

FY98

ANNUAL FISCAL REPORT

Budgetary Basis



State of Wisconsin
1998



**State of Wisconsin
1998 Annual Fiscal Report**

(Budgetary Basis)

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October 15, 1998

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, 1998. 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 \$552.3 million as of the end of the fiscal year. This is \$200.1 million higher than the \$352.2 million estimate that was projected in the final Chapter 20 fund condition statement.

General purpose revenue taxes were \$9.528 billion compared to \$8.818 billion in the prior year, an increase of \$710 million or 8.1 percent. General purpose revenue expenditures were \$9.695 billion compared to \$9.026 billion in the prior year, an increase of \$669 million or 7.4 percent.

General purpose revenue spending increases in fiscal year 1998 were largely driven by increases in three areas: School Aids increased by \$134.6 million, Property Tax Credits by \$150.0 million, and Corrections by \$62.8 million.

In fiscal year 1998, 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 60.3 percent of total general purpose revenue spending. Aid payments to individuals and organizations represented 16.3 percent of total general purpose revenue expenditures. The University of Wisconsin accounted for 9.0 percent of total general purpose revenue spending and state operations spending for all other state agencies accounted for 14.4 percent of the total.

The State of Wisconsin expects to publish its comprehensive annual financial report in December of 1998. The report will be prepared under generally accepted accounting principles.

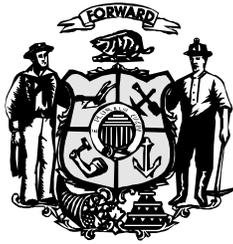
Respectfully submitted,

/s/ Mark D. Bugher

Mark D. Bugher
Secretary

/s/ 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, 1998 totaled \$9,528 million, an increase of 8.1 percent from FY 1997 collections of \$8,818 million. These amounts are before income tax refunds to federal retirees of \$13.5 million in FY 1997 and \$0.2 million in FY 1998 that resulted from settlements related to lawsuits on the taxation of federal pensions.

Total collections for FY 1998 were \$177.8 million or 1.8 percent above the Legislative Fiscal Bureau (LFB) January 1998 revised estimates (adjusted for subsequent law changes) of \$9,350.4 million.

Individual income taxes exceeded the estimate by \$131.3 million, sales taxes by \$47.6 million, public utility taxes by \$11.1 million, and estate taxes by \$7.1 million, but corporate/franchise/income tax collections were \$17.8 million below estimates and insurance company taxes \$6.9 million below.

Table 1

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

Tax Source	FY 98	% of Total	FY 97	% of Total	Change FY98-FY97	% Change
Individual Income	\$5,047.5	52.96%	\$4,558.3	51.70%	\$ 489.2	10.7%
General Sales & Use	3,047.4	32.00%	2,864.4	32.49%	183.0	6.4%
Corporation Franchise & Income	627.0	6.58%	643.8	7.30%	-16.8	-2.6%
Excise	299.1	3.14%	253.9	2.88%	45.2	32.6%
Inheritance, Estate & Gift	80.1	0.84%	50.8	0.58%	29.3	57.6%
Public Utility	288.3	3.03%	306.2	3.47%	-17.9	-5.6%
Insurance Companies	88.1	0.92%	94.6	1.07%	-6.5	-6.9%
Miscellaneous	50.9	0.53%	45.5	0.52%	5.4	11.9%
Subtotal	<u>9,528.4</u>	<u>100.0%</u>	<u>8,817.5</u>	<u>100.0%</u>	<u>\$ 710.9</u>	<u>8.1%</u>
Less: Federal Retirees Refunds	<u>(0.2)</u>		<u>(13.5)</u>			
TOTAL GPR	<u><u>\$9,528.2</u></u>		<u><u>\$8,804.0</u></u>			

Individual Income Tax

Individual income tax collections, before federal retiree refunds, increased 10.7 percent from \$4,558.3 million in FY 1997 to \$5,047.5 million in FY 1998. Collections were \$131.3 million (2.7 percent) above the \$4,916.2 million estimate. The individual income tax share of total GPR taxes increased from 51.7 percent in FY 1997 to 53.0 percent in FY 1998.

The largest component of individual income tax collections is withholding from wages and salaries, which increased 8.1 percent from \$3,985 million to \$4,308 million. The year-over-year growth rate for withholding collections was about 10.0 percent for the third quarter of 1997, 8.9 percent for the fourth quarter of 1997, 7.8 percent for the first quarter of 1998 and 5.9 percent for the second quarter of 1998.

Estimated payments increased 17.0 percent from \$732 million to \$856 million, and payments with tax returns increased 21.2 percent from \$240 million to \$291 million. These high growth rates are the result of substantial capital gains realizations. Refunds (excluding federal retiree refunds) increased 2.1 percent from \$674 million to \$689 million. Additional and delinquent collections increased 12.8 percent from \$95.8 million to \$108.0 million.

Refundable tax credits, except the earned income credit, decreased. The Homestead Credit decreased 8.0 percent from \$86.8 million to \$79.8 million, while the individual portion of the Farmland Preservation Credit decreased 12.0 percent from \$22.3 million to \$19.6 million, and the individual portion of the Farm Tax Relief Credit decreased 14.4 percent from \$12.4 million to \$10.6 million. The earned income credit increased 7.6 percent from \$59.5 million to \$64.0 million.

General Sales and Use Tax

Collections from the 5 percent general sales and use tax increased 6.5 percent from \$2,864.4 million to \$3,047.4 million. This was \$47.4 million (1.6 percent) above the \$3,000 million estimate. Sales tax collections as a percentage of total GPR taxes decreased from 32.5 percent in FY 1997 to 32.0 percent in FY 1998.

Sales tax payments with tax returns increased 6.4 percent from \$2,793 million to \$2,973 million. The year-over-year growth rate was about 5.2 percent for the third quarter of 1997, 7.6 percent for the fourth quarter of 1997, 7.1 percent for the first quarter of 1998 and 6.0 percent for the second quarter of 1998. Additional collections increased 20.0 percent from \$58.0 million to \$69.6 million. Delinquent collections increased 4.9 percent from \$26.6 million to \$27.9 million, and refunds (reflecting the effect of a recent court decision) increased 58.8 percent from \$13.1 million to \$20.8 million.

Corporation Franchise and Income Tax

Corporate collections decreased 2.6 percent from \$643.8 million in FY 1997 to \$627.0 million in FY 1998. Corporate collections as a percentage of total GPR taxes decreased from 7.3 percent to 6.6 percent. Corporate collections were \$17.8 million (2.8 percent) below the estimate of \$644.8 million.

The major source of corporate collections, estimated payments, decreased 2.2 percent from \$661.0 million to \$646.4 million. Payments with tax returns increased 2.7 percent from \$30.0 million to \$30.8 million. Miscellaneous collections (mostly from additional assessments and delinquent payments) increased 65.6 percent from \$34.6 million to \$57.3 million. Refunds increased 31.4 percent from \$81.8 million to \$107.5 million. In part, the increases in both refunds and additional assessments result from the settlement of court cases.

Public Utility Taxes

Utility tax collections decreased 5.9 percent from \$306.2 million to \$288.3 million. Telephone taxes accounted for \$158.5 million of the \$288.4 million in utility taxes with virtually all of the rest accounted for by heat, light and power companies and pipelines. These collections were \$11.1 million (4.0 percent) above the \$277.3 million estimate, largely the result of stronger than expected growth in cellular telephone and local exchange revenues.

Excise Tax

Cigarette tax collections increased 21.1 percent from \$204.6 million to \$247.7 million, or \$2.6 million above the estimate of \$245 million. Collections in FY 1998 reflect the 34.1 percent rate increase from 44 cents to 59 cents per pack that took effect on November 1, 1997

Assuming no significant change in inventories, cigarette consumption decreased about 3.7 percent.

Liquor and wine tax collections increased 4.5 percent from \$31.3 million to \$32.7 million compared to the estimate of \$32.0 million.

Beer tax collections increased 1.1 percent to \$9.3 million compared to the estimate of \$9.5 million. The peak year for beer tax collections was FY 1984 with \$10.3 million.

Tobacco products tax collections increased 6.8 percent from \$8.8 million to \$9.4 million compared to the estimate of \$9.7 million.

