

STATE OF WISCONSIN

BUDGET IN BRIEF

SCOTT WALKER, GOVERNOR



FEBRUARY 2013

DIVISION OF
EXECUTIVE BUDGET AND FINANCE
DEPARTMENT OF ADMINISTRATION

TABLE OF CONTENTS

I.	DEVELOPMENT OF THE 2013-15 BUDGET	2
	A. OVERVIEW	2
	B. REVENUE AND EXPENDITURE OUTLOOK	5
II.	SUMMARY OF GOVERNOR'S BUDGET INITIATIVES	8
	A. GROWNING OUR ECONOMY	8
	B. DEVELOPING OUR WORKFORCE	9
	C. TRANSFORMING EDUCATION	10
	D. REFORMING GOVERNMENT	12
	E. INVESTING IN INFRASTRUCTURE	17
	F. IMPROVING MENTAL HEALTH PROGRAMS	18
	G. HELPING VICTIMS OF DOMESTIC VIOLENCE	19
	H. REFORMING HEALTH CARE ENTITLEMENTS	19
	I. PROTECTING OUR CITIZENS	20
	J. SUPPORTING OUR VETERANS	21
	K. PRESERVING WISCONSIN'S HERITAGE	22
III.	STATE BUDGET OVERVIEW	26
	A. PRESENTATION OF THE GOVERNOR'S 2013-15 BUDGET	26
	B. EXPENDITURES	26
	C. POSITIONS	29
	D. BUDGET BALANCE	32
	E. DEBT MANAGEMENT	33
	F. CASH MANAGEMENT	34
IV.	MAJOR BUDGET INITIATIVES	38
	A. GROWING OUR ECONOMY	38
	B. DEVELOPING OUR WORKFORCE	42
	C. TRANSFORMING EDUCATION	45
	D. REFORMING GOVERNMENT	55
	E. INVESTING IN INFRASTRUCTURE	60
	F. IMPROVING MENTAL HEALTH PROGRAMS	63
	G. HELPING VICTIMS OF DOMESTIC VIOLENCE	64
	H. REFORMING HEALTH CARE ENTITLEMENTS	64
	I. PROTECTING OUR CITIZENS	71
	J. SUPPORTING OUR VETERANS	73
	K. PRESERVING WISCONSIN'S HERITAGE	77
V.	ECONOMIC ASSUMPTIONS AND REVENUE ESTIMATES	80
	NATIONAL ECONOMY	80
	WISCONSIN ECONOMY	81
	REVENUE ESTIMATES	82
VI.	REFERENCE SECTION	86
	APPENDICES	90
	ABOUT THE BUDGET DOCUMENTS	99

CHARTS

CHART 1:	FISCAL YEAR 2014-15 BUDGET BY FUND SOURCE	26
CHART 2:	FISCAL YEAR 214-15 GPR TAX REVENUE BY TYPE.....	27
CHART 3:	FISCAL YEAR 2014-15 BUDGET ALLOCATION BY PURPOSE	29
CHART 4:	MIDDLE CLASS TAXPAYERS WILL SEE 2 – 3 PERCENT CUTS IN INCOME TAXES ...	38
CHART 5:	BILLABLE EMISSIONS FROM MAJOR AIR POLLUTION SOURCES.....	42
CHART 6:	FUTURE TRAINING NEEDS LESS DEGREE-FOCUSED	43
CHART 7:	HEALTH CARE AND STEM REPRESENT EMPLOYMENT NEEDS OF THE FUTURE ...	44
CHART 8:	WISCONSIN RANKING ON 4TH GRADE READING IS STILL LOW	46
CHART 9:	REPORT CARD GRADES BY PERCENTAGE OF ENROLLMENT	47
CHART 10:	IN 2010-2011, CHOICE PAYMENT SIGNIFICANTLY LOWER THAN CHARTER PAYMENT OR MPS SPENDING.....	50
CHART 11:	PARTICIPATION IN INDEPENDENT CHARTER SCHOOL PROGRAM PROJECTED TO INCREASE	51
CHART 12:	UNDERGRADUATE TRANSFERS INTO OR WITHIN UNIVERSITY OF WISCONSIN SYSTEM UP 10 PERCENT IN LAST 5 YEARS	54
CHART 13:	HOLDING THE LINE ON PROPERTY TAXES REVERSED TREND OF RISING BURDENS.....	56
CHART 14:	FOUR YEARS IN A ROW WITH TAX BILLS BELOW INFLATION.....	57
CHART 15:	AVERAGE ANNUAL CONTRIBUTIONS TO PREMIUMS FOR FAMILY COVERAGE	65
CHART 16:	ENROLLMENT IN MEDICAID HAS ALMOST TRIPLED SINCE THE IMPLEMENTATION OF BADGERCARE IN 1999	66
CHART 17:	FEDERAL BUDGET SURPLUSES AND DEFICITS UNDER DIFFERENT FISCAL POLICY SIMULATIONS.....	68
CHART 18:	FEDERAL SPENDING ON MAJOR HEALTH CARE PROGRAMS WILL GROW TO NEARLY 10 PERCENT OF GROSS DOMESTIC PRODUCT BY 2037.....	68
CHART 19:	ADULT INSTITUTION POPULATION	72
CHART 20:	HISTORICAL GUN DEER HARVESTS	77

TABLES

TABLE 1:	LARGEST BIENNIAL GPR INCREASE OVER BASE.....	28
TABLE 2:	TEN LARGEST GENERAL PURPOSE REVENUE PROGRAMS.....	28
TABLE 3:	FISCAL YEAR 2014-15 FTE POSITION CHANGES OVER BASE.....	29
TABLE 4:	GENERAL FUND CONDITION UNDER GOVERNOR'S BUDGET	32
TABLE 5:	ESTIMATED GENERAL FUND CONDITION SUMMARY ACCORDING TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES	33
TABLE 6:	TAX CHANGES.....	40
TABLE 7:	MEDICAID AND BADGERCARE PLUS EXPENDITURES	70
TABLE 8:	PROJECTED CHANGE IN PUBLIC PROGRAM ENROLLMENT AND CHANGE IN THE UNINSURED FOLLOWING FULL IMPLEMENTATION OF THE GOVERNOR'S MEDICAID CHANGES.....	71
TABLE 9:	SUMMARY OF THE NATIONAL ECONOMIC OUTLOOK.....	81
TABLE 10:	SUMMARY OF THE WISCONSIN ECONOMIC OUTLOOK	81
TABLE 11:	GENERAL PURPOSE REVENUE ESTIMATES	82
TABLE 12:	GENERAL PURPOSE REVENUE ESTIMATES UNDER GOVERNOR'S RECOMMENDATIONS.....	83

**Development of
the 2013-15 Budget**

I. DEVELOPMENT OF THE 2013-15 BUDGET

A. OVERVIEW

In its 2013-15 budget, Wisconsin state government will invest in priorities, while continuing to reform the government of today to create prosperity for its citizens. After making tough, but prudent, decisions to get the fiscal house in order during the last budget, Wisconsin finds itself in a much better place as the 2013-15 budget process commences.

Two years ago, Wisconsin faced a \$3.6 billion budget deficit, property taxes had gone up 27 percent over the previous decade, increasing every year, and the unemployment rate was 7.8 percent. Years of budgetary mismanagement and unchecked spending meant the State had bills – the Injured Patients and Families Compensation Fund and the Minnesota Tax Reciprocity – that totaled over \$290 million it could not pay. The Budget Stabilization Fund (Rainy Day Fund) was empty.

