, compete for better paying jobs and help Wisconsin's economy grow.

Finally, Wisconsin's technical colleges have had levy restraints in place longer than any other unit of local government. In total, technical college levies comprise less than nine percent of the average property tax bill. Property taxes can be frozen without placing limits on technical colleges because I increase funding for K-12 education and fully fund shared revenue to local governments. To risk Wisconsin's economic future by restraining resources available to the technical colleges even further is not a risk worth taking.

## **22. Jobs Advantage Training Program**

*Sections 140 [as it relates to s. 20.292 (1) (eh)], 217m, 724m and 2357m*

These sections transfer the Business Employees' Skills Training Program from the Department of Commerce to the Wisconsin Technical College System, change the name of the program to the Jobs Advantage Training Program, establish what businesses are eligible for a grant and provide \$1,000,000 annually to support the program.

As proposed by the Legislature, the Wisconsin Technical College System Board would make grants to eligible businesses to pay for skills training or other education related to the needs of small business. To be eligible for a grant under this provision, a business must: (a) have fewer than 50 full-time employees; (b) have less than \$5,000,000 in annual income; (c) agree in writing to the provisions in section 724m; (d) submit a plan detailing the proposed uses of the funds; and (e) provide matching funds at least equal to the amount of the grant.

I am partially vetoing sections 140 [as it relates to s. 20.292 (1) (eh)] and 217m to rename the program "Training Program Grants." I am also partially vetoing section 724m to more closely align these grants with the mission of the Wisconsin Technical College System Board. Under current law, the board does not make grants to individual businesses and does not have the expertise or staff to evaluate grant proposals on their business merits. The mission of the board is to ensure that the Wisconsin Technical College System is serving the needs of all Wisconsin businesses, primarily through its education and training programs.

The Department of Commerce was established, in large part, to provide more coordinated development assistance to Wisconsin businesses. I am vetoing section 2357m to retain the department's authority to award grants to small businesses to assist them in upgrading the skills of their workforce. The focus of Wisconsin's technical colleges needs to remain on their educational mission. My veto authorizes the Wisconsin Technical College System Board to award grants to technical college districts to be used for skills training or other education related to the needs of Wisconsin businesses.

## **WORKFORCE DEVELOPMENT**

### **23. W-2 Contracts and Oversight**

*Sections 1059g, 1059t, 1059u, 1059v, 1059w, 1060m, 1060p, 1085f, 9154 (1f) and 9354 (4f)*

Section 9154 (1f) requires the Department of Workforce Development to report to the Joint Committee on Finance on W-2 agency success regarding job placement, former participants' earned wages, job retention, W-2 staff training outcomes, and the appropriateness and effectiveness of work, education, and training activities.

I am vetoing this section because it is unnecessary. As part of W-2 agency performance standards, the department currently compiles information for job placement, earned wages and job retention, and is authorized to collect other pertinent information. All reported information is available for review by both the Legislature and the Governor.

Sections 1059g, 1059t, 1059u, 1059v and 1059w require the department to review W-2 agencies' contracts and financial records to ensure compliance with state and federal laws; be responsible for conducting quarterly reviews of W-2 agencies in the ten most populous counties and annual reviews for all other W-2 agencies; review the financial records for all subcontracting entities with W-2 agencies; and be responsible for W-2 agency auditor selection and for enforcing financial penalties with W-2 agencies that fail to serve W-2 participants.

I am vetoing these sections because they are unnecessary. I recognize the critical importance of maintaining oversight and enforcing accountability standards for W-2 agencies. Current W-2 contract language already specifies periodic reviews and monitoring of W-2 agency financial records to ensure compliance with existing laws and regulations. In addition, contract regulations give the department authority to select an agency auditor if needed and enforce financial penalties.

Sections 1085f and 9354 (4f) specify that W-2 agencies are responsible for reimbursing the state for the cost of W-2 benefit overpayments made as a result of agency error or oversight.

I am vetoing these sections because they are unnecessary. The department already requires W-2 agencies to reimburse the state for instances of agency error.

Sections 1060m, 1060p and 9354 (4f) require individuals who are assigned to W-2 Transitions or W-2 Community Service Jobs to engage in a minimum of 20 hours of work activities each week. The department would be responsible for monitoring W-2 agencies to ensure compliance with these specifications.

I am vetoing these sections because it is unnecessary to define minimum work hours for W-2 Transitions or W-2 Community Service Job placements. Existing federal regulations for the Temporary Assistance for Needy Families program require a minimum of 20 work hours per week for these placements.

## **24. Child Care Quality Improvement Programs**

*Sections 1075, 1095c and 1106*

Sections 1075 and 1095c decrease total funding for various child care quality improvement programs from the \$8,603,500 annual amount proposed in my budget to \$3,378,500. These programs include the Teacher Education and Compensation Helps (TEACH) program, which provides scholarships to child care providers to assist them with the cost of pursuing additional postsecondary education in child care, and the Rewarding Education with Wages and Respect for Dedication (REWARD) program, which provides a stipend to child care providers who achieve a specified educational level or who have remained in the field for several years. These two programs link education, commitment and compensation to increase the number of highly-qualified child care staff and to reduce staff turnover. Funding is also used for child care resource and referral centers, training and technical assistance grants for providers, and pass-through grants to local entities to improve the quality and availability of child care.

I am partially vetoing these sections because I strongly object to further underfunding these programs. These programs provide services to both child care providers and parents that ultimately result in increased access to adequate care and improved quality of care for children across the state. Quality care in the early years is critical to a child's development, and research has consistently linked high-quality early childhood experiences to positive emotional, social and academic outcomes later in life. My partial veto will restore \$4,000,000 annually for these programs, which are essential to ensuring that Wisconsin's families have access to the child care they need.

I am partially vetoing section 1106 to reduce the amount of Temporary Assistance for Needy Families (TANF) funding for the state earned income tax credit (EITC). I fully support this tax credit, which provides a refundable tax credit to low-income working families. Since earned income tax credits are funded from a combination of TANF funds and a sum sufficient GPR appropriation, my veto to redirect TANF funds from the earned income tax credit to child care quality improvement and to the Children First program (see Item #26) will not affect the total amount of funding for these credits, thereby preserving this important program for hard-working Wisconsin families.

## **25. Child Care Subsidy Program Family Copayments**

*Section 9154 (1k)*

This section increases the family copayment for the Wisconsin Shares Child Care Subsidy program by 15 percent.

I am vetoing this section to eliminate the family copayment increase of 15 percent, because I object to increasing the financial burden on low-income families throughout Wisconsin. The Department of Workforce Development has determined that by implementing additional efficiencies through a more equitable rate allocation, sufficient savings will accrue to offset revenues that would have been collected by a 15 percent increase in family copayments.

If signed into law, the impact of the Legislature's increase on low-income families would have been substantial. A family of three with an income at 185 percent of the federal poverty level earns \$29,800 annually. Under the Legislature's 15 percent copayment provision, a family of three with two children in subsidized care would pay over \$500 more a year for annual child care costs. The state's economic support and child care budget should not be balanced on the backs of low-income working families who struggle daily to make ends meet. This veto will help ensure that low-income parents can continue to afford quality child care, without sacrificing their ability to provide for their families and maintain Wisconsin's strong work ethic tradition.

## **26. Children First**

### *Section 1092*

This section decreases the amount of total funding for the Children First program from \$1,140,000 that was provided in fiscal year 2004-05 to \$834,000 each fiscal year, beginning in fiscal year 2005-06.

I am vetoing this section to restore funding back to current levels because the Legislature's funding cuts to the Children First program would decrease opportunities for parents who do not directly care for their children, but who are responsible for paying child support, to find and maintain jobs. Children First is a court-ordered program that assists noncustodial parents who have fallen behind in making their child support payments for a variety of reasons including unemployment, underemployment or noncompliance. This program helps these parents obtain gainful employment through a variety of training programs, enabling them to maintain consistent employment and fulfill their child support obligations. Helping noncustodial parents to become more financially responsible and involved in their children's lives is a critical component for ensuring the financial stability and emotional well-being of Wisconsin's children and families.

## **B. ENVIRONMENTAL AND COMMERCIAL RESOURCES**

### **AGRICULTURE, TRADE AND CONSUMER PROTECTION**

#### **1. Fish Hatcheries**

*Sections 140 [as it relates to s. 20.115 (2) (k)], 143i, 245n, 557t, 557v, 587e, 587g, 657f, 657h, 657L, 1756d, 1756e, 1756g, 1756h and 1756L*

These provisions create a new annual appropriation for the Department of Agriculture, Trade and Consumer Protection to receive funds from the Department of Natural Resources for activities related to fish hatcheries. The provisions also repeal the authority of the Department of Natural Resources to remove fish from a self-contained fish rearing facility or preexisting fish rearing facility that is an artificial body of water, unless requested by the Department of Agriculture, Trade and Consumer Protection. In addition, the provisions require the Department of Natural Resources to obtain a fish health certificate for its fish hatcheries from the Department of Agriculture, Trade and Consumer Protection, but exempts the Department of Natural Resources from the related fees.

I am vetoing these provisions because they are unnecessary and remove vital enforcement authority to keep aquatic invasive species out of Wisconsin's waters. This provision opens the door to importation or retention of nonnative fish such as the Asian Carp that pose a threat to wild native fish populations. Aquaculture is a growing business that is important to Wisconsin, but in order to protect our native species, we need to ensure that the growth occurs responsibly. Under my Administration, the departments will continue to work together to ensure that all fish raised in the state meet health standards and will not be detrimental to the native populations that play an important role in maintaining biodiversity and providing economic opportunities statewide.

#### **2. Bioindustry Grant Program**

*Section 1751v [as it relates to the total grant awards per fiscal year]*

This provision limits the total amount of funds the Department of Agriculture, Trade and Consumer Protection may award in a fiscal year for grants under the Agricultural Diversification and Development, and Sustainable Agriculture programs.

I am vetoing this provision because I object to the restriction of funding for these important programs. The department is best equipped to determine the appropriate split of funding for projects under these programs and the new Bioindustry Grant Program. I am disappointed that the level of funding for the new program was cut in half, but do not believe that the reduction should limit spending on the existing programs if significant opportunities arise.

## COMMERCE

### 3. **Petroleum Environmental Cleanup Fund Award (PECFA) Program Changes**

#### *Sections 1829p and 9108 (1v)*

Section 1829p reduces the current level of revenue obligation authority to support the payment of claims under the PECFA program from \$436,000,000 to \$386,924,000. Section 9108 (1v) requires the Department of Commerce to include in its 2007-09 biennial budget submission a proposal to phase out the PECFA program.

I am vetoing these sections because it is premature to remove support for claim payments and require phase out of the program. The department is actively monitoring activity in the program and is best equipped to determine when the program has met its goals. In addition, it is unclear how many outstanding claims have not been submitted and of what magnitude those claims are. Sufficient funding must be available for these claims to avoid a significant delay in payments.

### 4. **Increase in Enterprise Development Zones**

#### *Section 2419*

This section authorizes the Department of Commerce to create additional enterprise development zones up to a total of 85 zones.

I am partially vetoing this section because I object to the unreasonable restriction on the number of businesses that could benefit from this program. This partial veto gives the department the authority to create a total of 98 enterprise development zones as opposed to the 85 zones authorized by the Legislature. This reasonable increase in the number of zones will allow the department to continue to provide incentives for businesses to create and retain jobs in Wisconsin.

### 5. **Small Business Requirement for Enterprise Development Zones Program**

#### *Section 2419m*

This section requires that at least 50 percent of businesses in new enterprise development zones be businesses with 100 or fewer employees.

I am vetoing this section because I object to the significant limitation it places on the Department of Commerce's flexibility to determine the best use of the tax credits to maximize the positive impact on the surrounding communities. In addition, tax credit assistance for small businesses is provided by the department through the Community Development Zone program, which is currently active in 22 areas throughout the state. I support small businesses, but the department must have the flexibility to assist businesses and communities of varying sizes with this program.

## **6. Small Business Requirement for the Wisconsin Development Fund**

*Sections 2376j, 2376L, 2376m, 2407L [as it relates to small businesses] and 9308 (1z) [as it relates to ss. 560.275 (8) and (8) and 560.60 (15)]*

These provisions require that at least 50 percent of grants and loans made under the Wisconsin Development Fund be made to businesses that have fewer than 100 employees and annual gross receipts of \$10,000,000 or less.

I am vetoing sections 2376j, 2376L and 2376m and partially vetoing sections 2407L and 9308 (1z) to remove the requirement because it is unnecessary. The Department of Commerce already makes over 50 percent of grants and loans from the Wisconsin Development Fund to small businesses. In order to continue to grow Wisconsin's economy, the department must retain its flexibility to fund deserving businesses that will have a significant impact on local economies throughout the state. The department must also continue to be able to respond to local crises in a timely manner and make our state an attractive place for major economic development projects. Section 9308 (1z) erroneously contains two references to s. 560.275 (8). In order to correct this typographical error, I am striking "(8) and (8)." This may unintentionally affect applicants to the Technology Commercialization Grant and Loan program, and I am requesting that the department work with applicants to minimize any effects of this veto.

## **7. Biomedical Technology Alliance Earmark**

*Section 9108 (3k)*

This section requires the Department of Commerce to make a grant of \$2,500,000 from the Technology Commercialization Grant and Loan program portion of the Wisconsin Development Fund to the University of Wisconsin System Board of Regents for the University of Wisconsin-Milwaukee to establish a Biomedical Technology Alliance in Southeastern Wisconsin.

I am partially vetoing this section to reduce the grant for this purpose by \$2,000,000 in order to allow the department the flexibility to continue to award grants and loans under this program. These funds are available to start-up businesses across the state that are in-between rounds of venture capital financing or are awaiting receipt of federal grant awards.

Adopted with bipartisan support, 2003 Wisconsin Act 255 provided \$2.5 million for technology commercialization grants and loans to start-up businesses. In addition, a portion of these funds support the four entrepreneurial and technology transfer centers that opened last fall. The proposed earmark would have consumed all of these funds.

I am requesting that the department continue to consider this project for additional assistance in the future, and am willing to work with the Legislature to identify appropriate sources of funding for this initiative.

## **8. City of Green Bay Earmark**

*Section 9108 (3m)*

This section requires the Department of Commerce to award an annual grant of \$1,400,000 from the Wisconsin Development Fund to the city of Green Bay for a downtown redevelopment project during the period of fiscal year 2005-06 to fiscal year 2007-08.

I am partially vetoing this section to reduce the amount of the grant because it is excessive. The Wisconsin Development Fund has limited resources with which it attempts to provide assistance throughout the state. This partial veto will provide \$1,400,000 to the city of Green Bay while allowing the department the flexibility to determine the best timing for the grant to ensure that other worthwhile projects are not adversely impacted. In addition, there are several other sources of assistance for which this project may qualify.

## **9. Minority Business Finance Program Earmark**

*Sections 154m, 155r and 9108 (8k)*

These sections require the Department of Commerce to award a grant of \$375,000 in each fiscal year of the biennium to the Bishop's Creek redevelopment project in Milwaukee from the Minority Business Finance Program.

I am vetoing these sections because I object to the limits this earmark placed on the department in its efforts to promote minority business development in Wisconsin. I support minority businesses in the state and feel that all minority businesses should have the chance to compete for funding from this program. This grant would take up two-thirds of the funds available in the biennium under the Minority Business Finance Program, greatly reducing the amount of funding available to other applicants.