Estate Taxes

Estate tax collections increased 58.6 percent from \$50.8 million to \$80.1 million in FY 1998 compared

to the estimate of \$73 million. The amount includes residual collections from the inheritance and gift taxes. While these taxes have been eliminated, there continue to be sporadic and limited collections from them relating to transactions that occurred prior to their elimination.

Insurance Company Taxes

Insurance company taxes (generally based on premiums) decreased 6.9 percent from \$94.6 million to \$88.1 million, or \$6.9 million less than the

estimate of \$95.0 million. Collections were adversely affected by an Illinois court decision.

Miscellaneous Taxes

Miscellaneous taxes increased 11.9 percent from \$45.5 million to \$50.9 million, or \$2.7 million more than the \$48.2 million estimate. The major tax in this group is the real estate transfer fee, which increased 14.9 percent from \$33.5 million to \$38.4 million.

Expenditure Highlights

Total state General Purpose Revenue (GPR) spending increased 7.4 percent or \$668.8 million in FY 1998, as shown in Table 2. This compares with a 10.9 percent increase in FY 1997, a figure driven by the state's commitment to fund two-thirds of K-12 school costs.

The largest portion of GPR expenditures in FY 1998 was directed to school districts and local units of government, consistent with past years. Local assistance received \$5,847.4 million or 60.3 percent of total GPR spending, a decrease from the 62.1 percent share paid in FY 1997. Aids to individuals received \$1,578.4 million, or 16.3 percent of total GPR spending in FY 1998 compared to 16.4 percent in FY 1997. State operations accounted for 23.4 percent of total GPR spending, up slightly from 21.5 percent of GPR expenditures accounted for by state operations in FY 1997.

State operations represented the largest share of the \$668.8 million increase at \$336.2 million or 50.3 percent. However, the major reason for this increase was the court-ordered one-time payment

of a \$215 million Special Investment Performance Dividend (SIPD) to annuitants of the Wisconsin Retirement System. Local assistance increased by \$237.6 million or 35.5 percent of the increase. And aids to individuals increased by \$95.0 million or 14.2 percent of the increase.

By percentage change, state operations showed the largest increase in spending at 17.4 percent, compared to 2.0 percent increase in FY 1997. Again, this was largely due to the payment settling the SIPD litigation, as described above. Aids to individuals increased 6.4 percent, compared to a 1.1 percent decrease in FY 1997. Local assistance payments rose 4.2 percent in FY 1998 compared to an 18.2 percent growth the previous fiscal year.

The GPR budget is shaped by the ten largest programs, as detailed in Table 3. These programs comprise 83.4 percent of total GPR expenditures, as compared with 85.1 percent of GPR expenditures in FY 1997. Immediately following this section is a brief explanation of each program.

Table 2

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

	FY98	% of Total	FY97	% of Total	\$ Change FY97-FY98	% Change
Local Assistance	\$5,847.4	60.3%	\$5,609.8	62.1%	\$ 237.6	4.2%
Aids to Individuals	1,578.4	16.3%	1,483.4	16.4%	95.0	6.4%
State Operations						
UW System	876.8	9.0%	853.4	9.5%	23.4	2.7%
All Other Agencies	1,391.9	14.4%	1,079.1	12.0%	312.8	28.9% *
Subtotal	<u>\$9,694.5</u>	<u>100.0%</u>	<u>\$9,025.7</u>	<u>100.0%</u>	<u>\$668.8</u>	<u>7.4%</u>
Property Tax Relief Fund			257.8			
TOTAL GPR	<u><u>\$9,694.5</u></u>		<u><u>\$9,283.5</u></u>			

* Includes court-ordered payment of \$215 million settlement in a case involving Special Investment Performance Dividend payment to Wisconsin Retirement System annuitants.

Table 3

TOP TEN PROGRAMS
GPR Expenditures
(\$ Millions)

	FY98	% of Total	FY97	% of Total	\$ Change FY97-FY98	% Change
School Aids	\$3,662.2	37.8%	\$3,527.6	39.1%	\$ 134.6	3.8%
Shared Revenues	1,008.6	10.4%	1,008.6	11.2%	0	0%
Medical Assistance	904.8	9.3%	865.6	9.6%	39.2	4.5%
UW System	876.8	9.0%	853.4	9.5%	23.4	2.7%
Corrections	556.8	5.7%	494.0	5.5%	62.8	12.7%
Property Tax Credits	469.3	4.9%	319.3	3.5%	150.0	47.0%
Community Aids	174.6	1.8 %	206.7	2.3%	-32.1	-15.5%
Tax Relief to Individuals	173.9	1.8%	177.0	2.0%	-3.1	-1.8%
W2 & Other Public Assistance*	149.7	1.5%	108.7	1.2%	41.0	37.7%
WI Tech College System Aids	111.9	1.2%	110.2	1.2%	1.7	1.5%
All Others	1,605.9	16.6 %	1,354.6	14.9%	251.3	18.6%
Subtotal	\$9,694.5	100.0%	\$9,025.7	100.0%	\$ 668.8	7.4%
Property Tax Relief Fund			257.8			
TOTAL GPR	\$9,694.5		\$9,283.5			

*In previous reports to 1998 this was included as Income Maintenance/AFDC.

School Aids: State assistance to Wisconsin's 426 school districts and 17 public library systems increased by 3.8 percent or \$134.6 million in FY 1998. Total state aids to schools plus property tax credits enabled the state to reimburse an estimated 66.2 percent of school costs in FY 1998.

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. In FY 1998 the gross levy was increased by 2.5 percent.

There are two major types of school aid. Approximately 89 percent of school aids are general aids, distributed by a formula designed to equalize each school district's property tax base per student, and aids to support the Milwaukee Public Schools voluntary desegregation program. The remaining 11 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 educational technology.

Shared Revenue: State shared revenue provides unrestricted aid to municipal and county governments. In FY 1998, the shared revenue formula distributed \$930.0 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 additional 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 1998 shared revenue payment was \$1,008.6 million, the same as in the previous fiscal year. Statewide, shared revenue payments provide municipalities with about 24.0 percent and counties with about 6.0 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 Supplemental Security Income; children and low-income families; and pregnant women and other low-income individuals who have high medical expenses. In FY 1998, total MA expenditures were \$2,512.0 billion of which \$904.8 million was GPR and the balance was federally funded. Total MA spending in FY 1998 increased by 2.3 percent over FY 1997 expenditures, compared to a 3.4 percent increase in the previous year. The state funded portion of MA increased 4.5 percent in FY 1998, compared to a 1.3 percent decrease the previous year.

University of Wisconsin System: Total general purpose revenue expenditures for the UW System increased by \$23.4 million, or 2.7 percent in FY 1998. 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 1998.

Correctional Services: Wisconsin's correctional population and related expenditures continued to increase in FY 1998. The population of incarcerated felons under the supervision of the state corrections program increased from 13,053 in FY 1997 to 15,119 in FY 1998, a 15.8 percent increase in population. Total GPR expenditures for the state corrections program increased \$62.8 million or 12.7 percent over the prior year, reaching \$556.8 million in FY 1998. Responsibility for juvenile corrections was assumed by the Department of Corrections, beginning in FY 1997. In FY 1998 the juvenile corrections program had expenditures of \$97.8 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 1998 was \$469.3 million, up from 319.3 million in FY 1997. The School Levy Tax Credit in FY 1998 offset 9.0 percent of 1997 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 \$306.1 million in FY 1998, of which

\$174.6 million was GPR. Total all fund expenditure levels increased by 1.0 percent or by \$2.9 million from FY 1997.

Tax Relief to Individuals: Wisconsin paid out \$173.9 million GPR in tax relief to individuals through a variety of programs during FY 1998.

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 \$79.8 million of tax relief in FY 1998. 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 \$20.0 million in FY 1998, a decrease of 11.9 percent from the prior year, reflecting in part a reduction in farm property tax burdens.

The Earned Income Credit program reduces income taxes for low income working families with children. In FY 1998, the Earned Income Credit paid \$64.0 million to these households, an increase of 7.6 percent over the prior year.

W-2 and Other Public Assistance: Wisconsin Works or W-2 is the state's replacement program for the Aid to Families with Dependent Children [AFDC] program. Phased in over 6 months from September 1, 1997 to March 31, 1998, W-2 is a work-based system that provides support services, such as child care and transportation, to families in order to help them achieve self-sufficiency. On

average, there were approximately 22,700 AFDC or W-2 cases served over the course of FY 1998.

