

FY97

ANNUAL FISCAL REPORT

Budgetary Basis



State of Wisconsin
1997

State of Wisconsin
1997 Annual Fiscal Report

(Budgetary Basis)

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October 15, 1997

The Honorable Tommy G. Thompson
The Honorable Members of the Legislature

This report presents statements of fund condition and operations (budgetary basis) of the State of Wisconsin for the fiscal year ended June 30, 1997. This satisfies the requirements of sec. 16.40(3), Wisconsin Statutes. Displayed are major sources of revenues and major categories of expenditures for the General Fund and other funds compared to the prior year.

The General Fund has an undesignated balance of \$327.1 million as of the end of the fiscal year. This is \$227.1 million higher than the \$100.0 million estimate that was projected in the final Chapter 20 fund condition statement.

General purpose revenue taxes were \$8.804 billion compared to \$8.209 billion in the prior year, an increase of \$595 million or 7.2 percent. General purpose revenue expenditures were \$9.026 billion compared to \$8.142 billion in the prior year, an increase of \$883.9 million or 10.9 percent. This increase is primarily attributable to increased school aids and local assistance. In addition, a transfer of \$257.8 million was made to the Property Tax Relief Fund to provide state property tax relief in the 1997-1999 fiscal biennium. Together, the Property Tax Relief Fund transfer and the general purpose revenue expenditures total \$9.284 billion of general fund uses.

General purpose revenue spending increases in fiscal year 1997 were largely driven by increases in three areas: school aids increased by \$844.2 million, Corrections increased by \$123.3 million, and University of Wisconsin System increased by \$6.0 million. These increases accounted for all of the total increase in general purpose revenue spending. Spending in all other areas combined decreased slightly.

In fiscal year 1997, the State of Wisconsin continued to devote the major share of state tax collections to assistance to local school districts, municipalities and counties. Local assistance accounted for 62.1 percent of total general purpose revenue spending. Aid payments to individuals and organizations represented 16.4 percent of total general purpose revenue expenditures. The University of Wisconsin accounted for 9.5 percent of total general purpose revenue spending and state operations spending for all other state agencies accounted for 12.0 percent of the total.

The State of Wisconsin expects to publish its comprehensive annual financial report in December of 1997. The report will be prepared under generally accepted accounting principles.

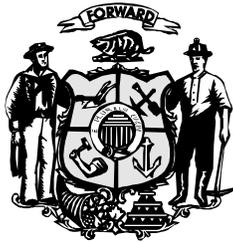
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark D. Bugher".

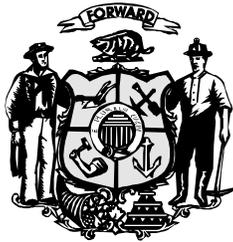
Mark D. Bugher
Secretary

A handwritten signature in black ink, appearing to read "William J. Raftery".

William J. Raftery, CPA
State Controller



Economic Section



The Year In Summary

Revenue Highlights

General purpose revenue (GPR) taxes for the fiscal year (FY) ending June 30, 1997 totaled \$8,818 million, an increase of 7.1 percent from FY 1996 collections of \$8,236 million. These amounts are before income tax refunds of \$13.5 million in FY 1997 and \$26.2 million in FY 1996 to federal retirees as a result of settlements related to lawsuits of federal pensions.

Total collections for FY 1997 were \$34.0 million or 0.4 percent above the May 1997 revised estimates of the Legislative Fiscal Bureau (LFB) of \$8,783.5 million.

Individual income tax collections exceeded estimates by \$13.3 million, public utility taxes by \$10.6 million, cigarette tax by \$6.6 million and sales tax by \$4.4 million, but corporate/franchise/income tax collections were \$6.2 million below estimates.

Table 1

General Purpose Revenue (GPR) Taxes By Source
GPR Tax Collections
(\$ Millions)

Tax Source	FY 97	% of Total	FY 96	% of Total	Change FY97-FY96	% Change
Individual Income	\$4,558.3	51.70%	\$4,183.6	50.80%	374.7	9.0%
General Sales & Use	2,864.4	32.49%	2,704.2	32.84%	160.2	5.9%
Corporation Franchise & Income	643.8	7.30%	636.0	7.72%	7.8	1.2%
Excise	253.9	2.88%	245.4	2.98%	8.5	3.5%
Inheritance, Estate & Gift	50.8	0.58%	45.6	0.55%	5.2	11.4%
Public Utility	306.2	3.47%	285.3	3.46%	20.9	7.3%
Insurance Companies	94.6	1.07%	92.3	1.12%	2.3	2.5%
Miscellaneous	45.5	0.52%	43.3	0.53%	2.2	5.1%
Subtotal	8,817.5	100.0%	8,235.7	100.0%	581.8	7.1%
Less: Federal Retirees Refunds	(13.5)		(26.2)			
TOTAL GPR	\$8,804.0		\$8,209.5			

Individual Income Tax

Aside from the \$26.2 million in FY 1996 and \$13.5 million in FY 1997 for federal retiree refunds, individual income tax collections increased 9.0 percent from \$4,183.6 million in FY 1996 to \$4,558.3 million in FY 1997. Collections were \$13.3 million (0.3%) above the \$4,545.0 million estimate. The individual income tax share of total GPR taxes increased from 50.8 percent in FY 1996 to 51.7 percent in FY 1997.

The largest component of individual income tax collections is withholding from wages and salaries, which increased 6.8 percent from \$3,730 million to \$3,985 million. Estimated payments increased 15.1 percent from \$636 million to \$732 million. These high growth rates are the result of substantial capital gains realizations. Refunds (excluding federal retiree refunds) decreased 0.7 percent from \$679 million to \$674 million.

The Homestead Credit decreased 9.9 percent from \$96.3 million to \$86.8 million, while the individual portion of the Farmland Preservation Credit decreased 20.6 percent from \$28.1 million to \$22.3 million. The individual portion of the Farm Tax Relief Credit decreased 16.2 percent from \$14.8 million to \$12.4 million. The earned income credit decreased 0.7 percent from \$59.9 million to \$59.5 million.

General Sales and Use Tax

Collections from the 5 percent general sales and use tax increased 5.9 percent from \$2,704.2 million to \$2,864.4 million. This was \$4.4 million (0.2 percent) above the \$2,860 million estimate. Sales tax collections as a percentage of total GPR taxes decreased in from 32.8 percent to 32.5 percent.

Sales tax payments with tax returns increased 6.8 percent from \$2,614 million to \$2,793 million. Additional collections decreased 21.6 percent from \$74.0 million to \$58.0 million. Delinquent collections decreased 1.1 percent from \$26.9 million to \$26.6 million, and refunds increased 23.6 percent from \$10.6 million to \$13.1 million.

Corporation Franchise and Income Tax

Corporate collections increased 1.2 percent from \$636.0 million in FY 1996 to \$643.8 million in FY 1997. Corporate collections as a percentage of total GPR taxes decreased from 7.7 percent to 7.3 percent. Corporate collections were \$6.2 million (1.0 percent) below the estimate of \$650 million.

The major source of corporate collections, estimated payments, increased 2.0 percent from \$647.9 million to \$661.0 million. Payments with tax returns decreased 12.3 percent from \$34.2 million to \$30.0 million. Refunds increased 6.6 percent from \$76.7 million to \$81.8 million. Miscellaneous collections (mostly from additional assessments and delinquent payments) increased 13.1 percent from \$30.6 million to \$34.6 million.

Excise Tax

Cigarette tax collections increased 3.3 percent in FY 1997 from \$198.0 million to \$204.6 million, or \$6.6 million above the estimate of \$198 million.

Liquor and wine tax collections increased 1.6 percent from \$30.8 million to \$31.3 million compared to the estimate of \$30.8 million.

Beer tax collections increased 0.2 percent to \$9.2 million compared to the estimate of \$9.0 million. The peak year for beer tax collections was FY 1984 with \$10.3 million.

Tobacco products tax collections increased 18.9 percent from \$7.4 million to \$8.8 million compared to the estimate of \$8.4 million.

Inheritance, Estate and Gift Taxes

Inheritance, estate and gift taxes increased 11.4 percent from \$45.6 million to \$50.8 million in FY 1997 compared to the estimate of \$49 million.

With the completion of the phase-out of the inheritance and gift taxes, collections from these taxes will be sporadic and limited to transactions that occurred prior to their elimination.

Public Utility Taxes

Utility tax collections increased 7.3 percent in FY 1997 from \$285.3 million to \$306.2 million, or \$10.6 million above the \$295.6 million estimate.

Insurance Company Taxes

Insurance company taxes (generally based on premiums) increased 2.5 percent from \$92.3 million to \$94.6 million, or \$2.1 million more than the estimate of \$92.5 million.

Real Estate Transfer Fee

The state's share of the real estate transfer fee, which is included in miscellaneous taxes, increased 6.7 percent from \$31.4 million to \$33.5 million.

Expenditure Highlights

Total state General Purpose Revenue [GPR] spending increased 10.9 percent or \$883.9 million in FY 1997, as shown in Table 2. This compares with a 4.8 percent increase in FY 1996.

The largest portion of GPR expenditures in FY 1997 was directed to school districts and local units of government, consistent with past years. Local assistance received \$5,609.8 million or 62.1 percent of total GPR spending, an increase from the 58.3 percent share paid in FY 1996. Aids to individuals received \$1,483.4 million, or 16.4 percent of total GPR spending in FY 1997 compared to 18.4 percent in FY 1996. State operations accounted for 21.5 percent of total GPR spending, a reduction from 23.3 percent of GPR expenditures accounted for by state operations in FY 1996.