In the last biennium, this program made 45 awards to minority businesses. The majority of the dollars awarded were loans that are paid back to the fund over time. The repayments of the loans are then available to make future, new awards to minority businesses. No single award is larger than \$100,000 by statute. A grant of this size from the fund would significantly reduce the amount of future funding available to make awards, unless the Legislature appropriated new funds to the program.

My Administration is supportive of this project and recently awarded a brownfields grant of \$750,000 to remediate land at the proposed site for the redevelopment.

## **10. Community Development Block Grant Earmarks**

*Sections 9108 (5k) and 9108 (6k)*

These sections earmark funding from the Community Development Block Grant program for the village of Wonewoc for a water reservoir and town of Ithaca for a water well.

I am vetoing these sections because they compromise the award selection process and limit the Department of Commerce in its efforts to promote economic development in Wisconsin. The award selection process was designed to meet the strict federal requirements for the Community Development Block Grant program, and earmarks of this kind raise legal questions regarding use of these federal funds.

## **ENVIRONMENTAL IMPROVEMENT PROGRAM**

### **11. Clean Water Fund Bonding**

#### *Section 461*

This section reduces the current level of general obligation bonding authority for the Clean Water Fund Program from \$637,743,200 to \$622,043,200.

I am vetoing this section because I object to the reduction of funding for important projects that assist local communities with improving the quality of Wisconsin's waters.

### **12. Present Value Subsidy Limit**

#### *Section 2159*

This section reduces the Safe Drinking Water Loan Program present value subsidy limit for the 2005-07 biennium from \$12,800,000 to \$10,800,000.

I am partially vetoing this section to restore the present value subsidy limit to \$12,800,000 for the 2005-07 biennium because I object to the restriction on the ability of the program to help communities across Wisconsin ensure safe drinking water for their citizens.

## **LAND USE**

### **13. Comprehensive Planning and Land Information Aids**

*Sections 1c, 90t, 90u, 92 [as it relates to s. 16.967 (5) and the grants appropriation under s. 20.505 (1) (ij)], 140 [as it relates to s. 20.505 (1) (ie), (ig) and (ij)], 278 [as it relates to the transfer to s. 20.505 (1) (z)], 388h, 388n, 389, 389m, 390, 391, 400m, 695g, 1235z, 1238m, 1238n, 1242q, 1250e, 1250f, 1250g, 1250m, 1254m, 2118r and 9201 (1q)*

These provisions repeal the current law comprehensive planning requirements and grant program. In addition, these provisions require that \$2,000,000 annually of fee revenue from the state's portion of the deed recording fee be deposited in the general fund, with the remainder being credited to the appropriations under s. 20.505 (1) (ie) and (ij). Lastly, the provisions require a lapse to the general fund of \$464,100 on June 30, 2006, and \$420,300 on June 30, 2007, from the appropriation under s. 20.505 (1) (ij).

I am vetoing sections 1c, 90t, 90u, 388h, 388n, 389m, 400m, 695g, 1235z, 1238m, 1238n, 1242q, 1250e, 1250f, 1250g, 1250m, 1254m, 2118r and 9201 (1q) and partially vetoing sections 92 [as it relates to s. 16.967 (5) and the grants appropriation under s. 20.505 (1) (ij)], 140 [as it relates to s. 20.505 (1) (ie), (ig) and (ij)], 278 [as it relates to the transfer to s. 20.505 (1) (z)], 389, 390 and 391 to restore the comprehensive planning requirement, grant program and funding because I object to the elimination of this vital program. The effect of the veto of section 389m and partial veto of sections 92, 140, 389, 390 and 391 is to deposit all deed recording fee revenue received by the state into a continuing appropriation, which allows the Department of Administration to allot available revenues to fund grants under the restored comprehensive planning grant program.

Communities and a wide range of interest groups throughout the state support a consistent approach to planning for growth, economic development, agriculture, preservation of cultural and natural resources, recreation, and transportation because they recognize the benefits provided by such an approach. The comprehensive planning law allows communities to determine how they want to grow while ensuring the protection of Wisconsin's precious natural resources. To date, 743 communities have used this program to ensure that investors, entrepreneurs and developers know where they can locate development, and local governments are able to prepare for the expansion of services. This knowledge and ability to prepare has a significant positive impact on the effective use of limited taxpayer resources. Unplanned growth leads to uncontrolled local service costs, which results in increased property tax bills for citizens and businesses.

#### **14. Land Information Modernization Grants**

*Section 92 [as it relates to limitations on grants to counties]*

This provision prohibits the Department of Administration from providing an equalization grant to a county that has retained deed recording fee revenue exceeding \$45,000 in any year and limits the amount of equalization grants to eligible counties to the difference between \$45,000 and the amount of revenue retained by the county.

I am partially vetoing this section to remove the limitation because I object to the restrictions the provision places on the department's ability to support county efforts to modernize land information and make it accessible to the public.

### **NATURAL RESOURCES**

#### **15. Recycling Tipping Fee and Business Surcharge**

*Sections 1686m, 1686n, 2198x, 9235 (1), 9335 (3q), 9341 (18w) and 9435 (5q)*

These sections decrease the recycling tipping fee for waste disposed of in Wisconsin landfills beginning January 2007 from \$3 per ton to \$2.25 per ton. Also, beginning with tax year 2007, the recycling surcharge is reduced from three percent to two percent of gross liability for corporations and from 0.2 percent to 0.133 percent of net income for

tax-option corporations. Section 9235 (1) transfers from the recycling fund to the general fund a total of \$25,784,200 during the 2005-07 biennium.

I am vetoing sections 1686m, 1686n, 2198x, 9335 (3q), 9341 (18w) and 9435 (5q) to maintain current law because I object to the potential long-term negative impact this reduction could have on the funding of important recycling programs including financial assistance for responsible units and recycling efficiency incentive grants. Lowering the tipping fee would only encourage additional importation of waste from neighboring states as it will be less expensive to ship out-of-state waste to Wisconsin rather than to other Midwestern states.

By partially vetoing section 9235 (1), I am increasing the total transfer from the recycling fund to the general fund during the 2005-07 biennium to \$28,942,100 because it is necessary to use all of the resources of the state to ensure the general fund has sufficient revenues to support vital programs, including property tax relief, education, health care and economic development. The partial veto will result in no effective date being specified for the transfer. Under s. 16.52 (12), because no date is specified for when the transfer is to be made, the Department of Administration shall determine a date on which the transfer shall be made or provide for partial transfers to be made on different dates. It is my intent that \$17,942,100 be transferred in fiscal year 2005-06 and \$11,000,000 be transferred in fiscal year 2006-07. Based on projected revenues, sufficient resources will remain in the recycling fund to meet program needs. It is important to note that this is only a one-time transfer and additional revenues will be available in future biennia for enhancing Wisconsin's highly successful recycling program.

## **16. Business Waste Reduction and Recycling Assistance**

### *Section 2198*

This section prohibits the Department of Natural Resources from providing more than \$250,000 annually to an individual nonprofit organization under contract to assist businesses to reduce the amount of solid waste generated or to reuse or recycle solid waste. Further, funds may not exceed 50 percent of the cost of services provided. Lastly, the contract entered into under the provision must include goals and objectives of the services provided, methods to measure progress, and a schedule for reporting to the department.

I am partially vetoing this section because I object to its limitation on the department's ability to effectively pursue contracts and to the disincentive this provision will have on private businesses to reduce their waste and promote recycling. Contracting for these services will increase the recycling of construction materials and demolition debris, reduce the amount of food waste going to Wisconsin landfills, and promote safe disposal and reuse of obsolete computers.

**17. Air Permits**

*Section 2196i*

This section allows an owner or operator of a facility to pay the Department of Natural Resources a fee of \$7,500 for a year if the entire facility is required to have a state air emissions permit, is not covered by a general or registration air emissions permit, and has not previously paid the fee. The owner or operator would pay emission tonnage fees in all other years. The section also requires an owner or operator of a facility, for 2006 only, to pay a fee of \$300 if the entire facility is required to have a state air emissions permit, is not a synthetic minor source, and was not covered by a general or registration permit in 2005.

I am partially vetoing this section to eliminate the requirement of the \$300 fee in 2006. I object to this requirement because it is unnecessary and arbitrary. All facilities that do not have general or registration permits should be treated equally and have the choice of continuing to pay emission tonnage fees, rather than singling out certain operators with a mandated \$300 fee.

**18. Passive Review of Obligations Under the Stewardship 2000 Program**

*Sections 491g and 491k*

These sections establish Joint Committee on Finance review of land acquisition and property development activities under the Warren Knowles-Gaylord Nelson Stewardship 2000 Program and require that such activities in excess of \$300,000 be subject to the Committee's 14-day passive review process. If the Committee does not hold a meeting to review the proposal within 75 days, the Department of Natural Resources may proceed with the transaction.

I am vetoing these sections because I object to legislative intrusion in this area. The proposed review is unnecessary and would result in considerable delay and wasted taxpayer resources. In the past, the Committee used a similar passive review process to entangle time sensitive land acquisitions with partisan legislative politics, endanger critical land purchases, and jeopardize matching funds from private conservation organizations, local governments and federal grants. There are sufficient review mechanisms in the budget process and policy oversight of the Natural Resources Board to ensure that Stewardship 2000 Program dollars are used effectively and efficiently.

**19. Town Board Approval of Purchases Under the Stewardship 2000 Program**

*Section 491n*

This section prohibits the Department of Natural Resources from acquiring land under the Warren Knowles-Gaylord Nelson Stewardship 2000 Program in a township in which 35 percent or more of the land is under public ownership unless the town board approves the acquisition. A majority vote by the town board is required to approve each purchase, and the town is required to post notices of the possible acquisition.

I am vetoing this section because I object to infringement on the rights of individual property holders to sell their land to any willing buyer, including the department.

## **20. Calculation of Aids-in-Lieu of Property Taxes**

*Sections 1260m and 1260n*

These sections establish a new formula to calculate annual payments of aids-in-lieu of property taxes for properties acquired by the Department of Natural Resources after the effective date of the budget bill. For such properties, estimated value will be based on the purchase price or the equalized value of the property prior to purchase by the department, whichever is lower. For property that is tax exempt at the time of purchase, these sections require the last recorded equalized value to be used or a payment of \$1 per acre to be made, whichever is greater.

I am vetoing these sections because they will result in lower payments to local communities in lieu of property taxes. I object to the property tax increases on individuals and the negative fiscal impact on local governments arising from a reduction in the amount paid for future aids-in-lieu of property taxes. A key component of the Warren Knowles-Gaylord Nelson Stewardship 2000 Program is the payment of aids-in-lieu of property taxes, which is critical to ensure that communities are not adversely impacted by the removal of land from the local tax base. By maintaining current law, the department will continue to pay aids-in-lieu of property taxes on land it acquires based on the purchase price of the property, which is adjusted annually to reflect changes in the equalized valuation of all land, excluding improvements, in the taxation district.

## **21. Public Access and Managed Forest Law**

*Sections 140 [as it relates to s. 20.370 (5) (br)], 246t and 490m*

These sections provide \$1,213,000 SEG in fiscal year 2005-06 and \$1,113,000 SEG in fiscal year 2006-07 and subsequent fiscal years for payments to local units of government whose taxation district contains land enrolled as closed acreage under the Managed Forest Law program. The Department of Natural Resources is required to distribute the funding proportionally based on the number of closed acres located in each municipality. Each municipality is then required to pay its county treasurer 20 percent of the amount received.

I am vetoing sections 246t and 490m and partially vetoing section 140 [as it relates to s. 20.370 (5) (br)] because they do not directly ensure that Wisconsin's citizens have sufficient access to land for recreation, in particular, hunting. My budget recommendations included a mechanism to address this concern, but it was removed by the Joint Committee on Finance. By lining out the department's appropriation under s. 20.370 (5) (br) and writing in a smaller amount that deletes the increase of \$1,213,000 SEG in fiscal year 2005-06 and \$1,113,000 SEG in fiscal year 2006-07 provided for this purpose, I am vetoing the part of the bill which funds this provision. Furthermore, I am requesting the Department of Administration secretary not to allot these funds.

The effect of this veto is to eliminate the changes in the distribution of closed acreage fee revenue. Because I support assisting municipalities and counties to offset the local revenue impact of the Managed Forest Law program, I am directing that the department pursue separate legislation that reflects my original budget recommendation of a grant program administered by representatives of local governments.

## **22. Expenditures from Forestry Revenues**

*Sections 140 [as it relates to s. 20.370 (5) (ax) and (az)], 221m, 246g, 246m, 246p, 541b [as it relates to s. 26.385 (2)], 541h, 541j, 557m and 9435 (7k)*

This provision creates a continuing appropriation for revenues received from the sale of timber harvested from land under the management or control of the Department of Natural Resources' Division of Forestry that exceed \$3,770,000 SEG in each fiscal year. Based on fund availability and by order of priority, the department is required to provide an additional \$400,000 SEG annually in private forest grants to owners of 500 acres or less of nonindustrial private forest land; \$500,000 SEG in fiscal year 2006-07 and \$3,500,000 SEG in fiscal year 2007-08 to fund a biomass grant program within the department; \$250,000 SEG annually to support a forestry education grant program within the department; \$446,000 SEG annually to provide funding to school districts to transport students to and from school forests; \$100,000 SEG annually to the Wisconsin Technical College System for a master logger apprenticeship grant program; and \$100,000 SEG annually for forestry internships for University of Wisconsin System students who are enrolled in a course of study that would result in a bachelor's or higher degree in forestry.

I am partially vetoing this provision because I object to the limitation on the department's flexibility to determine how best to use limited resources. The effect of the veto is to eliminate the provision's prioritization and enumerated amounts related to the above programs. When the Joint Committee on Finance passed this amendment, the Committee members were aware that the funding for these items was uncertain, and their own estimate of revenues was insufficient to meet the proposed funding levels.

Furthermore, I disagree with the use of timber sale revenues for the initiatives in this section of the bill. However, the initiatives have merit and, therefore, I am allowing them to remain. This veto allows the department to continue to manage its forested lands using sustainable methods and best management practices. This is consistent with funding forestry programs through the use of all revenues to the account, not just one of them. Linking projects to timber sale revenues creates at least a perception that timber might be harvested specifically to fund projects rather than to accomplish objectives outlined in property master plans.

The partial veto eliminates the continuing appropriation under s. 20.370 (5) (az) and permits the department to provide funding from any revenue source within the forestry account of the conservation fund for these purposes from the annual appropriation under s. 20.370 (5) (ax). To provide funding for the above programs, I am requesting that the department pursue an increase in its expenditure authority via a request under s. 13.10 or as part of its 2007-09 biennial budget request as additional revenues become available.

This partial veto retains sufficient funding in the appropriation under s. 20.370 (5) (ax) to provide \$50,000 SEG in fiscal year 2005-06 and \$150,000 SEG in fiscal year 2006-07 for scholarships related to master logger certification; \$100,000 SEG one-time in fiscal year 2006-07 for the development and operation of the Paper Discovery Center in Appleton; and \$150,000 SEG in fiscal year 2005-06 and \$50,000 SEG one-time in fiscal year 2006-07 to initiate a program to train technical college students to use mechanized timber harvest equipment.

### **23. State Park Admission Fees for Senior Citizens**

*Sections 546m and 9435 (7f) [as it relates to s. 27.01 (7) (gm) 3.]*

This provision increases the total fee for a resident senior citizen annual park sticker to \$12.50.

I am vetoing section 546m and partially vetoing section 9435 (7f) [as it relates to s. 27.01 (7) (gm) 3.] because I object to the financial burden this fee increase would place on Wisconsin's senior residents as they pursue outdoor recreational opportunities. I also object to the negative financial impact such a fee would have on the businesses that comprise the state's tourism industry and the damage it would do to Wisconsin's image as a premier destination for outdoor recreation.