Expenditure levels in previous reports included only AFDC cash benefits. With the implementation of the W-2 program, Wisconsin now budgets the majority of the state funds dedicated to this purpose in one appropriation. In addition to W-2 cash benefits, this appropriation covers other W-2 expenditures like administration, work experience, job search, and education and training. Also included are state funds for Food Stamp and Medical Assistance eligibility determination, fraud programs and several other small public assistance-type programs. All of these funds are used to meet the federally required Maintenance of Effort. In total, \$149.7 million of state GPR was spent on W-2 and other public

assistance programs.

WTCS Aids: State general aid for technical colleges totaled \$111.9 million GPR in FY 1998, a slight increase over the prior year's GPR allocation.

The sixteen WTCS districts provide occupational education to approximately 450,000 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

	FY98 Actual	Chapter 20	Variance	Note
	AFR Report			
OPENING BALANCE				
Undesignated, Unreserved Opening Balance	\$ 327,145,120	\$ 331,145,100	\$ (3,999,980)	1
Add Prior Year Designation of Continuing Balances	10,693,798	-	10,693,798	2
Unreserved Opening Balance	<u>337,838,918</u>	<u>331,145,100</u>	<u>6,693,818</u>	
REVENUES				
Taxes	9,528,427,472	9,350,675,000	177,752,472	3
Less Federal Retirees Refunds	(190,137)	(200,000)	9,863	4
Transfer from Property Tax Relief Fund	257,755,900	257,755,900	-	
Transfer from Recycling Fund	3,850,000	3,850,000	-	
Departmental Revenues	172,575,907	159,375,900	13,200,007	5
Total Revenues	<u>9,962,419,142</u>	<u>9,771,456,800</u>	<u>190,962,342</u>	
Total Available Per Schedule A-1	<u>10,300,258,060</u>	<u>10,102,601,900</u>	<u>197,656,160</u>	
APPROPRIATIONS				
Gross Appropriations Per General Fund Summary	9,776,152,300	9,776,152,300	-	
New Legislation	-	-	-	6
Budget Increases to Sum Sufficient Appropriations	8,202,460	-	8,202,460	7
Budget Brought Forward From Previous Year	10,693,798	-	10,693,798	8
Budget Carried To Next Year for Continuing Appropriations	(55,792,199)	-	(55,792,199)	9
Compensation Reserve	31,453,395	34,915,600	(3,462,205)	10
Local Government Property Insurance Fund	219,482	2,217,200	(1,997,718)	11
Less Lapses of Appropriations	(76,467,725)	(62,926,600)	(13,541,125)	12
Total Expenditures Per Schedule A-1	<u>9,694,461,511</u>	<u>9,750,358,500</u>	<u>(55,896,989)</u>	
General Fund Balance before Designation	605,796,549	352,243,400	253,553,149	
Residual Equity Transfers	2,306,888	-	2,306,888	13
Designation for Appropriation Authority Carried Forward	(55,792,198)	-	(55,792,198)	14
Net	<u>\$ 552,311,239</u>	<u>\$ 352,243,400</u>	<u>\$ 200,067,839</u>	

Notes:

- 1 The opening balance difference is the difference in treatment of a loan to the General Fund. See Note D to the Fund Statements.
- 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 less than the estimate made in the published budget.
- 5 Actual departmental revenues were more 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 As in Note 2, gross appropriations are increased for the amount of continuing balances from the proceeding year.

9 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 FY98, the first year of the biennium, agencies had under-expended first year appropriations. The remaining budget authority is therefore carried forward to the second year. Since this amount is available for expenditure in the second year, the amount is shown as a decrease to the first year's budget and an increase to the second year's budget. In addition, 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 \$31,453,395 . This total was \$3,462,205 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 \$219,482 amount in column 1 represents the amount of interest paid in FY98.

12 The amount shown is for lapses of annual or sum sufficient appropriations with expenditures less than the Chapter 20 estimate.

13 Residual Equity Transfers are nonrecurring, nonroutine transfers of equity between funds. For budgetary purposes, transfers from other funds are treated as departmental revenue. In FY98, the following transfers were made to or from (amounts in parentheses) the general fund:

Transfer from the Badger Fund to the General Fund	\$	82,993
Various Lapses Required by Law		2,127,095
Other		96,800
	<u>\$</u>	<u>2,306,888</u>

14 See also Note 9. The amount designated represents the amount of budget authority carried forward from FY98 to FY99.



Statements of Fund Condition and Operations

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

(In Millions of Dollars)