Local assistance represented the largest share of the \$883.9 million increase at \$861.9 million or

97.5 percent. Aids to individuals was reduced \$16.5 million or -1.9 percent and state operations constituted the remaining \$38.5 million or 4.4 percent of the increase in GPR spending.

By percentage change, local assistance expenditures showed the largest increase in spending at 18.2 percent, compared to 6.7 percent in FY 1996. Aids to individuals decreased 1.1 percent, compared to a 1.8 percent increase in FY 1996, while overall state operations spending increased 2.0 percent, as compared to a 2.5 percent increase in FY 1996.

The GPR budget is shaped by the ten largest programs, as detailed in Table 3. These programs comprise 85.1 percent of total GPR expenditures, as compared with 82.9 percent of GPR expenditures in FY 1996. Immediately following this section is a brief explanation of each program.

Table 2

GPR BUDGET BY PURPOSE *GPR Expenditures* (\$ Millions)

	FY97	% of Total	FY96	% of Total	\$ Change FY96-FY97	% Change
Local Assistance	\$5,609.8	62.1%	\$4,747.9	58.3%	\$ 861.9	18.2%
Aids to Individuals	1,483.4	16.4%	1,499.9	18.4%	- 16.5	-1.1%
State Operations						
UW System	853.4	9.5%	847.4	10.4%	6.0	0.7%
All Other Agencies	1,079.1	12.0%	1,046.6	12.9%	32.5	3.1%
Subtotal	<u>\$9,025.7</u>	<u>100.0%</u>	<u>\$8,141.8</u>	<u>100.0%</u>	<u>\$ 883.9</u>	<u>10.9%</u>
Property Tax Relief Fund	257.8					
TOTAL GPR	<u><u>\$9,283.5</u></u>					

Table 3

TOP TEN PROGRAMS
GPR Expenditures
(\$ Millions)

	FY97	% of Total	FY96	% of Total	\$ Change FY96-FY97	% Change
School Aids	\$3,527.6	39.1%	\$2,683.4	33.0%	\$ 844.2	31.5%
Shared Revenues	1,008.6	11.2%	1,012.6	12.4%	- 4.0	-0.4%
Medical Assistance	865.6	9.6%	877.1	10.8%	- 11.5	-1.3%
UW System	853.4	9.5%	847.4	10.4%	6.0	0.7%
Corrections	494.0	5.5%	370.7	4.5%	123.3	33.3%
Property Tax Credits	319.3	3.5%	319.3	3.9%	0.0	0.0%
Community Aids	206.7	2.3%	212.6	2.6%	- 5.9	-2.8%
Tax Relief to Individuals	177.0	2.0%	192.9	2.4%	- 15.9	-8.2%
Income Maintenance (AFDC)	108.7	1.2%	124.3	1.5%	- 15.6	-12.6%
WI Tech College System Aids	110.2	1.2%	110.2	1.4%	0.0	0.0%
All Others	1,354.6	14.9%	1,391.3	17.1%	- 36.7	-2.6%
Subtotal	\$9,025.7	100.0%	\$8,141.8	100.0%	\$ 883.9	10.9%
Property Tax Relief Fund	257.8					
TOTAL GPR	\$9,283.5					

School Aids: State assistance to Wisconsin's 426 school districts and 17 public library systems increased by 31.5 percent or \$844.2 million in FY 1997. Total state aids to schools plus property tax credits enabled the state to reimburse an estimated 66.2 percent of school costs in FY 1997.

Since the 1993-94 school year, school districts have been subject to statewide revenue limits. These limits control the allowable increase in each school district's revenues by limiting the total revenue a district can collect from the combined sources of property tax levies for nondebt purposes and state general aids. These controls combined with the large increase in state school aids, succeeded in reducing the statewide gross school property tax levy by 16.4 percent in FY 1997.

There are two major types of school aid. Approximately 87 percent of school aids are general aids, distributed by a formula designed to equalize each school district's property tax base per student. The remaining 13 percent are categorical aids, distributed based on local expenditures for specific activities or educational programs. The

major categorical aid programs are programs for addressing special education needs and supporting the Milwaukee Public Schools voluntary desegregation program.

Shared Revenue: State shared revenue provides unrestricted aid to municipal and county governments. In FY 1997, the shared revenue formula distributed \$930.4 million primarily through equalized aidable revenue payments and per capita payments. The Expenditure Restraint Program distributed another \$48 million to municipalities with tax rates over 5 mills that restrained their spending increases. Two new programs, Small Municipality Shared Revenue and County Mandate Relief, provided \$10 million to municipalities with populations under 5,000 and \$20.2 million in per capita payments to counties, respectively. The total FY 1997 shared revenue payment was \$1,008.6 million, a decrease of \$4.0 million, or -0.4 percent, over FY 1996. Statewide, shared revenue payments provide municipalities with about 26 percent and counties with about 7 percent of their operating revenues.

Medical Assistance: Wisconsin's state and federally funded Medical Assistance [MA] program pays for medical services to certain categories of low income persons. Included are recipients of Aid to Families with Dependent Children and Supplemental Security Income, children and pregnant women in low income families and other low income individuals who have high medical expenses. In FY 1997, total MA expenditures were \$2,455.0 billion; \$865.6 million was GPR and the balance was federally funded. Total MA spending in FY 1997 increased by 3.4 percent over FY 1996 expenditures, compared to a 3.5 percent increase in the previous year. The state funded portion of MA decreased 1.3 percent in FY 1997, compared to a 4.0 percent increase the previous year, reflecting increased federal participation.

University of Wisconsin System: Total general purpose revenue expenditures for the UW System increased by \$6.0 million, or 0.7 percent in FY 1997. Tuition at UW institutions, despite annual increases, continues to be a relative bargain in higher education. Resident undergraduate tuition at Madison was \$939 below the "Big Ten" median and all other campuses were approximately \$400 below their peer group medians in FY 1997.

Correctional Services: Wisconsin's correctional population and related expenditures continued to increase in FY 1997. The population of incarcerated felons under the supervision of the state corrections program increased from 11,510 in FY 1996 to 13,053 in FY 1997, a 13.4 percent increase in population. Total GPR expenditures for the state corrections program increased \$123.3 million or 33.3 percent over the prior year, reaching \$494.0 million in FY 1997. The large percentage increase from FY 1996 to FY 1997 is the result of the transfer of responsibility of juvenile corrections from the Department of Health and Family Services to the Department of Corrections, beginning in FY 1997. The juvenile corrections program had expenditures in FY 1997 of \$92.2 million.

State Property Tax Credits: The School Levy Tax Credit pays local governments to reduce each property owner's taxes. Funding for the credit in FY 1997 was \$319.3 million, unchanged from FY 1995 and FY 1996. The School Levy Tax Credit

in FY 1997 offset 6 percent of 1996 gross property tax collections for all purposes statewide.

Community Aids: Community Aids are state and federal funds distributed to counties to fund various human services programs. Total expenditures reached \$303.2 million in FY 1997, of which \$206.7 million was GPR. Total expenditure levels decreased by 5.9 percent or by \$19.1 million from FY 1996.

Tax Relief to Individuals: Wisconsin paid out \$177.0 million GPR in tax relief to individuals through a variety of programs during FY 1997.

The GPR funded Homestead Credit and Farmland Preservation Credit and the Farmland Tax Relief Credit, which is funded by lottery proceeds, are "circuit-breaker" tax credits. Circuit-breakers aid households overburdened by property taxes in excess of their ability to pay. Claimants receive a credit against their state income tax liability or a refund check.

Wisconsin's Homestead Credit pioneered property tax relief through circuit-breakers. The program remains one of the nation's leaders in providing circuit-breaker relief, ranking third among the states in comprehensiveness and per capita expenditures for residential property tax relief. The Homestead Credit provided \$86.8 million of tax relief in FY 1997. About 194,000 low-income homeowners and renters--over half of them age 60 and older--benefit from the program each year.

The Farmland Preservation Credit provides a refundable credit to farmers who qualify through exclusive agricultural zoning or individual farmland preservation agreements. Wisconsin's Farmland Preservation Credit is one of only two similar state programs in the country. Farmland Preservation Credit expenditures totaled \$22.7 million in FY 1997, a decrease of 20.0 percent from the prior year, reflecting in part a reduction in farm property tax burdens.

As mentioned previously, the Farmland Tax Relief Credit is funded by lottery proceeds. A total of \$12.9 million was provided to farmers in FY 1997, allowing a 10 percent credit on property taxes (up to \$10,000) paid on farmland.

The Earned Income Credit, funded with GPR, reduces income taxes for low income working families with children. In FY 1997, the Earned Income Credit paid \$59.5 million to these households, a decrease of 0.7 percent over the prior year.

Income Maintenance -- Aid to Families with Dependent Children: The Aid to Families with Dependent Children [AFDC] program is the state's primary cash assistance program that provides income to children and their parents or guardians who lack adequate financial support. An average of 128,493 individuals per month received AFDC benefits in FY 1997. Over two-thirds of these recipients were dependent children.

Wisconsin provided \$215.3 million in AFDC benefits during FY 1997. Of this amount, \$108.7 million was state GPR and \$106.6 million was federal funding. Total expenditures for AFDC in FY 1997 decreased by 32.0 percent from the prior year, with state expenditures decreasing by 12.6 percent. Although total expenditures declined substantially, a greater portion of the costs were shifted to GPR than in prior years as a result of the Maintenance of Effort requirement of the Federal Personal Responsibility and Work Opportunity Reconciliation Act passed last August. The significant decrease in the program was the result of preparations made to replace the AFDC welfare system with a work-based system named Wisconsin Works (W-2) on September 1, 1997.

