



JIM DOYLE
GOVERNOR
STATE OF WISCONSIN

June 25, 2008

Dear Agency Head:

While much progress has been made, Wisconsin's economy, like the rest of the nation, continues to encounter challenges. Expanding Wisconsin agricultural and manufacturing exports to countries all over the world and strong growth in important fields like biotechnology and renewable energies have been very important to the state's economy. However, the recent flooding and downsizing of manufacturing jobs has put stress not only on the individuals involved but also highlighted the need for continued investments in worker training, health care, infrastructure and education.

My first three budgets helped move Wisconsin forward. Tax cuts totaling \$3.7 billion through 2013 have been enacted. These cuts have helped create jobs, dramatically reduced the growth in property taxes, lowered health care costs for Wisconsin families and eliminated taxes on social security for Wisconsin's seniors. Health care access for Wisconsin families has been dramatically increased through the BadgerCare Plus program. State government operations have been streamlined.

As we move into the next budget period, we must continue to set priorities and make the tough decisions. Our challenge will be to strengthen Wisconsin's economy by creating jobs and continuing to expand exports while maintaining our high-quality of life as evidenced by high-quality public schools, world-class university and technical college systems, abundant natural resources, and extensive and well-maintained transportation network.

Continued funding reductions by the federal government in health care and other services, along with unfunded federal mandates, has put significant pressure on the state's budget. All agencies that have access to federal funds must be aggressive and innovative in their efforts to capture these dollars in order to help ameliorate the impact on Wisconsin's taxpayers.

The Major Budget Policies and Budget Instructions call for most agencies to hold their overall fiscal year 2009-10 and fiscal year 2010-11 GPR budgets to fiscal year 2008-09 levels. The same targets will apply to the SEG-funded administrative operations appropriations. These targets are necessary to ensure state government lives within its means.

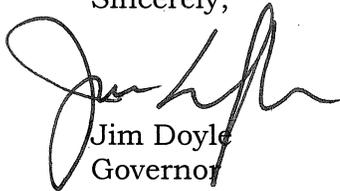
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In addition, most agencies will be required to submit plans to reduce all nonfederally-funded state administrative operations appropriations by ten percent. These plans should look to retool and reorganize programs to increase both efficiency and service.

Agency budget requests are due September 15. Please review the Major Budget Policies and Instructions carefully as you prepare and prioritize your requests. Technical budget instructions will not be printed this year, but will be available on the Internet at www.doa.state.wi.us/debf/index.asp.

I am confident that you and your employees will continue to meet these challenges and continue to deliver important services to Wisconsin citizens.

Sincerely,



Jim Doyle
Governor

cc: Agency Budget Contacts

MAJOR BUDGET POLICIES 2009-11

The Governor has identified the following themes as the core concepts for constructing the 2009-11 biennial budget. These themes build upon our state's existing strengths and position Wisconsin to better protect and improve our families, communities, businesses and natural resources.

REFORM HEALTH CARE

In the last two budgets, the major elements of the Governor's health care reform agenda have been enacted, including ensuring health care coverage to all kids and preserving access to affordable prescription drugs and home-based long-term care. The Governor's 2009-11 budget will continue to implement measures to make health care more affordable, ensure access to 98 percent of Wisconsin citizens and improve the quality and effectiveness of health care through the Governor's Family Care Statewide, BadgerCare Plus expansion and E-health initiatives. Part of the success of these initiatives will depend on aggressively pursuing federal approval, where needed, and federal funds so that Wisconsin taxpayers receive fair treatment relative to other states.

INVEST IN EDUCATION

The Governor's 2009-11 biennial budget will again focus resources on improving Wisconsin's educational system. Success in school and access to higher education for all Wisconsin citizens through the Governor's Wisconsin Covenant, which was approved as part of the 2007-09 budget, will be a top priority for the Governor. The Governor expects to build on the educational initiatives approved in the 2007-09 biennium, which included a \$525 million increase in school aids and property tax credits, \$34 million for new and expanded programs in the University of Wisconsin System and \$44 million to increase financial aid to Wisconsin college students.

CARE FOR WISCONSIN'S KIDS

High educational attainment and the future success of Wisconsin's economy depend on ensuring that our kids are protected and cared for. Continued implementation of the Governor's KidsFirst initiative will be a top priority in the 2009-11 budget. The ability to effectively and efficiently address the needs of Wisconsin's parents and kids was greatly enhanced by the Legislature's approval, as part of the 2007-09 biennial budget, of the Governor's recommended consolidation of children and family services into a single department.