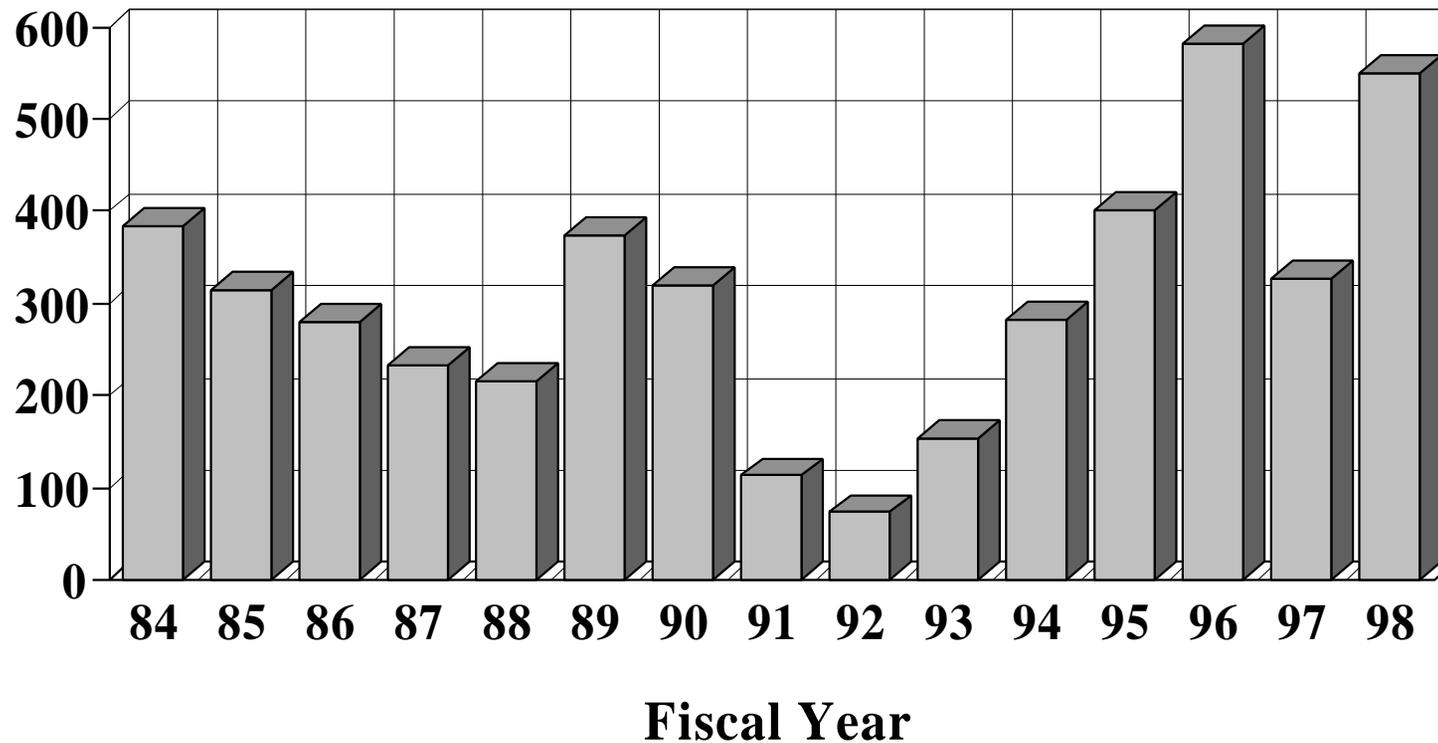


Exhibit A-1

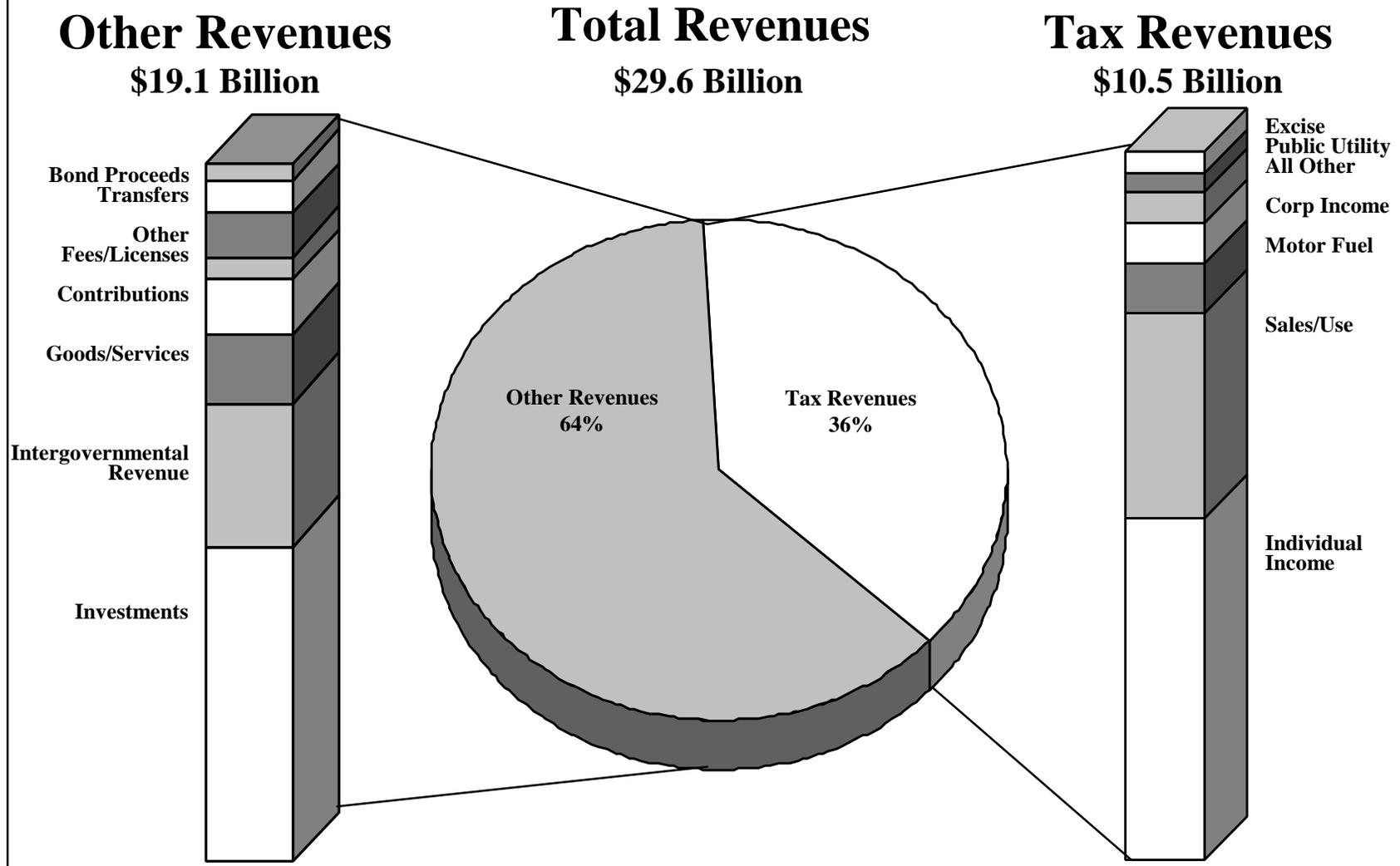
**State of Wisconsin
Statement of Recorded Revenues, Expenditures and Fund Balance-Budget vs.
Actual-General Purpose Revenues-Statutory Basis
(In Thousands)**

	BUDGET			ACTUAL				VARIANCE
	Published Budget	Appropriation Adjustments	Final Budget	Disbursements	Reserve for Encumbrances June 30, 1998	Reserve for Encumbrances June 30, 1997	Expenditures	
Beginning Unreserved								
Undesignated Balance.....	\$ 331,145	\$ 0	\$ 331,145	\$ 327,145	\$ -	\$ -	\$ 327,145	\$ (4,000)
Beginning Unreserved Designated Balance.....	0	0	0	10,694	-	-	10,694	10,694
Total.....	331,145	0	331,145	337,839	-	-	337,839	6,694
REVENUES								
Taxes:								
Individual.....	4,916,200	0	4,916,200	5,047,515	-	-	5,047,515	131,315
Corporation.....	644,800	0	644,800	627,024	-	-	627,024	(17,776)
Federal Retiree Refunds.....	(200)	0	(200)	(190)	-	-	(190)	10
Sales & Use.....	2,999,850	0	2,999,850	3,047,406	-	-	3,047,406	47,556
Excise.....	296,300	0	296,300	299,091	-	-	299,091	2,791
Inheritance & Gift.....	73,000	0	73,000	80,111	-	-	80,111	7,111
Public Utility.....	277,300	0	277,300	288,358	-	-	288,358	11,058
Insurance.....	95,000	0	95,000	88,065	-	-	88,065	(6,935)
Miscellaneous.....	48,225	0	48,225	50,857	-	-	50,857	2,632
Total Taxes.....	9,350,475	0	9,350,475	9,528,237	-	-	9,528,237	177,762
Transfer from Property Tax Relief Fund	257,756	0	257,756	257,756	-	-	257,756	0
Transfer from Recycling Fund.....	3,850	0	3,850	3,850	-	-	3,850	0
Departmental Revenue.....	159,376	0	159,376	172,576	-	-	172,576	13,200
Total Revenues.....	9,771,457	0	9,771,457	9,962,419	-	-	9,962,419	190,962
TOTAL AVAILABLE.....	10,102,602	0	10,102,602	10,300,258	-	-	10,300,258	197,656
EXPENDITURES								
Commerce.....	55,794	(6,469)	49,325	45,510	18,068	(18,562)	45,016	4,309
Education.....	4,823,827	24,406	4,848,233	4,823,487	15,045	(13,365)	4,825,167	23,066
Environmental Resources.....	196,554	(462)	196,092	194,801	2,852	(2,137)	195,516	576
Human Relations & Resources.....	2,395,700	9,418	2,405,118	2,403,358	43,473	(56,011)	2,390,820	14,298
General Executive.....	364,298	7,828	372,126	367,676	8,073	(9,708)	366,041	6,085
Judicial.....	80,791	1,366	82,157	82,027	0	(4)	82,023	134
Legislative.....	53,962	244	54,206	53,959	2	(2)	53,959	247
General (incl. Shared Revenue).....	1,805,227	(41,555)	1,763,672	1,735,913	7	0	1,735,920	27,752
Transfer to Local Government	0	0	0	0	0	0	0	0
Property Insurance Fund.....	2,217	(219)	1,998	0	0	0	0	1,998
Compensation Reserves.....	34,916	(31,453)	3,463	0	0	0	0	3,463
Less: Estimated Lapse.....	(62,927)	0	(62,927)	0	0	0	0	(62,927)
TOTAL EXPENDITURES.....	9,750,359	(36,896)	9,713,463	9,706,731	87,520	(99,789)	9,694,462	19,001
Residual Equity Transfer.....	0	0	0	2,307	0	0	2,307	2,307
UNRESERVED BALANCE	352,243	36,896	389,139	595,834	(87,520)	99,789	608,103	218,964
Designation for continuing balances.....	0	55,792	55,792		(55,792)		(55,792)	0
UNRESERVED UNDESIGNATED BALANCE.....	\$ 352,243	\$ (18,896)	\$ 333,347	\$ 595,834	\$ (143,312)	\$ 99,789	\$ 552,311	\$ 218,964

The accompanying notes are an integral part of this statement.