WTCS Aids: State general aid for vocational, technical and adult education totaled \$110.2 million GPR in FY 1997, unchanged over the prior year's GPR allocation. In addition to general aid, Wisconsin Technical College System districts are

eligible for state funding from the incentive grants appropriation, totaling \$7.9 million. The incentive grants provide funding for expansion of adult literacy services, funding for new or expanding programs for emerging occupations, funds for purchase of high cost instructional equipment and funds for the creation or expansion of programs that assist business and industry in adopting new technology. These funds also enable districts to maintain educational programs that would otherwise be eliminated because of the districts' taxing limitations.

The sixteen WTCS districts provide occupational education to approximately 500,000 individuals through programs ranging from associate degrees to short-term course work in specific occupational skill areas. WTCS districts have taken an active role in providing tech-prep and youth apprenticeship services in partnership with K-12 schools, industry and labor. The WTCS districts also contribute to the state's economic development through a variety of technical assistance and customized training efforts.

Comparative Condition of the General Fund

	FY97 Actual AFR Report	Chapter 20	Variance	Note
OPENING BALANCE				
Undesignated, Unreserved Opening Balance	\$ 581,689,761	\$ 566,339,200	\$ 15,350,561	1
Add Prior Year Designation of Continuing Balances	71,298,356		71,298,356	2
Unreserved Opening Balance	<u>652,988,116</u>	<u>566,339,200</u>	<u>86,648,916</u>	
REVENUES				
Taxes	8,817,536,315	8,663,850,000	153,686,315	3
Less Federal Retirees Refunds	(13,525,677)	(12,700,000)	(825,677)	4
Departmental Revenues	150,614,761	228,779,200	(78,164,439)	5
Total Revenues	<u>8,954,625,399</u>	<u>8,879,929,200</u>	<u>74,696,199</u>	
Total Available Per Schedule A-1	<u>9,607,613,515</u>	<u>9,446,268,400</u>	<u>161,345,115</u>	
APPROPRIATIONS				
Gross Appropriations Per General Fund Summary	9,153,611,400	9,153,611,400	-	
New Legislation	1,504,342		1,504,342	6
Budget Increases to Sum Sufficient Appropriations	32,157,241		32,157,241	7
Budget Brought Forward From Previous Year	71,298,356		71,298,356	8
Budget Carried To Next Year for Continuing Appropriations	(10,693,798)		(10,693,798)	9
Compensation Reserve	39,747,338	46,382,400	(6,635,062)	10
Local Government Property Insurance Fund	320,769	2,234,700	(1,913,931)	11
Property Tax Relief Fund	257,755,900	257,755,900	-	12
Less Lapses of Appropriations	(262,194,898)	(113,723,000)	(148,471,898)	13
Total Expenditures Per Schedule A-1	<u>9,283,506,651</u>	<u>9,346,261,400</u>	<u>(62,754,749)</u>	
General Fund Balance before Designation	324,106,864	100,007,000	224,099,864	
Residual Equity Transfers	13,732,053		13,732,053	14
Designation for Appropriation Authority Carried Forward	(10,693,798)	-	(10,693,798)	15
Net	<u>\$ 327,145,119</u>	<u>\$ 100,007,000</u>	<u>\$ 227,138,119</u>	

Notes:

- 1 The opening balance difference is the difference between the budgeted and actual ending balances for the prior year, the first year in the biennium.
- 2 The prior year designation for continuing balances is added to the unreserved, undesignated opening balance to arrive at the unreserved opening fund balance.
- 3 Actual tax collections were more than the estimated tax collections included in the published budget.
- 4 The actual refunds paid to Federal retirees were more than the estimate made in the published budget.
- 5 Actual departmental revenues were less than anticipated revenues included in the published budget. Certain budgetary lapses may have been counted as revenues in the published budget.
- 6 Legislation not included in the published budget.
- 7 Sum Sufficient appropriations are appropriations that have authority to expend amounts necessary to accomplish the purpose specified by the legislation. Appropriations are increased by expenditures that exceed the estimate.

- 8 Biennial appropriations are not restricted to the annual amounts recorded in the Chapter 20 schedule. The controlling limit is the sum of the annual amounts. Therefore, any budget remaining from the first year of the biennium is carried forward to the second year of the biennium. Similarly, if the first year's budget authority is exceeded in the first year of the biennium, the agency can begin spending against the second year's budget. In FY96, the first year of the biennium, agencies had under expended first year appropriations. The remaining budget authority was therefore carried forward to the second year. Since this amount is available for expenditure in the second year, the amount is an increase to the second year's budget.
- 9 By definition, any unspent budget authority in a continuing appropriation is carried forward to the succeeding year. For purposes of this table, the unspent budget authority is a reduction to the current budget and an increase to the succeeding budget.
- 10 Actual compensation expenditures applied against the Chapter 20 compensation reserves amounted to \$39,747,338 . This total was \$6,635,062 less than the Chapter 20 reserve.
- 11 Repayments of loans made to the general fund are not recorded as expenditures in the AFR. This is consistent with accounting convention which holds that the receipt of loans and their repayments do not affect fund balance. However, interest on the loan is an expenditure to the fund. The \$320,769 amount in column 1 represents the amount of interest paid in FY97.
- 12 The amount shown is the transfer to the Property Tax Relief Fund.
- 13 The amount shown is for lapses of annual, biennial or sum sufficient appropriations that had expenditures that were less than the Chapter 20 estimate.
- 14 Residual Equity Transfers are nonrecurring, nonroutine transfers of equity between funds. For budgetary purposes, transfers from other funds are treated as departmental revenue. In FY97, the following transfers were made to or from (amounts in parentheses) the general fund:
- | | |
|---|----------------------|
| Transfer from the Badger Fund to the General Fund | \$ 5,442,146 |
| Transfer from the State Housing Authority Reserve to the General Fund | 4,895,118 |
| Various Lapses Required by Law | 2,239,099 |
| Transfer from Federal program revenue appropriation | 1,419,190 |
| Other | (263,500) |
| | <u>\$ 13,732,053</u> |
- 15 See also Note 9. The amount designated represents the amount of budget authority carried forward from FY97 to FY98.

Statements of Fund Condition and Operations

15-Year Comparison of Wisconsin's Ending General Fund Unreserved Balances

(In Millions of Dollars)

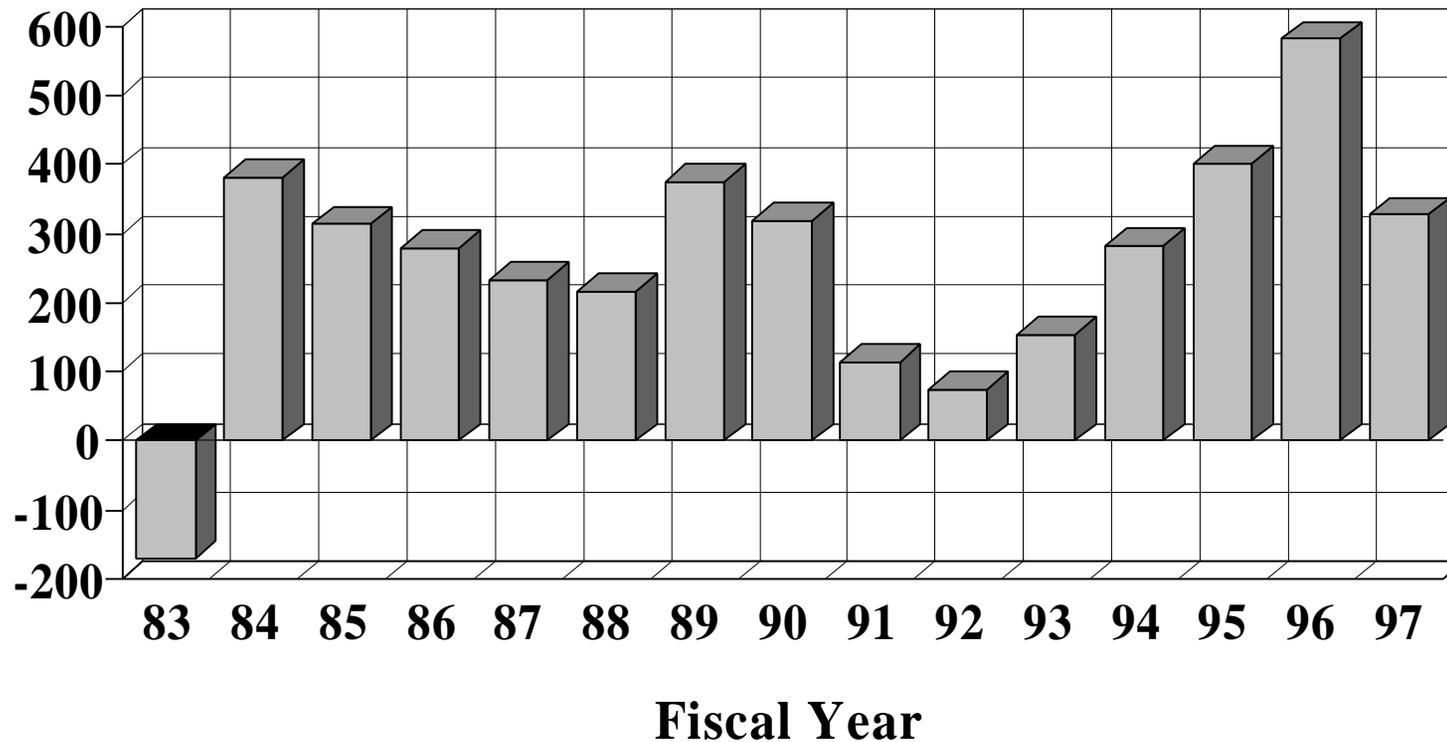


Exhibit A-1

**State of Wisconsin
Statement of Recorded, Revenues, Expenditures and Fund Balance-Budget vs.
Actual-General Purpose Revenues-Statutory Basis
(In Thousands)**