CONTINUED ECONOMIC COMPETITIVENESS

The Governor unveiled his Grow Wisconsin plan in the fall of 2003 to support high-skill, high-wage employment in the state. Since then, Wisconsin has seen the creation of tens of thousands of jobs and per capita growth of 12 percent, a faster rate of growth than the rest of the Great Lakes region. The 2009-11 budget will continue implementation of these initiatives and seek to increase training opportunities for Wisconsin's businesses and work force and support the efforts of entrepreneurs throughout the state.

One of the Governor's top priorities is to continue reducing the tax burden on Wisconsin's citizens. Over the last several years, the Governor's efforts to address the state's budget challenges without raising taxes have resulted in Wisconsin's state tax ranking falling to 16 in 2006 from the top 10 in earlier years.

The Governor and the Legislature have provided several forms of tax relief for individuals and businesses, which will result in a cumulative projected tax savings of over \$3.7 billion from 2003 through 2013. Some of the changes enacted include expanded deductions for certain medical care insurance premiums, increased deductions for college tuition and mandatory student fees, a deduction for child care expenses claimed under the federal child care tax credit and an income exclusion for taxpayers aged 65 and older of up to \$5,000 for pension payments and retirement plans.

In addition, in the 2007-09 biennial budget, the Governor and the Legislature took several actions to address the local property tax burden on homeowners. Significantly, a new "first dollar credit" was enacted, providing \$75 million to provide a greater proportional reduction to residences on 2008 property tax bills statewide.

The Governor will continue to strive for new and creative ways to decrease the tax burden on Wisconsin residents and businesses in the 2009-11 budget.

ENERGY EFFICIENCY

In July 2006, the Governor established a goal of generating 25 percent of Wisconsin's electric power and transportation fuels from renewable sources by 2025, which continues to guide policies aimed at securing Wisconsin's leadership in the emerging renewable energy industry. The Governor created the Office of Energy Independence in April 2007 to lead the state's effort to advance clean energy and bioproducts. Under the Governor's Clean Energy Wisconsin initiative, launched in 2008, Wisconsin will have a clear strategy to promote renewable energy, create new jobs, increase energy security and improve the environment. The Governor's 2009-11 budget will continue to implement measures to expand research, development and commercialization efforts in support of alternative energy to help reduce costs and boost Wisconsin's economy.

SUPPORT LOCAL GOVERNMENT

The Governor's 2009-11 budget will continue to protect a fair and equitable shared revenue system for local governments in order to limit property taxes and ensure quality local government services which are critical to Wisconsin's citizens. In the 2007-09 biennial budget, the Governor capped increases in property tax levies for 2008 at the higher of 3.86 percent or the increase in net new construction, and at 2 percent or the increase in net new construction for 2009 to assist municipalities in meeting citizens' needs while minimizing property tax increases. Efforts to improve cooperation between state and local governments, improve efficiencies in delivery of services, and control property taxes will be top priorities in the budget.

PROTECT WISCONSIN'S CITIZENS

By building on recently initiated programs ranging from GPS monitoring of sex offenders to providing courts with better tools and programs when determining sentences, the

2009-11 budget will continue to maintain the state's commitment to protect Wisconsin citizens, children and families, and ensure the most effective use of public tax dollars in support of public safety, criminal justice and correctional programs.

ENHANCE WISCONSIN'S NATURAL RESOURCES

The Governor understands the importance of protecting and enhancing Wisconsin's pristine environment and natural resources. The 2007-09 budget made the Warren Knowles – Gaylord Nelson Stewardship 2000 Program a priority by reauthorizing it for an additional ten years at \$86 million per year beginning in fiscal year 2010-11. The Governor will continue to prioritize preservation of the state's natural resources and the Conserve Wisconsin agenda, to ensure environmental quality in Wisconsin.

BUDGET TARGETS

- Agencies should prepare their 2009-11 biennial budget requests based on 100 percent of their fiscal year 2008-09 adjusted base level.
- The 2009-11 biennium will present many fiscal challenges brought on by the slowdown in the nation's economy. 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 2009-11 biennium, and specific program needs should be managed within this general constraint.
 - Exceptions will occur only for K-12 school aids; required 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 Prevention 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 prioritized programmatic needs.
- Except for standard budget adjustments, routine budget items should be handled in agencies' base budgets regardless of fund source. Consistent with overall targets, agencies should limit requests to spending items associated with significant policy and operational changes.
- 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 of any such proposal to facilitate review of the request and allocation of any projected savings between the agencies.