By comparison, today, Wisconsin has a \$484 million budget surplus, property taxes on a median valued home decreased in each of the last two years, and the unemployment rate is down to 6.6 percent. New business ventures are up nearly 11 percent. After fiscal years 2010-11 and 2011-12, Wisconsin made significant contributions to its Rainy Day Fund – the only time it has done so in consecutive years; it now has a \$125 million balance after years of neglect.

Employers are taking notice. In 2010, 10 percent of employers surveyed said that our state was headed in the right direction. In 2012, 93 percent said Wisconsin is heading in the right direction.

The shortfall in fiscal year 2010-11 was representative of the longer term problem – Wisconsin had a corrosive deficit because its spending continually exceeded its revenue. State government was subject to spending drivers, such as Medicaid and public employee personnel costs, which aggregated and compounded the claims on state resources. In prior biennia, one-time fixes, delayed payments and deficit spending had spackled the cracks in the State's fiscal integrity. The federal stimulus cash infusions delayed a reckoning, paying for ongoing expenses with one-time funds, but leaving even bigger holes behind. It was budgeting for the moment rather than planning for the future.

The State's spending far exceeded the amount of revenue the State was receiving from the productivity of its economy. This wasn't an economic or political problem; it had existed for much of the last 15 years through flush and fallow times. It was a failure of discipline and leadership and left the State ill-prepared for economic challenges and drastically rising costs associated with current programs and benefits.

Both the fiscal year 2010-11 problem and the longer term imbalance were fixed in the spring and summer of 2011 through the passage of the 2011-13 Biennial Budget (2011 Wisconsin Act 32), 2011 Wisconsin Act 10, 2011 Wisconsin Act 13 and 2011 Wisconsin Act 27. Together, these initiatives paid outstanding bills and reduced future claims on the State's tax revenue.

For example, Act 32 included \$1.2 billion of new general fund revenues for Medicaid, the largest increase in Wisconsin's history and one of the largest increases per capita in the country. It also required the state Department of Health Services to save \$500 million through program reforms and modifications. With six months left in the current fiscal year, the Department of Health Services expects Medicaid to finish in balance.

Under Act 10, state employees were required to make additional contributions to their pension and health care costs. This saved \$300 million all-funds per year. As these employee compensation changes also applied to local governments and school districts, the spending pressures for these entities were also reduced. Wisconsin state government provides approximately one-half of its general fund resources to local governments and school districts, so any relief felt by these entities is also relief felt by the State.

The State repaid the Injured Patients and Families Compensation Fund \$234 million and paid the tax reciprocity payment of \$59.7 million to the State of Minnesota in July 2011.

The State's projected gross balance in fiscal year 2012-13 is the highest ending balance since 2001. For the first time since 2008, the State has not resorted to operating notes to help with its cash flow. Wisconsin's finances are in a better place.

The large ending balance demonstrates that the Governor's fiscal integrity efforts are working. This is further demonstrated by actual spending levels and the restraint shown by agencies when submitting their biennial budget requests. State spending increased by over 6 percent in the 2009-11 biennium, but is expected to decline to just over a 4 percent increase in the 2011-13 biennium. In addition, state agency requests for the 2013-15 biennial budget are much lower than those agencies submitted for the 2011-13 biennial budget prior to Governor Walker taking office. General Purpose Revenue (GPR) requests submitted for the 2011-13 biennial budget were nearly 5 percent higher than their base budgets (4.6 percent for fiscal year 2011-12 and 4.9 percent for fiscal year 2012-13). Under the Governor's management, agencies requested GPR increases of 3.6 percent for fiscal year 2013-14 and 3.5 percent for fiscal year 2014-15.

Clearly, the Governor's effort to provide value to Wisconsin's taxpayers has taken hold. After much work, the State finds itself on stable fiscal footing.

Looking forward, the prudent management of the last two years will now allow Wisconsin to invest in priorities in the 2013-15 Biennial Budget.

The recession interrupted Wisconsin's effort to develop the business infrastructure and workforce to compete successfully. Companies delayed investment or hiring as a result of the stress of the economic downturn.

Wisconsin's economy is challenged in a number of ways. Our tax burden is onerous as it increases the cost of doing business and is a drag on the incomes and buying power of Wisconsinites. Regulations make Wisconsin businesses less competitive with those in other states and around the world. Wisconsin's workforce is aging and needs to adapt to a changing demand for labor. Investments in the State's transportation infrastructure and university system need to focus technological change in order to remain competitive. Our educational institutions need to be focused on, and held accountable to, the education of the next generation's workforce.

Post-recession, Wisconsin needs to redirect itself to achieving the economic vitality necessary to help employers create jobs so that citizens across the state are able to provide for their families. Wisconsin's state government needs to be an active partner with its businesses in some areas (worker training and education), and get out of the way in others.

Part of the answer is to lower taxes, both property and income, on middle class families and small businesses. This will lower the cost of doing business in Wisconsin and expand our state's attractiveness to an increasingly mobile workforce.

Part of the answer is limiting regulations so that businesses can be more productive. Uncertainty with government regulations and tax policy deters business owners from wanting to make any sort of investment in their company. Lack of investment and expansion means less jobs being created, leaving more and more households with a family member out of work.

We need a more nimble, educated workforce to meet the demands of an ever changing labor market for manufacturing, technology and health care. We need to invest in our higher education, health care and transportation infrastructure to spawn the ideas of tomorrow and get products to market.

To do this, the Governor has outlined five priorities for the 2013-15 Biennial Budget.

- **Growing our Economy:** Creating jobs is about helping improve the lives of families all across our great state. Every new job is more than a statistic. It is another family with someone working in their household, which means fewer worries about how to put meals on the table, make a mortgage payment, or put clothes on the backs of their kids.

The Governor proposes the largest reduction in income taxes since the 1999-2001 biennium, totaling \$343 million over the biennium. By focusing on reducing middle class rates and by combining it with the Manufacturing and Agricultural Credit passed in Act 32, Wisconsin will become a more attractive place for all people to live or start a business. It is important to note that this is true tax reform and not a tax shift as there are no other broad-based tax or fee increases in the budget. The tough, but prudent, decisions of the last two years were not easy, but those tough decisions did create a surplus. Wisconsin citizens should see the benefit of these tough decisions, as we work to continue to lower the overall tax burden in years to come.

The Governor's budget also provides for \$75 million in additional economic development tax credits and repeals the lifetime cap on angel investment tax credits to provide catalytic vitality to business creation. It also includes \$25 million to create a capital investment program which can help start-up businesses get off the ground.

As part of the Transform Milwaukee initiative, the Governor proposes providing \$2.5 million to the Wisconsin Development Reserve Fund to leverage over \$11 million in loan guarantees. In addition, over \$11 million will be invested in a transitional jobs program focused in Milwaukee. Tourism and Wisconsin Economic Development Corporation funding are also increased under the Governor's budget.

- **Developing our Workforce:** The Governor's goal is to help our state and our workers become among the most prosperous and innovative in the country.

The Governor's workforce development plan is a multifaceted approach providing flexible solutions from up-to-date labor market information to getting able-bodied adults receiving FoodShare benefits the employment training they need to provide for themselves. The plan is designed to help prospective workers get the skills necessary for jobs available across the state today, moving people from dependence to independence.

We will make smart, targeted, performance-based investments in our University of Wisconsin System, the Wisconsin Technical College System and traditional K-12 education to ensure our citizens have the skills needed for the jobs of today and tomorrow. Beyond just traditional educational investments, the Governor's proposal provides worker training grants in areas of immediate need, including training for health care-related jobs in rural and high poverty areas. The workforce development package provides a hand up to those who are able to work – not simply a handout.