	BUDGET			ACTUAL			VARIANCE	
	Published Budget	Appropriation Adjustments	Final Budget	Disbursements June 30, 1997	Reserve for Encumbrances June 30, 1996	Expenditures		
Beginning Unreserved								
Undesignated Balance.....	\$ 566,339	\$ 0	\$ 566,339	\$ 581,690	\$ -	\$ 581,690	\$ 15,351	
Beginning Unreserved								
Designated Balance.....	0	0	0	71,298	-	71,298	71,298	
Total.....	566,339	0	566,339	652,988	-	652,988	86,649	
REVENUES								
Taxes:								
Individual.....	4,416,200	0	4,416,200	4,558,265	-	4,558,265	142,065	
Corporation.....	650,000	0	650,000	643,822	-	643,822	(6,178)	
Federal Retiree Refunds.....	(12,700)	0	(12,700)	(13,526)	-	(13,526)	(826)	
Sales & Use.....	2,869,500	0	2,869,500	2,864,373	-	2,864,373	(5,127)	
Excise.....	245,200	0	245,200	253,904	-	253,904	8,704	
Inheritance & Gift.....	44,000	0	44,000	50,825	-	50,825	6,825	
Public Utility.....	295,950	0	295,950	306,231	-	306,231	10,281	
Insurance.....	98,000	0	98,000	94,641	-	94,641	(3,359)	
Miscellaneous.....	45,000	0	45,000	45,475	-	45,475	475	
Total Taxes.....	8,651,150	0	8,651,150	8,804,010	-	8,804,010	152,860	
Departmental Revenue.....	228,779	0	228,779	150,615	-	150,615	(78,164)	
Total Revenues.....	8,879,929	0	8,879,929	8,954,625	-	8,954,625	74,696	
TOTAL AVAILABLE.....	9,446,268	0	9,446,268	9,607,613	-	9,607,613	161,345	
EXPENDITURES								
							LAPSE	
Commerce.....	48,856	4,329	53,185	44,927	18,561	(18,063)	45,425	7,760
Education.....	4,634,351	46,570	4,680,921	4,625,984	13,365	(10,207)	4,629,142	51,779
Environmental Resources.....	198,992	(1,654)	197,338	192,693	2,137	(2,125)	192,705	4,633
Human Relations & Resources.....	2,346,307	77,087	2,423,394	2,287,040	56,011	(52,721)	2,290,330	133,064
General Executive.....	155,044	1,192	156,236	151,494	9,708	(6,500)	154,702	1,534
Judicial.....	80,153	555	80,708	79,421	4	(49)	79,376	1,332
Legislative.....	48,778	4,331	53,109	52,069	2	0	52,071	1,038
General (incl. Shared Revenue).....	1,641,130	1,924	1,643,054	1,581,999	0	0	1,581,999	61,055
Transfer to Property Tax Relief Fund.....	257,756	0	257,756	257,756	0	0	257,756	0
Transfer to Local Government								
Property Insurance Fund.....	2,235	(321)	1,914	0	0	0	0	1,914
Compensation Reserves.....	46,382	(39,747)	6,635	0	0	0	0	6,635
Less: Estimated Lapse.....	(113,723)	0	(113,723)	0	0	0	0	(113,723)
TOTAL EXPENDITURES.....	9,346,261	94,266	9,440,527	9,273,383	99,788	(89,665)	9,283,506	157,021
Residual Equity Transfer.....	0	0	0	13,732	0	0	13,732	13,732
UNRESERVED BALANCE	100,007	(94,266)	5,741	347,962	(99,788)	89,665	337,839	332,098
Designation for continuing balances.....	0	10,694	10,694	(10,694)			(10,694)	0
UNRESERVED								
UNDESIGNATED BALANCE.....	\$ 100,007	\$ (104,960)	\$ (4,953)	\$ 347,962	\$ (110,482)	\$ 89,665	\$ 327,145	\$ 332,098

Balance in Property Tax Relief Fund

257,756

The accompanying notes are an integral part of this statement.

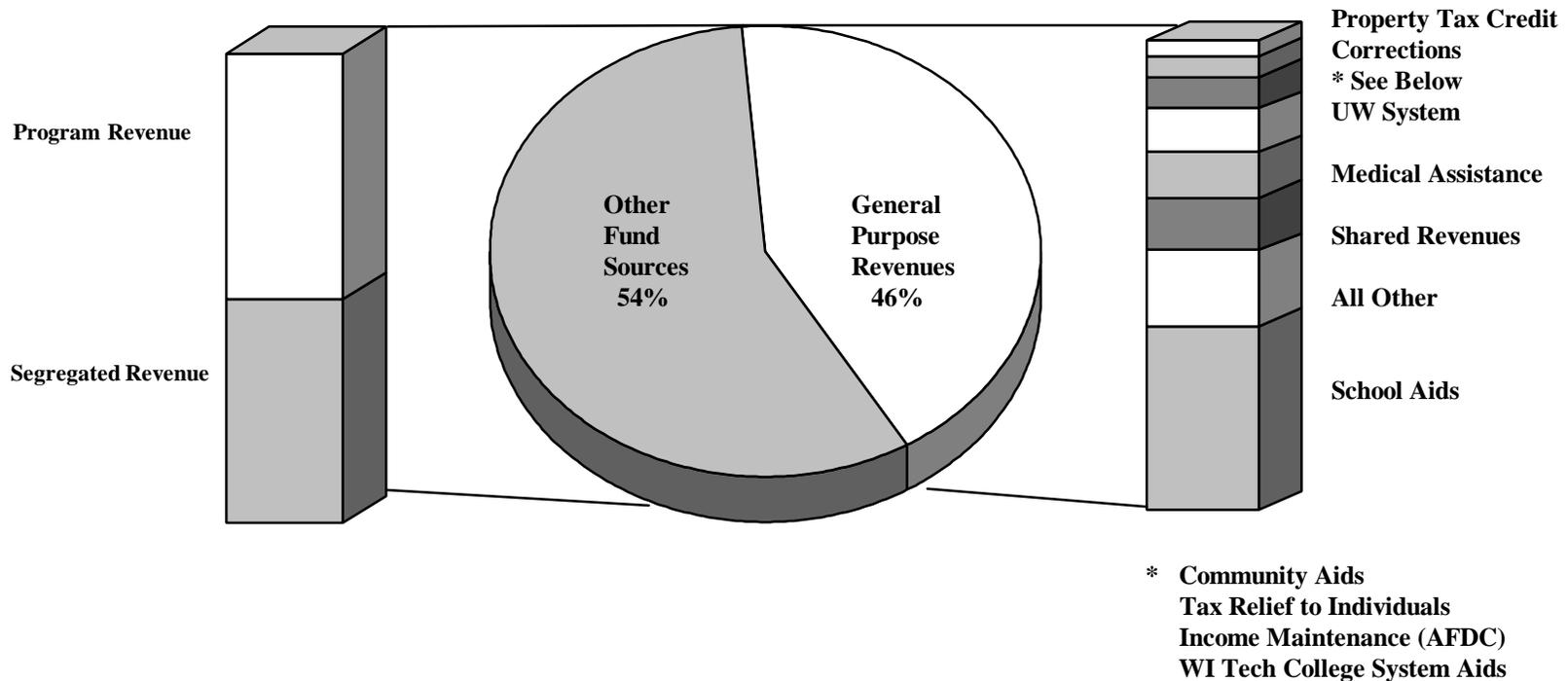
Total Expenditures by Fund Source, State of Wisconsin

For the Fiscal Year Ended June 30, 1997

Other Expenditures
\$10.8 Billion

Total Expenditures
\$20.1 Billion

General Purpose Revenue Expenditures
\$9.3 Billion



For more detail on expenditures, see Schedule A-2

Exhibit A-2

**State Of Wisconsin
Statement of Recorded Revenues, Expenditures, and Changes in Fund Balance
All Funds - Statutory Basis
For The Fiscal Year Ended June 30, 1997
(In Thousands)**