Total Revenues, State of Wisconsin

For the Fiscal Year Ended June 30, 1998



For more detail on revenues, 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, 1998
(In Thousands)

	GOVERNMENTAL FUNDS						TOTAL
	General Fund			Major Special Revenue Funds			June 30, 1998
	General Purpose	Program Revenue	Subtotal	Transportation	Conservation	Other	
REVENUES							
Taxes (Net of Fed'l Ret Refunds).... \$	9,528,237	\$ 9,187	\$ 9,537,424	\$ 758,680	\$ 49,561	\$ 157,488	\$ 10,503,153
Intergovernmental Revenue.....	5,184	3,457,560	3,462,744	421,842	22,792	25,747	3,933,125
Licenses.....	58,962	118,491	177,453	290,338	71,760	81,301	620,852
Charges for Goods & Services.....	2,819	1,379,381	1,382,200	26,879	19,654	450,172	1,878,905
Contributions.....	0	0	0	0	0	1,484,849	1,484,849
Interest & Investment Income.....	40,225	52,417	92,642	6,183	2,706	8,525,237	8,626,768
Gifts & Donations.....	0	241,937	241,937	107	1,084	58,290	301,418
Other Revenue.....	29,082	325,757	354,839	109,523	1,146	218,136	683,644
Transfers.....	274,883	14,098	288,981	0	12,985	654,816	956,782
Other Transactions.....	23,027	139,340	162,367	0	(15)	1,098	163,450
Proceeds from							
Sale of Bonds and Notes.....	0	625	625	32	0	444,328	444,985
TOTAL REVENUES	9,962,419	5,738,793	15,701,212	1,613,584	181,673	12,101,462	29,597,931
EXPENDITURES							
Commerce.....	45,016	148,068	193,084	0	1,072	161,268	355,424
Education.....	4,825,167	2,080,830	6,905,997	0	204	196,096	7,102,297
Environmental Resources.....	195,516	43,400	238,916	1,631,343	171,174	184,062	2,225,495
Human Relations and							
Resources	2,390,821	3,182,228	5,573,049	(627)	2,933	291,912	5,867,267
General Executive.....	366,040	350,847	716,887	1,133	0	2,532,781	3,250,801
Judicial.....	82,023	8,688	90,711	0	0	316	91,027
Legislative.....	53,959	1,092	55,051	0	0	0	55,051
General (incl. Shared Revenue).....	1,735,920	0	1,735,920	13,673	0	884,309	2,633,902
TOTAL EXPENDITURES	9,694,462	5,815,153	15,509,615	1,645,522	175,383	4,250,744	21,581,264
EXCESS OF REVENUES							
OVER (UNDER)							
EXPENDITURES.....	267,957	(76,360)	191,597	(31,938)	6,290	7,850,718	8,016,667
BEGINNING 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
TOTAL	337,839	59,413	397,252	(348,695)	45,021	48,612,772	48,706,350
RESIDUAL EQUITY							
TRANSFERS.....	2,307	(2,125)	182	0	0	(182)	0
ENDING FUND BALANCE	608,103	(19,072)	589,031	(380,633)	51,311	56,463,308	56,723,017
DESIGNATED.....	(55,792)	0	(55,792)	0	0	0	(55,792)
UNDESIGNATED..... \$	552,311	(19,072)	533,239	(380,633)	51,311	56,463,308	56,667,226
		(1)		(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, 1998
 (In Thousands)

Funds By Category	Undesignated Fund		FY1998		Undesignated Fund
	Balance June 30, 1997	Revenues	Adjusted Expenditures	Fund Transfers	Balance June 30, 1998
OTHER FUNDS					
Other Special Revenue					
Heritage State Parks and Forests.....	\$ 669	\$ 40	\$ 80	\$ 0	\$ 629
Wisconsin Health Education Loan Repay.....	(10)	109	94	0	5
Waste Management.....	4,494	277	27	0	4,744
Wisconsin Election Campaign.....	204	321	14	0	511
Investment and Local Impact.....	4,312	170	3,064	0	1,418
Industrial Building Construction.....	263	14	0	0	277
Work Injury Benefits.....	8,567	674	2,126	0	7,115
Uninsured Employers.....	5,665	1,555	443	0	6,777
Mediation.....	438	340	316	0	462
Agricultural Chemical Cleanup.....	0	3,263	1,283	0	1,980
Farms for the Future.....	0	0	0	0	0
Agrichemical Management.....	15,452	5,698	4,836	0	16,314
Badger.....	413	83	0	(496)	0
Cemetery Consumer Protection.....	0	0	0	0	0
Petroleum Inspection.....	11,584	104,422	108,376	0	7,630
Environmental.....	1,625	27,228	26,665	0	2,188
Dry Cleaner Environmental Responsibility.....	0	447	7	0	440
Recycling.....	24,075	56,520	38,124	314	42,785
Information Technology Investment.....	(3,693)	245	0	0	(3,448)
Universal Service.....	0	8,258	3,948	0	4,310
Property Tax Relief.....	257,756	0	257,756	0	0
<i>Total Other Special Revenue.....</i>	<i>331,814</i>	<i>209,664</i>	<i>447,159</i>	<i>(182)</i>	<i>94,137</i>
Debt Service					
Bond Redemption.....	6,083	401,891	388,939	0	19,035
Capital Projects					
State Building Trust.....	15,461	58,897	49,599	0	24,759
Energy Efficiency.....	1,625	371	0	0	1,996
Capital Improvement.....	17,887	478,963	386,312	0	110,538
<i>Total Capital Projects.....</i>	<i>34,973</i>	<i>538,231</i>	<i>435,911</i>	<i>0</i>	<i>137,293</i>
TRUST & OTHER					
Expendable					
Children's Trust.....	52	26	29	0	49
State Capital Restoration.....	28	221	204	0	45
Historical Society Trust.....	7,328	2,426	324	0	9,430
Common School Income.....	16,867	19,810	29,294	0	7,383
University Trust Income.....	17,609	10,232	15,279	0	12,562
<i>Total Expendable.....</i>	<i>\$ 41,884</i>	<i>\$ 32,715</i>	<i>\$ 45,130</i>	<i>\$ 0</i>	<i>\$ 29,469</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, 1998
 (In Thousands)

Funds By Category	Undesignated Fund		FY1998 Adjusted Expenditures	Fund Transfers	Undesignated Fund
	Balance June 30, 1997	Revenues			Balance June 30, 1998
<u>TRUST & OTHER (Continued)</u>					
<u>Nonexpendable</u>					
Agriculture College.....	\$ 0	\$ 0	\$ 0	\$ 0	0
Common School Principal.....	305	0	0	0	305
Normal School.....	354,565	24,304	0	0	378,869
University.....	17,922	289	0	0	18,211
Benevolent.....	234	0	0	0	234
University Trust Principal.....	14	0	0	0	14
State Housing Authority Reserve.....	166,696	703	0	0	167,399
<i>Total Nonexpendable.....</i>	<i>539,736</i>	<i>25,296</i>	<i>0</i>	<i>0</i>	<i>565,032</i>
<u>Pension</u>					
Fixed Retirement Trust.....	0	0	0	0	0
Variable Retirement Trust.....	40,439,996	8,419,434	1,475,707	0	47,383,723
Combined Stock Investment Trust.....	5,799,508	1,215,184	283,457	0	6,731,235
<i>Total Pension.....</i>	<i>46,239,504</i>	<i>9,634,618</i>	<i>1,759,164</i>	<i>0</i>	<i>54,114,958</i>
<u>Other</u>					
Lottery.....	134,748	427,193	513,747	0	48,194
Health Insurance Risk Sharing Plan.....	3	86	49	0	40
Local Government Property Insurance.....	21,319	12,245	7,571	0	25,993
State Life Insurance.....	66,156	8,798	3,084	0	71,870
Patients Compensation Fund.....	375,833	103,053	23,271	0	455,615
Investment Pool.....	0	0	0	0	0
Public Employee Trust.....	64,743	621,162	448,690	0	237,215
Transportation Infrastructure Loan.....	0	375	0	0	375
Tuition Trust.....	0	2,257	3	0	2,254
Clean Water.....	205,280	34,885	52,660	0	187,505
Veterans Trust.....	22,217	8,011	17,808	0	12,420
Veterans Mortgage Loan.....	528,479	40,982	107,559	0	461,902
<i>Total Other.....</i>	<i>1,418,778</i>	<i>1,259,047</i>	<i>1,174,442</i>	<i>0</i>	<i>1,503,383</i>
<i>TOTAL TRUST & OTHER.....</i>	<i>48,239,902</i>	<i>10,951,676</i>	<i>2,978,736</i>	<i>0</i>	<i>56,212,842</i>
<i>TOTAL - ALL FUNDS.....</i>	<i>\$ 48,612,772</i>	<i>\$ 12,101,462</i>	<i>\$ 4,250,745</i>	<i>\$ (182)</i>	<i>\$ 56,463,308</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, 1998, 1997 and 1996
(In Thousands)**