- **Transforming Education:** Every child – regardless of their zip code – should have access to a great education. It is a moral imperative. Providing our children with a quality education will equip them with the necessary skills to thrive later in life.

Educational efforts must be focused on performance. During the past year, the Governor joined with the Department of Public Instruction to put together a diverse group of stakeholders from around Wisconsin – teachers, parents, school board members, taxpayers, business leaders and others – to talk about school and school district accountability. After a lengthy process, the first report card evaluating each school in the state was released during the 2012-13 school year.

The Governor's budget continues to transform education by providing incentives for public schools, technical colleges and the University of Wisconsin System to reach for excellence by providing substantial new funding to support quality outcomes for students. Through these measures, taxpayers will get value for their tax dollars used to prepare Wisconsin's workforce. These incentives, when aligned with a number of new opportunities for parents, will help drive a competition for the best educational opportunities for students.

Excellent and improving schools should be rewarded and replicated. At the same time, we have an obligation to help our underperforming schools fundamentally change their structure and dramatically

improve their results. Our goal is to help each school excel so every child in the state has access to a great education.

Additional investments in technology and professional development to support and evaluate the continued growth of our state's valued educators will ensure a focus on student outcomes and foster a culture of success in our schools.

- **Reforming Government:** The Governor believes in moderation when it comes to government spending. Money left in the hands of families is spent more wisely than the government spending it for them. When government grows large, it often becomes wasteful and inefficient. Keeping more money in the hands of families and achieving a more efficient government are vital steps toward achieving the goals of a higher standard of living for our state residents and greater overall economic growth.

From additional fraud identification and prevention initiatives to proposals geared toward containing health care costs for state employees to asset sales and investments in information technology, this budget contains a variety of efforts aimed at reducing state government spending.

The budget reforms are not limited to state government. The Governor's policies resulted in the first consecutive reductions in property tax bills for the typical homeowner in 15 years in 2011 and 2012. This budget will continue this restraint in order to keep property tax bill increases for the median value home below 1 percent in each year by limiting municipal, county and technical college district levies to the growth in property value resulting from new construction as well as holding the line on school district expenditures.

The Governor's budget also takes a significant step towards reforming government entitlement programs by restoring these programs to their original intent – a safety net for our neediest citizens.

- **Investing in our Infrastructure:** A 21st Century economy, especially a manufacturing-based economy like Wisconsin's, needs to get products to market.

The Governor's budget maintains the investment and schedule to rebuild the Zoo Interchange, the Hoan Bridge and the I-94 North-South corridor. The Governor continues to repay the 2005 through 2009 raids on the State's transportation fund and allocates more general fund revenue for transportation uses. This budget also recommends an increase in state highway development, rehabilitation and maintenance funding.

Furthermore, the Governor's budget recognizes the need for increased access to affordable quality health care our citizens and employers need to lead healthier lives in all areas of the state. The Governor's budget invests more than \$20 million on increasing access to affordable primary medical and dental care in rural and underserved communities while working to further increase transparency for consumers and employers regarding costs of health care.

B. REVENUE AND EXPENDITURE OUTLOOK

The revenue estimates released by the Legislative Fiscal Bureau on January 24, 2013, reflect the improved outlook for Wisconsin. The bureau projects revenues will increase by \$284.5 million (2.1 percent) in the current fiscal year, by \$328.4 million (2.4 percent) in fiscal year 2013-14, and by \$511.5 million (3.6 percent) in fiscal year 2014-15.

These increases are broad-based, affecting individual and corporate income taxes and sales tax. Individual income tax revenues are expected to grow 3.4 percent this year, 2.5 percent in fiscal year 2013-14 and 5.2 percent in fiscal year 2014-15. Sales tax revenues are also expected to increase this year and in each year of the upcoming biennium, with growth of 2.1 percent this year, 2.7 percent in fiscal year 2013-14 and 2.4 percent in fiscal year 2014-15. Corporate income tax revenues experienced growth in fiscal year 2011-12, outperforming original budget estimates by 2.9 percent. Corporate income tax

revenues are expected to decline slightly (2.0 percent) in the current year from the prior year actuals, but then grow by 1.7 percent in fiscal year 2013-14 and 0.6 percent in fiscal year 2014-15.

The underlying economic and revenue forecast assumes the continued implementation of tax cuts and credits enacted in prior years, as well as the impact of the federal American Taxpayers Relief Act of 2012.

The return to consistent revenue growth is an encouraging sign that actions enacted in the previous budget resulted in increased economic production. The fiscal year 2011-12 collections and the projections for this year and in the upcoming biennium reflect the highest level of expected revenues ever recorded, and represent four straight years of expected revenue collections that exceeds prerecession revenues.

In its entirety, the Governor's budget proposal builds on the tough, but prudent, decisions made over the last two years by balancing investments in our shared priorities within reasonable confines of our taxpayers' ability to pay.

Summary of Governor's Budget Initiatives

II. SUMMARY OF GOVERNOR'S BUDGET INITIATIVES

A. GROWING OUR ECONOMY



- Reduce individual income taxes by \$343 million over the biennium by cutting middle class tax rates. Anyone paying income taxes in the state will see tax relief, but especially those taxpayers with middle incomes, where Wisconsin experiences its worst rankings relative to the rest of the country. Most middle class taxpayers will see reductions in income tax bills of between 2 and 3 percent.
- Provide \$75 million in additional credits for the economic development tax credit program.
- Repeal the \$47.5 million lifetime cap on the angel investment tax credit program.
- Modify state law related to various tax credit programs to clarify eligibility, benefits and administration:
 - Provide an exemption to the definition of "full-time job" to allow qualifying positions working fewer than 2,080 hours annually to be eligible for tax benefits.
 - Clarify the eligibility requirements for job creation benefits under the Jobs Tax Credit Program.
 - Modify the Jobs Tax Credit Program tax benefits calculation to allow for flexibility and customization in tax awards.
 - Simplify the Jobs and Enterprise Zone Tax Credit Program administration by standardizing eligibility and benefit calculation at the same qualifying wage rate.
 - Modify the capital investment requirement for the Enterprise Zone Tax Credit Program to expand program eligibility.
 - Expand eligibility for the Enterprise Zone Tax Credit Program to manufacturers by removing a provision limiting benefits to original equipment manufacturers.
- Provide \$25 million GPR in fiscal year 2013-14 for a capital investment program overseen by the Department of Administration.
- Continue the disabled veterans' employment tax credit for employers, which allows a tax credit up to \$4,000 per eligible disabled veteran hired.
- Provide a total of \$5.8 million in fiscal year 2013-14 and \$11.2 million in fiscal year 2014-15 in all funds to support the Wisconsin Economic Development Corporation's seed accelerator and capital catalyst programs and marketing operations.
- Grow Wisconsin's dairy industry through creation of a dairy processor grant program, funded at \$200,000 GPR annually, to provide technical assistance for business planning, product development and marketplace expansion.
- Provide \$2.5 million to the Wisconsin Development Reserve Fund to leverage \$11.25 million for loan guarantees in support of the Wisconsin Housing and Economic Development Authority's (WHEDA) Transform Milwaukee initiative.