	GOVERNMENTAL FUNDS						TOTAL
	General Fund			Major Special Revenue Funds			June 30, 1997
	General Purposes	Program Revenue	Subtotal	Transportation	Conservation	Other	
REVENUES							
Taxes (Net of Federal Retiree Refund)	\$ 8,804,011	\$ 10,430	\$ 8,814,441	\$ 715,235	\$ 45,558	\$ 52,552	\$ 9,627,786
Intergovernmental Revenue.....	6,984	3,471,421	3,478,405	474,427	14,001	49,095	4,015,928
Licenses.....	55,582	120,879	176,461	242,298	64,483	183,083	666,325
Charges for Goods & Services.....	4,554	1,276,332	1,280,886	30,090	19,151	458,833	1,788,960
Contributions.....	0	0	0	0	0	1,455,505	1,455,505
Interest & Investment Income.....	35,528	43,564	79,092	7,780	2,164	7,798,758	7,887,794
Gifts & Donations.....	1	221,314	221,315	0	1,366	36,287	258,968
Other Revenue.....	19,928	286,078	306,006	68,321	1,736	60,520	436,583
Transfers.....	7,360	1,350	8,710	20	12,212	648,614	669,556
Other Transactions.....	20,677	283,327	304,004	0	0	8,737	312,741
Proceeds from							
Sale of Bonds and Notes.....	0	0	0	109	0	290,503	290,612
TOTAL REVENUES	8,954,625	5,714,695	14,669,320	1,538,280	160,671	11,042,487	27,410,758
EXPENDITURES							
Commerce.....	45,426	159,271	204,697	323	881	168,020	373,921
Education.....	4,629,142	1,937,050	6,566,192	4,917	0	188,038	6,759,147
Environmental Resources.....	192,705	44,676	237,381	1,519,864	149,689	230,347	2,137,281
Human Relations and Resources	2,290,330	3,157,094	5,447,424	6,313	827	234,464	5,689,028
General Executive.....	154,701	342,383	497,084	1,467	0	2,211,502	2,710,053
Judicial.....	79,376	7,276	86,652	0	0	306	86,958
Legislative.....	52,071	1,148	53,219	0	0	0	53,219
General (incl. Shared Revenue).....	1,839,755	0	1,839,755	13,359	0	413,685	2,266,799
TOTAL EXPENDITURES	9,283,506	5,648,898	14,932,404	1,546,243	151,397	3,446,362	20,076,406
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....							
	(328,881)	65,797	(263,084)	(7,963)	9,274	7,596,125	7,334,352
BEGINNING FUND BALANCE							
DESIGNATED.....	71,298	0	71,298	0	0	0	71,298
UNDESIGNATED.....	581,690	(3,414)	578,276	(340,732)	35,747	41,027,408	41,300,699
TOTAL	652,988	(3,414)	649,574	(340,732)	35,747	41,027,408	41,371,997
RESIDUAL EQUITY							
TRANSFERS.....	13,732	(2,970)	10,762	0	0	(10,762)	0
ENDING FUND BALANCE							
DESIGNATED.....	(10,694)	0	(10,694)	0	0	0	(10,694)
UNDESIGNATED..... \$	327,145	59,413	386,558	(348,695)	45,021	48,612,772	48,695,656

(1)

The accompanying notes are an integral part of this statement.

(1) See Note H

Exhibit A-3

State of Wisconsin
 Summary of Recorded Revenues and Expenditures - All Other Funds
 Statutory Basis (Including Interfund Transfers)
 For The Fiscal Year Ended June 30, 1997
 (In Thousands)

Funds By Category	Undesignated	FY 1997			Undesignated
	Fund Balance June 30,1996	Revenues	Adj. Expenditures	Fund Transfers	Fund Balance June 30,1997
OTHER FUNDS					
Other Special Revenue					
Heritage State Parks and Forests.....	\$ 0	\$ 699	\$ 30	\$ 0	\$ 669
Wisconsin Health Education Loan Repayment...	(27)	119	102	0	(10)
Waste Management.....	4,320	174	0	0	4,494
Wisconsin Election Campaign.....	345	346	487	0	204
Investment and Local Impact.....	6,167	918	2,773	0	4,312
Industrial Building Construction.....	249	13	0	0	262
Work Injury Benefits.....	9,656	1,111	2,200	0	8,567
Uninsured Employers.....	4,581	1,398	313	0	5,666
Mediation.....	344	399	306	0	437
Farms for the Future.....	0	0	0	0	0
Agrichemical Management.....	11,934	8,761	5,243	0	15,452
Badger.....	5,152	704	0	(5,442)	414
Cemetery Consumer Protection.....	0	0	0	0	0
Petroleum Inspection.....	16,770	106,190	111,377	0	11,583
Environmental.....	4,294	20,798	23,467	0	1,625
Recycling.....	11,025	53,761	41,115	404	24,075
Information Technology Investment.....	0	136	3,829	0	(3,693)
Property Tax Relief.....	0	257,756	0	0	257,756
<i>Total Other Special Revenue.....</i>	<i>74,810</i>	<i>453,283</i>	<i>191,242</i>	<i>(5,038)</i>	<i>331,813</i>
Debt Service					
Bond Redemption.....	7,011	388,384	389,312	0	6,083
Capital Projects					
State Building Trust.....	15,832	2,601	2,972	0	15,461
Energy Efficiency.....	4,344	(2,719)	0	0	1,625
Capital Improvement.....	104,952	350,337	437,402	0	17,887
<i>Total Capital Projects.....</i>	<i>125,128</i>	<i>350,219</i>	<i>440,374</i>	<i>0</i>	<i>34,973</i>
TRUST & OTHER					
Expendable					
Children's Trust.....	59	30	37	0	52
State Capital Restoration.....	39	12	23	0	28
Historical Society Trust.....	6,514	1,148	334	0	7,328
Common School Income.....	16,871	18,407	18,411	0	16,867
University Trust Income.....	9,928	20,199	12,518	0	17,609
<i>Total Expendable.....</i>	<i>\$ 33,411</i>	<i>\$ 39,796</i>	<i>\$ 31,323</i>	<i>\$ 0</i>	<i>\$ 41,884</i>

Exhibit A-3

State of Wisconsin
 Summary of Recorded Revenues and Expenditures - All Other Funds
 Statutory Basis (Including Interfund Transfers)
 For The Fiscal Year Ended June 30, 1997
 (In Thousands)

Funds By Category	Undesignated	FY 1997			Undesignated
	Fund Balance June 30, 1996	Revenues	Adjusted Expenditures	Fund Transfers	Fund Balance June 30, 1997
<u>TRUST & OTHER (Continued)</u>					
<u>Nonexpendable</u>					
Agriculture College.....	\$ 305	\$ 0	\$ 0	\$ 0	305
Common School Principal.....	326,668	27,897	0	0	354,565
Normal School.....	17,726	196	0	0	17,922
University.....	234	0	0	0	234
Benevolent.....	13	0	0	0	13
University Trust Principal.....	171,621	(4,925)	0	0	166,696
State Housing Authority Reserve.....	4,895	0	0	(4,895)	0
<i>Total Nonexpendable.....</i>	<i>521,462</i>	<i>23,168</i>	<i>0</i>	<i>(4,895)</i>	<i>539,735</i>
<u>Pension</u>					
Fixed Retirement Trust.....	34,159,745	7,513,396	1,233,145	0	40,439,996
Variable Retirement Trust.....	4,806,590	1,216,495	223,577	0	5,799,508
Combined Stock Investment Trust.....	0	0	0	0	0
<i>Total Pension.....</i>	<i>38,966,335</i>	<i>8,729,891</i>	<i>1,456,722</i>	<i>0</i>	<i>46,239,504</i>
<u>Other</u>					
Lottery.....	7,741	437,129	310,123	0	134,747
Health Insurance Risk Sharing Plan.....	(14)	110	92	0	4
Local Government Property Insurance.....	21,753	10,881	11,316	0	21,318
State Life Insurance.....	63,898	6,040	2,952	(829)	66,157
Patients Compensation Fund.....	334,718	78,777	37,661	0	375,834
Investment Pool.....	0	0	0	0	0
Public Employee Trust.....	64,555	416,652	416,464	0	64,743
Clean Water.....	229,460	61,805	85,984	0	205,281
Veterans Trust.....	29,440	3,639	10,862	0	22,217
Veterans Mortgage Loan.....	547,700	42,713	61,935	0	528,478
<i>Total Other.....</i>	<i>1,299,251</i>	<i>1,057,746</i>	<i>937,389</i>	<i>(829)</i>	<i>1,418,779</i>
<i>TOTAL TRUST & OTHER.....</i>	<i>40,820,459</i>	<i>9,850,601</i>	<i>2,425,434</i>	<i>(5,724)</i>	<i>48,239,902</i>
<i>TOTAL - ALL FUNDS.....</i>	<i>\$ 41,027,408</i>	<i>\$ 11,042,487</i>	<i>\$ 3,446,362</i>	<i>\$ (10,762)</i>	<i>\$ 48,612,772</i>

The accompanying notes are an integral part of this statement

Exhibit A-4

**Comparative Condition Of The General Fund
Fiscal Years Ended June 30, 1997, 1996 and 1995
(In Thousands)**

	June 30, 1997	June 30, 1996	June 30, 1995
<u>ASSETS</u>			
Cash & Investment Pool Shares..... \$	498,692	\$ 574,513	\$ 489,935
Contingent Fund Advances.....	4,086	4,108	4,107
Investments.....	445	445	445
Accounts Receivable.....	816,708	684,739	763,515
Due from Other Funds.....	16,486	16,716	9,244
Inventory	0	0	0
Prepayments	40,884	34,361	39,878
TOTAL ASSETS.....	1,377,301	1,314,882	1,307,124
<u>LIABILITIES</u>			
Accounts Payable.....	330,589	295,189	333,644
Due to Other Funds.....	301,406	32,251	36,564
Tax and Other Deposits.....	62,084	40,400	59,666
Advance from other funds.....	4,000	6,000	8,000
Deferred Revenue	26,498	22,417	21,995
TOTAL LIABILITIES.....	724,577	396,257	459,869
<u>FUND BALANCE</u>			
<u>Reserved Balances</u>			
GPR Encumbrances	99,788	89,665	110,082
PR Encumbrances.....	155,684	179,386	188,394
Total Reserved Balances.....	255,472	269,051	298,475
<u>Unreserved Designated Balances</u>			
GPR Continuing Balances.....	10,694	71,298	10,248
<u>Unreserved Undesignated Balances</u>			
GPR Unreserved Balance.....	327,145	581,690	400,881
PR Unreserved Balance.....	59,413	(3,414)	137,651
Total Unreserved Undesignated Balances...	386,558	578,276	538,532
TOTAL FUND BALANCE.....	652,724	918,625	847,255
TOTAL LIABILITIES AND FUND BALANCES.. \$	1,377,301	\$ 1,314,882	\$ 1,307,124

The accompanying notes are an integral part of this statement.