	June 30, 1998	June 30, 1997	June 30, 1996
<u>ASSETS</u>			
Cash & Investment Pool Shares..... \$	446,212	\$ 498,692	\$ 574,513
Contingent Fund Advances.....	3,981	4,086	4,108
Investments.....	445	445	445
Accounts Receivable.....	811,184	816,708	684,739
Due from Other Funds.....	58,454	16,486	16,716
Inventory	0	0	0
Prepayments	50,935	40,884	34,361
TOTAL ASSETS.....	1,371,211	1,377,301	1,314,882
<u>LIABILITIES</u>			
Accounts Payable.....	337,998	330,589	295,189
Due to Other Funds.....	59,090	301,406	32,251
Tax and Other Deposits.....	50,406	62,084	40,400
Advance from other funds.....	2,000	4,000	6,000
Deferred Revenue	27,889	26,498	22,417
TOTAL LIABILITIES.....	477,383	724,577	396,257
<u>FUND BALANCE</u>			
<u>Reserved Balances</u>			
GPR Encumbrances	87,520	99,789	89,665
PR Encumbrances.....	217,276	155,684	179,386
Total Reserved Balances.....	304,796	255,472	269,051
<u>Unreserved Designated Balances</u>			
GPR Continuing Balances.....	55,792	10,694	71,298
<u>Unreserved Undesignated Balances</u>			
GPR Unreserved Balance.....	552,311	327,145	581,690
PR Unreserved Balance.....	(19,072)	59,413	(3,414)
Total Unreserved Undesignated Balances...	533,240	386,558	578,276
TOTAL FUND BALANCE.....	893,828	652,724	918,625
TOTAL LIABILITIES AND FUND BALANCES.. \$	1,371,211	\$ 1,377,301	\$ 1,314,882

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, 1998**

	BUDGET			ACTUAL			
	Published	Budget	Final	Reserve for Encumbrances			Expenditures
	Budget	Adjustments	Budget	Disbursements	June 30, 1998	June 30, 1997	
EXPENDITURES							
Commerce.....	\$ 399,609	\$ 10,762	\$ 410,371	\$ 349,265	\$ 28,750	\$ (25,866)	\$ 352,149
Education.....	7,046,048	140,885	7,186,933	6,938,719	77,352	(70,510)	6,945,561
Environmental Resources.....	2,153,579	134,679	2,288,258	2,093,476	659,478	(602,147)	2,150,807
Human Relations & Resources.....	5,889,777	209,251	6,099,028	5,644,080	150,112	(108,410)	5,685,782
General Executive.....	818,817	323,713	1,142,530	945,205	53,207	(53,093)	945,319
Judicial.....	89,631	2,352	91,983	91,115	0	(88)	91,027
Legislative.....	55,275	244	55,519	55,051	2	(2)	55,051
General (incl. Shared Revenue)	2,107,287	347,765	2,455,052	2,356,739	7	0	2,356,746
Transfer to Local Government							
Property Insurance Fund.....	2,217	(219)	1,998	0	0	0	0
Compensation Reserves.....	34,916	(31,453)	3,463	0	0	0	0
Less: Estimated Lapse.....	(62,927)	0	(62,927)	0	0	0	0
EXPENDITURES							
PER CHAPTER 20 SCHEDULE	\$ 18,534,229	\$ 1,137,979	\$ 19,672,208	18,473,650	968,908	(860,116)	18,582,442
Appropriated and expended but not in Chapter 20 Schedule							
Fringe Benefits							
Insurance Premiums				462,075	0	0	462,075
Annuities				1,680,548	0	0	1,680,548
Other Fringe Benefits				137,829	0	0	137,829
Capital Projects				434,594	0	0	434,594
Other				287,538	5,118	(8,880)	283,776
TOTAL EXPENDITURES				\$ 21,476,234	\$ 974,026	\$ (868,996)	\$ 21,581,264

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 sign all checks. 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 1998, the general fund had an outstanding loan of \$4,000,000 from the Local Government Property Insurance Fund. During FY 1998, \$2,000,000 of the loan was repaid.

As of June 30, 1998, the general fund balance sheet included an outstanding loan balance, totaling \$2,000,000, 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 FY98, Chapter 20 included a compensation reserve for employe salary and fringe benefit increases. The total amount reserved (appropriated) was \$34,915,600 and the amount expended was \$31,453,395 leaving an unspent reserve of \$3,462,205.

Transfers to the General Fund

On June 30, 1998, a transfer totalling \$257,755,900 was made from the Property Tax Relief Fund (created by Act 213 of the 1995 Wisconsin Statutes) to the General Fund. A transfer totalling \$3,850,000 was made from the Recycling Fund to the General Fund.

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 July, 1998.

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 1998 is explained as follows:

	<u>(thousands)</u>
Ending fund balance (Undesignated) per chapter 20	\$ 352,243
Opening balance adjustments:	
Prior year designation for continuing balances	10,694
Local Government Property Insurance Fund Loan (Note D)	(4,000)
Total opening balance adjustments	<u>6,694</u>
REVENUE ADJUSTMENTS	
Taxes received more than estimate	177,752
Payment for Federal Retirees less than estimate	10
Departmental revenues more than estimate	13,200
Total revenue in excess of estimate	<u>190,962</u>
APPROPRIATION ADJUSTMENTS	
Sum sufficient appropriations more than budgeted	(8,202)
Adjustments for Biennial and Continuing Balances	45,099
New Legislation	<u>0</u>
Total Appropriation Adjustments	<u>36,897</u>
LAPSES MORE THAN BUDGETED	19,000
RESIDUAL EQUITY TRANSFERS	2,307
DESIGNATION FOR CONTINUING BALANCES	(55,792)
UNDESIGNATED FUND BALANCE	<u>\$ 552,311</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, two operating notes totalling \$450 million were issued in fiscal year 1998. Without the operating notes the General Fund's cash balance would have dropped from an opening balance of \$493 million to a yearly low of \$-343 million, a reduction of \$836 million.

With the \$450 million in operating notes, this did not occur. The notes prevented borrowing from other operating funds and ensured timely payments to local governments and the state's suppliers. The notes 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 notes and their 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 notes plus accrued interest was repaid on June 15, 1998.

The operating notes served as a cost-effective method of acquiring short term funds. The notes saved the general fund \$6.3 million through increased investment earnings and reduced interfund borrowing.

Note H Negative Fund Balances

The negative ending fund 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.

The negative balance for Program Revenue Appropriations is due primarily to timing differences from when cash is disbursed for federal grant expenditures and cash is received as a federal grant reimbursement.