### **24. Ice Shanty Permit for Nonresidents**

*Sections 587d, 587dm, 594g, 646d, 646g and 9435 (7d)*

These sections create a \$20 seven-day nonresident and \$34 annual nonresident ice shanty placement permit. Revenues from the permit would be deposited to the fish and wildlife account of the conservation fund. Any ice fishing shanty without the required permit may be declared a public nuisance and removed or destroyed by the Department of Natural Resources after the owner has been given a ten-day notice.

I am vetoing these sections because they create a disincentive for visitors to travel to Wisconsin to pursue one of the state's traditional recreational opportunities. I object to the negative financial impact such a fee would have on the businesses that comprise the state's tourism industry and the damage it would do to Wisconsin's welcoming image as a premier destination for outdoor recreation.

### **25. Chief Warden Authority**

*Section 491p*

This section directs the Department of Natural Resources to designate a conservation warden as the chief warden and specifies that the chief warden has the duty to direct, supervise and control conservation wardens in the performance of their duties. The department may also designate one or more deputy chief wardens.

I am vetoing this section because I object to the limitation on the department's flexibility to determine how to effectively administer its law enforcement program to ensure protection of Wisconsin's important natural resources. However, I am aware of the concerns that have been raised and am requesting that the department consider reviewing its law enforcement reporting structure and to ensure consistency in warden actions throughout the state.

## **26. Appropriation for Safety Education Courses**

*Sections 140 [as it relates to s. 20.370 (3) (at)] and 236*

This provision converts the Department of Natural Resources' appropriation for safety education courses from continuing to annual and expands the purposes of the appropriation to include programs or courses of instruction under s. 29.591 (3).

I am partially vetoing these sections to maintain this appropriation as continuing because I object to the limitation on the department's ability to effectively administer its hunter safety and recreational vehicle safety programs. By retaining the statutory reference to all monies remitted, I am converting this appropriation from annual to continuing. Annually, more than 50,000 people enroll in courses sponsored by the department that reduce hunting-related injuries and accidents, and promote the safe and responsible use of all-terrain vehicles, boats and snowmobiles.

## **27. Snowmobile Account Adjustments**

*Sections 9235 (3s) and 9235 (3t)*

These sections lapse \$500,000 from the snowmobile trail aids appropriation that is funded by the fuel tax transfer and \$300,000 from the supplemental snowmobile trail aids appropriation that is funded by revenues from the nonresident trail sticker.

I am vetoing these sections because I object to undermining the commitments previously made to the recipients of these aids. The Department of Natural Resources has the authority to manage expenditures from all appropriations funded by snowmobile revenues to ensure that the account maintains a positive balance.

## **28. Cladophora Algae Study**

*Sections 245m and 9135 (2e)*

These sections require the Department of Natural Resources to make a grant of \$25,000 during the 2005-07 fiscal biennium to Manitowoc County for a study of Cladophora algae in Lake Michigan at Hika Bay. The study may include monitoring of Fischer and Point creeks.

I am vetoing these sections because I object to the infringement on executive branch authority. While I support improving and protecting the waters of the state, the department is in the best position to determine statewide research and water quality

management priorities and needs. By vetoing this earmark, the department will be able to evaluate this project and the grant request on their merits.

## **29. Marsh Restoration**

### *Section 9135 (5c)*

This section requires the Department of Natural Resources to identify ten state-owned wildlife wetland areas that are critical to waterfowl breeding production, staging and hunting. In addition, by August 30, 2006, the department is required to prepare and submit a baseline assessment of the identified areas to the appropriate standing committees of the Legislature. Finally, the department is required to develop restoration goals based on the findings and include a proposal to contract with nongovernmental agencies to meet those goals in the department's 2007-09 biennial budget submission.

I am vetoing this section because it is unnecessary and I object to the infringement on executive branch authority. While I support improving and protecting lands and waters, the department has the expertise to determine the priorities for conservation of natural resources in the state. In addition, the department would need to devote a large amount of staff time to comply with these requirements, and no additional support was provided.

## **30. Water Resources Account Lapses**

### *Sections 9235 (4w), 9235 (4x), 9235 (4y) and 9235 (4z)*

These sections lapse funds from certain appropriations to the conservation fund for the exercise of the Department of Natural Resources' responsibilities related to water resources. The appropriations affected by these sections provide funding for lake management and invasive species control grants, recreational boating aids, boating access, and Mississippi and St. Croix rivers management.

I am vetoing these sections because the selection of the amounts and appropriations was arbitrary. The lapse of these funds will not result in a positive balance in the water resources account of the conservation fund, and the department will be required to adjust expenditures from all appropriations funded from this account to avoid a cash deficit in the account. By vetoing these lapses, the department will be able to consider all projects funded by the water resources account on their merits.

## **31. Water Regulation and Zoning Fees**

### *Sections 140 [as it relates to s. 20.370 (4) (bi)] and 241m*

These provisions convert the water regulation and zoning fees appropriation from continuing to annual.

I am vetoing these provisions because I object to the infringement on executive branch authority. The Department of Natural Resources must be able to access these revenues

to meet landowner demands to issue permits and exemption determinations in a timely manner.

### **32. Division Administrators**

#### *Section 2107d*

This section reduces the number of unclassified division administrators in the Department of Natural Resources from seven to six.

I am vetoing this section because I object to the limitation on the department's ability to effectively administer and organize its programs.

## **BOARD OF COMMISSIONERS OF PUBLIC LANDS**

### **33. Sale of Board of Commissioners of Public Lands Holdings**

*Sections 140 [as it relates to s. 20.370 (7) (ah)], 252, 252c, 429v, 491b, 491e, 491f, 491fg, 491fr, 491i, 491k [as it relates to s. 23.0917 (6m) (e)], 491m, 491n [as it relates to s. 24.59 (1)], 491s, 508c, 508f, 508i, 508L, 508p, 508q, 509s, 509sg, 509sm, 509sr, 509t, 509u, 509um, 509v, 511m and 9135 (5q)*

These provisions repeal the statutory authority of the Board of Commissioners of Public Lands to withhold its lands from sale when it determines that selling them would not be advantageous. Further, the Board of Commissioners of Public Lands is required to sell all of its lands to the Department of Natural Resources at appraised value. The department is required to use bonding authority under the Warren Knowles-Gaylord Nelson Stewardship 2000 Program to purchase the lands. The department may acquire the lands without approval from relevant county boards or the Governor. The Board of Commissioners of Public Lands is prohibited from exchanging land or taking action that would impede or prohibit the sale of its lands to the department. Proceeds from the subsequent sale by the department of any lands acquired under this provision shall supplant GPR debt service payments related to the Stewardship 2000 Program. Lastly, the department is required to submit a report and a plan by February 2006 to the Governor and Joint Committee on Finance.

I am vetoing this provision to maintain current law because I object to the use of limited Stewardship 2000 Program resources to purchase land that the state already owns and manages. The Stewardship 2000 Program was designed to conserve and protect from development Wisconsin's last pristine natural areas. However, under this provision all of the available dollars would be used by one state agency to buy land from another state agency without protecting one additional acre of critical habitat or land for outdoor recreation.

In addition, I object to the infringement on the Board of Commissioners of Public Lands' authority and constitutional duty to manage the assets of the normal school and common school funds. The Board of Commissioners of Public Lands is an independent and constitutionally established entity that bears the fiduciary responsibility to manage its trust funds including the constitutional authority to withhold land from sale.

## STATE FAIR PARK BOARD

### 34. Expenditure Plan

#### *Section 9144 (1f)*

This section requires the Department of Administration and State Fair Park Board to submit a plan to the Joint Committee on Finance, under a 14-day passive review procedure, for any expenditures that would exceed \$12,950,600 in fiscal year 2006-07. The plan must be submitted by the date set by the co-chairs for submission of requests for the Committee's second quarterly meeting of calendar year 2006.

I am vetoing this section because I object to the infringement on executive branch authority to manage programs and because it is unnecessary. The board must have flexibility to operate the State Fair and other nonfair events. While I am also concerned with the status of the board's finances, the board and its staff have taken several measures to address factors that are not under the board's control and to better manage the operations that the board does control.

## TRANSPORTATION

### 35. Transportation Infrastructure and Fund Transfer

*Sections 140 [as it relates to ss. 20.395 (3) (bq) and (cr), 20.855 (4) (v) and 20.865 (4) (u)], 456g, 456r, 533g, 533r, 537d, 537e, 1719g, 1719h, 1719i, 1727, 1727g, 9148 (4f), 9148 (4w), 9148 (5f), 9148 (5g) and 9448 (4m)*

These sections make the following changes to the Department of Transportation's highway and passenger rail programs, transportation earmarks, and fund transfers:

- Increase total funding available for the Major Highway Development program and Southeast Wisconsin Freeway Rehabilitation program;
- Place a variety of conditions and requirements on the use of bonding and distribution of funds to projects under the Southeast Wisconsin Freeway Rehabilitation program;
- Place funding for a portion of passenger rail operations in the Joint Committee on Finance's supplemental appropriation and specify procedures to access the funding;
- Require the department to award grants to the village of Oregon and Chippewa County; and
- Create an appropriation to transfer monies from the transportation fund to the Medical Assistance trust fund.

My budget provided for significant increases in highway and other transportation funding including a 13.6 percent increase for the Major Highway Development program, 8.6 percent increase for state highway rehabilitation, and 36 percent increase in elderly and disabled transportation aid. For the most part, the Legislature concurred with those

increases. The following changes will retain the robust increases provided for highways and other transportation programs, while allowing additional revenues to be transferred to the general fund for school aids and property tax relief.

Section 140 [as it relates to s. 20.395 (3) (bq)] provides SEG funding for the Major Highway Development program and sections 140 [as it relates to s. 20.395 (3) (cr)], 1719g, 1719h, 1719i, 1727, 1727g and 9148 (4f) provide SEG funding for the Southeast Wisconsin Freeway Rehabilitation program and place restrictions on the use of bonding for the Marquette Interchange. I object to the excessive use of SEG funding for the long-term capital projects carried out under these programs and the infringement on executive branch authority to manage programs.

By lining out the department's s. 20.395 (3) (bq) and (cr) appropriations and writing in smaller amounts, I am vetoing these appropriations to reflect my intent to reduce the SEG revenue support for these highway programs. Through this partial veto I am deleting \$28,400,700 SEG in fiscal year 2005-06 and \$23,403,000 SEG in fiscal year 2006-07 for the Major Highway Development program, and \$66,243,000 SEG in fiscal year 2006-07 for the Southeast Wisconsin Freeway Rehabilitation program. I am also requesting the Department of Administration secretary not to allot these funds.

By vetoing sections 1719g, 1719h, 1719i and 1727g and partially vetoing sections 1727 and 9148 (4f), I am removing the provisions requiring maximum use of cash funding for the Marquette Interchange and limiting the maturity of any bonds issued to one or two years. I object to the excessive use of cash to fund this project because the Marquette Interchange is a long-term capital asset that is projected to last at least 50 years. In addition, to ensure that it is completed on time and in the most efficient manner, the department needs maximum flexibility to manage the funding of this project. I propose to utilize the \$213,100,000 in bonding that is authorized in the bill to partially fund the project. Long-term capital assets should be financed over a longer period of time in order to allocate costs to future users of the project. Prudent financial management dictates that at least a portion of the project should be bond financed.

Both the Major Highway Development and Southeast Wisconsin Freeway Rehabilitation programs will have sufficient bonding authority during the biennium to complete their scheduled projects. Existing carryover bonding authority will be used to maintain the same level of funding for the Major Highway Development program that was proposed in my budget and concurred in by the Legislature. In addition, the bonding percentage for the Major Highway Development program would decrease from 57 percent in fiscal year 2004-05 to 49 percent in fiscal year 2006-07, and only 36 percent of the Marquette Interchange will be funded with bond proceeds.

Section 140 [as it relates to s. 20.395 (3) (cr)] also provides increased SEG funding of \$38,000,000 for preliminary engineering work on the Milwaukee Zoo Interchange/Highway 45 North reconstruction project. I object to the large amount of funding earmarked for this project in the next biennium. My budget included a significant increase to this appropriation to address not only rehabilitation projects in Southeast Wisconsin other than the Marquette Interchange, but also to fund preliminary engineering work on the next phase of Southeast Wisconsin freeway reconstruction, the I-94 South corridor. By lining out the department's s. 20.395 (3) (cr) appropriation and writing in a smaller amount that deletes \$35,000,000 SEG in fiscal year 2005-06, I am partially vetoing the part of the bill which funds this provision. Furthermore, I am

requesting the Department of Administration secretary not to allot these funds. Funding of \$3,000,000 would remain to begin the preliminary engineering for the Milwaukee Zoo Interchange project by the end of the biennium. With reconstruction of the I-94 South corridor set to begin in 2009, reconstruction work on the Milwaukee Zoo Interchange project will not likely begin until 2016 at the earliest. The remaining \$3,000,000 will more than cover the costs of the preliminary study work needed at this time.

Sections 140 [as it relates to s. 20.865 (4) (u)] and 9148 (4w) place funding for passenger rail service operation in the Joint Committee on Finance's supplemental appropriation and specifically outline the process that the department is required to follow in order to access the funding. By lining out the Committee's s. 20.865 (4) (u) appropriation and writing in \$0, I am deleting the \$572,700 SEG in fiscal year 2005-06 and \$629,900 SEG in fiscal year 2006-07 that fund this provision. Furthermore, I am requesting the Department of Administration secretary not to allot these funds. I am partially vetoing this provision because I object to the Committee placing base program funding in its appropriation for release. The department, at my direction, has identified the funding necessary to keep this vital service operating.

Sections 9148 (5f) and (5g) require the department to award grants to the village of Oregon for streetscaping and Chippewa County for the construction of a pedestrian crossing and handicap accessible ramp related to the Ray's Beach revitalization project on Lake Wissota. I am partially vetoing these sections to eliminate these earmarks because I object to the infringement on executive branch authority to manage programs.

Sections 140 [as it relates to s. 20.855 (4) (v)], 456g, 456r, 533g, 533r, 537d, 537e and 9448 (4m) create a mechanism to transfer \$268,058,100 SEG in fiscal year 2005-06 from the transportation fund to the Medical Assistance trust fund. I am vetoing these sections and partially vetoing sections 9148 (4f), 9148 (4w), 9148 (5f) and 9148 (5g) to delete the transfer to the Medical Assistance trust fund and, instead, accomplish a transfer of \$427,000,000 from the transportation fund to the general fund in the 2005-07 biennium because I object to the restricted nature of the transfer to the Medical Assistance trust fund. This veto ensures sufficient funding is available to meet the needs of those receiving Medical Assistance. It also transfers funding to meet the top priorities of adequate funding for schools and protecting property taxpayers. It is my intent that the transfer be comprised of \$338,449,000 in fiscal year 2005-06 and \$88,551,000 in fiscal year 2006-07. I am requesting the department to make the transfer in this manner.

The citizens of this state demand a quality educational experience for our children, sufficient Medical Assistance for those in need, and continued economic growth to provide jobs and further investment in this state. Transportation benefits all citizens, our businesses and the visitors to our state, and I have made sure that this budget provides generous funding increases to maintain our quality highway and local road system.

