



**JIM DOYLE**  
**GOVERNOR**  
**STATE OF WISCONSIN**

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July 6, 2010

Dear Agency Head:

This country has experienced the worst global and national economic downturn in generations. The "Great Recession" of 2008 and 2009 brought the world financial system to the edge of collapse, exposing the excesses of Wall Street and wreaking havoc on homeowners, middle-class families and small businesses. Wisconsin's economy was severely affected by the worldwide financial fallout, which brought on the largest deficit in the state's history.

True to Wisconsin's values of common sense and pragmatism, the 2009-11 budget struck a balance between deep cuts and maintaining focus on key priorities – broad-based educational opportunities, affordable and accessible health care, and innovative job creation and economic growth policies. In the last biennial budget, state spending was cut by over \$3 billion, the largest cut in state history. Every state program was cut, state employee pay was scaled back, all state workers were furloughed and we are not filling over 3,400 vacant positions.

At the same time we protected middle class tax payers and our priorities. We avoided hitting middle-class pocketbooks and continued to protect the nearly \$4 billion in tax cuts for businesses, seniors and homeowners that I have worked to enact during my two terms as Governor.

Additionally, unlike many states, Wisconsin's middle-class families were protected from the more drastic actions implemented in other states. Wisconsin citizens are receiving their tax refunds within days; some states are withholding tax refunds for months. Wisconsin schools are receiving state aid on time and keeping schools open; some states have shortened the school year and delayed billions of dollars in school aid payments. Financial aid for college students has been preserved and increased through the Wisconsin Covenant; some states are cutting financial aid, resulting in students dropping out of college. Health care benefits to seniors, the disabled and low-income families have been preserved in Wisconsin; many states have made drastic cuts in Medicaid benefits and provider rates. Wisconsin's state parks remain open for the enjoyment of residents and tourists alike; many states have closed state parks. Wisconsin has protected property tax payers; other states have made drastic cuts in property tax relief.

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As we have protected core services to families and businesses, we have also begun to see Wisconsin's economy recover from the global recession. The contrasts are stark. In fiscal year 2008-09, for the first time in the state's history, sales tax collections declined from the prior year. Recently, the Department of Revenue reported that revenue collections for fiscal year 2009-10 appear to be on track with estimates, with consumer spending showing the first increase in months. During this Great Recession, Wisconsin lost jobs at a rate not experienced since 1980-82. Recently, the Department of Workforce Development reported that job growth in April 2010 was the largest in 14 years. These and other reports are positive signs that the economy is beginning to rebound; and because of our balanced approach, Wisconsin is well positioned for a return to solid growth.

There is still much more to do to repair the financial damage brought on by the Great Recession. Advanced funding commitments for the 2011-13 biennium, including one-time financing measures and implementation of tax cuts, total at least \$2 billion. These commitments can be addressed through the measures currently in place to strictly control state spending, including limits on the filling of state positions and state employee compensation along with the anticipated continued economic growth. By staying the course on spending restraint, my successor and the next Legislature should be able to focus on identifying ways to address key priorities in the next State Budget and grow Wisconsin's economy.

Given this background, the Major Budget Policies and Budget Instructions call for most agencies to hold their overall fiscal year 2011-12 and fiscal year 2012-13 GPR budgets to fiscal year 2010-11 levels. The same targets will apply to SEG-funded administrative operations appropriations. These targets are necessary to ensure that state government lives within its means.

In addition, most agencies will be required to submit plans to reduce nonfederally-funded state appropriations by ten percent. These reductions will be in addition to cuts made in the 2009-11 biennium. Through these plans, agencies should seek to prioritize, retool and reorganize programs.

Agency budget requests are due September 15. Please review the Major Budget Policies and Budget Instructions carefully as you prepare and prioritize your requests. Technical budget instructions will be available on the Internet at [www.doa.state.wi.us/debf/index.asp](http://www.doa.state.wi.us/debf/index.asp).

We have begun to emerge from the global and national recession and the challenges it has brought to Wisconsin. I am confident that you and your employees will continue to meet these challenges and continue to deliver vital services to Wisconsin citizens.