Note I Unappropriated Activities

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	\$1,013,630	\$1,292,438
Expenditures	\$1,013,630	1,292,438
Balance	<u>\$ 0</u>	<u>\$ 0</u>

Supplemental Data



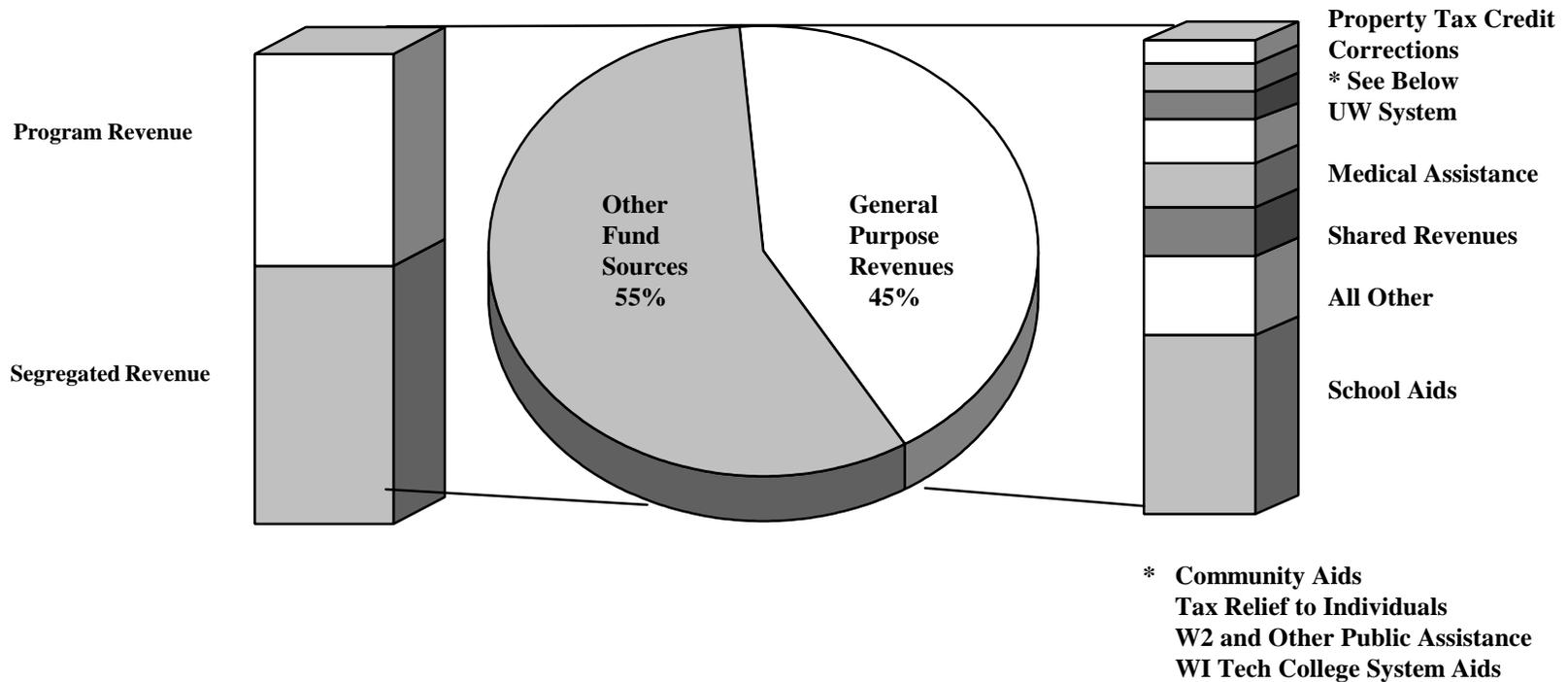
Total Expenditures by Fund Source, State of Wisconsin

For the Fiscal Year Ended June 30, 1998

Other Expenditures
\$11.9 Billion

Total Expenditures
\$21.6 Billion

General Purpose Revenue Expenditures
\$9.7 Billion



For more detail on expenditures, see Schedule A-2

Exhibit B-1

**Analysis of Revenues--All Funds
As of June 30, 1998
(In Thousands)**

	FY-98	FY-97	FY-96
TAX REVENUES			
General Purpose Revenue			
Income Taxes			
Individual.....	\$ 5,047,515	\$ 4,558,265	\$ 4,183,604
Corporation.....	627,024	643,822	636,010
Federal Retiree Refund.....	(190)	(13,526)	(26,160)
Total Income Taxes.....	5,674,349	5,188,561	4,793,454
Sales and Excise Taxes			
General Sales and Use.....	3,047,406	2,864,373	2,704,226
Cigarette	247,743	204,567	197,965
Tobacco Products.....	9,353	8,781	7,385
Liquor and Wine.....	32,735	31,350	30,813
Malt Beverage (Beer).....	9,260	9,207	9,187
Total Sales & Excise Taxes.....	3,346,497	3,118,278	2,949,576
Public Utility Taxes			
Private Light, Heat & Power.....	110,442	107,829	106,033
Municipal Light, Heat & Power.....	1,432	1,338	1,395
Telephone.....	158,523	176,425	160,120
Pipeline.....	7,590	10,940	9,165
Electric Cooperative.....	7,460	7,885	7,504
Municipal Electric.....	1,879	911	942
Conservation & Regulation.....	680	750	141
Utility Tax (Refunds) Interest and Penalty..	352	153	(12)
Total Public Utility Taxes.....	288,358	306,231	285,288
Inheritance, Estate & Gift Taxes			
Inheritance and Estate.....	80,046	50,665	45,391
Gift.....	65	160	211
Total Death & Gift Taxes.....	80,111	50,825	45,602
Miscellaneous Taxes			
Insurance Companies (Premiums).....	88,065	94,641	92,285
Real Estate Transfer Fee.....	38,440	33,536	31,394
Lawsuits (Courts).....	9,457	8,700	7,628
Pari-mutuel Tax.....	2,355	2,616	3,645
Other.....	605	623	611
Total Miscellaneous Taxes.....	138,922	140,116	135,563
TOTAL GPR TAX REVENUES.....	9,528,237	8,804,011	8,209,483
Program Tax Revenues			
Fire Dues.....	5,932	7,706	9,315
Pari-mutuel Taxes.....	1,215	1,237	1,375
County Expo Tax Administration.....	331	330	295
Baseball Park Administration Fee.....	479	489	208
Business Trust Regulation Fee.....	1,013	718	313
Sales Tax Audits.....	221		
Other.....	(4)	(50)	250
TOTAL PROGRAM TAX REVENUES.....	9,187	10,430	11,756
TOTAL - GENERAL FUND TAX REVENUES.....	\$ 9,537,424	\$ 8,814,441	\$ 8,221,239

Exhibit B-1

**Analysis of Revenues--All Funds
As of June 30, 1998
(In Thousands)**

	FY-98	FY-97	FY-96
Type of Revenue:			
Transportation Fund			
Motor Fuel Tax.....\$	740,229 \$	693,163 \$	676,003
Air-Carrier.....	6,333	8,720	8,717
Limousine Rental Tax.....	610		
Railroad.....	10,033	12,270	25,157
Aviation Fuel.....	1,476	1,082	1,009
Conservation Fund			
2/10 Mill Forestry Mill Tax.....	46,617	43,377	40,316
Forest Crop Taxes.....	2,945	2,181	2,627
Petroleum Inspection Tax.....	103,842	0	0
Recycling Fund			
Temporary Service Charges.....	53,615	51,479	41,578
Investment & Local Impact Fund			
Metalliferous Minerals Taxes.....	16	643	3,846
Badger Fund			
Metalliferous Minerals Taxes.....	11	428	2,564
Mediation Fund.....	3	2	3
TOTAL STATE TAX REVENUES.....	10,503,154	9,627,786	10,338,133
Intergovernmental Revenue	3,933,124	4,015,928	3,894,791
Licenses and Permits	620,852	666,325	667,382
Charges for Goods and Services.....	1,878,904	1,788,960	2,109,590
Contributions.....	1,484,849	1,455,506	1,318,995
Interest and Investment Income	8,626,768	7,887,798	5,446,036
Gifts and Donations	301,418	258,967	210,639
Proceeds from Sale of Bonds	444,986	290,612	330,950
Other Revenues	683,644	436,582	350,576
Other Transactions.....	163,451	312,741	87,492
TOTAL DEPARTMENTAL REVENUES.....	18,137,996	17,113,416	14,416,451
TRANSFERS.....	956,782	669,556	403,850
TOTAL REVENUES.....	\$ 29,597,931 \$	\$ 27,410,758 \$	\$ 25,158,434

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, 1998
(In Thousands)