### **36. Local Roads Improvement Program**

*Sections 140 [as it relates to s. 20.395 (2) (ft)], 1719L, 1719r, 1741b, 1741d, 1741e, 1741g, 1741h, 1741p, 1741q, 1741s, 1741u, 1741v, 1741x and 1741y*

These sections make changes to the discretionary grant portion of the Local Roads Improvement Program. Additional funding of \$5,000,000 SEG is provided annually. The changes are as follows:

- Reduce the local match from 50 percent to 45 percent;
- Allow the Department of Transportation to allocate up to 20 percent of the county funds to projects that have a total cost between \$150,000 and \$250,000 in counties that have a total equalized value that falls in the lowest 20 percent of all counties;
- Specify that all improvements under the discretionary grant portion of the program shall be under contracts and that all contracts must be awarded on a competitive basis to the lowest responsible bidder;
- Define the term "improvement" for the discretionary grant portion of the program to mean a single highway construction project that may be let to contract in one or more components, with a projected life of at least ten years and that meets the minimum cost thresholds for the applicable recipient; and
- Delete a provision that requires the department to make a grant of \$2,500,000 to the city of Milwaukee for the reconstruction of West Canal Street (this grant does not apply after December 31, 2005).

I am partially vetoing section 140 [as it relates to s. 20.395 (2) (ft)] to remove the \$5,000,000 SEG annual increase in funding for the program because it is excessive. The budget that I submitted to the Legislature already increased funding for the Local Roads Improvement Program by two percent annually. By lining out the department's s. 20.395 (2) (ft) appropriation and writing in a smaller amount that deletes \$5,000,000 SEG in each fiscal year, I am vetoing the part of the bill which funds this provision. Furthermore, I am requesting the Department of Administration secretary not to allot these funds.

I am also vetoing sections 1719L, 1719r, 1741b, 1741d, 1741e, 1741g, 1741h, 1741u, 1741v, 1741x and 1741y and partially vetoing sections 1741p, 1741q and 1741s to eliminate the restructuring of the discretionary part of the program. I object to these changes because they are unneeded. The Local Roads Improvement Program is already an excellent program. The proposed changes would not improve the program, but merely set separate standards for the entitlement and discretionary portions of the program.

### **37. Highway Engineering Positions**

*Sections 140 [as it relates to s. 20.395 (3) (cq)] and 9148 (7f)*

Section 140 [as it relates to s. 20.395 (3) (cq)] provides an additional \$551,500 SEG and 10.0 FTE SEG positions in fiscal year 2005-06 and \$1,371,800 SEG and 19.0 FTE SEG positions in fiscal year 2006-07 for additional highway engineering positions. Although there is no language authorizing this position increase, the purpose of the funding and positions was included in a Joint Committee on Finance amendment to the bill. Section 9148 (7f) specifies that the Department of Transportation may submit a request under s. 13.10 of the statutes to convert up to 6.0 FTE engineering positions in fiscal year 2006-07 to other position types that support the department's highway delivery functions.

I am partially vetoing section 140 [as it relates to s. 20.395 (3) (cq)] to remove the additional expenditure authority and highway engineering positions because the budget that I submitted already included an additional 10.0 FTE SEG engineering positions and related expenditure authority in fiscal year 2006-07. By lining out the department's s. 20.395 (3) (cq) appropriation and writing in a smaller amount that deletes the \$551,500 SEG increase provided in fiscal year 2005-06 and the \$1,371,800 SEG increase in fiscal year 2006-07, I am vetoing the part of the bill which funds the additional positions. Furthermore, I am requesting the Department of Administration secretary not to allot these funds or authorize the additional position authority.

I am also vetoing section 9148 (7f) because it is unnecessary. An administrative process already exists that allows for the conversion of positions to different classifications without legislative approval.

### **38. Expressway Policing Aids**

*Section 140 [as it relates to s. 20.395 (1) (gq)]*

Section 140 [as it relates to s. 20.395 (1) (gq)] provides an additional \$250,000 SEG in each fiscal year for expressway policing aid to Milwaukee County.

I am partially vetoing this section because it excessively increases funding for expressway policing aids by 24 percent over the biennium. By lining out the Department of Transportation's s. 20.395 (1) (gq) appropriation and writing in a smaller amount that deletes \$200,000 SEG in each fiscal year, I am partially vetoing the part of the bill which funds this provision. Furthermore, I am requesting the Department of Administration secretary not to allot these funds. The remaining \$50,000 SEG in each fiscal year will still provide a 4.8 percent increase over the biennium, which is comparable to increases provided for general transportation and transit aids. In addition, I am requesting the Department of Transportation secretary to work with the Milwaukee County sheriff to secure a report on the use of the \$1,090,800 provided annually in expressway policing aids and to ensure that the monies are used to maximize highway safety.

**39. License Plate Rebasing**

*Section 140 [as it relates to s. 20.395 (5) (cq)]*

Section 140 [as it relates to s. 20.395 (5) (cq)] provides an additional \$666,000 SEG in each fiscal year for license plate rebasing.

I object to this increase because it is unneeded at this time. The Department of Transportation can utilize base funding to continue the rebasing of license plates. Under provisions included in the biennial budget, the rebasing must be completed by June 30, 2010. If the department determines that it does not have sufficient funding to complete the rebasing by the specified date, the department can request funding in the next biennial budget or request that the statutory replacement schedule be eliminated or extended. By lining out the department's s. 20.395 (5) (cq) appropriation and writing in a smaller amount that deletes the \$666,000 SEG in each fiscal year, I am vetoing the part of the bill which funds this provision. Furthermore, I am requesting the Department of Administration secretary not to allot these funds.

**40. Gold Star License Plate**

*Section 2246n*

This section requires the Department of Transportation to consult with the Brian LaViolette Scholarship Foundation, Inc., in designing the Gold Star license plate for families who have had an immediate family member die in combat while serving in the U.S. Armed Forces. This section also prohibits the department from specifying a design for this license plate unless the design is approved in writing by the Department of Veteran Affairs and by the Brian LaViolette Scholarship Foundation, Inc.

I am partially vetoing this section to remove the requirement that the design must be approved in writing by the Brian LaViolette Scholarship Foundation, Inc. I object to this requirement because I feel that the Department of Veteran Affairs is the appropriate entity to provide final written approval on the design of this plate. The Department of Veterans Affairs represents veterans throughout the state and is in the best position to ensure that those who lose their lives in action are appropriately honored.

**41. Regional Transit Authority Membership**

*Section 1235e*

This section designates the membership of the new regional transit authority in Kenosha, Milwaukee and Racine counties. Membership will consist of a total of seven members of which three members, one from each county in the region, would be appointed by the county executive of each county and approved by the county board; three members, one from the most populous city in each region, would be appointed by the mayor of each city and approved by the common council; and one member from the most populous city in the region, would be nominated by the Governor and appointed with the advice and consent of the Senate.

I am partially vetoing this section to remove the requirement that the Governor's nominee be subject to Senate confirmation. I object to this requirement because it would cause an unnecessary delay in formalizing the appointment of this position.

#### **42. Freight Rail Preservation Program**

*Section 9148 (2q)*

This section requires the Department of Transportation to allocate \$5,000,000 annually for rail rehabilitation projects and \$1,000,000 annually for rail bridge projects in the 2005-07 biennium from bonding provided in the Freight Rail Preservation Program.

I am vetoing this section because I object to this infringement on executive branch authority to manage programs. While I support the additional bonding authority provided for the Freight Rail Preservation Program, I feel the department should have maximum flexibility to be able to allocate funding for rail rehabilitation projects, rail bridge projects and rail acquisitions.

#### **43. Harbor Assistance Program**

*Section 9148 (2) (c)*

This section requires the Department of Transportation to award a harbor assistance grant for the construction of a dockwall in the city of Marinette at the Waupaca Foundry.

I am vetoing this section because I object to the use of harbor assistance funds for a project that has not been subject to department review and that is likely ineligible under the requirements of the harbor assistance program.

#### **44. Eisner Avenue**

*Section 9148 (6n)*

This section requires the Department of Transportation to award a grant of \$500,000 from the Local Roads Improvement Program in the 2005-07 biennium to the city of Sheboygan for the rehabilitation of Eisner Avenue in Sheboygan County if the city of Sheboygan and town of Sheboygan reach an agreement on the payment of the local match for the project.

I am vetoing this section because I object to the circumvention of the normal approval process for the Local Roads Improvement Program. A selected group of local government officials currently evaluates the need for these projects. It would be unfair to other local units of government if this project consumed funding that could have been utilized for local road projects that were approved through the established process.

**45. Safety Study**

*Section 9148 (3t)*

This section requires the Department of Transportation to conduct an engineering study in the 2005-07 biennium of the segment of STH 58 in Sauk County between the Sauk County and Richland County line and CTH G. The department is required to make any recommended safety improvements.

I am vetoing this section because I object to this infringement on executive branch authority to manage programs. As part of managing the highway program, the department monitors pavement quality and performs engineering studies to determine safety improvements. This section limits the department's ability to devote resources to areas with the greatest need.

**46. Sugar River State Trail Underpass**

*Section 9148 (3s)*

This section requires the Department of Transportation to incorporate an underpass for the Sugar River State Trail at the intersection of the trail with STH 69 in the village of New Glarus in Green County when the department rehabilitates that segment of highway in the 2005-07 biennium. If the village agrees with the department on a lower cost safety improvement project, the department may construct the lower cost improvement.

I am vetoing this section because this earmark is unnecessary. The department works with local governments and the public whenever a highway project is considered. In this particular case, there has been no decision from the community on how this specific part of the project should be constructed. This veto will allow the department the flexibility it needs to continue working with the community in developing a consensus on this project.

## C. HEALTH AND FAMILY SERVICES AND INSURANCE

### HEALTH AND FAMILY SERVICES

#### 1. Health Insurance Risk Sharing Plan (HIRSP) Privatization

*Sections 140 [as it relates to s. 20.145 (5)], 156w, 320p, 320r, 522c, 535m, 535p, 535r, 1286c, 1354L, 1406f, 2032m, 2033m, 2033r, 2034c, 2034m, 2035c, 2035m, 2036c, 2036m, 2037c, 2037m, 2038c, 2038m, 2039c, 2039m, 2040c, 2040m, 2041c, 2041m, 2042c, 2042m, 2043c, 2043m, 2044c, 2044m, 2045c, 2045m, 2046c, 2046m, 2047c, 2047m, 2048c, 2048m, 2049c, 2049m, 2050c, 2050m, 2051c, 2051m, 2052c, 2052m, 2053c, 2053m, 2054c, 2054m, 2055c, 2055m, 2056c, 2056m, 2057c, 2057m, 2058c, 2058m, 2059c, 2059m, 2060c, 2060m, 2061c, 2061m, 2062c, 2062m, 2063c, 2065, 2429c, 2429e, 2429g, 2429h, 2429i, 2429j, 2429m, 2429p, 2429r, 9121 (13p), 9221 (3p), 9321 (4L), 9321 (4p), 9341 (19p) and 9421 (5p)*

These sections relate to the creation of a nonprofit organization with a 13-member board to operate the HIRSP insurance program for high-risk individuals, which is currently administered by the Department of Health and Family Services. The board would have responsibility for all functions related to HIRSP including: designing the benefit package; setting premiums, copayments and deductibles; and determining eligibility. The transfer of authority would be effective January 1, 2006. At that time, the program would no longer be attached to the Department of Health and Family Services for administration and oversight. Instead, the board would largely function independently with limited oversight provided by the Office of the Commissioner of Insurance, which would collect insurer assessments to transfer to the board and would ensure the board's benefit packages complied with general insurance laws.

I believe that turning to a nonprofit board to operate HIRSP, which is how many other states operate their high-risk pools, may be the appropriate approach for Wisconsin. However, I object to the proposal included in the budget because it provides almost unlimited authority to the board with extremely limited state oversight and inadequate protections for policyholders. I am, therefore, vetoing this proposal in its entirety to return to current law, but would support separate legislation in this area.

The proposal in the budget has several weaknesses. First, it would change the current residency requirement from 30 days to six months; thus delaying the ability of policyholders to obtain needed medical services. Second, the language would remove the list of HIRSP benefits from current law and, instead, allow the board broad discretion to define, modify or eliminate benefits. Third, under current law, low-income deductible subsidies are funded 50 percent by insurers and 50 percent by medical providers. The proposal changes this to a split of 60 percent paid by the participant, 20 percent paid by insurers and 20 percent by providers. This shift will cost policyholders an additional \$3.5 million per year. This added policyholder cost is on top of what they already pay for health insurance, with a typical policyholder annual cost of over \$8,000 per year for individual coverage.

HIRSP is highly regulated through Wisconsin Statutes and Administrative Rules and critics of the program contend the program needs greater flexibility to operate more like

a commercial insurer. While this contention has merit, the proposal goes too far in terms of relinquishing state oversight and protections for policyholders.

I am willing to work with legislators and HIRSP stakeholders to develop separate legislation for consideration during the fall 2005 legislative session. Separate legislation should, among other issues, address oversight of benefit plans and premiums and deductibles.

## **2. Authority to Transfer from the General Fund to Other Funds (Medical Assistance Trust Fund and Budget Stabilization Fund)**

*Sections 9255 (1) (b) and 9255 (2)*

These provisions specify that the Department of Administration secretary may not lapse or transfer monies to the general fund from a specified list of program revenue appropriations if such lapses or transfers would be a violation of the federal or state constitution. These provisions also require a specified amount of funding be transferred from the general fund to the taxpayer protection fund (renamed in the bill from the budget stabilization fund).

I am partially vetoing the first part of these provisions because they include unnecessary and redundant language. Clearly, lapses or transfers that violate the Wisconsin Constitution or U.S. Constitution will not be authorized.

In the bill, it is assumed that \$36 million from the sale of state-owned properties would be deposited in the general fund to offset the transfer of general fund revenues to the renamed budget stabilization fund. I am vetoing the transfer of revenues from the general fund to the taxpayer protection fund because these revenues need to be retained in the general fund in order to protect public education and property taxpayers.

The bill also assumed that the net proceeds from any sale of state-owned properties in excess of \$36 million would be deposited into the budget stabilization fund. This language was eliminated in the veto under the State Government Operations Section, Budget Management, Item #3 which, among other things, reversed the renaming of the budget stabilization fund.

Despite the veto of this language, my Administration remains committed to managing state properties effectively and selling state-owned property to improve the fiscal stability of the state. In partially vetoing this section, the remaining language will authorize the Department of Administration secretary to transfer revenue from the general fund to any appropriation account or fund. With this authority, I am requesting the Department of Administration secretary to transfer the net proceeds from the sale of unneeded state-owned properties in excess of \$36 million into the budget stabilization fund.

With this same authority, I am requesting the Department of Administration secretary to transfer \$235,449,000 in fiscal year 2005-06 from the general fund to the Medical Assistance trust fund to be used for ongoing Medical Assistance expenditures. While this amount is \$32,609,100 less than the amount transferred by the Legislature, I am directing the Department of Health and Family Services secretary to seek out opportunities to maximize federal revenues for the Medical Assistance program. This

transfer, combined with the veto to restore the transfer of revenue from the transportation fund to the general fund (see Environmental and Commercial Resources Section, Transportation, Item #35), will provide greater flexibility for financing the state's commitment to public education and health care for elderly, disabled and low-income families.

The Department of Health and Family Services currently has several projects under development to increase federal revenue for the Medical Assistance program, and these projects will be put forth when the appropriate federal and state approvals are secured. In addition, the secretary should continue to develop program improvements and reforms to contain costs in both this biennium and in the long run. The department has made great strides to lower the costs of prescription drugs and additional cost containment options continue to be developed. The department is committed to expanding use of community-based, long-term care services shown to reduce costs compared to nursing homes, and to continue to expand the use of managed care to serve both low-income families and persons with disabilities. All of these efforts will help ensure that the growth rate for Medical Assistance is contained.