Sincerely,



Jim Doyle  
Governor

# MAJOR BUDGET POLICIES 2011-13

## BUDGET TARGETS

- Agencies should prepare their 2011-13 biennial budget requests based on 100 percent of their fiscal year 2010-11 adjusted base level.
- The 2011-13 biennium will present many fiscal challenges brought on by global and national economic conditions. Addressing these challenges will be the overriding factor in GPR spending decisions for the next budget. As such, there will need to be restraint in most GPR appropriations in the next budget.
  - Agencies should assume there will be zero growth in overall GPR appropriations in each fiscal year during the 2011-13 biennium, and specific program needs should be managed within this general constraint.
  - Exceptions will occur only for K-12 school aids; required basic cost-to-continue needs for the state's institutions, i.e., the Department of Corrections and the Department of Health Services institutions; entitlement and related assistance programs in the Department of Health Services (e.g., Medical Assistance), the Department of Children and Families' Division of Safety and Permanence, and the Department of Workforce Development's Division of Vocational Rehabilitation; the University of Wisconsin System instruction and research activities that are focused on economic growth; and housekeeping adjustments like standard budget adjustments, fuel and utilities, and debt service.
- The zero growth policy will also apply to the SEG-funded administrative operations appropriations in all agencies that are supported by the transportation fund, the conservation fund, the environmental fund and the lottery fund.
- Funding requests for other types of appropriations and other funding sources in both years should be limited to revenue availability and only the highest priority programmatic needs.
- Except for standard budget adjustments, routine budget items should be handled in agencies' base budgets regardless of fund source.
- Proposals that transfer functions or programs, including related costs and staff, between agencies should result in zero growth in overall state appropriations (i.e., the transferring agency should have lower overall appropriations to offset the increase at the receiving agency). All agencies involved in the transfer should notify the State Budget Office during the initial stages of considering any such proposal to facilitate review of the request and allocation of any projected savings between the agencies.

## PLANNING FOR REDUCTIONS

- Under 2009 Wisconsin Act 28, the Department of Administration secretary is authorized to lapse or transfer \$641 million to the general fund in the 2009-11 biennium. Agencies are in the process of submitting plans to meet those lapse requirements. These reductions will need to continue in the 2011-13 biennium.
- Agencies should prepare plans to absorb at least a ten percent permanent base cut of all non-FED sum certain appropriations in an agency, excluding the programs listed above that are exempt from the zero growth limitation, debt service, and fuel and utilities appropriations.
- Reduced base budget plans are due Monday, November 8, 2010.
- Agencies should use this exercise to fundamentally review missions and priorities, exploring opportunities to reallocate resources, integrate programs and consolidate functions.
- Where reductions and efficiencies in state operations result in reductions in positions, agencies should avoid filling vacancies and make other plans to accomplish this reduction without layoffs.
- Any areas needing additional staff must be met through base reallocations.

Note: The State Budget Office will be working with agencies regarding the specific appropriations that will be included in the overall budgetary base for the ten percent permanent base cut.

Agencies must receive approval from the State Budget Office before proposing to use funding sources in another agency to stay within budget targets, to absorb operations' reductions or to fund any new initiatives.

## **PRIVACY MEASURES**

Protecting the privacy of Wisconsin citizens and businesses is a top priority. Privacy officers have been established in every state agency to review systems and processes and identify changes necessary to prevent the release of personal information. Agencies may include items in their budget requests to address system and process changes necessary to prevent the release of, or access to, personal information such as Social Security numbers.

## **PERFORMANCE MEASUREMENTS IN BUDGETING**

- Agencies need to report on the performance measures they identified for previous biennial budgets. These measures should relate to agencies' broad Chapter 20 budget programs. If needed to capture significant shifts in agency function, additional measures could be added; however, only a few measures should be presented so there is a clear focus on results.
- For the 2011-13 budget, agencies need to report actual outcome measures through fiscal year 2008-09 and fiscal year 2009-10. Planned outcome measures should be listed for fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13. Agencies should track and maintain data going forward to present actual performance data for a fiscal year compared to planned performance. (A calendar year may be used if data is collected on that basis. Please note where calendar years are used.)
- The State Budget Office will include performance measures developed by an agency in the Executive Budget Book, and agencies should reference measures in decision items, where relevant.
- Agency descriptions and performance measures will be communicated to each agency budget contact for updating. It is important for agencies to follow the prescribed format to ensure consistency and compatibility.