Agency	Appr		Prior Year Encumbrance	Chapter 20	Increases	Expenditures	Lapse
State Operations							
370	DX	Endangered Resources General Fund.....	\$ 0	500	0	500	\$ 0
370	GW	Waste Tire Removal and Recovery.....	0	1,875	0	1,238	637
410	DJ	Reimbursement Claims from Counties With State Institutions.....	0	262	0	169	92
435	DR	Nursing Home Monitoring.....	0	0	0	0	0
435	WC	Nursing Home Monitoring Supplement.....	0	0	0	0	0
435	V5	Administrative Expense - Federal SSI.....	0	0	0	0	0
455	DG	Special Counsel.....	0	809	40	849	0
455	GM	Officer Training Reimbursement.....	0	50	0	44	6
465	DH	Public Emergencies.....	0	49	3	51	0
505	PV	Adjudication of Equalization Appeals.....	0	0	0	0	0
505	PY	Claims Awards.....	0	25	0	6	19
525	DF	Governor'S Office Administration.....	0	2,572	24	2,596	0
525	DG	Contingent Fund.....	0	22	0	19	3
525	DH	Membership In National Assoc.....	0	117	0	117	0
525	GK	Executive Residence.....	0	205	31	218	18
625	DF	Circuit Courts.....	0	43,843	1,007	44,850	0
660	DF	Court Of Appeals.....	0	6,349	327	6,676	0
680	DF	Supreme Court.....	3	3,536	1	3,536	4
765	DF	Assembly.....	0	19,537	269	19,470	336
765	DH	Senate.....	0	12,730	182	12,735	176
765	DJ	Legislative Documents.....	0	7,428	1,184	8,612	0
765	KX	Membership In National Assoc.....	0	149	0	149	0
855	DF	Obligation On Operating Notes.....	0	10,400	0	10,052	348
855	DG	Operating Notes Expenses.....	0	197	4	201	0
855	KQ	Capitol Offices Relocation.....	0	2,199	67	2,266	0
855	PU	Interest On Overpayment Of Taxes.....	0	700	2,672	3,372	0
855	PW	Minnesota Income Tax Reciprocity.....	0	37,872	0	37,872	0
855	PY	Transfer To Conservation Fund - Land Acquisition.....	0	230	0	229	1
855	P2	Supplemental Title Fee Matching.....	0	10,257	0	10,257	0
865	DF	Judgement & Legal Expenses.....	0	50	(35)	0	16
<i>Total State Operations.....</i>			3	161,961	5,777	166,084	1,657
Aids and Local Assistance							
115	GM	Animal Disease Indemnities.....	0	109	0	95	14
115	PV	Aids To County & District Fairs.....	0	1	0	0	1
235	DJ	MN-WI Student Reciprocity.....	0	1,308	0	1,308	(0)
235	DQ	Academic Excellence.....	0	3,218	0	3,170	48
235	GM	Student Loan Interest.....	0	0	0	0	0
255	GK	General Equalization Aids.....	0	3,318,489	0	3,307,418	11,071
255	HN	Milwaukee Parental Choice Program.....	94	7,298	0	7,087	305
370	S1	Aids In Lieu Of Taxes.....	0	1,900	0	1,873	27
435	P2	Income Maintenance Payments To Individuals.....	0	0	0	0	0
435	R6	Relief Needy Indian Persons.....	0	0	0	0	0
435	2G	Reimburse Local Units of Government.....	0	400	0	400	0
435	0N	State Supplement to Federal Supplemental Security Income Program.....	0	128,282	0	128,282	(0)
445	DG	Special Death Benefit.....	0	460	14	437	37
465	KU	Disaster Recovery Aids.....	0	3,031	0	2,453	578
515	DF	Annuity Supplements And Payments.....	0	5,128	82	5,209	0
515	DG	Post Retirement Health Ins Premiums.....	0	0	11	11	0
835	DP	Small Municipalities Shared Revenue.....	0	10,000	0	10,000	0
835	DF	Expenditure Restraint Program Acct.....	0	48,000	0	48,000	0
835	DG	Shared Revenue Account.....	0	930,460	0	930,413	47
835	DH	County Mandate Relief Account.....	0	20,159	0	20,159	0
835	GN	Homestead Tax Credit.....	0	83,000	376	79,817	3,559

Exhibit B-2

General Fund Sum Sufficient Appropriations
For the Fiscal Year Ended June 30, 1998
(In Thousands)

Agency	Appr		Prior Year Encumbrance	Chapter 20	Increases	Expenditures	Lapse
Aids and Local Assistance (Continued)							
835	GT	Development Zones Investment Credit.....	\$ 0	3	0	0	\$ 3
835	GV	Development Zones Location Credit.....	0	2	0	0	2
835	GP	Development Zones Jobs Credit.....	0	1,250	0	571	679
835	GR	Development Zones Sales Tax Credit.....	0	550	(0)	550	0
835	GQ	Farmland Preservation Credit.....	0	19,500	495	19,995	0
835	GU	Cigarette Tax Refunds.....	0	10,500	0	9,485	1,015
835	GX	Earned Income Tax Credit.....	0	70,600	0	64,042	6,558
835	KR	School Levy Tax Credit.....	0	469,305	0	469,305	0
835	V3	County Assessment Aid.....	0	0	0	0	0
855	PV	Election Campaign Payment.....	0	295	0	295	0
<i>Total Aids and Local Assistance.....</i>			<u>94</u>	<u>5,133,245</u>	<u>979</u>	<u>5,110,376</u>	<u>23,943</u>
Principal Repayment and Lease Rental							
115	GQ	Principal Repayment and Interest.....	0	0	42	42	0
190	DF	Principal Repayment and Interest.....	0	556	0	543	13
225	DH	Principal Repayment and Interest.....	0	1,210	222	1,432	0
245	DM	Principal Repayment and Interest.....	0	0	0	0	0
245	GV	Principal Repayment and Interest.....	0	769	115	884	0
245	S3	Principal Repayment and Interest.....	0	567	0	565	2
250	DK	Principal Repayment and Interest.....	0	30	0	29	0
255	DJ	Principal Repayment and Interest.....	0	1,245	133	1,378	0
275	DN	Principal Repayment and Interest.....	0	0	0	0	0
275	DP	Principal Repayment and Interest.....	0	0	0	0	0
285	DR	Principal Repayment and Interest.....	0	79,981	7,901	87,882	0
320	DH	Principal Repayment and Interest.....	0	21,799	720	21,863	656
370	Y7	Resource Acquisition Principal Repayment and Interest.....	0	9,349	251	9,518	83
370	OA	Debt Service Remedial Action.....	0	1,254	176	1,288	141
370	OB	Nonpoint Source Grants Principal Repayment and Interest.....	0	1,417	177	1,463	131
370	OC	Pollution Abatement Bonds Principal Repayment and Interest.....	0	80,507	7	80,098	416
370	OD	Combined Sewer Overflow Principal Repayment and Interest.....	0	18,883	47	18,747	184
370	OE	Municipal Clean Drinking Water Grants Principal Repayments and Interest.....	0	842	3	838	8
370	OF	Administrative Facilities Principal Repayment and Interest.....	0	457	6	455	7
410	DN	Principal Repayment and Interest.....	0	42,262	422	42,684	0
410	KW	Principal Repayment and Interest.....	0	2,950	533	3,483	0
435	GS	Principal Repayment and Interest.....	0	9,794	2,040	11,834	0
435	K1	Principal Repayment and Interest.....	0	0	0	0	0
435	V4	Principal Repayment and Interest.....	0	34	29	64	(0)
445	S5	Principal Repayment and Interest.....	0	0	0	0	0
465	DJ	Principal Repayment and Interest.....	0	2,766	467	3,233	0
485	DM	Principal Repayment and Interest.....	0	1,318	164	1,482	0
505	S1	Principal Repayment and Interest.....	0	0	0	0	0
867	DG	Capitol and Executive Residence Principal Repayment and Interest.....	0	6,782	0	5,259	1,524
867	KQ	Principal Repayment and Interest.....	0	3,719	0	(10,739)	14,457
867	KR	Principal Repayment and Interest.....	0	0	886	886	0
867	KU	Principal Repayment and Interest.....	0	41	0	0	41
867	KT	Principal Repayment and Interest.....	0	0	0	0	0
<i>Total Principal Repayment and Lease Rental.....</i>			<u>0</u>	<u>288,531</u>	<u>14,343</u>	<u>285,210</u>	<u>17,664</u>
Pay Plan & Supplement							
865	DH	Salary.....	0	0	24,092	24,092	0
865	DJ	Fringe.....	0	38	7,323	7,361	0
<i>Total Pay Plan & Supplements.....</i>			<u>0</u>	<u>38</u>	<u>31,415</u>	<u>31,453</u>	<u>0</u>
TOTAL GENERAL FUND SUM SUFFICIENTS			<u>\$ 97</u>	<u>5,583,776</u>	<u>52,513</u>	<u>5,593,122</u>	<u>\$ 43,264</u>