Moreover, there are reasons to expect that costs in the Medical Assistance program will be lower in the next biennium. The state's seasonally-adjusted unemployment rate has dropped below five percent, and historical data shows that the Medical Assistance caseload drops shortly after unemployment drops below this threshold. In addition, Wisconsin continues to see gains in wages and employment that also will reduce pressure on the Medical Assistance caseload.

### **3. Nursing Home Bed Assessment – GPR-Earned Revenues**

*Sections 537, 1222m and 1223*

These sections specify that all revenue collected from an assessment on licensed nursing home beds should be deposited in the Medical Assistance trust fund. Under current law, \$13,800,000 of these revenues in fiscal year 2004-05 were deposited in the general fund, and in future fiscal years, 45 percent of the total revenues from this assessment would be returned to the general fund.

I am partially vetoing these sections because I object to changing the existing arrangement under which a portion of the assessment revenues is returned to the general fund. This veto maintains the requirement that \$13,800,000 in assessment revenues will be returned to the general fund each year, thereby reducing revenues in the trust fund by a corresponding amount. I am, therefore, directing the Department of Health and Family Services secretary to develop new programs and opportunities that will enhance revenues and decrease expenditures in the trust fund to offset the reduced revenues from this veto.

#### **4. Nursing Home Rate Increase**

*Section 140 [as it relates to s. 20.435 (4) (b)]*

This provision increases reimbursement rates for nursing home services by an estimated 1.4 percent in each year of the biennium. I had recommended the same rate increase in my budget proposal, but funded this rate increase with an increased assessment on licensed nursing home beds. The assessment would have generated over \$67 million in new federal funding over the biennium. This new federal funding made such a rate increase affordable, but the Legislature's budget instead diverts scarce GPR dollars from property tax relief.

I am lining out the appropriation under s. 20.435 (4) (b) and am writing in a smaller amount that deletes \$5,141,700 GPR in fiscal year 2005-06 and \$10,118,000 GPR in fiscal year 2006-07. By lining out the appropriation under s. 20.435 (4) (b) and writing in a smaller amount, I am vetoing the additional GPR in the bill that was added by the Legislature. I am also requesting the Department of Administration secretary not to allot these funds.

I continue to favor a \$50 increase in the monthly assessment levied on licensed nursing home beds and would support separate legislation that implemented a \$50 increase in the assessment. Such a proposal would provide for a larger rate increase than funded by this provision, and capture additional federal funds.

#### **5. Community Relocations Initiative**

*Sections 869 and 9121 (12r)*

Section 869 specifies that the Department of Health and Family Services can only relocate a Medical Assistance eligible individual from a nursing home to a community care setting in cases where the individual has resided in a nursing home for at least 100 days. Section 9121 (12r) requires the department to submit a report to the Joint Committee on Finance by January 1, 2007, identifying the effects of the Governor's Community Relocations Initiative.

I am partially vetoing section 869 to delete the 100-day stay requirement because it would force individuals in need of long-term care services to remain in a nursing home for at least three months, even in cases when they could be placed in a community care setting long before the 100-day waiting period has expired. Since the intent of the Community Relocations Initiative is to prevent long-term institutional stays, I am directing the department to develop policies which will prevent individuals from entering a nursing home for the sole purpose of obtaining a community placement.

I am vetoing section 9121 (12r) because the department already has to meet significant reporting requirements related to the Community Integration Program II as part of its statutory obligations. Information about the Community Relocations Initiative can be included in existing reporting requirements and does not require a separate report.

## **6. Functional Screen**

*Sections 1132f and 1217r*

These provisions restrict the Department of Health and Family Services from using the long-term care functional screen to determine levels of care for nursing home residents and to set Medical Assistance reimbursement rates for nursing homes.

I am vetoing these provisions because I object to a permanent statutory ban on the use of the functional screen to determine levels of care for nursing home residents and to set reimbursement rates for nursing homes. The department will initially use the federal Minimum Data Set for data for level of care determinations rather than the functional screen. However, as the state continues to develop innovative ways to deliver long-term care services in a cost-effective manner, the functional screen could prove to be an important tool in establishing a single standard for measuring levels of care and determining reimbursement rates across all service delivery models in the future.

## **7. Nursing Home Reimbursement Rates**

*Section 1128m [as it relates to identifying payments to nursing homes]*

This section directs the Department of Health and Family Services to identify the extent to which payments are made to nursing homes for direct care nursing services.

I am partially vetoing this section because there is no need for a permanent statutory requirement of this sort. The department can provide this information as part of its regular communications with the nursing home industry.

## **8. Pharmacy Reimbursement – Rates for Brand Name Prescription Drugs**

*Section 140 [as it relates to s. 20.435 (4) (b), (bc) and (bv)]*

This provision maintains funding for a pharmacy reimbursement rate for brand name drugs at the average wholesale price (AWP) minus 13 percent. I had proposed a rate more aligned with prices paid by other insurers and purchasers of prescription drugs, at AWP minus 16 percent. The Legislature restored the funding and thus increased pharmacy reimbursement in the Medical Assistance, BadgerCare and SeniorCare programs.

Numerous independent reports have highlighted two problems with Wisconsin's reimbursement system for brand name drugs. First, the rate Wisconsin pays pharmacies for these drugs is significantly higher than pharmacies' acquisition costs. A 2004 report by the U.S. Office of the Inspector General found the average acquisition cost to pharmacies for single source innovator drugs is AWP minus 17.2 percent, 4.2 percentage points higher than what Wisconsin reimburses pharmacies for these drugs.

Second, the AWP-based system has been repeatedly shown to be an ineffective tool, easily manipulated by manufacturers. Wisconsin needs to eliminate the use of an

AWP-based reimbursement rate and develop a methodology that is not only fair to pharmacies, but also provides the Medical Assistance program with a reasonable price. I am, therefore, directing the Department of Health and Family Services secretary to develop a new reimbursement system for consideration in the 2007-09 biennial budget.

I am lining out the Medical Assistance benefits appropriation under s. 20.435 (4) (b) and am writing in a smaller amount that deletes \$2,270,300 GPR in fiscal year 2005-06 and \$3,430,900 GPR in fiscal year 2006-07. I am also lining out the BadgerCare benefits appropriation under s. 20.435 (4) (bc) and am writing in a smaller amount that deletes \$234,100 GPR in fiscal year 2005-06 and \$386,400 GPR in fiscal year 2006-07. Finally, I am lining out the SeniorCare benefits appropriation under s. 20.435 (4) (bv) and am writing in a smaller amount that deletes \$1,416,900 GPR in fiscal year 2005-06 and \$2,202,700 GPR in fiscal year 2006-07. By lining out the appropriations under s. 20.435 (4) (b), (bc) and (bv) and writing in smaller amounts, I am vetoing the additional GPR in the bill that was added by the Legislature to increase the reimbursement for brand name drugs to AWP minus 13 percent. I am also requesting the Department of Administration secretary not to allot these funds. This veto will reduce the reimbursement rate for prescription drugs to AWP minus 16 percent.

## **9. Pharmacy Reimbursement – Dispensing Fees**

### *Section 140 [as it relates to s. 20.435 (4) (b), (bc) and (bv)]*

This provision maintains funding for a pharmacy dispensing fee of \$4.38 per prescription. As with the reimbursement rate for brand name drugs, I had proposed a dispensing fee more aligned with prices paid by other purchasers of prescription drugs. My budget reduced the fee to \$3.88 per prescription. The Legislature restored the funding and thus reversed the decrease in the dispensing fee paid under the Medical Assistance, BadgerCare and SeniorCare programs.

I am lining out the Medical Assistance benefits appropriation under s. 20.435 (4) (b) and am writing in a smaller amount that deletes \$613,100 GPR in fiscal year 2005-06 and \$865,900 GPR in fiscal year 2006-07. I am also lining out the BadgerCare benefits appropriation under s. 20.435 (4) (bc) and am writing in a smaller amount that deletes \$57,800 GPR in fiscal year 2005-06 and \$89,200 GPR in fiscal year 2006-07. Finally, I am lining out the SeniorCare benefits appropriation under s. 20.435 (4) (bv) and am writing in a smaller amount that deletes \$648,900 GPR in fiscal year 2005-06 and \$925,400 GPR in fiscal year 2006-07. By lining out the appropriations under s. 20.435 (4) (b), (bc) and (bv) and writing in smaller amounts, I am vetoing the additional GPR in the bill that was added by the Legislature to restore the dispensing fee to \$4.38 per prescription. I am also requesting the Department of Administration secretary not to allot these funds. This veto will reduce the dispensing fee paid to pharmacies by \$0.50 from \$4.38 to \$3.88 per prescription.

**10. Prohibition Against Limitations on Reimbursement for Psychotropic Medications**

*Section 9121 (14k)*

This section prohibits the Department of Health and Family Services from imposing any limitations on reimbursement under the Medical Assistance, BadgerCare or SeniorCare programs for psychotropic medications, other than stimulants and related agents or selective serotonin reuptake inhibitors, which are prescribed to treat a mental illness. I am vetoing this section because I object to this limitation on the department's ability to manage costs, particularly with respect to managing use of the most expensive class of drugs available under these programs.

The department, through its new Prior Authorization Advisory Committee, has taken great care in establishing an open, evidence-based process through which all prescription drugs can be evaluated for the implementation of reasonable, cost-saving policies. Moreover, in prohibiting any new limitation on reimbursement, the language would prevent the application of a lower average wholesale price discount as directed by the veto on the reimbursement rate for brand name prescription drugs (see Item #8). If this section were retained, it would increase costs in these programs by millions of dollars, diminishing the ability of the state to finance other vital health care services under Medical Assistance.

**11. Report on Physician Prescribing Practices**

*Section 9121 (14p)*

This section requires the Department of Health and Family Services to submit by January 1, 2006, to the Joint Committee on Finance and appropriate standing committees of the Legislature, a report detailing the prescribing practices of every physician who is a certified Medical Assistance provider. The report specifically should identify: (a) the percentage of prescriptions written for generic drugs and for brand name drugs; (b) the number and percentage of prescriptions requiring prior authorization; and (c) the number of prescriptions for brand name drugs when there is a generic available.

I am vetoing this section because it creates an onerous reporting requirement and will not result in interpretable data that could be used for meaningful policymaking purposes. Some physicians may simply work in specialties where there are not many generic drugs available to treat their patients. The department already collects data, which is used both in prospective and retrospective drug utilization review, to ensure that prescriptions are appropriate and cost-effective. Given the unclear need for this additional data, I am vetoing the reporting requirement.

**12. Report on Capping the Number of Brand Name Prescription Drugs**

*Section 9121 (13n)*

This section requires the Department of Health and Family Services to deliver a report to the Joint Committee on Finance by July 1, 2006, which analyzes the fiscal impacts of

restricting the number of brand name drugs a Medical Assistance, BadgerCare or SeniorCare recipient receives in a given month. The report would identify both savings to the state and costs incurred by the department in implementing this policy. I am vetoing this section because it creates an unnecessary reporting requirement.

More importantly, I do not wish to have the department spending its time analyzing proposals that are poor fiscal and bad public policy. Such arbitrary restrictions to the access of medical services would have a disproportionate impact on those persons who are most vulnerable and most in need of services from the Medical Assistance program – persons with cancer, acquired immunodeficiency syndrome or mental health issues. States that have implemented similar caps have not demonstrated these policies generate any significant savings and may actually increase costs by exacerbating medical problems experienced by the chronically ill.

### **13. Generic Drug Copayments**

*Sections 1144p, 1184c, 9321 (9w) and 9421 (11w)*

These sections increase the copayment charged to recipients under Medical Assistance and BadgerCare for generic prescription drugs from \$1 to \$3, the maximum allowed under federal law. This copayment level is also the same as the copayment required for brand name prescriptions. This section was passed with the intention of reducing expenditures under Medical Assistance and BadgerCare by \$1,807,600 in fiscal year 2005-06 and \$2,530,600 in fiscal year 2006-07.

I am vetoing this section because it will actually increase, not decrease costs. The bedrock of the pharmacy program is the department's efforts to encourage the use of generic drugs, which save the state tens of millions of dollars every year. However, if recipients are required to pay the same copayment for generic drugs as for brand name drugs, they will have no incentive to use the less costly prescriptions. The department projects that this policy shift would increase the use of brand name medications, causing Medical Assistance and BadgerCare expenditures to rise by over an estimated \$9 million in fiscal year 2005-06 alone.

### **14. Outpatient Hospital Reimbursement Rates**

*Section 140 [as it relates to s. 20.435 (4) (b)]*

This provision increases reimbursement rates for hospital services provided on an outpatient basis by \$2,500,000 GPR in each fiscal year, an estimated five percent increase. I am lining out the appropriation under s. 20.435 (4) (b) and am writing in a smaller amount that deletes \$2,500,000 in each year of the biennium. The state cannot afford this level of rate increase. Furthermore, providing hospitals a rate increase while all other providers have gone without increases for years is simply not fair. By lining out the appropriation under s. 20.435 (4) (b) and writing in a smaller amount, I am vetoing the additional GPR in the bill that was added by the Legislature. I am also requesting the Department of Administration secretary not to allot these funds.

## **15. Essential Access City Hospital Payments**

*Sections 1135c, 1135d and 1135e*

These sections modify current law provisions that govern the distribution of the essential access city hospital (EACH) supplemental hospital payment under Medical Assistance effective July 1, 2007. The intent of this provision is to expand the number of hospitals that qualify for this supplemental payment. Under current law and the existing Medical Assistance state plan, only one hospital qualifies for this supplemental payment.

While I support the intent of helping inner city hospitals with a large volume of Medical Assistance recipients, I am vetoing these sections because they create an unfunded, advance commitment for the 2007-09 biennium. If the Legislature wants to change the qualifying criteria for this supplement to increase the number of hospitals that qualify, it should provide the funding to do so. Otherwise, this provision would either exacerbate the structural deficit going into the next biennium or it would result in a cut to the hospital currently receiving this supplemental payment. Therefore, I am removing this advance commitment. I support reviewing this item in a thoughtful and comprehensive manner which includes funding options that can be best addressed as part of the next biennial budget.

## **16. Bariatric Surgery Prohibition**

*Sections 1146j, 1157j and 9321 (9q)*

These sections eliminate the coverage of bariatric surgery under the Medical Assistance and BadgerCare programs.

I am vetoing these sections because current state law strictly limits the availability of this service to a medical emergency. Prior authorization requirements recently enacted by the Department of Health and Family Services make certain that the service is only used when there is a direct and immediate medical threat to the patient, ensuring the procedure is truly a treatment of last resort. Coverage of the surgery is limited to participants who are morbidly obese, have failed with other weight loss treatments, have a documented commitment to adhere to a weight management program, and are diagnosed with comorbidity medical conditions that have not responded to treatment and threaten the patient's life. Further, medical professionals should decide what is a medically necessary procedure. It is not surprising that the only physician, in the Legislature voted against this provision.

I am directing the Department of Health and Family Services secretary to strictly adhere to the existing statutory limitation of only providing this service in the case of a documented medical emergency.

**17. Actuarial Soundness of Health Maintenance Organization Reimbursement Rates**

*Section 1124g*

This section requires the Department of Health and Family Services to provide reimbursement for services provided by health maintenance organizations to Medical Assistance or BadgerCare recipients through capitation rates that are actuarially sound.