- Increase tourism marketing to develop international tourism campaigns, increase earned media through public relations, and advance grant programs to attract national meetings, conventions and sporting events to Wisconsin.
- Expand the sales and use tax exemption for property used in qualified research and development activities to include qualified research performed on behalf of a member of combined group, provided at least one member of the group is engaged in manufacturing or biotechnology in the state.
- Provide support for state businesses to understand and comply with state and federal regulations by providing positions and funding for the small business environmental assistance program.
- Increase compliance and monitoring of the sand mine industry by converting \$223,400 each year in federal funding and 2.0 FTE positions to segregated revenue from the Environmental Fund.
- Increase opportunities for veterans by providing a grant to the VETransfer organization to support veteran entrepreneur training and start-up seed funding, providing GPR to ensure that the successful Veterans in Piping program will continue, and transferring the state's Disabled Veterans Outreach Program and Local Veterans Representative employment specialists from the Department of Workforce Development to the Department of Veterans Affairs.
- Encourage the development of alternative energy systems by creating a property tax exemption for biogas energy generation systems. With this change, biogas systems will have the same personal property tax exemption as wind and solar systems.
- Provide program authority for the Department of Administration's Division of Housing to distribute community development block grants.
- Exempt from sales and use tax the sales of personal property and taxable services sold by a contractor as part of a lump sum contract, provided the total sales price of all such items is less than 10 percent of the total amount of the lump sum contract.

B. DEVELOPING OUR WORKFORCE



- Revitalize the workforce by providing targeted investments of nearly \$100 million of new state funds to equip workers with the skills they need to find jobs in the modern workforce. These investments represent a multifaceted approach and include three parts: separate legislation to develop a robust labor market information system and provide for worker training; substantial budget investments and reforms; and support for a capital budget request to expand the Medical College of Wisconsin's Community Medical Education Program.
- Incentivize Wisconsin technical colleges to address workforce needs and improve student value by tying an increasing portion of state funding to: the placement of students in jobs related to their field of study; degrees and certificates awarded in high-demand fields; programs with industry-approved curriculum; transitioning adult students from basic education to skills training; expansion of dual enrollment opportunities; and provision of customized training to businesses.

- Fund start-up and expansion costs for the new Flexible Option program – the nation's first public program of its kind – to better serve the state's adult learners with on-line, self-paced, competency-based opportunities to earn a high quality University of Wisconsin degree.
- Provide the University of Wisconsin System with \$20 million over the biennium for performance-based economic development, workforce development and affordability grants.
- Increase the number of required work searches to receive unemployment insurance benefits.
- Provide GPR funding for apprenticeship and veterans piping programs.
- Provide funding to increase the number of primary care physicians and dentists that graduate from our state medical and dental schools each year, and create new opportunities for medical school students and graduates to train in rural and underserved areas of the state.
- Increase and improve worker training and job assistance services provided to adult recipients of FoodShare and enforce federal benefit limits for able-bodied, working-age adults who will not meet work or training requirements.
- Provide funding for new performance-based W-2 contracts, which began on January 1, 2013. These new contracts are intended to increase employment, increase salaries of participants, and maintain employment placements.
- Create a more flexible Trial Employment Match Program (TEMP) to replace trial jobs and other obsolete employment training programs to better meet the needs of participants and employers. The new program allows a longer placement and a higher wage subsidy as well as the ability to cover additional employer costs.
- Expand the new TEMP job placement program to noncustodial parents to help them find employment and provide support for their children.
- Create a Transform Milwaukee jobs initiative, similar to the expiring Transitional Jobs Demonstration Project, to increase employment in Milwaukee. Funded with over \$11 million over the biennium, this initiative would help with employer costs and allow participants to qualify for Wisconsin Shares child care subsidies.

C. TRANSFORMING EDUCATION



- Invest \$475.6 million in new state funds into public education and quality of educational opportunities for students throughout our state. Of this investment, \$276.5 million in new funds will go to K-12 education, including \$129.2 million in total increased equalization aid with \$42.9 million in fiscal year 2013-14 and \$86.3 million in fiscal year 2014-15, while keeping school district revenue limits flat.
- To leverage available funding and focus on accountability and outcomes in education, create a new \$54 million performance-based funding program that rewards schools for excellence and improvement as evidenced by school report cards.

- To assist low-performing school districts, provide an additional \$10 million in grants for plans transform underperforming schools and significantly improve student outcomes.
- Focus on college and career readiness by providing funding for academic and career planning software, and for state-funded, universal administration of the American College Testing (ACT), and a suite of tests for both college-bound and workforce-bound students in 9th, 10th and 11th grade.
- Expand the early reading screening program to include pupils in four-year-old kindergarten, 1st grade and 2nd grade.
- Promote teacher quality by implementing the new educator effectiveness system, which provides constructive feedback to educators by measuring teacher and principal performance and practice. Additionally, fund resources for teachers to more easily collaborate, track student progress and use innovative technology-based teaching methods. Finally, help ensure students in poverty have great teachers by funding the expansion of the Teach For America program.
- Expand the parental choice program to districts with at least two low-performing schools, 4,000 students and 20 students applying to the program, but cap statewide pupil participation during the biennium to limit the impact on the general fund. In addition, increase the per pupil payment to private schools for choice participants with a greater increase in payments for high school students to reflect greater costs.
- Reform the independent charter school system by creating a Charter School Oversight Board which will oversee the approval of new independent charter school authorizers with the goal of ensuring accountability, quality and diverse educational options, while preserving local control. The board will consist of eleven members, including two appointees of the Governor, six appointees of the leaders of the Legislature, two appointees of the State Superintendent and the State Superintendent (or his or her designee). Nonprofit, nonsectarian entities are eligible to apply to become independent charter school authorizers, which, in turn, may approve local schools.
- Further enhance the ability of families to choose alternative educational options by creating a Special Needs Scholarship Program, through which a child with disabilities may receive a state-funded scholarship to attend the school of his or her choice.
- Expand the part-time open enrollment program to create a new Course Options program by permitting pupils to take courses from a pool of educational providers including University of Wisconsin institutions, technical colleges and other approved nonprofits. In addition, eliminate grade and residency restrictions on the ability of homeschooled pupils to take courses in a school district.
- Provide funding to begin implementation of a statewide academic and career planning system, which will assist school districts in standardizing a process through which students direct their study toward a postsecondary pathway that fits the students' academic and career interests and skills. School districts will be required to provide academic and career planning services beginning in 8th grade by the 2017-18 school year.

- Provide flexibility to the technical colleges by consolidating all GPR-funded categorical aid and grant programs in the second year of the biennium, and permit the colleges to use the funding to achieve performance measures.
- Require the state's public institutions of higher education to collaborate and implement a core credit transfer policy, which will guarantee transferability of at least 30 credits of general education requirements.
- Honor the State's promise to students by fully funding the Wisconsin Covenant Scholars program.
- Revise eligibility standards for the Wisconsin G.I. Bill to allow veterans who move to Wisconsin to establish residency to claim benefits after five years and to eliminate an arbitrary time limit for spouses of veterans who were disabled or killed in the line of duty to use educational benefits. In addition, expand the VetEd program to provide tuition reimbursement to veterans who are tribal members attending tribal colleges.
- Continue implementation of a "block grant" funding structure at the University of Wisconsin by removing the system from the standard state process for approving compensation plans and state compensation reserve calculations.
- Index the college tuition tax deduction for inflation to protect the value of the tax deduction relative to inflation for middle class taxpayers and reducing taxes by \$670,000 in fiscal year 2013-14 and \$1.53 million in fiscal year 2014-15.

D. REFORMING GOVERNMENT



- Reduce the property tax burden by retaining current school district revenue limits while increasing equalization aid by 1 percent in each year.
- Maintain county and municipal levy limits as the percentage change in equalized value due to net new construction or 0 percent if there was a net construction loss, whichever is greater. Also extend supermajority vote requirements to utilize prior year carryover capacity to protect property taxpayers.
- Protect property taxpayers by limiting year-over-year increases in technical college district levies to the greater of 0 percent or the percentage change in equalized value due to net new construction and implement supermajority vote requirements to utilize prior year carryover capacity for technical college district levies.
- Increase property tax relief by providing \$29.7 million GPR over the biennium for the School Levy Tax Credit and reallocating an equal amount of lottery proceeds to the Lottery and Gaming Property Tax Credit.
- Maintain current shared revenue programs for counties and municipalities to affirm the state's commitment to provide adequate funding of county and municipal governments.
- Repeal county and technical college operating mill rate limits to create greater uniformity in property tax controls across units of government. Counties, municipalities and technical college districts will all be governed by the same basic property tax controls.