PLANNING FOR OPERATIONS REDUCTIONS

- Under 2007 Wisconsin Act 20, the Department of Administration secretary is authorized to lapse or transfer \$200 million over the 2009-11 biennium to the general fund. Agencies should begin planning for these lapses as part of the budget development process. At a minimum, each agency should plan to lapse an amount similar to the amounts lapsed in the 2007-09 biennium.
- Likewise, under Act 20, the University of Wisconsin System and the Wisconsin Technical College System are required to lapse \$25 million and \$1 million, respectively, over the 2009-11 biennium.
- Agencies with state operations administrative appropriations, including the administrative activities of the University of Wisconsin System, should prepare plans to absorb a ten percent permanent base cut. This reduction should equal ten percent of all non-FED sum certain state operations administrative appropriations in an agency, excluding debt service and fuel and utilities appropriations, and should be in addition to the lapse amounts required for the 2009-11 biennium under Act 20.
- Reduced base budget plans are due Monday, November 17, 2008.
- To prepare for these cuts, agencies should look beyond trying to absorb the reduction as an across-the-board appropriation cut. This should not be an exercise to tweak the status quo, instead agencies should use this exercise to fundamentally review its 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 plan to accomplish this reduction without layoffs.
- Any areas needing additional staff must be met through base reallocations.

Note: 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.

BASE BUDGET REVIEW

The Department of Administration secretary is required under s. 16.423, Wisconsin Statutes, to select one-third of all state agencies each biennium and require those agencies to provide a description of each programmatic activity performed by the agency and the expenditure, by revenue source, for each activity area. Expenditures must be reported for the last three fiscal years, with detailed breakouts of expenditures occurring in the third and fourth quarters of those fiscal years. The following agencies will need to meet this requirement this biennium:

Agriculture, Trade and Consumer Protection	Office of the Lieutenant Governor
Board for People with Developmental Disabilities	Military Affairs
Commerce	Natural Resources
Employee Trust Funds	Public Instruction
Employment Relations	Regulation and Licensing
Financial Institutions	Revenue
Government Accountability Board	State Fair Park Board
Office of the Governor	Tourism
Judicial Council	Veterans Affairs
Justice	Wisconsin Technical College System
Legislature	Workforce Development

Agencies' Chapter 20 appropriation schedules will be used to identify programmatic activity areas and to categorize the expenditure information. Agencies required to report for the 2009-11 biennium must submit their reports no later than Monday, September 15, 2008. The State Budget Office will provide selected agencies with the base expenditure information and a standard format for agencies to describe their programmatic activity and spending patterns.

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 2009-11 budget, agencies need to report actual outcome measures through fiscal year 2006-07 and fiscal year 2007-08. Planned outcome measures should be listed for fiscal year 2008-09, fiscal year 2009-10 and fiscal year 2010-11. 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. The information that needs to be presented for each broad Chapter 20 budget program where measures are reported includes:

- The key goals and objectives for each program.
- The outcome measure(s) selected for the program, including past actual outcomes and the planned outcomes over the next two years.

Guidelines for reporting are noted below:

- Statewide data can be presented, as well as comparing different regions. Data showing that one region is lagging behind other regions in Wisconsin, for example, may suggest a geographical reallocation is appropriate. The agency should also identify what external factors may influence program outcomes, since many factors can impact program success. Finally, the agency should be prepared to address how it could adjust programming to improve results.
- Because many factors enter into budget decisions, the traditional program budget decision information and format should still be used. However, outcome measures can provide a rationale to add, reduce or reallocate budget resources. Measures should be taken into consideration when funding decisions are made. They should be cross-referenced in decision items, where applicable, but the agency should not rely on requests for new funding to reach a planned outcome goal. Better alternatives may include reallocating existing base funding, consolidating similar programs or identifying other means to improve outcomes within current program funding.
- Agency descriptions and performance measures will be E-mailed to each agency budget contact for updating. It is important for agencies to follow the prescribed format to ensure consistency and compatibility. The information should be submitted electronically in Microsoft Word software format, to facilitate inserting the information into the Executive Budget Book.

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 dated April 24, 2008, 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 2009-11 budget requests. Forecasting of rates and impacts on individual agency budgets will be addressed by the Department of Administration in developing the Governor's 2009-11 budget.

INCREASING FEDERAL FUNDS

Federal funds comprise approximately 25 percent of the state's resources. The state has a goal of increasing the 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.

The Department of Administration's Division of Intergovernmental Relations will work with agencies to develop current issues to be included in the Governor's Federal Issue Agenda to increase the receipt of federal funds.

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 Department of Administration 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, including statutory language related to decision items, are due Monday, September 15, 2008. 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.

INFORMATION ON THE WEB

- The Budget Instructions, along with various budget forms, will only 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 so agencies should check it regularly.