I am vetoing this section because it unnecessarily duplicates federal law in state law. The redundant requirements would not change the contracting process the department uses to establish reasonable reimbursement rates for prepaid health providers, a process already required in order to qualify for federal Medical Assistance funding. Furthermore, the provisions could create confusion in the future if federal laws were to change, but corresponding changes to state law were not enacted.

**18. Family Planning Funding Preference**

*Sections 2133c, 2133f, 2133i, 2133L, 2133n and 2133p*

These sections require the Department of Health and Family Services to give preference to local public health departments and tribal health centers in awarding state and federal family planning funds. These funds are currently distributed through a competitive process.

I am vetoing these sections because this method of procurement will politicize the distribution of these funds and increase the likelihood that access to vital family planning services will be restricted. Thousands of low-income women rely on these services for their health care. This provision risks compromising the health status of these women and their families.

**19. Foster Care Rates**

*Section 951d*

This section reduces my proposed increase in monthly foster care rates by 50 percent in fiscal years 2005-06 and 2006-07.

I am partially vetoing this section because I object to the rate increase provided by the Legislature. Wisconsin has the lowest basic foster care rate in the Midwest. Monthly foster care rates have not been increased since 2001 making it difficult to recruit and retain foster families to provide care for our state's most vulnerable children. The effect of this partial veto will be to create a five percent increase in monthly foster care rates beginning January 1, 2006. The five percent increase will remain in effect for the remainder of the biennium to enhance the recruitment and retention of quality foster families.

**20. Termination of Parental Rights Warning in Subsidized Guardianships**

*Section 926*

This section requires the juvenile court to verbally notify parents of the grounds for termination of their parental rights, as well as the conditions necessary for their child to be returned home when the court appoints a subsidized guardian for the child. The section also permits the court to terminate the parental rights of a parent who has been so notified if the parent fails to visit or communicate with the child for at least a three month period.

I am vetoing this section because it is unnecessary and burdensome on the juvenile court and may discourage prospective guardians and parents from pursuing guardianship. Current law will still permit courts to terminate parental rights in guardianship cases if a parent has had no contact with the child for six months or longer and termination of parental rights is in the best interests of the child.

**21. Bureau of Milwaukee Child Welfare Report on Caseworker Retention**

*Section 9121 (12d)*

This provision requires the Department of Health and Family Services to submit a report to the Joint Committee on Finance by January 1, 2006, concerning caseworker retention activities conducted by the Bureau of Milwaukee Child Welfare. The report must include results of a review of caseworker turnover conducted by the Child Welfare League of America.

I am vetoing this section because an additional report on caseworker retention is unnecessary. Two reports have already been completed on caseworker retention indicating the need for salary adjustments and additional training. The Joint Committee on Finance removed the \$841,500 funding per fiscal year I provided to support these recommendations and, instead, substituted a requirement for an additional report. The removal of funding is a setback for children who endure longer stays in out-of-home care when their caseworkers leave.

**22. Study of Funding Options for Refugee Family Strengthening Project**

*Section 9121 (13f)*

This provision requires the Department of Health and Family Services, in consultation with project funding recipients, to submit a report by January 1, 2006, to the Joint Committee on Finance. The report is to identify alternative funding sources for the Refugee Family Strengthening Project.

I am vetoing this section because a report on funding alternatives is unnecessary. I support the goal of identifying alternative funding sources for the Refugee Family Strengthening Project and am requesting the department to develop such options.

**23. Study of Evidence-Based Practices**

*Section 9121 (13g)*

This section directs the Department of Health and Family Services to submit a report to the Legislature by December 31, 2006, regarding how evidenced-based practices in substance abuse and mental health treatment are determined for the purposes of awarding grants for county substance abuse and mental health treatment programs.

I am vetoing this section because requiring the report is unnecessary. I support the goal of identifying sound evidenced-based practices for substance abuse and mental health treatment and am requesting the department continue its work in this area.

**24. Supplemental Security Income Benefits Appropriation**

*Sections 140 [as it relates to s. 20.435 (7) (ed)], 331f and 1188d*

Sections 140 and 331f change the existing supplemental security income benefits appropriation from a sum sufficient appropriation to a sum certain appropriation. Section 1188d permits the Department of Health and Family Services to request additional funding from the Joint Committee on Finance for this appropriation if budgeted funding is insufficient to meet caseload demand.

I am partially vetoing section 140 and vetoing section 331f because keeping the appropriation as a sum sufficient will give the department the maximum possible flexibility in managing this program. I am vetoing section 1188d because this provision is unnecessary if the appropriation is maintained as a sum sufficient.

**25. Supplemental Security Income Managed Care Expansion Reporting Requirement**

*Section 9121 (13w)*

This section instructs the Department of Health and Family Services to submit a report to the Joint Committee on Finance by January 1, 2007, regarding the progress of the Supplemental Security Income managed care expansion.

I am vetoing this section because the department can respond to requests for information related to this program without being directed to do so in the statutes.

**26. Health Care Information Study and Reports**

*Sections 2067g, 9101 (6) and 9101 (7q)*

Section 9101 (6) requires the Department of Health and Family Services to study the feasibility of creating a centralized physician information database through a public and private sector cooperative effort. The department is required to submit this report to the Joint Committee on Finance by March 1, 2006.

I am partially vetoing the requirement that the study of this issue, which is already ongoing, be submitted to the Joint Committee on Finance in March 2006 because it is unnecessary. I am retaining the language directing the department to study this issue because pursuing a collaborative arrangement with the private sector to provide useful health care information is very important to all purchasers and providers of health care.

Sections 2067g and 9101 (7q) require the department to address deficiencies identified in a Legislative Audit Bureau report on the physicians office visit data program and report its progress in implementing the recommendations to the Joint Committee on Finance and Joint Legislative Audit Committee by November 30, 2005.

I am vetoing section 9101 (7q) to delete the reporting requirement to both committees because it is unnecessary. The Joint Legislative Audit Committee already has the authority to request the department to report to the committee. I am also vetoing section 2067g, which contains the specific items that the department should fix, because further legislative direction is unnecessary. The department is aware of the problems that need to be corrected and has already committed to making improvements.

## **27. Joint Services Study**

### *Sections 1225m and 9121 (12q)*

These sections require the Departments of Corrections, Veterans Affairs, and Health and Family Services to jointly develop a plan that analyzes how certain functions, such as personnel and groundskeeping, can be shared between the agencies at the Northern and Southern Centers for the Developmentally Disabled. The report would be submitted to the Joint Committee on Finance by December 31, 2005.

I am vetoing these sections because they are unnecessary. These agencies have already begun working with the Department of Administration to address the consolidation of services at these Centers.

## **D. JUSTICE**

### **CIRCUIT COURTS**

#### **1. Register in Probate Copy Fee**

*Section 2448m*

This section increases the per page copy fee charged by the register in probate from \$1 to \$1.25.

I am vetoing this section because I object to the increased fee charged to individuals who access register in probate services through their county court system. The effect of this veto is a return to current law with the per page copy fee of \$1.

### **CORRECTIONS**

#### **2. Pilot Program for Pharmaceutical Contracting**

*Section 9109 (2q)*

This section requires the Department of Corrections to create a pilot program under which a private contractor would supply and distribute pharmaceuticals at one of the department's adult institutions if the contract would result in cost savings.

I am partially vetoing this section to allow the pilot to be operated at more than one institution. I am committed to lowering health care costs in the prison system and want to provide the department with the flexibility to achieve greater cost savings.

#### **3. Study of Funding for Long-Term Care Inmates**

*Section 9109 (3q)*

This section requires the Department of Corrections to submit to the Legislature by June 30, 2006, a report on the cost reductions for the care of inmates who are not a threat to the community and who require extended nursing care. The study would examine the possibility of using other revenues to pay for the care of such inmates in a setting other than a conventional facility infirmary.

I am partially vetoing this section to remove the reporting date. I support the intent of the Legislature to control the costs of prison health care, but want to ensure the department has the time it needs to carefully consider the use of other revenues and the ramifications of placing inmates in the community before they have fully served their sentences.

#### **4. Facilities Study**

##### *Section 9105 (14x)*

This section requires the Building Commission and the Department of Corrections to prepare or contract for the preparation of a strategic plan for state correctional facilities through 2016. The plan must include all of the following:

- An evaluation of the physical condition; security; environmental; health and safety concerns; and housing, program and food service capacity of each correctional institution.
- A determination of the operating capacity of the state's correctional system based on the mission of the Department of Corrections; appropriate space occupancy guidelines; model operating capacities that account for inmate security classification, gender, age, health condition, programmatic needs and length of incarceration; a comparison of the guidelines and models with current conditions at correctional institutions; and the optimal design and operational system for each correctional institution.
- A determination of the operating capacity shortfall within the state correctional system through 2016.
- Recommendations for building projects and budgets, and the potential use of out-of-state and county jail bed contracts to address any identified operating capacity shortfalls within the correctional system.

The section specifies that the Building Commission pay for the cost of the study and submit the results to the Governor and the Legislature by September 1, 2007.

I am vetoing this section because it is unnecessary. The Department of Corrections and the Department of Administration are already working on a strategic plan for correctional facilities. I am requesting that the departments continue their efforts in preparation for the next budget.

#### **5. Unit Supervisors**

##### *Section 2221m*

This section prohibits the Department of Corrections from employing a unit supervisor or a person having comparable duties to supervise correctional institution security staff unless the person directly reports to the institution's security director.

I am vetoing this section because I object to the limits it places on the department's ability to manage correctional institutions. These positions improve the department's ability to effectively manage program costs and corrections populations by coordinating inmate security, health care, mental health, food service, maintenance and programming.

## **6. Contract Bed Funding**

*Section 140 [as it relates to s. 20.865 (4) (a)]*

This section includes \$3,000,000 GPR in the Joint Committee on Finance's supplemental appropriation for additional prison contract beds in fiscal years 2005-06 and 2006-07.

I am vetoing this section because I object to placing the additional funding in the Joint Committee on Finance appropriation. There is sufficient funding in the Department of Corrections for prison contract beds in the biennium. I am lining out the appropriation under s. 20.865 (4) (a) and writing in a smaller amount that deletes \$1,500,000 in each fiscal year. I am also requesting the Department of Administration secretary not to allot these funds.

## **7. Sale of Inmate Products**

*Sections 2239m, 2240g and 2240r*

These sections authorize the Department of Corrections to sell products produced by state correctional inmates on the open market if the products are produced as part of a technical college course provided to inmates. The provision also eliminates the requirement that products manufactured by state correctional inmates as part of vocational training may only be offered for sale on the open market if the purpose of the sale is to support the institution's or agency's mission or is for some other charitable purpose and the sale has been approved by the Prison Industries Board.

I am vetoing these sections because I object to changing the current law approach to the sale of inmate-produced products. This reduced regulation and oversight of the sale of products made with inmate labor could prove detrimental to private business, industry, and labor in Wisconsin. The Prison Industries Board, which includes representatives from private business, should set policy regarding the impact of inmate-produced products on businesses and industries.

## **8. Juvenile Correctional Facility Cost Reduction**

*Section 9109 (1e)*

This section requires the Department of Corrections to submit a plan to close one secured correctional facility for juveniles or achieve operational savings sufficient to reduce the daily rate for secured correctional facility care in fiscal year 2006-07 to \$187, which was the daily rate for fiscal year 2004-05. The provision specifies that the plan must be submitted to the Joint Committee on Finance by March 1, 2006, and is subject to a 14-day passive review process.

I am partially vetoing this section because I object to requiring the department to make reductions to reach an arbitrary number. The effect of this veto will be to remove the requirement that the plan be submitted by March 1, 2006, and to remove the requirement that the reductions restore the daily rate to \$187. Given the current juvenile

population, closing an institution is not possible at this time. However, I am asking the department to provide information to the Legislature by January 2007 on the costs of operating juvenile correctional facilities and realistic reductions in operational costs that could be made in the future. The development of the report will allow the department to engage stakeholders in a discussion of these issues.

## **9. Juvenile Correctional Services Deficit**

*Sections 295g, 295h, 2210m and 9409 (1x)*

These provisions require all of the following:

- The Department of Corrections, prior to the end of each odd-numbered year, to estimate unexpended revenues, less encumbrances, that will remain in the juvenile correctional services appropriation on June 30 of that year. If the estimated balance is projected to be negative, the Department of Administration must include the amount of the estimated deficit in the cost basis for the calculation of the proposed secured correctional facilities daily rates for the subsequent biennium.
- The Department of Administration to include 50 percent of any projected deficit in the cost basis for the calculation of daily rates for each year of the subsequent biennium, and the Department of Administration secretary to reserve, for the purpose of retiring the deficit, the share of the daily rate revenue that is proportionate to the share of the increased cost basis associated with the estimated deficit. Any revenue reserved for this purpose that exceeds the amount of the deficit must be reimbursed to the counties and the state in a manner proportionate to the total number of days of juvenile placements at the facilities for each county and the state.

I am vetoing sections 295h and 2210m and partially vetoing sections 295g and 9409 (1x) as these sections relate to future juvenile correctional services deficits to maintain the department's flexibility to effectively manage juvenile programs. These provisions would place an undue burden on counties by requiring the Department of Corrections to charge counties to recover deficits in the appropriation.

## **10. Youth Diversion Program in Ward 3 in the City of Racine**

*Section 88p*

This provision directs the Department of Corrections to allocate \$100,000 in fiscal years 2005-06 and 2006-07, funded from penalty assessment receipts administered by the Department of Justice for the purposes of entering into a contract with an organization in Ward 3 in the city of Racine to provide services in Racine County to divert youths from gang activities.

I am partially vetoing this provision because I object to limiting the receipt of funding to a single ward in an individual city. Instead, these funds should be accessible to organizations across the state that have identified youth diversion as a priority. The goals of youth diversion are important to Wisconsin, and my veto retains the additional \$100,000 for these purposes.

## **JUSTICE**

### **11. County Law Enforcement Services Grant**

#### *Section 140 [as it relates to s. 20.455 (2) (kq)]*

This section authorizes \$1,000,000 in PR-S funds for the county law enforcement services grant administered by the Department of Justice. This program is one of three that provides grants for law enforcement to counties and tribes. The county law enforcement services grant is available to any county that borders one or more federally recognized Indian reservations and has not established a cooperative county-tribal law enforcement plan under the separate Department of Justice grant program.

I am partially vetoing section 140 [as it relates to s. 20.455 (2) (kq)] because I object to the excessive increase in funding for this program over current levels. By lining out the department's appropriation under s. 20.455 (2) (kq) and writing in a smaller amount that deletes \$450,000 PR-S in each fiscal year, I am maintaining current funding levels for the program in addition to funding a new earmark of \$300,000 for Forest County. I am also requesting the Department of Administration secretary not to allot these funds.

### **12. Drug Law Enforcement and Crime Laboratories Appropriations Lapse**

#### *Section 9229 (2k)*

This provision requires all unencumbered balances exceeding \$175,000 in the appropriations related to drug law enforcement and crime laboratories be lapsed to the general fund for fiscal years 2005-06 and 2006-07.

I am partially vetoing this provision because I object to the unjustified retention of \$175,000 in each fiscal year in the related appropriations. My veto lapses all unencumbered balances at the end of fiscal years 2005-06 and 2006-07 and contributes additional money to the general fund.

## **OFFICE OF JUSTICE ASSISTANCE**

### **13. Interagency and Intra-Agency Aids Appropriation**

#### *Section 415x*

This section repeals the interagency and intra-agency aids appropriation of the Office of Justice Assistance. This appropriation is authorized to receive money from other appropriation accounts of the Department of Administration and from other state agencies and to use those monies for aids to individuals or organizations.