- Enhance service-sharing provisions under the Expenditure Restraint Program by putting contracting between municipalities on an equal footing with merged services.
- Disallow local units of government, except as required under state law, from instituting or enforcing residency requirements on current or prospective employees.
- Transfer administration of the capital gains exclusion and capital gains deferral program from the Wisconsin Economic Development Corporation to the Department of Revenue. Consolidate the long-term capital gains deferral related to qualified new business ventures and the long-term capital gains deferral related to qualified Wisconsin businesses into a single deferral to clarify and simplify capital gains tax treatment.
- Exempt from sales and use tax the sales of personal property and taxable services sold by a contractor as part of a lump sum contract, provided the total sales price of all such items is less than 10 percent of the total amount of the lump sum contract.
- Expand the sales and use tax exemption for the sale of advertising and promotional direct mail to include services resulting in advertising and promotional direct mail.
- Modify sales tax provision to clarify and simplify sales tax administration and update sales tax provision to maintain and improve compliance with the Streamlined Sales Tax Agreement.
- Modify current law to create efficiencies and improve sales and use tax administration by: clarifying the tax treatment of personal property, updating definitions, increasing the statutory thresholds for annual and quarterly sales tax filing, allowing sales tax filers (who receive tax exemptions certificates after reporting taxable purchases) to file amended tax returns or claim deductions on subsequent returns, and other modifications to streamline sales tax administration.
- Update Wisconsin's tax code to increase consistency with the federal Internal Revenue Code, including provisions related to the Affordable Care Act, American Taxpayer Relief Act and other legislation. The net effect of these updates will increase tax collections by \$15.5 million in fiscal year 2013-14 and \$18.2 million in fiscal year 2014-15, primarily due to modifications enacted under the Affordable Care Act.
- Provide the Department of Revenue with 33.0 FTE positions and \$3.6 million in expenditure authority over the biennium to expand tax enforcement related to income adjustments on federal audit reports. These efforts are projected to increase collections by \$7 million in fiscal year 2013-14 and \$28.8 million in fiscal year 2014-15.
- Provide the Department of Revenue with 15.0 FTE positions and \$1.6 million in expenditure authority over the biennium to increase intensive collection efforts that are projected to improve collections by \$18.9 million over the biennium.
- Provide the Department of Revenue with 13.0 FTE positions and \$7.4 million in expenditure authority over the biennium to increase fraud prevention efforts that are projected to eliminate approximately \$34 million in tax fraud over the biennium.

- Adopt federal standards regarding fraudulent and reckless claimants of the Earned Income Tax Credit and Homestead Tax Credit that disallow them from claiming these credits for two years in the case of reckless claims and ten years in the case of fraudulent claims.
- Create a provision allowing taxpayers to rely on past audit determinations to avoid liabilities on current audits relating to tax reporting.
- Modify current law to create departmental efficiencies and improve the Department of Revenue's debt collection efforts.
- Improve efficiencies and oversight of Lottery operations in the Department of Revenue by expanding resources for lottery security and accountability and permitting lump sum payments of awards to surviving annuitants.
- Implement a recommendation of the Governor's Waste, Fraud and Abuse Commission through the creation of an Office of the Inspector General at the Department of Corrections.
- Create permanent positions to replace expiring child care fraud positions to continue efforts to prevent and eliminate fraud in the child care program.
- Provide 4.0 FTE legal positions to prevent and prosecute child care fraud, support Bureau of Milwaukee Child Welfare legal activities, and conduct rehabilitation reviews for child care and child protective services.
- Modify current law to clarify that the Department of Children and Families may require Wisconsin Shares child care providers to be fingerprinted, and expand the requirement to adults who reside in the home and the child care program employees of Wisconsin Shares child care providers.
- Invest in information technology to make state government more efficient and to provide greater transparency to taxpayers.
- Create an electronic benefit card to streamline access to benefits for families and reduce the risk of fraud. Initially, the card will be used for the W-2 program and will then be expanded to include child care subsidies.
- Modify the child care subsidy system to provide the subsidy directly to parents using the electronic benefit card. This will reduce fraud, simplify administration, involve the parents in ensuring program integrity and reflect how providers are typically paid in the marketplace.
- Provide 6.0 FTE positions to replace information technology contractors in the Department of Children and Families' program areas in order to achieve savings.
- Provide expenditure authority and 5.0 FTE project positions to update the child support document generation module to improve information delivery for counties.
- Streamline reporting requirements for the Department of Financial Institutions by shifting to on-line notifications for the administrative dissolution of business entities and eliminating the unnecessary mailing of annual report forms for nonstock corporations. When fully implemented these provisions will save \$34,400 annually.

- Modify the sale of state-owned real property provisions to: (a) allow the Building Commission or the Department of Administration, with certain exceptions including prisons, parks and land owned by the Board of Commissioners of Public Lands and with approval of the Building Commission, to offer for sale or lease any state-owned real property unless prohibited by the Wisconsin Constitution, federal law or other specific statutes; (b) direct net proceeds from a sale first to pay off any outstanding debt related to the property and then to refund general obligation or revenue bonds; (c) allow the department to attach conditions to a sale or contract that are in the best interest of the state; (d) allow a co-owning nonstate entity right of first refusal to purchase the property; and (e) allow the Secretary of Administration to adjust positions and operating budgets of affected agencies. In addition, agencies would be required to submit an inventory of all real properties to the department. The department would obtain appraisals for any properties that may be offered for sale and report this information to the Building Commission.
- Provide additional flexibility and staffing for the state building program at the Department of Administration to improve services to customers and avoid additional costs by identifying issues at project sites earlier.
- Consolidate facility designer positions at the Department of Administration to better support an increased workload as more agencies evaluate space use to reduce operating costs.
- Designate single prime contracting, which streamlines relationships between the state, general contractors, and mechanical, electrical, plumbing and fire protection contractors, as the default project delivery method for certain state building projects, beginning January 1, 2014.
- Modify the formula used to allocate utility public benefit funds for Wisconsin's Home Energy Assistance and Weatherization Assistance Programs to ensure fair and consistent funding for each program.
- Increase expenditure authority at the Department of Employee Trust Funds to fund the modernization and technology integration project, which will streamline and provide additional services to participants in the Wisconsin Retirement System.
- Increase the required break in service after retirement from 30 to 75 days for new rehires. Require new rehires who are working more than two-thirds of full time to stop annuity payments, rejoin the Wisconsin Retirement System and earn additional years of service.
- Promote a wellness program to improve the health of state employees.
- Implement tobacco user charge on state employees to offset long-term, associated health care costs.
- Require that the Group Insurance Board offer a health care coverage option that consists of a high-deductible health plan coupled with a health savings account to help employees become cost-conscious consumers of their own health care.
- Create efficiencies through the restructuring of federal grant administration for criminal justice and homeland security programs. Eliminate the Office of Justice Assistance and move grant administration responsibilities, Wisconsin Justice Information Sharing and crime reporting to the Departments of Justice and Military Affairs.