Exhibit A-5

**State of Wisconsin
Statement of Expenditures and Fund Balance-Budget vs.
Actual-All Funds-Statutory Basis
For the Fiscal Year Ended June 30, 1997**

	BUDGET			ACTUAL			
	Published	Budget	Final	Reserve for Encumbrances			
	Budget	Adjustments	Budget	Disbursements	June 30, 1997	June 30, 1996	Expenditures
EXPENDITURES							
Commerce.....	\$ 361,145	\$ 41,721	\$ 402,866	\$ 366,768	\$ 25,866	\$ (25,255)	\$ 367,379
Education.....	6,645,450	160,345	6,805,795	6,592,557	70,510	(54,761)	6,608,306
Environmental Resources.....	1,955,734	195,822	2,151,556	2,046,082	602,146	(598,532)	2,049,696
Human Relations & Resources.....	5,446,078	449,426	5,895,504	5,488,433	108,410	(142,150)	5,454,693
General Executive.....	568,193	323,713	891,906	821,205	53,093	(49,688)	824,610
Judicial.....	87,717	1,120	88,837	87,055	88	(185)	86,958
Legislative.....	50,120	4,340	54,460	53,277	2	(60)	53,219
General (incl. Shared Revenue).....	1,816,969	391,521	2,208,490	2,003,094	0	0	2,003,094
Transfer to Property Tax Relief Fund...	257,756	0	257,756	257,756	0	0	257,756
Transfer to Local Government							
Property Insurance Fund.....	2,235	(321)	1,914				
Compensation Reserves.....	46,382	(39,747)	6,635				
Less: Estimated Lapse.....	(113,723)	0	(113,723)				
EXPENDITURES							
PER CHAPTER 20 SCHEDULE	\$ 17,124,056	\$ 1,527,940	\$ 18,651,996	17,716,227	860,115	(870,631)	17,705,711
Appropriated and expended but not in Chapter 20 Schedule							
Fringe Benefits							
Insurance Premiums				365,810	0	0	365,810
Annuities				1,383,950	0	0	1,383,950
Other Fringe Benefits				96,864	0	0	96,864
Capital Projects				436,685	0	0	436,685
Other				90,656	8,881	(12,151)	87,386
TOTAL EXPENDITURES				\$ 20,090,192	\$ 868,996	\$ (882,782)	\$ 20,076,406

The accompanying notes are an integral part of this statement.

Notes To Fund Statements

Note A Statutory Basis of Accounting

The State of Wisconsin [Annual Fiscal Report](#) is a report of actual financial results for the fiscal year against the state's budget as reflected in Chapter 20 of the Wisconsin Statutes. The report is not intended to display accounting information in accordance with Generally Accepted Accounting Principles (GAAP). The State's [Comprehensive Annual Financial Report](#), which is prepared in accordance with GAAP is issued under a separate cover at the end of the calendar year. Statutes require that revenues and expenditures be recognized in the fiscal year in which they are received or paid. Exceptions are health and life insurance premiums which are paid two months in advance of the actual coverage months. The health and life insurance costs for the last two months of the fiscal year are recorded as expenditures in the following fiscal year. All investments owned by the state retirement funds are an exception to the requirement to recognize revenues and expenditures since investments are adjusted to market and the resultant unrealized gains or losses are reflected in the accounts of those funds. State statutes also provide that contributions to the state retirement funds received after August 1, which relate to earnings paid for services rendered in the previous fiscal year, may be recorded as revenues of the previous fiscal year. In addition, the state's centralized accounting records remain open until July 31 (August 15 for income, sales and use tax receipts) to permit the state departments to record revenues and expenditures applicable to the fiscal year ended June 30. Exceptions are the Building Trust Fund, the Capital Improvement Fund, and the Bond Security and Redemption Fund, which are closed as of June 30. However, the recording of charges and encumbrances applicable to the prior year is limited by the available appropriation balances of that year. In addition, state administrative policies require that revenues and expenditures be reported on a net basis; i.e., overcollections refunded are deducted from revenues, and overpayments collected are deducted from expenditures.

The July and August recording of prior fiscal years' revenues and expenditures results in accrued revenues and accounts payable in the statement of assets, liabilities and fund balances. Included in these amounts are receivables and payables between funds which are not eliminated for presentation as "due to" or "due from" other funds. Fixed assets as

well as inventories purchased are recorded as expenditures in the period in which they are paid. Encumbrances are treated as expenditures in the initial year. Unused appropriation balances may be allowed to continue for use in future years, rather than lapse to the General Fund. In these cases the continuing balances are treated as reserves for Program Revenue (PR) or General Purpose Revenue (GPR) balances. GPR consists of general taxes and miscellaneous revenues which are paid into the general fund and are then available for appropriation by the legislature. PR consists of funds also paid into the General Fund which are dedicated for specific purposes and are appropriated by the legislature as estimates through the use of revolving accounts.

Note B Fiscal Controls

The State Constitution provides that no money shall be paid out of the Treasury except as appropriated by law. The statutes require that the Secretary of Administration and the State Treasurer approve all payments. The Secretary of Administration exercises detail allotment control over all agency appropriations and approval authority over all encumbrances. The Secretary of Administration is also responsible for audit of expenditures prior to disbursement.

The Department of Administration maintains separate accounts for all appropriations showing the amounts appropriated, the amounts allotted, the amounts encumbered, the amounts disbursed and certain other data necessary to the financial management and control of all state accounts. The department also maintains the general ledgers of the funds of the state including the General Fund.

Note C Classification of Funds

Funds are generally classified in accordance with classification criteria appropriate for governmental accounting.

However, certain activities of a proprietary and fiduciary nature are combined within the Governmental and Trust, Agency and Other Funds. In addition, the activities of the State Building Trust Fund, included within the Capital Projects classification, consist of capital projects as well as projects for the maintenance and repair of state facilities.

Note D Extraordinary Transfers and Transactions Affecting Fund Balance

Loan to the General Fund

At the beginning of fiscal year 1997, the general fund had an outstanding loan of \$6,000,000 from the Local Government Property Insurance Fund. During FY 1997, \$2,000,000 of the loan from the Local Government Property Insurance Fund was repaid.

As of June 30, 1997, the general fund balance sheet included an outstanding loan balance, totaling \$4,000,000, from the Local Government Property Insurance Fund. This loan is an adjusting item to the Chapter 20 fund balance because of differing treatments of the loan in Chapter 20 versus accounting convention. In Chapter 20, the loan directly affects fund balance, increasing the balance in the year the loan was made to the general fund and decreasing fund balance when repaid. Accounting convention holds that loans have no effect on fund balance, as the amounts received must be repaid. As a result, the loan is shown as debt of the receiving fund and an asset of the paying fund.

Compensation Reserve

In FY97, Chapter 20 included a compensation reserve for employe salary and fringe benefit increases. The total amount reserved (appropriated) was \$46,382,400 and the amount expended was \$39,747,338 leaving an unspent reserve of \$6,635,062.

Property Tax Relief Fund

On June 30, 1997, a transfer totalling \$257,755,900 was made to the Property Tax Relief Fund (created by Act 213 of the 1995 Wisconsin Statutes) from the General Fund. The amounts in this fund are set aside to provide state property tax relief in the 1997-1999 fiscal biennium.

Note E Published Budget

The published budget amounts used in **Exhibit A-1** are those shown for "General Purpose Revenues" (GPR) under state statute Chapter 20, Appropriations and Budget Management, compiled August, 1996.

The adjustments column reflects statutorily required appropriation adjustments to sum-sufficient and biennial appropriations and appropriation changes

enacted under the statutory authority of the Legislative Joint Finance Committee or by statutory authority under program supplements.

The State of Wisconsin utilizes a budgetary procedure within the General Fund which treats most federal grant revenues, licenses and fees and revenues for proprietary activities as dedicated for the activities to which they relate. As such, variable budgeting techniques are used and the official state budget includes them only as estimates. These accounts, referred to as Program Revenue Appropriations, are not included in **Exhibit A-1**. Only those appropriations made from nondedicated General Purpose Revenues are included.

Note F Projected to Actual General Fund Condition

The variance between the published budgeted ending balance and actual undesignated balance at the end of fiscal year 1997 is explained as follows:

	<u>(thousands)</u>
Ending fund balance (Undesignated) per chapter 20	\$ 100,007
Opening balance adjustments:	
Prior year designation for continuing balances	71,298
Difference between budget and actual fund balance.	15,351
Total opening balance adjustments	<u>86,649</u>
REVENUE ADJUSTMENTS	
Taxes received more than estimate	153,686
Payment for Federal Retirees more than estimate	(826)
Departmental revenues less than estimate	(78,164)
Total revenue in excess of estimate	<u>74,696</u>
APPROPRIATION ADJUSTMENTS	
Sum sufficient appropriations more than budgeted	(32,157)
Adjustments for Biennial and Continuing Balances	(60,605)
New Legislation	<u>(1,504)</u>
Total Appropriation Adjustments	<u>(94,266)</u>
LAPSES MORE THAN BUDGETED	157,021
RESIDUAL EQUITY TRANSFERS	13,732
DESIGNATION FOR CONTINUING BALANCES	(10,694)
UNDESIGNATED FUND BALANCE	<u>\$ 327,145</u>

Note G General Fund Cash Flow

Without corrective action, the General Fund would have experienced a short-term cash flow problem during the first half of the year. A temporary reduction in cash balances occurs every year due to a mismatch between the timing of receipts and disbursements. The majority of receipts were collected in the second half of the year while payments were more evenly distributed.