I am vetoing this section because I object to this infringement on executive branch authority to manage programs. The Office of Justice Assistance's mission is to provide financial resources to state agencies, local governments and private nonprofit organizations that are committed to improving Wisconsin's justice system. This is a

necessary tool for the Office of Justice Assistance to achieve maximum effectiveness of this stated goal.

## E. STATE GOVERNMENT OPERATIONS

### BUDGET MANAGEMENT

#### 1. Lapse to General Fund

*Sections 9255 (1) (title) and 9255 (1) (a)*

This nonstatutory provision directs the Department of Administration secretary to lapse certain dollar amounts from specific agency appropriations to the general fund.

In light of other vetoes, this provision is not broad enough to fully lapse all required funds from the agencies. I am, therefore, partially vetoing this provision to increase the total lapse amount to \$71,234,800 over the biennium. This revised lapse amount will allow the Department of Administration secretary to lapse not just the original program revenue lapses (\$34,125,500) in the provision, but also to capture the lapse related to the elimination of attorney positions (\$724,900), the savings related to my Accountability, Consolidation and Efficiency (ACE) initiative (\$35,500,000), and the lapse related to land information aids (\$884,400).

Lapses related to the ACE initiative will be identified as that initiative is implemented over the course of the 2005-07 biennium. Similarly, the vacant attorney positions will not be eliminated until June 30, 2007, and, consequently, lapse amounts cannot be immediately assessed to agencies. Further guidance to agencies will be provided in the upcoming months that will help them plan for these lapses.

Consistent with the program revenue lapse amounts in this provision, I am directing the Department of Administration secretary to lapse the following amounts per agency per year:

|         | Agency                        | 2005-06<br>Fiscal Year | 2006-07<br>Fiscal Year |
|---------|-------------------------------|------------------------|------------------------|
| 20.505  | Administration, Department of |                        |                        |
| (1)(iu) |                               | \$21,700               | \$0                    |
| (1)(ka) |                               | 35,900                 | 0                      |
| (1)(kc) |                               | 1,818,900              | 0                      |
| (1)(kL) |                               | 7,500,000              | 0                      |
| (1)(ke) |                               | 427,100                | 0                      |
| (4)(hc) |                               | 36,800                 | 0                      |
| (4)(k)  |                               | 150,000                | 0                      |
| (5)(ka) |                               | 5,453,600              | 0                      |
| (5)(kb) |                               | 1,250,000              | 0                      |
| (8)(h)  |                               | 56,700                 | 0                      |
| (8)(j)  |                               | 100,000                | 0                      |

|   | Agency  | 2005-06<br>Fiscal Year                                      | 2006-07<br>Fiscal Year                            |
|---|---|---|---|
| 20.115<br>(1)(j)  | Agriculture, Trade and Consumer Protection, Department of | 325,000   | 0   |
| 20.433<br>(1)(g)  | Child Abuse and Neglect Prevention Board                  | 35,700  | 35,700  |
| 20.143<br>(1)(gm)<br>(3)(ga)<br>(3)(j)                                | Commerce, Department of                                   | 25,100<br>24,600<br>1,353,600                               | 25,100<br>24,600<br>1,428,700                     |
| 20.507<br>(1)(h)  | Commissioners of Public Lands, Board of                   | 60,800  | 60,800  |
| 20.435<br>(6)(jm)<br>(8)(kx)  | Health and Family Services, Department of                 | 250,000<br>151,800  | 250,000<br>278,300                                |
| 20.145<br>(1)(g)  | Insurance, Office of the Commissioner of                  | 1,538,300   | 3,038,300   |
| 20.455<br>(1)(km)   | Justice, Department of                                    | 133,100   | 133,100   |
| 20.255<br>(1)(hg)   | Public Instruction, Department of                         | 176,100   | 176,100   |
| 20.165<br>(1)(g)  | Regulation and Licensing, Department of                   | 3,881,600   | 2,662,000   |
| 20.566<br>(1)(g)<br>(1)(gb)<br>(1)(h)<br>(1)(ha)<br>(2)(h)<br>(3)(gm) | Revenue, Department of                                    | 164,000<br>34,000<br>31,100<br>59,600<br>222,200<br>145,100 | 169,000<br>39,000<br>31,100<br>59,600<br>0<br>100 |

| Agency           |                                       | 2005-06<br>Fiscal Year | 2006-07<br>Fiscal Year |
|------------------|---------------------------------------|------------------------|------------------------|
| 20.545<br>(1)(i) | State Employment Relations, Office of | 15,000                 | 0                      |
| 20.292<br>(1)(L) | Technical College System, Board of    | 118,300                | 118,300                |

## 2. Transfer from the Joint Committee on Finance Appropriation

*Sections 9155 (4) (c) and 9155 (5dv)*

These nonstatutory provisions allow agencies to request the Joint Committee on Finance to restore, under the s. 13.10 process, approximately \$96 million of the \$100 million GPR eliminated as a result of the Senate's 2.3 percent across-the-board state operations reduction and clarify the implementation of lapses and transfers to the general fund related to unfunded liabilities under the Wisconsin Retirement System.

State agencies have already taken significant operating budget reductions in this budget and in past budgets. Further across-the-board reductions are problematic for a variety of reasons, including an untenable and highly questionable cut of over \$150,000 per year to the operations of the Department of Military Affairs. I object wholeheartedly to this reduction in support for National Guard operations as Wisconsin service men and women are defending freedom abroad. Examples like this are no doubt why the Senate moved the money and the responsibility to determine the exact cuts to the Joint Committee on Finance in a middle-of-the-night amendment.

I am partially vetoing these sections to authorize the Department of Administration secretary to transfer funds from the Joint Committee on Finance appropriation back to the agencies in amounts not to exceed those listed in this section. The secretary will notify agencies formally when these transfers will occur and regarding the procedures to be followed. These restored funds will be reflected in the budget bases of the affected agencies for purposes of the 2007-09 biennial budget process.

Finally, to assist state agencies in managing their budgets, I am directing the Department of Administration secretary to apportion, as quickly as possible, the remaining \$4 million reduction in a manner that minimizes the impact on critical services to Wisconsin citizens.

## 3. Limit on Expenditure of General Fund Revenues

*Sections 10m, 15m, 17m, 65m, 66m, 68a, 68g, 68i, 68j, 81p, 85, 87d [as it relates to s. 16.896 (3)], 126e, 126m, 137m, 140 [as it relates to s. 20.875 (title) and (2) (q)], 482m, 482n, 482p, 482r, 520m, 536 and 9255 (2)*

These sections establish an additional limit on general fund expenditures beginning in fiscal year 2007-08; change the name of the budget stabilization fund to the taxpayer protection fund; specify that excess general fund revenues be deposited in the taxpayer

protection fund; require a recommendation from the Governor and a three-fourths vote of each house of the Legislature to appropriate money from the fund; specify that balances in the fund above ten percent of the amount budgeted for expenditure in that fiscal year must be returned to the taxpayers through reduction in state income taxes; and, finally, direct net proceeds in excess of \$36 million from the sale of state-owned properties be deposited in the renamed budget stabilization fund.

I am vetoing sections 15m, 68i and 68j in their entirety and partially vetoing section 536 because the provisions are redundant and unnecessary given current law.

In addition, I object to the treatment of the budget stabilization fund, which was created to help cushion the impact of an economic downturn. The concern that balances will build up in excess of ten percent of the amount budgeted for expenditure seems unwarranted given past experience. I am also vetoing the name change of the budget stabilization fund in these sections. This change accomplishes nothing and is not warranted. As a result, the language directing net proceeds in excess of \$36 million from the sale of state-owned properties is eliminated. As discussed in the asset sales portion of the Health and Family Services and Insurance Section, Health and Family Services, Item #2 veto, my Administration is committed to managing state real estate cost-effectively and selling assets as warranted to improve the state's financial condition and fund our higher priorities of education, health care and economic development.

Members of the Assembly have publicly urged me to veto these provisions which were included in a late-night amendment simply so the Senate could pass the budget. This veto obliges their request.

## **ADMINISTRATION**

### **4. Asset Sales Reporting Dates**

*Sections 9101 (4) (a) 1. and 9101 (4) (b)*

These provisions direct the Department of Administration secretary to review all holdings of state-owned real property for potential sale no later than July 1, 2006, and to submit a report to the Building Commission no later than October 1, 2006, containing an inventory of specific properties to be sold.

I am partially vetoing these provisions to remove the exact dates for the initial review and the report to the Building Commission. Having specific dates in the budget bill is not necessary. Staff at the department are already reviewing state-owned real properties and assessing which properties are appropriate for disposition based on performing the business functions of the state in the most cost-effective manner. As each determination is made, the recommendation and supporting analysis will be forwarded to the Building Commission for its review and approval.

## **5. Vacant Attorney Positions**

*Section 9155 (1w)*

This provision directs the Department of Administration secretary to eliminate 13.0 FTE executive branch attorney positions, excluding attorney positions at the University of Wisconsin System, State Investment Board and Department of Employee Trust Funds, that become vacant before June 30, 2007.

I am partially vetoing this provision to remove the exemption for the University of Wisconsin System, thereby increasing the number of attorney positions available to meet the requirements of this provision. The attorney consolidation initiative I proposed would have resulted in the need for 13.0 FTE fewer attorney positions through more efficient deployment of legal resources and a streamlined management structure. While the Legislature mandated the same reduction of attorney positions, it blocked the accompanying efficiency and management improvements that made the reductions possible. Consequently, finding efficiencies in legal services will now be more difficult and expansion of the pool of positions is necessary.

## **6. Sale of State-Owned Heating, Cooling and Wastewater Treatment Facilities**

*Sections 16m, 16n, 83m, 85g, 85r, 87d, 87h, 87k, 87L, 163m, 167m, 172m, 193m, 286m, 288m, 364c, 384t, 413m, 795f, 9101 (10v) and 9455 (3w)*

These sections require the Department of Administration to sell or contract with a private entity to operate each state-owned heating, cooling and wastewater treatment facility. The net proceeds of the sales are to be deposited into the budget stabilization fund. In addition, 270.92 FTE positions in six state agencies are eliminated as of April 2007.

I am vetoing these sections because the requirement to sell or contract for the operation of every such facility regardless of the individual circumstances, feasibilities and benefit-cost economics is not a good business approach.

As a result of this veto, the facilities will remain operational. While I cannot restore the 270.92 FTE positions eliminated by the Legislature, I am asking the Department of Administration secretary to pursue the restoration of these positions through procedures authorized under current law to ensure continuity of basic services.

## **7. Limitations on Resale of Telecommunications Services by State Agencies**

*Sections 94m and 695q*

These sections specify that a state agency may use telecommunications services that it procures only for the agency's own purposes to fulfill its mission and that it may not offer, resell or provide services that are available from a private telecommunications carrier to the general public or private entities. An exception to this restriction is made if there is a consortium agreement in effect as of June 1, 2005, to provide services to member organizations.

I am partially vetoing these sections to remove the exception granted in the budget for an existing consortium in order to preserve the ability to maximize efficiency. The economies of scale needed to support the least costly and most effective telecommunications on a statewide enterprise level require a consolidated and coordinated approach. This capability is not served by exceptions for consortium agreements.

## **8. Video Gaming Devices and Pari-Mutuel Race Track Licensing**

*Sections 1430m, 1430o, 2422b, 2422c, 2422d, 2422e, 2422f, 2422g, 2422h, 2422i, 2422j, 2422L, 2422m, 2422n, 2422o, 2422om, 2422p, 2422q, 2422r, 2422s, 2422t, 2422tm, 2422u, 2422um, 2422v, 2422vm, 2422w, 2422wm, 2422x, 2422xm, 2422y, 2423c, 2423d, 2423e, 2423f, 2423g, 2423gm, 2423h, 2423i, 2423j, 2423k, 2423L, 2423m, 2423n, 2423o, 9101 (9r) and 9401 (2q)*

These provisions modify the current law use of video gaming machines, as they relate to simulcast wagering. Specifically, these provisions authorize a license for the sponsorship and management of video gaming devices which display a facsimile of a dog or horse race that has been previously conducted at another racetrack. They also permanently repeal the current law simulcast racing and intertrack wagering restriction that requires, effective January 1, 2007, that wagering on simulcast races must be conducted at a racetrack only as an adjunct to, and not in place of wagering on live on-track racing.

Additionally, these provisions prohibit the Department of Administration from imposing any fee on a Wisconsin licensee for receiving simulcast races from out-of-state racetracks or simulcasting races to an out-of-state legal wagering entity.

Further, these provisions create a single license category for: (a) the ownership and operation of a racetrack at which pari-mutuel wagering is conducted; and (b) the sponsorship and management of any race on which pari-mutuel wagering is conducted, but which is not located at a fair.

Lastly, these provisions provide that a license for a person operating a concession stand at a racetrack be subject to a maximum \$75 annual renewal licensing fee.

I am vetoing these provisions because I object to the expanded use of video gaming devices for simulcast pari-mutuel wagering. This is nonfiscal policy that does not belong in a budget. In addition, these provisions, taken together, raise serious constitutional concerns by potentially expanding gambling.

While I am vetoing all of these provisions, I am willing to consider narrowly focused legislation that would delay the sunset of the current law provision allowing simulcast intertrack wagering.

**9. Payment of Fiscal Year 2004-05 MHEC Membership Dues**

*Section 9101 (10k)*

This provision requires that the Department of Administration pay membership dues, not to exceed \$82,500, for the previous fiscal year for the Midwestern Higher Education Compact from a program revenue appropriation within the agency.

I am vetoing this provision because I object to this earmarking of payments.

**10. Required Reports on Information Technology**

*Sections 9101 (11k) and 9101 (12k)*

These provisions require the Department of Administration to report to the Joint Committee on Finance on plans to lease a new data center and the associated hardware and software costs. Also, any proposed acquisition of major management information system project resources is made subject to Committee review under a 14-day passive approval process.

I am vetoing these provisions because they are unnecessary. The Department of Administration remains committed to working with the Legislature on these issues. However, legally mandated reports unnecessarily limit information sharing and dialogue on these matters.

**11. Pension Obligation Lapses and Transfers**

*Section 79*

This section codifies how the Department of Administration secretary will administer the lapses and fund transfers related to unfunded retirement liability debt service.

I am partially vetoing this section to ensure the budget intent to realize savings through the issuance of pension obligation bonds is achieved while the goal of property tax relief and adequate school funding is met under the Education and Workforce Development Section, Public Instruction, Item #4. This veto will allow the Department of Administration to allocate the costs of repaying the pension obligation bonds and fully recoup the savings residing in agency fringe benefit lines.

**BUILDING COMMISSION**

**12. General Fund Supported Borrowing Target**

*Sections 16p and 16r*

These sections establish a target increase of general fund supported borrowing for the long-range state building program, beginning in the 2007-09 biennium. This target is set initially at \$480 million and is adjusted each biennium by the percentage change in

construction costs and reduced by general fund borrowing already authorized, but not yet issued, and general fund supported borrowing contained in executive bills and other legislation.

I am vetoing these sections in their entirety because they are unnecessary. The State of Wisconsin Building Commission exists to review the state building program and debt issuance strategies. The commission already considers general fund revenues and debt service, general fund borrowing already authorized but not yet issued, and general fund supported borrowing contained in executive bills and other legislation as it develops recommendations for additional general fund supported borrowing. A statutory target is unnecessary given this role.