- Transfer regulation of professional employer organizations, professional employer groups, charitable organizations, professional fundraisers and fundraising councils from the Department of Safety and Professional Services to the Department of Financial Institutions to better align business functions of the two departments and create efficiencies.
- Transfer the Tank and Petroleum Testing program from the Department of Safety and Professional Services to the Department of Agriculture, Trade and Consumer Protection, creating efficiencies by combining the program with the Weights and Measures program.
- Maximize efficiencies by transferring soil erosion control regulation for commercial sites from the Department of Safety and Professional Services to the Department of Natural Resources.
- Streamline regulatory authority for petroleum spill sites by transferring low-risk and medium-risk site responsibility from the Department of Safety and Professional Services to the Department of Natural Resources.
- Transfer the Educational Approval Board to the Department of Safety and Professional Services in order to provide additional support for the board's activities and recognize efficiencies resulting from the department's expertise in service to boards.
- Establish a Solicitor General's Office which will allow the Department of Justice to provide a more in-depth level of specialized representation for Wisconsin at the state and federal appellate levels.
- Streamline imposition and collection of the crime victim and witness assistance surcharge by eliminating the composite parts and depositing all revenues to the victim and witness reimbursement program. The surcharge must be imposed on all counts of an offense and may not be waived by a judge.
- Authorize the Department of Administration's Division of Hearing and Appeals, beginning January 1, 2015, to conduct appeals of a determination that a person has abused or neglected a child to provide a uniform appeals process.
- Modify children and family service funding to the tribes to make the funds more functional by creating a block grant. Also allow the separate Tribal High Cost Fund to be used for subsidized guardianship placements.
- Authorize the Department of Children and Families to implement a child support interest rate reduction pilot program to increase collections.
- Restructure funding and position authority at the Employment Relations Commission due to a significantly decreased workload.
- Revise state statutes related to rental-purchase agreements to create more choices for Wisconsin consumers.

E. INVESTING IN INFRASTRUCTURE



- Invest a total of \$6.4 billion in Wisconsin's transportation infrastructure, including \$824 million in new state funds to prioritize existing revenue streams, partially repay raids of the past on the Transportation Fund with state taxpayer funds and make sensible operational reforms. This will allow Wisconsin to continue to maintain and develop existing infrastructure projects.
- Provide an additional \$23 million in additional general fund support by continuing to repay transfers from the Transportation Fund made between 2005 through 2009.
- Fund transit operating aids from the general fund, rather than the Transportation Fund, beginning in fiscal year 2014-15 to further strengthen the relationship between user fee revenues and investments in transportation infrastructure.
- Provide a total of \$550 million in funding for the continued on-time construction of the Zoo Interchange project and the I-94 North-South Corridor. Of this amount, \$500 million will go towards addressing immediate infrastructure needs related to the Zoo Interchange. The remaining \$50 million will support continued on-time reconstruction of certain aspects of the I-94 North-South Corridor. Financed by \$107 million in Transportation Fund SEG-supported and \$200 million in GPR-supported general obligation bonds, these projects will serve generations of Wisconsin residents and businesses.
- Invest \$236 million in the Hoan Bridge and \$10.7 million in the state's harbor system, ensuring that job-creating businesses like Caterpillar can bring their products to international markets through the Port of Milwaukee.
- Provide \$80.8 million above base amounts for state highway rehabilitation to preserve pavement quality across the state.
- Increase funding for routine maintenance agreements with counties by \$55 million over the biennium. Also separate funding for these routine maintenance agreements and similar contracts from overall state maintenance funding to ensure stable funding for highway maintenance, as well as facilitate performance-based contracting with counties or other routine maintenance providers.
- Provide \$60 million for the Freight Rail Preservation program over the biennium.
- Realign federal funding under MAP-21 to consolidate Transportation Enhancement Activities, Bicycle and Pedestrian Facilities, and Safe Routes to School federal appropriations into a single transportation alternatives appropriation and establish parameters for when funds are awarded and can be used.
- Rename and broaden the definition of the existing Flood Damage Aids to include disaster assistance and provide an additional \$800,000 SEG for the sum sufficient program.
- Provide \$1.8 million for state transportation facilities maintenance and an upgrade of the local aids distribution system.
- Ensure the safety of Wisconsin's dams by providing \$4 million for dam repair, reconstruction and removal projects.

- Appropriate the \$4.7 million unallocated balance of the Universal Service Fund for a broadband grant program to increase broadband access and capacity, and expand high speed Internet service access.

F. IMPROVING MENTAL HEALTH PROGRAMS



- Provide nearly \$30 million GPR to broadly expand state-funded services to adults and children diagnosed with mental illness using proven, evidence-based programs.
- Expand intensive, targeted community-based care provided by the Comprehensive Community Services program statewide to reduce hospitalizations and improve primary health outcomes and life satisfaction for adults and children with severe mental illness.
- Establish an Office of Children's Mental Health to ensure program policies and services are best meeting the needs of children throughout the state by coordinating initiatives, monitoring program performance and increasing the integration of services provided to children.
- Expand coordinated wraparound systems of care provided by Coordinated Services Teams statewide for children with behavioral health issues, and their families, involved in multiple systems of care.
- Develop Peer-Run Respite Centers to improve outcomes of individuals in crisis and individuals having difficulty coping with mental illness by providing peer supports, 24/7 hotlines, wellness activities, respite and hospital diversion.
- Provide funding to broadly cover in-home counseling services under the Medicaid program to increase access to treatment, allow for earlier interventions and improve outcomes.
- Expand the capacity of the state forensic treatment units to meet the growing demand for inpatient evaluation and treatment services.
- Improve mental health treatment in Green Bay, Columbia and Waupun correctional institutions.

G. HELPING VICTIMS OF DOMESTIC VIOLENCE



- Support the approval of an \$11 million capital budget requests to protect citizens by expanding care and centers for domestic abuse victims and their children to prevent future tragedies. The requested funding will support new facilities in the state's two largest cities that serve victims of domestic abuse.
 - Invest \$10.6 million in state bond funds to partner with Children's Hospital and the Sojourner Family Peace Center on the Family Justice Center project in Milwaukee to provide services and shelter to families. The facility will provide wraparound services for both domestic abuse and child abuse victims, focusing on early intervention and prevention which can stop violence from escalating and perpetuating a generational cycle.
 - Fund \$560,000 in state bonding to the Domestic Abuse Intervention Services Center in Madison to assist with construction of a new facility that will be a mix of residential, program and office spaces. Between 2010 and 2011, the center had a 643 percent increase in the number of nights people were waitlisted for the shelter; the new facility will include seven units for a total of 56 beds.
- Protect victims of domestic violence after a petition for a restraining order or injunction by authorizing judges to place the most dangerous abusers on GPS tracking. Provide \$1,000,000 GPR in fiscal year 2013-14 and \$2,000,000 GPR in fiscal year 2014-15 for local government and law enforcement to apply for grants to implement a GPS tracking program for those served with restraining orders or injunctions. Increase penalties for violating a restraining order or injunction to up to nine months in jail and a \$10,000 fine or both.

H. REFORMING HEALTH CARE ENTITLEMENTS



- Preserve and strengthen the safety net that provides health care to the most vulnerable while reforming entitlements by modifying Medicaid eligibility criteria for nondisabled, working-age adults. Under the Governor's Medicaid plan, the number of uninsured adults will be reduced by 224,580 people, or 47 percent, there will be fewer individuals dependent on government-run health care and every person in the state will have access to affordable health insurance. There are no changes to the eligibility levels for seniors and for people with disabilities.
- Fully fund the increase in costs for administering Medicaid programs due to the implementation of the Affordable Care Act and other federal mandates, including an increase of \$38 million from all funds for local government income maintenance programs.
- Fully fund the ongoing costs of essential safety net programs, including SeniorCare, Well Woman, the state supplement to the Supplemental Security Income program, the operations of Aging and Disability Resource Centers, the AIDS drug assistance program and the Chronic Disease programs.
- Invest \$5 million GPR in the Wisconsin Health Information Organization to jump start efforts to provide transparent and meaningful health care cost and quality data that empowers businesses and individuals to make informed decisions.