Because of this mismatch, an operating note was issued as usual in fiscal year 1997. Without the operating note the General Fund’s cash balance would have dropped from an opening balance of \$569 million to a yearly low of \$-181 million, a reduction of \$750 million.

With the \$150 million operating note, this did not occur. The note prevented borrowing from other operating funds and ensured timely payments to local governments and the state’s suppliers. The note allowed the state to acquire sufficient funds to offset July’s, November’s, and December’s sizeable cash payments for local assistance. The proceeds of the note and its timely repayment allowed the General Fund to more closely match receipts and payments. The operating note sinking fund payments were met as scheduled and the full amount of the note plus accrued interest was repaid on June 16, 1997.

The operating note served as a cost-effective method of acquiring short term funds. The note saved the general fund \$2.1 million through increased investment earnings and reduced interfund borrowing.

Note H Transportation Fund

The negative balance in the Transportation Fund represents commitments (encumbrances) recorded as expenditures in the current year which will be funded by the Federal and/or local governments in the future.

Note I Unappropriated Activities

The Universal Service Fund (USF) was created by the Legislature by 1993 Wisconsin Act 496 and s. 196.218 Wis. Stats. The act requires the Public Service Commission to develop programs to promote universal telecommunication services. Although the revenues and expenditures for the USF have not been budgeted in a state appropriation, they are state funds administered by a state agency, and are therefore summarized below.

	<u>Universal Service Fund</u>
Revenues	\$7,237,440
Expenditures	<u>2,779,672</u>
Balance	<u><u>\$4,457,768</u></u>

In addition, the Department of Regulation and Licensing, and the Commissioner of Insurance enter into contracts with private vendors for programs that they manage. These contracts have not been budgeted within a state appropriation and therefore, this activity is summarized here to provide full disclosure of state agency operations.

	<u>Commissioner of Insurance</u>	<u>Regulation and Licensing</u>
Revenues	\$565,797	\$1,094,393
Expenditures	<u>565,797</u>	<u>1,094,393</u>
Balance	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

Supplemental Data

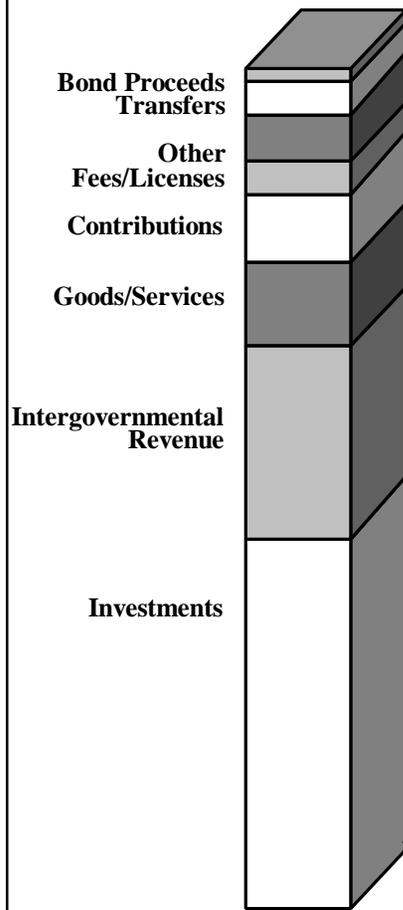


Total Revenues, State of Wisconsin

For the Fiscal Year Ended June 30, 1997

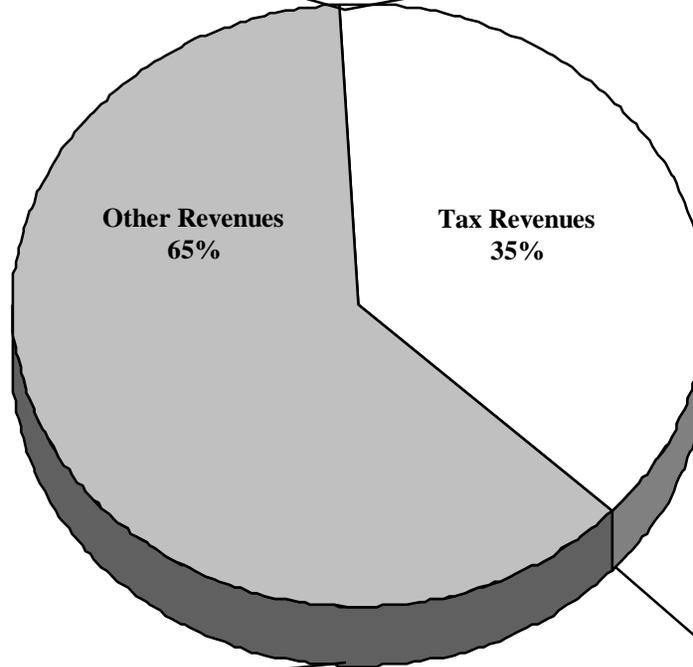
Other Revenues

\$17.8 Billion



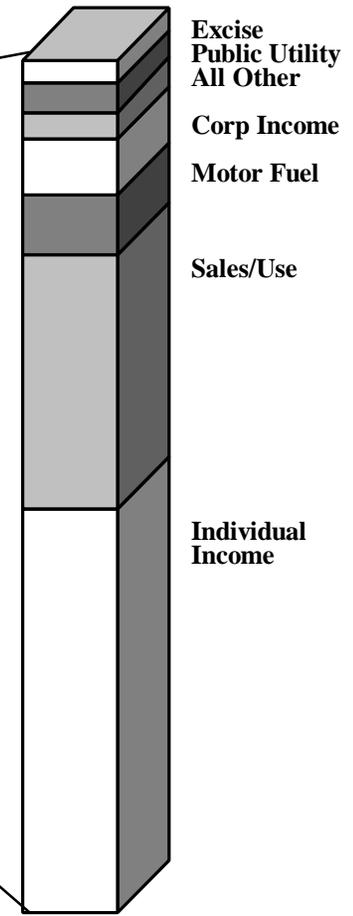
Total Revenues

\$27.4 Billion



Tax Revenues

\$9.6 Billion



For more detail on revenues, see Schedule A-2

Exhibit B-1

**Analysis of Revenues--All Funds
As of June 30
(In Thousands)**

	FY-97	FY-96	FY-95
TAX REVENUES			
General Purpose Revenue			
Income Taxes			
Individual.....	\$ 4,558,265	\$ 4,183,604	\$ 3,932,948
Corporation.....	643,822	636,010	631,750
Federal Retiree Refund.....	(13,526)	(26,160)	(28,445)
Total Income Taxes.....	5,188,561	4,793,454	4,536,253
Sales and Excise Taxes			
General Sales and Use.....	2,864,373	2,704,226	2,571,212
Cigarette	204,567	197,965	176,888
Tobacco Products.....	8,781	7,385	6,948
Liquor and Wine.....	31,350	30,813	30,624
Malt Beverage (Beer).....	9,207	9,187	8,960
Total Sales & Excise Taxes.....	3,118,278	2,949,576	2,794,632
Public Utility Taxes			
Private Light, Heat & Power.....	107,829	106,033	102,947
Municipal Light, Heat & Power.....	1,338	1,395	1,385
Telephone.....	176,425	160,120	149,729
Pipeline.....	10,940	9,165	9,729
Electric Cooperative.....	7,885	7,504	6,962
Municipal Electric.....	911	942	1,077
Conservation & Regulation.....	750	141	160
Utility Tax (Refunds) Interest and Penalt	153	(12)	(9)
Total Public Utility Taxes.....	306,231	285,288	271,980
Inheritance, Estate & Gift Taxes			
Inheritance and Estate.....	50,665	45,391	39,729
Gift.....	160	211	1,055
Total Death & Gift Taxes.....	50,825	45,602	40,784
Miscellaneous Taxes			
Insurance Companies (Premiums).....	94,641	92,285	94,416
Real Estate Transfer Fee.....	33,536	31,394	27,805
Lawsuits (Courts).....	8,700	7,628	7,184
Pari-mutuel Tax.....	2,616	3,645	4,743
Other.....	623	611	625
Total Miscellaneous Taxes.....	140,116	135,563	134,773
TOTAL GPR TAX REVENUES.....	8,804,011	8,209,483	7,778,422
Program Tax Revenues			
Fire Dues.....	7,706	9,315	7,362
Pari-mutuel Taxes.....	1,237	1,375	1,817
County Expo Tax Administration.....	330	295	68
Baseball Park Administration Fee.....	489	208	0
Business Trust Regulation Fee.....	718	313	0
Other.....	(50)	250	2
TOTAL PROGRAM TAX REVENUES.....	10,430	11,756	9,249
TOTAL - GENERAL FUND TAX REVENUES \$	\$ 8,814,441	\$ 8,221,239	\$ 7,787,671