Furthermore, the target is artificial as it is created by setting a \$480 million starting point based on information from one year and inflating the amount based on percentage changes in construction costs, despite the fact that the target includes both construction and nonconstruction related borrowing. The target also does not allow for consideration of program requirements or regulatory requirements that may impact the commission's recommendations for new general fund supported borrowing.

## **EMPLOYEE TRUST FUNDS**

### **13. Required Nonrepresented State Employee Retirement Contributions**

*Sections 737e, 737r, 9101 (7k) and 9414 (1k)*

These sections require nonrepresented state employees, including University of Wisconsin faculty and academic staff, to begin paying 1.5 percent of earnings into the Wisconsin Retirement System, effective September 1, 2005. Currently the state, as the employer, pays this portion of the total employee-required contribution for all represented and nonrepresented employees.

The GPR amounts budgeted in agencies for the 1.5 percent portion of the retirement contributions would lapse to the general fund. Comparable offsets would occur with other sources of funding.

I am vetoing these sections because they present serious legal and policy implications.

- Adding these sections to the budget bill in a late night, last minute effort to secure votes did not allow for public input or a thorough debate of the issues. For good reason, the statutes require that bills and amendments related to the retirement system and pension contributions be referred to the legislative Joint Survey Committee on Retirement Systems.
- Increasing the employee's required contribution may impair contractual rights.
- These provisions create disparities among employees' compensation and benefit funding.

To maintain a neutral fiscal effect to the general fund associated with this veto, I am requesting the Department of Administration secretary use the authority granted under

s. 16.50, Wisconsin Statutes, to prudently manage the allotment of funds in order to produce offsetting lapses during budget implementation.

## **REGULATION AND LICENSING**

### **14. Transfer of Alcohol and Other Drug Abuse Counselor Certification**

*Sections 2337am, 9121 (12s) (am) and 9421 (10q)*

These provisions transfer the certification and regulation of Alcohol and Other Drug Abuse (AODA) counselors from the Department of Health and Family Services to the Department of Regulation and Licensing effective January 1, 2006. Included in these provisions is the creation of a certification review committee to advise the Department of Regulation and Licensing on proposed rules. The majority membership of this committee is to be recommended by the Wisconsin Association on Alcoholism and Other Drug Abuses, Inc. (WAAODA). Also included in this provision is an exemption from certification for any physician who specializes in psychiatry. Other physicians would be subject to the new certification.

I am partially vetoing the effective date of this provision because the Department of Regulation and Licensing needs additional time to prepare for this transfer.

Additionally, while WAAODA should have input into determining the certification committee membership, the final appointment authority should be the Department of Regulation and Licensing secretary. I am, therefore, vetoing the requirement that a majority membership of the committee be recommended by WAAODA.

Lastly, I believe that all licensed physicians should be able to practice AODA counseling without special certification under this provision. The Wisconsin Medical Society already certifies physicians for AODA counseling. I am, therefore, partially vetoing the provision to remove the exemption for a physician specializing in psychiatry because it is unnecessary. This partial veto will allow all licensed physicians to provide AODA counseling without further certification.

## **VETERANS AFFAIRS**

### **15. Operational Efficiency Consultant**

*Section 140 [as it relates to s. 20.485 (1) (gk)]*

This provision provides \$200,000 in additional expenditure authority to the Department of Veterans Affairs to hire a consultant to determine how the department can operate the veterans homes at King and Union Grove more efficiently.

By lining out the departments appropriation under s. 20.485 (1) (gk) and writing in a smaller amount that deletes \$200,000 PR in fiscal year 2005-06, I am vetoing the additional PR that was added by the Legislature to complete the study. I am also requesting the Department of Administration secretary not to allot these funds.

I am vetoing this provision because I object to providing scarce resources for this purpose. If the department feels there are operational efficiencies to be found at the two homes through an efficiency review, it should allocate existing base resources for this purpose.

## **F. TAX**

### **GENERAL FUND TAXES**

#### **1. Individual Income Tax Exclusion for Social Security Benefits**

*Sections 1286hm, 1286im and 1286jm*

These sections phase in a full income tax exclusion for Social Security benefits above certain thresholds: \$25,000 for single filers and \$32,000 for joint filers. Currently, 50 percent of the income above these thresholds is excluded from income tax (100 percent of income below these thresholds is excluded). The provision would increase this percentage to 65 percent for tax year 2007, 80 percent for tax year 2008 and 100 percent in tax year 2009.

I am partially vetoing this provision to start the full 100 percent exclusion of Social Security benefits one year earlier, beginning in tax year 2008 which makes the benefit of the full exclusion available to Social Security recipients sooner rather than later, and which provides \$16.2 million more in tax relief to these individuals by the end of fiscal year 2008-09.

#### **2. Private School and Homeschool Tax Credit**

*Sections 140 [as it relates to s. 20.835 (2) (eo)], 451u, 1311p, 1312m [as it relates to s. 71.07 (8r)], 1312u [as it relates to the private school and homeschool tax credit] and 9341 (10p)*

These sections create a refundable individual income tax credit of \$100 per eligible pupil enrolled in kindergarten or grades one to twelve at an eligible private school or home-based private educational program if the pupil is a dependent of the claimant. The credit is funded with a sum sufficient GPR appropriation and begins for tax year 2006.

I am vetoing this provision because it undermines the state's ability to properly fund public education. This tax credit takes over \$14,000,000 annually from the general fund and gives it to residents whose children are not in public schools. Even homeschooling activists have registered their dislike of this credit, objecting to additional government involvement in homeschooling.

#### **3. Adoption Expenses Credit**

*Sections 1286Lm, 1311ia, 1312o and 9341 (4k)*

These sections eliminate the state income tax deduction for adoption expenses and create instead a nonrefundable adoption tax credit that would be available to anyone who is eligible for, and claims, the federal adoption tax credit. The credit would be allowed for qualified adoption expenses that exceed the amount of the federal credit for which a claimant is eligible and claims. The state credit may not exceed \$5,000, but unused portions of the credit may be carried over to future tax years for up to five years.

I am vetoing this provision because the state already provides adoptive parents with a tax benefit through our adoption expenses deduction. The estimated \$7,500,000 annually saved through this veto will be used to fund education and provide property tax relief, offering further benefits to both adoptive parents and their children.

#### **4. Health Savings Accounts**

*Sections 1432m, 1450g and 9341 (5m)*

These sections update state tax references to the internal revenue code in order to conform to federal income tax exclusions and deductions for health savings accounts (HSAs). Under the federal HSA provisions, an eligible individual covered by a high-deductible health insurance plan may make pretax deductions to an HSA to cover qualified medical expenses. These provisions would first apply to tax year 2005.

I am vetoing these provisions on HSAs, as I have in the past, because HSAs are inextricably linked to high deductible medical insurance and, therefore, could decrease employer-sponsored insurance coverage. Additionally, HSAs are only viable for persons with higher incomes. Without a clear and demonstrated benefit for the residents of this state as a whole, I believe these provisions should only be taken up in the context of a larger debate on a comprehensive health care package that would effectively and affordably address the health care needs of seniors, children, and middle- and low-income families.

While I have vetoed these provisions, I am signing a tax cut for individuals paying health insurance premiums. This tax cut will help those whose employers do not contribute to health insurance premiums, meet the immediate cost of health care and will improve access to health insurance for persons who have no employer.

#### **5. Sales Tax on Services Provided by Temporary Help Companies**

*Sections 1632n and 9441 (7w)*

These sections exempt taxable services provided by temporary help companies [as defined in s. 108.02 (24m)] from the state sales and use tax, as long as the client controls the means of performing the services and is responsible for the satisfactory completion of the services.

I am vetoing this provision because it does not take effect until July 1, 2007, and, thus, does not need to be decided in the context of this budget.

**6. Individual and Corporate Income and Franchise and Insurance Premiums Tax Credit for HIRSP Assessments**

*Sections 1311i, 1312r, 1319m, 1354m, 1385h, 1385p, 1386m, 1406m, 1428k, 1428p, 1474q, 1474s and 1686f*

These provisions create a nonrefundable credit under the insurance premiums tax, the corporate and individual income and franchise taxes, and the tax on investment income paid by life insurance companies. The credit is equal to a percentage of the amount of assessments paid by the insurer during the taxable year under the Health Insurance Risk-Sharing Plan (HIRSP). The Department of Revenue and the Office of the Commissioner of Insurance must set the credit percentage for each year so that the annual cost of the credit is as close as practicable to \$2,000,000 in fiscal year 2006-07 and \$5,000,000 in each fiscal year thereafter. Unused credits may be carried over for up to fifteen years.

I am vetoing this provision because it is an unaffordable benefit to HIRSP insurers. Revenue associated with this credit is more effectively used to adequately fund public schools and deliver property tax relief.

**7. Withholding from Nonresident Members of Pass-Through Entities – Technical Veto**

*Section 1431*

This section establishes rules that require corporations, trusts, limited liability companies, etc., that are treated as pass-through entities for federal tax purposes and that have Wisconsin income allocable to nonresident partners, members or shareholders to pay withholding taxes. However, the language does not provide a method for computing withholding from the income attributable to individuals and corporations.

I am partially vetoing this section to conform the language to the original legislative intent of the provision. If the veto is not made, the state will not collect some portion of the \$7,500,000 in fiscal year 2005-06 and \$5,000,000 in fiscal year 2006-07 that was included in my budget proposal and approved by the Legislature.

**8. Definition of Taxable Sales – Technical Veto**

*Section 1518m*

This provision was among a series of changes I recommended to conform to the Streamlined Sales and Use Tax Agreement. The Joint Committee on Finance decided to remove the proposal from the budget. However, due to a drafting error, this section of the proposal remained in the bill. I am vetoing this section to conform the bill to the record of legislative intent.

## REVENUE

### 9. Lottery Vending Machine Placements

#### *Section 2423v*

This section requires the Department of Revenue to place lottery ticket vending machines in certain airport terminals and Milwaukee Amtrak stations, subject to approval by each location's administration and the availability of qualified lottery retailers at each location.

I am vetoing this section because it is unnecessary. The department is already in discussions to place lottery machines at a number of airports around the state.

## SHARED REVENUE AND TAX RELIEF

### 10. School Levy Tax Credit

#### *Section 1717*

This section defines the annual appropriation for the school levy tax credit for 2005, 2006, 2007 and beyond.

I am partially vetoing this section to set a higher appropriation for the school levy tax credit beginning with property tax bills mailed December 2006. My partial veto has the effect of setting the appropriation amount at \$593,050,000 beginning in 2007 and continuing thereafter.

While I cannot restore all of the funding that I originally proposed, this partial veto does help property taxpayers by providing an additional \$73,745,000 in school levy tax credits beginning with tax bills mailed in December 2006. Since this partial veto affects payments made in July 2007, there is no increase to the appropriations for the 2005-07 biennium.

### 11. Levy Limit for Counties and Municipalities

#### *Sections 1251c, 1254m, 1257, 1258, 1258m, 1259, 1260b, 1260c and 9435 (4) [as it relates to charter sport fishing boats]*

These sections set limits on the percentage by which counties' and municipalities' property tax levies can increase in a given year. With certain exceptions and adjustments, the levy limit is equal to the percentage increase in a political subdivision's equalized value that is due to net new construction. Exceptions and adjustments are made for tax increments, debt service, service transfers, annexations, children with disability education boards, first-class city school levies, referendum-approved spending increases and town meeting-approved spending increases. These sections also set forth a penalty for exceeding the levy limit, and sunset it after three years.

I am partially vetoing these sections to make it more responsible and fair to all communities while still holding down property tax increases. My partial vetoes affect the provision in a number of ways.

First, the minimum levy limit for all communities will be set at two percent per year. Thus even lower-growth communities will have the option of raising their levy by a modest two percent per year, which will allow them to at least partially keep up with inflation. Higher-growth communities will still have the ability to raise revenues up to the limit dictated by their growth due to new construction. The Legislature's proposal would have severely harmed lower- or negative-growth communities in Wisconsin. This partial veto corrects that inequity.

Second, my veto eliminates the requirement that new debt be authorized by a referendum in order for debt service on that new debt to be excluded from the levy limit calculation. Instead, new debt simply needs to be "authorized" and backed by the full faith and credit of the political subdivision. Exempting new debt service allows communities to make investments and undertake capital projects that are essential for economic growth. Additionally, without the exemption, bond houses would be reluctant to underwrite bond issuances by municipalities and counties, which would hurt, for example, the city of Milwaukee's issuance of operating notes.

Third, the levy limits under my veto would sunset January 1, 2007, after the 2005 and 2006 property tax bills have been mailed. I object to a three year duration for the limits because I do not believe we should set levy limits beyond the current biennium for which we are budgeting. We cannot know beyond the two year budget timeframe what the state's commitments to shared revenue and school aids will be and cannot ask local governments and schools to freeze their taxes without the guarantee that they will receive the state aid they need to maintain their services.

To partially veto the provision to a two year sunset, I had to strike sections dealing with comprehensive planning provisions, birth certificate issuance fees, charter sport fishing boats and shared revenue utility aid payments. The shared revenue utility aid payment revision and the repeal of the comprehensive planning provisions are already struck in separate vetoes. The birth certificate issuance fees and charter sport fishing boats revisions should be reconsidered under separate legislation.

The duplicate birth certificate fee increase would have supported recommendations from Wisconsin's Call to Action to Prevent Child Abuse and Neglect. I remain strongly supportive of Call to Action priorities including: child sexual abuse prevention, family mental health programming and family support programming. To ensure the state moves forward in these critical areas, I am directing the Department of Health and Family Services secretary to work with the Children's Trust Fund to initiate Call to Action pilot projects in Milwaukee County. In addition, I support separate legislation to permanently increase the duplicate birth certificate fee to generate program revenue that will support implementation of Call to Action recommendations.

With these partial vetoes, levy limits are improved. The levy limits hold down property tax growth while still allowing all communities at least a small increase to keep up with inflation and rising costs. In addition, the duration of the limits is properly aligned with the biennial state budget to make sure that we can continue to make our commitments to local governments.

These limits, when combined with my vetoes to increase state aid for property tax relief (see Item #10 and Education and Workforce Development Section, Public Instruction, Item #4), will freeze property taxes on an average value home for the December 2005 bills and reduce taxes on an average value home for the December 2006 bill. This responsible freeze is made possible through an improving Wisconsin economy, savings from state government efficiency measures and cuts to state programs.

## **12. Shared Revenue Utility Aid – Distribution Formula**

*Sections 93m, 1258m, 1260b, 1260c, 1260p, 1260q, 1260t, 1473b, 1473d, 1473e, 1474p, 1705b, 1705c, 1705d, 1705e, 1705f, 1705g, 2097m, 2097n, 2098m and 9141 (1n)*

These provisions change the method of computing utility aid payments to municipalities from a nine-mill calculation to a capacity-based calculation based on capacity in megawatts. Additionally, they extend the property tax to general structures and substations, but allow companies that run these facilities to deduct the tax paid against their annual state license fee costs. The provisions also change the method of calculation for payments of impact fees for high-voltage transmission lines; the calculation would be based on net book value instead of original cost. Finally, they allow that mitigation payments paid from the Oak Creek Power Plant to adjoining municipalities may be recoverable via future rate increases.

I am vetoing all of these provisions. There is limited policy justification for these changes and they make financial commitments in future biennia. Since, the distribution formula changes do not begin until the 2007-09 biennium this issue is more appropriately addressed in the next budget.

Portions of these provisions were also struck in the Levy Limit veto (see Item #11) to secure a sunset date for the limits.