- Increase funding for grants to counties to support alcohol and drug treatment programs and increase the amount of revenue available to address alcohol and drug sample testing backlogs at the State Laboratory of Hygiene.
- Provide match funding for a project at the University of Wisconsin Carbone Cancer Center that will provide access to molecular imaging services for cancer patients in 17 oncology care sites throughout the state.
- Improve health care program integrity and efficiency by implementing reforms to provide incentives for people with disabilities to engage in meaningful work; make eligibility criteria more consistent across programs; improve policies and procedures related to third-party liability, estate recovery and divestment; and increase the identification of incorrect and fraudulent payments and claims.
- Strengthen support for Wisconsin seniors by funding a Medigap Helpline database and providing permanent funding for a relocation ombudsman position at the Board on Aging and Long-Term Care.
- Reduce prior administration revenue transfers by increasing nursing home reimbursement rates by \$26 million all funds.

I. PROTECTING OUR CITIZENS



- Provide \$14 million in law enforcement initiatives aimed at keeping citizens safe and helping domestic abuse victims and sexual assault victims. Ensuring public safety and health is one of the basic functions of government and enacting these initiatives will reaffirm the state's commitment to public safety, protecting children and helping crime victims.
- Provide \$2.7 million SEG in additional expenditure authority for two new state patrol recruit classes and \$3.8 million SEG and 28.0 FTE positions for additional inspectors at safety and weight enforcement facilities, which will allow for additional hours of enforcement and more comprehensive inspections for intrastate movement of products.
- Expand investigative abilities of law enforcement through the authorization to collect DNA at the time of arrest for all felony and certain misdemeanor offenses, along with DNA collection for all misdemeanor convictions. This additional data will improve efficiency in the justice system by exonerating the innocent and focusing prosecution on the guilty. Provide funding of \$2,178,100 PR and 16.0 FTE positions in fiscal year 2013-14 and \$3,930,400 PR and 26.0 FTE positions in fiscal year 2014-15 to support collection and analysis of the new samples.
- Provide \$451,000 GPR in fiscal year 2013-14 and \$461,200 GPR in fiscal year 2014-15 and 5.0 FTE positions in each year to increase staffing for investigating Internet crimes against children. The funding will support new positions that will take a proactive approach to combat the sexual exploitation of children.

- Convert decreasing federal funding and add positions for the Wisconsin Statewide Information Center. Provide \$815,800 GPR in fiscal year 2013-14 and \$877,200 GPR in fiscal year 2014-15 and 8.0 FTE positions in each year to increase staffing for Wisconsin Statewide Information Center, while eliminating \$454,300 FED and 5.0 FTE positions in each year. The increased funding and positions will replace decreased federal funding and increase the center's ability to detect, prevent, investigate and respond to criminal and terrorist activity.
- Provide \$948,900 GPR in fiscal year 2013-14 and \$3,457,600 GPR in fiscal year 2014-15 to provide pay progression to assistant district attorneys in order retain experienced staff and ensure effective and efficient prosecution. Similarly, provide pay progression and increase funding by \$997,000 GPR in fiscal year 2013-14 and \$1,978,600 GPR in fiscal year 2014-15 for assistant state public defenders, and provide pay progression for assistant attorneys general.
- Direct state funding for the Sexual Assault Victim Services grant program to replace previous surcharge revenue. Provide \$2,000,000 GPR in each year to ensure stable funding for grants to agencies that support victims of sexual assault.
- Increase funding for a Boys and Girls Club program that focuses on study habits, intensive tutoring in math and English, and exposure to career options and role models.
- Extend foster care to age 21 for youth who are in school and making progress on Individualized Education Programs.
- Increase foster care rates by 2.5 percent in each calendar year to provide additional financial support for those who care for a child in the foster care system.
- Allow children in state foster care to transfer to subsidized guardianship placements to allow for more permanent placements of children in out-of-home care.
- Reallocate funding from the foster care continuation program for services to youth who age out of the child welfare system.
- Allow federal IV-E and GPR savings from the Bureau of Milwaukee Child Welfare to provide postpermanency services in the balance of the state, in order to reduce the number of times that children return to the foster care system.
- Increase subsidy reimbursement to four-star YoungStar child care providers to encourage high quality care.

J. SUPPORTING OUR VETERANS



- Invest a total of \$36.6 million in new or expanded programs to assist veterans and their families.
- Provide \$8.6 million in fiscal year 2014-15 to expand the Veterans and Surviving Spouses Property Tax Credit by increasing eligibility to include surviving spouses, who are not remarried, receiving indemnity or dependency compensation from the federal government.

- Invest in programs and benefits designed to increase employment and educational attainment among veterans, including revised eligibility requirements for the Wisconsin G.I. Bill and VetEd program, expanding eligibility for VetEd reimbursement for veterans attending tribal colleges, and doubling funding for veterans service organizations that assist veterans in claiming benefits they have earned.
- Ensure the continued solvency of the Veterans Trust Fund by providing a \$5.3 million supplement from the general fund.
- Improve the level of service and meet demand for care at the Veterans Home at King by providing an additional 110.6 FTE direct care and support positions. Among other benefits, the additional positions will reduce overtime costs and the use of contract staff among all categories of positions; increase the number of direct care staffing hours per resident; increase the availability of social work and respirator care services; provide more homelike dining room meal service in all buildings; and add unit clerk coverage to weekend shifts.
- Fully fund the continuing costs of the new facilities at the Veterans Home at Chippewa Falls and the Veterans Home at Union Grove.
- Ensure that the Military Funeral Honors stipend program is always fully funded by creating a sum sufficient appropriation.
- Issue vouchers to returning service members to redeem for free hunting and fishing licenses within a year of returning from active duty; provide free one-year state parks and trails passes to active duty military personnel who are on leave; and waive state park and trail admission fees for all veterans every Memorial Day and Veterans Day weekend.
- Provide funding and positions to further the mission of the Wisconsin Veterans Museum and fully fund improvements in archives preservation and ongoing operating costs.

K. PRESERVING WISCONSIN'S HERITAGE



- Improve the hunting climate in Wisconsin by adopting multiple recommendations to increase access to hunting, conduct research, improve citizen involvement and manage chronic wasting disease as outlined in the final report of the Wisconsin White-Tailed Deer Trustee.
- Utilize resources from the Departments of Administration and Natural Resources to update the state's land cover map, as recommended in the final report of the Wisconsin White-Tailed Deer Trustee. Direct the Department of Administration to establish an implementation plan for an eventual statewide digital parcel map that will be funded by redirecting a current fee collected by registers of deeds.
- Provide \$372,100 SEG in fiscal year 2013-14 and \$406,000 SEG in fiscal year 2014-15 to support the opening of several new facilities at parks and southern forests and increase limited term employee hours to assist the millions of visitors to Wisconsin state parks each year.