Exhibit B-1

**Analysis of Revenues--All Funds
As of June 30
(In Thousands)**

	FY-97	FY-96	FY-95
Type of Revenue:			
Transportation Fund			
Motor Fuel Tax..... \$	693,163 \$	676,003 \$	651,186
Air-Carrier.....	8,720	8,717	9,542
Railroad.....	12,270	25,157	12,802
Aviation Fuel.....	1,082	1,009	1,003
Conservation Fund			
2/10 Mill Forestry Mill Tax.....	43,377	40,316	36,938
Forest Crop Taxes.....	2,181	2,627	2,255
Recycling Fund			
Temporary Service Charges.....	51,479	41,578	40,585
Investment & Local Impact Fund			
Metalliferous Minerals Taxes.....	643	3,846	3,675
Badger Fund			
Metalliferous Minerals Taxes.....	428	2,564	2,450
Mediation Fund.....	2	3	4
TOTAL STATE TAX REVENUES.....	9,627,786	9,023,059	8,548,111
Intergovernmental Revenue	4,015,928	3,894,791	3,776,043
Licenses and Permits	666,325	667,382	628,908
Charges for Goods and Services.....	1,788,960	2,109,590	2,095,860
Contributions.....	1,455,506	1,318,995	1,478,712
Interest and Investment Income	7,887,795	5,446,036	5,146,837
Gifts and Donations	258,967	210,639	176,311
Proceeds from Sale of Bonds	290,612	330,950	324,941
Other Revenues	436,582	350,576	400,083
Other Transactions.....	312,741	87,492	93,370
TOTAL DEPARTMENTAL REVENUES.....	17,113,416	14,416,451	14,121,065
TRANSFERS.....	669,556	403,850	385,961
TOTAL REVENUES.....	\$ 27,410,758 \$	\$ 23,843,360 \$	\$ 23,055,136

The accompanying notes are an integral part of this statement.

Exhibit B-2

**General Fund Sum Sufficient Appropriations
For the Fiscal Year Ended June 30, 1997
(In Thousands)**

Agency Appr.		Prior Year	Chapter 20	Increases	Expenditures	Lapse
		Encumbrance				
State Operations						
115	DJ	Food Regulation Lapse Restoration..... \$	0	0	0	0 \$
370	DX	Endangered Resources-General Fund.....	0	500	0	500
410	DJ	Reimbursement Claims from Counties With State Institutions.....	0	146	116	262
435	V5	Administrative Expenses For State Supplement to Federal SSI Program.....	0	0	0	0
455	DG	Special Counsel.....	0	1,100	0	673
455	GM	Officer Training Reimbursement.....	0	125	0	28
465	DH	Public Emergencies.....	0	48	0	38
490	V3	Job Training Reserve Fund.....	0	2,000	0	0
505	PY	Claims Awards.....	0	780	0	0
525	DF	Governor'S Office Administration.....	0	2,217	23	2,241
525	DG	Contingent Fund.....	0	22	0	22
525	DH	Membership In National Assoc.....	0	113	0	99
525	GK	Executive Residence.....	0	163	25	186
625	DF	Circuit Courts.....	0	44,036	0	42,740
660	DF	Court Of Appeals.....	4	6,171	214	6,385
680	DF	Supreme Court.....	45	3,339	143	3,519
765	DF	Assembly.....	0	18,492	0	18,487
765	DH	Senate.....	0	12,415	223	12,491
765	DJ	Legislative Documents.....	0	5,007	2,869	7,877
765	KX	Membership In National Assoc.....	0	223	0	220
855	DF	Obligation On Operating Notes.....	0	8,000	0	3,965
855	DG	Operating Notes Expenses.....	0	110	0	70
855	KQ	Capitol Offices Relocation.....	0	2,114	0	2,113
855	PU	Interest On Overpayment Of Taxes.....	0	400	0	281
855	PY	Transfer To Conservation Fund - Land Acquisition.....	0	229	0	229
855	PW	Minnesota Income Tax Reciprocity.....	0	29,300	2,587	31,887
865	DF	Judgement & Legal Expenses.....	0	50	(18)	28
<i>Total State Operations.....</i>			49	137,100	6,182	134,341
Aids And Local Assistance						
115	GM	Animal Disease Indemnities.....	0	109	0	22
115	PV	Aids To County & District Fairs.....	0	585	0	0
235	DJ	MN-WI Student Reciprocity.....	0	0	505	505
235	GM	Student Loan Interest.....	0	274	0	264
255	HN	Milwaukee Parental Choice Program	0	39,000	0	7,058
370	S1	Aids In Lieu Of Taxes.....	0	1,570	166	1,735
435	P2	Income Maintenance Payments To Individuals.....	0	0	0	0
435	R6	Relief Needy Indian Persons.....	0	0	0	0
435	ON	State Supplement to Federal Supplemental Security Income Program	0	133,086	0	133,088
435	2G	Reimbursement Local Units Of Government.....	0	400	0	257
445	DG	Special Death Benefit.....	0	400	40	440
465	KU	Disaster Recovery Aids.....	0	881	0	554
515	DF	Annuity Supplements And Payments.....	0	340	0	332
515	DG	Post Retirement Health Ins Premiums.....	0	0	12	12
835	DP	Small Municipalities Shared Revenue.....	0	10,000	0	10,000
835	DF	Expenditure Restraint Program Acct.....	0	48,000	0	48,000
835	DG	Shared Revenue Account.....	0	930,460	0	930,431
835	DH	County Mandate Relief Account.....	0	20,159	0	20,159
835	GN	Homestead Tax Credit.....	0	89,400	0	86,769

Exhibit B-2 (continued)

**General Fund Sum Sufficient Appropriations
For the Fiscal Year Ended June 30, 1997
(In Thousands)**

Agency	Appr.		Prior Year		Increases	Expenditures	Lapse
			Encumbrance	Chapter 20			
Aids And Local Assistance (Continued)							
835	GT	Development Zones Investment Credit.....	\$ 0	3	0	0	\$ 2
835	GV	Development Zones Location Credit.....	0	2	0	0	2
835	GP	Development Zones Jobs Credit.....	0	1,100	0	713	387
835	GR	Development Zones Sales Tax Credit.....	0	225	158	383	0
835	GQ	Farmland Preservation Credit.....	0	27,300	0	22,673	4,627
835	GX	Earned Income Tax Credit.....	0	57,000	2,506	59,505	1
835	KR	School Levy Tax Credit.....	0	319,305	0	319,305	0
835	GU	Cigarette Tax Refunds.....	0	7,300	666	7,966	0
835	V3	County Assessment Aid.....	0	331	3	334	0
855	PV	Election Campaign Payment.....	0	291	16	307	0
<i>Total Aids And Local Assistance.....</i>			<u>0</u>	<u>1,687,521</u>	<u>4,072</u>	<u>1,650,812</u>	<u>40,780</u>
Principal Repayment And Lease Rental							
190	DF	Principal Repayment and Interest.....	0	0	137	137	0
225	DH	Principal Repayment and Interest.....	0	925	35	960	0
245	GV	Principal Repayment and Interest.....	0	538	188	726	0
245	S3	Principal Repayment and Interest.....	0	494	37	531	0
250	DK	Principal Repayment and Interest.....	0	444	0	424	20
255	DJ	Principal Repayment and Interest.....	0	869	234	1,103	0
285	DR	Principal Repayment and Interest.....	0	65,885	16,142	82,027	0
320	DH	Principal Repayment and Interest.....	0	21,266	0	19,288	1,978
370	PY	Principal Repayment and Interest.....	0	0	0	0	0
370	Y7	Resource Acquisition Principal Repayment and Interest.....	0	15,985	49	16,034	0
370	OA	Debt Service Remedial Action.....	0	1,044	0	941	103
370	OB	Nonpoint Source Grants Principal Repayment and Interest.....	0	1,054	0	1,052	2
370	OC	Pollution Abatement Bonds Principal Repayment and Interest.....	0	77,777	0	77,441	336
370	OD	Combined Sewer Overflow Principal Repayment and Interest.....	0	17,596	0	17,582	14
370	OE	Municipal Clean Drinking Water Grants Principal Repayment and Interest...	0	807	4	812	(1)
370	OF	Administrative Facilities Principal Repayment and Interest.....	0	473	0	461	12
410	DN	Principal Repayment and Interest.....	0	39,976	1,882	41,858	0
410	KW	Principal Repayment and Interest.....	0	2,446	1,030	3,476	0
435	GS	Principal Repayment and Interest.....	0	6,964	824	7,787	1
435	KW	Principal Repayment and Interest.....	0	0	0	0	0
435	V4	Principal Repayment and Interest.....	0	21	16	37	0
445	S5	Principal Repayment and Interest.....	0	0	0	0	0
465	DJ	Principal Repayment and Interest.....	0	2,283	398	2,681	0
485	DM	Principal Repayment and Interest.....	0	1,490	(255)	1,235	0
867	DG	Capitol and Executive Residence Principal Repayment and Interest.....	0	3,354	867	4,221	0
867	KQ	Principal Repayment and Interest.....	0	26,155	0	(3,573)	29,728
867	KR	Principal Repayment and Interest.....	0	0	879	879	0
<i>Total Principal Repayment And Lease Rental.....</i>			<u>0</u>	<u>287,846</u>	<u>22,467</u>	<u>278,120</u>	<u>32,193</u>
Pay Plan & Supplements							
865	DH	Salary.....	0	0	34,841	34,841	0
865	DJ	Fringe.....	0	3,111	4,907	8,018	0
<i>Total Pay Plan & Supplements.....</i>			<u>0</u>	<u>3,111</u>	<u>39,748</u>	<u>42,859</u>	<u>0</u>
TOTAL GENERAL FUND SUM SUFFICIENTS.....			<u>\$ 49</u>	<u>2,115,578</u>	<u>72,469</u>	<u>2,106,132</u>	<u>\$ 81,963</u>