## **BUDGETING FOR INFORMATION TECHNOLOGY**

Requests for funding of information technology projects should identify the link between the project and the state's business goals, conformity to the Department of Administration's Policies and Procedures for Information Technology Management, and provide specific information about each project, including executive sponsorship. Consistent with information technology strategic planning, project definitions must include a standard return on investment (ROI) calculation.

## **BUDGETING FOR DEPARTMENT OF ADMINISTRATION RATE CHANGES**

Agencies should not reflect anticipated rate changes from the various divisions within the Department of Administration in their 2011-13 budget requests. Forecasting of rates and impacts on individual agency budgets will be addressed by the Department of Administration in developing the Governor's 2011-13 budget.

## **27th PAY PERIOD**

Typically, every appropriation with a biweekly payroll is budgeted for 26 pay periods. However, every 11 years the payroll cycle results in an additional pay period needing to be budgeted within a fiscal year. A 27th pay period will occur in fiscal year 2011-12. Agencies with non-GPR appropriations should establish explicit nonappropriated reserves to meet this cost. All appropriations with biweekly payrolls will be given supplemental spending authority through the normal pay plan supplement process. The detailed budget instructions will provide more background on budgeting for the 27th pay period.

## **FEDERAL FUNDS**

The state has a goal of increasing the ongoing receipt of federal funds where the use of federal funding is consistent with state program goals. In order to increase the amount of federal funds received, agencies should conduct the following review:

- Examine existing grant awards to ensure that they are fully utilized and consistent with agency priorities. If unexpended grant authority is available, the agency should reallocate the funds to other activities to the extent possible under state and federal rules.
- Agencies may also identify, in the form of a policy paper submitted on September 15, additional federal grant opportunities that were not included in the agency's request. Such opportunities may be considered for funding by the State Budget Office during budget deliberations.

## **STATUTORY LANGUAGE GUIDELINES**

- Agencies should seek to limit policy items unrelated to appropriation changes for inclusion in the Governor's budget.

Note: Please contact your State Budget Office analyst to discuss whether a particular initiative is appropriate for submission as a budget request.

- Agencies should not submit extensive lists of technical or housekeeping changes for inclusion in the Governor's budget. Proposed changes for separate nonbudget legislation can be submitted to the State Budget Office for review and approval, separate from the budget request.

Note: Please contact your State Budget Office analyst if these types of changes are sought.

- As in past budgets, prior to September 15, agencies may work directly with the Legislative Reference Bureau in preparing statutory language items related to the budget. After September 15, all drafting and redrafting requests related to the budget must come from the State Budget Office.
- The Legislative Reference Bureau strongly discourages agencies from submitting budget bill drafts that agencies have drafted. Instead, agencies should submit memoranda identifying what they are seeking to accomplish.
- The detailed budget instructions will provide more information on statutory language submittal requirements.

## **BUDGET SUBMITTAL DUE DATES AND PROCEDURES**

- Formal budget requests are due Wednesday, September 15, 2010. Send four (4) copies to the State Budget Office and two (2) copies directly to the Legislative Fiscal Bureau.
- Agency budget directors will be required to include with their budget submittals a signed Budget Checklist of budget elements completed. This will help ensure all required materials have been included in the budget. The checklist will be posted as an appendix to the technical budget instructions.
- State Budget Office staff will be available to meet with individual agencies to explain budget policies and procedures, and discuss any agency concerns.
- Implementation of the new budget development system may result in changes in policies and procedures. Additional information will be forthcoming on any changes.

## **INFORMATION ON THE WEB**

- The Budget Instructions will be available on the State Budget Office Web site at <http://www.doa.state.wi.us/debf/index.asp>.
  - Periodic information updates will be posted to this Web site and the State Budget Office SharePoint site, so agencies should check these sites regularly.