- Support the law enforcement program at the Department of Natural Resources through increased funding of \$50,000 SEG in each year for conservation warden mileage costs and \$226,600 SEG in each year to fund master lease payments for mobile data computers.
- Maintain operations at the state's fish hatcheries by providing \$85,500 SEG in fiscal year 2013-14 and \$135,200 SEG in fiscal year 2014-15 to compensate for increased distribution, utilities and production costs.
- Allow expansion of the elk herd to additional counties, while maintaining requirements for disease testing and prevention to protect the health of the elk and deer herds.
- Protect our lakes and rivers and improve water quality in Wisconsin by providing an additional \$24 million over the biennium to reduce nonpoint source water pollution through increased nutrient management planning, contaminated sediment removal and other pollution abatement practices.
- Provide \$85,000 SEG and 1.0 FTE project position in each year to support the development of a remote sensing program to measure lake water quality.
- Provide continuing support to nonpoint source abatement projects through increased revenues dedicated to the nonpoint account of the Environmental Fund. Revenues would be reallocated from the environmental management account, resulting in no overall fee increase.
- Increase funding for the Historical Society for operation of the Circus World Museum in Baraboo as a historic site to preserve the collections, increase operational efficiency and promote tourism.

State Budget Overview

III. STATE BUDGET OVERVIEW

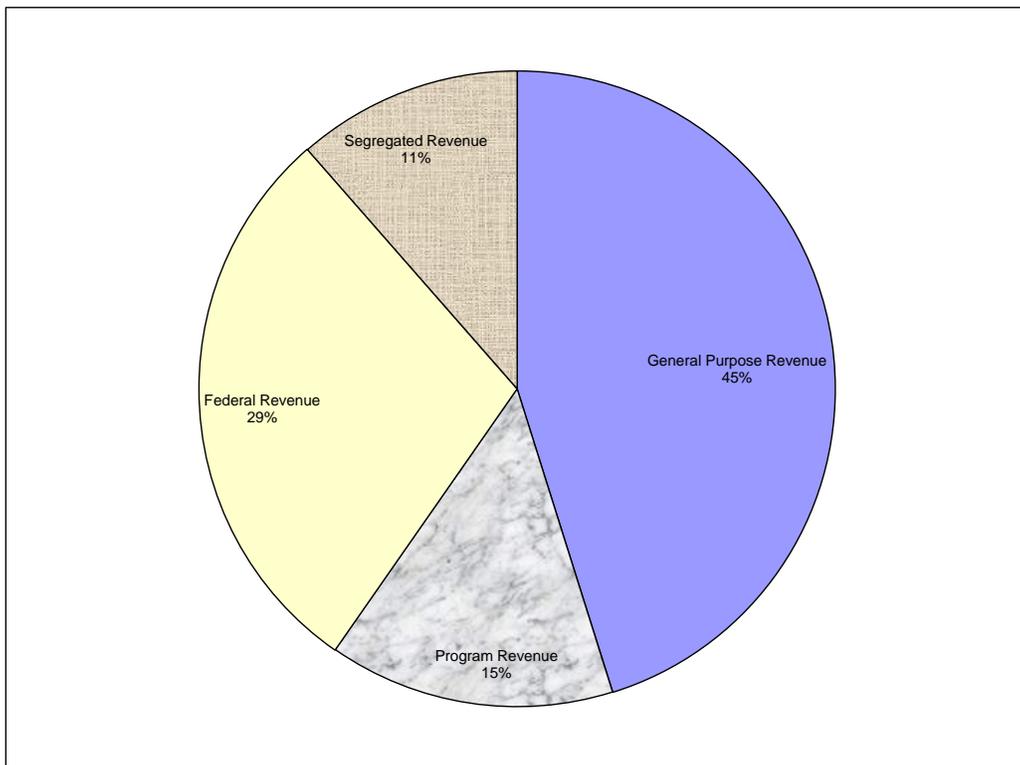
A. PRESENTATION OF THE GOVERNOR'S 2013-15 BUDGET

The Governor's recommended budget for the 2013-15 biennium is presented in its customary components. The operating budget for all agencies and their programs is submitted to the Legislature in the budget bill, the Executive Budget Book and this Budget in Brief. The capital budget will be submitted as a budget amendment, after the State Building Commission has approved a recommended building program for the 2013-15 biennium.

B. EXPENDITURES

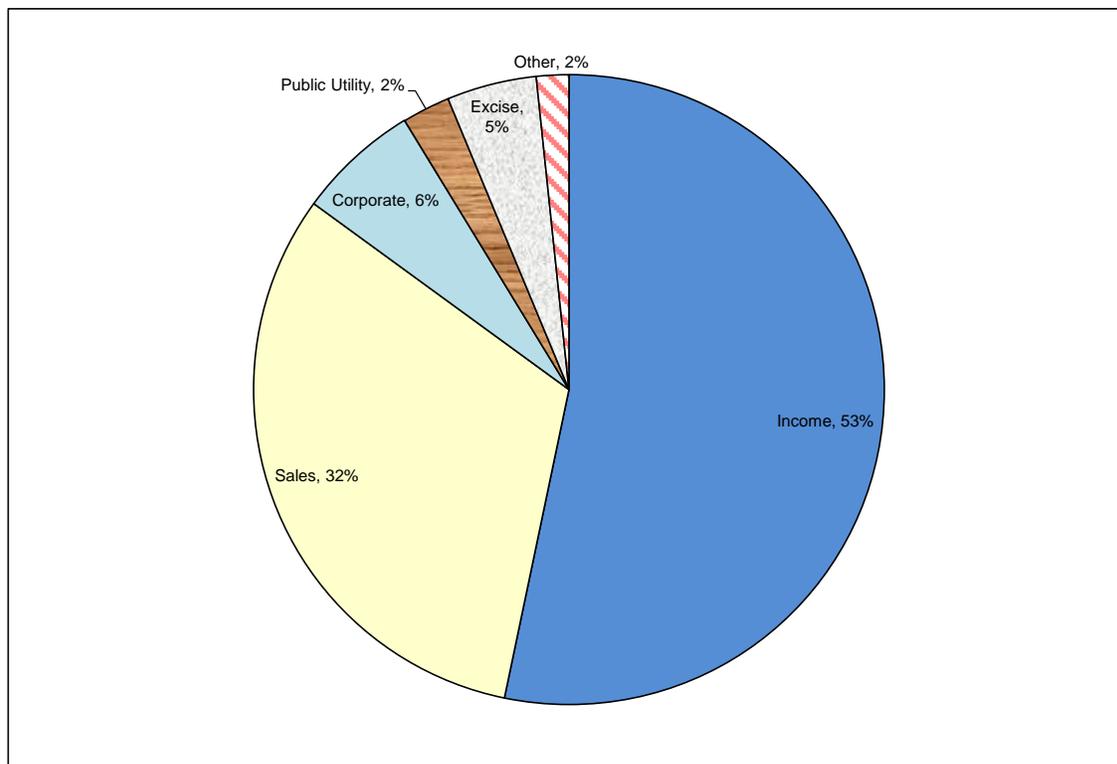
The Governor recommends an operating budget of \$33.652 billion in fiscal year 2013-14 and \$34.347 billion in fiscal year 2014-15. These figures include all four major funding sources and all state agencies and programs (see Chart 1). On an annual basis, the Governor's all funds budget for fiscal year 2013-14 represents an increase of \$980.9 million (3.0 percent) over the fiscal year 2012-13 adjusted base, and the budget for fiscal year 2014-15 represents an increase of \$694.5 million (2.1 percent) compared with fiscal year 2013-14.

CHART 1: FISCAL YEAR 2014-15 BUDGET BY FUND SOURCE



The largest portion of the state budget is funded from general purpose revenue (GPR), which includes the individual income tax, the state sales tax, the corporate income tax and various other taxes (see Chart 2).

CHART 2: FISCAL YEAR 2014-15 GPR TAX REVENUE BY TYPE



Federal revenues (PR-F or SEG-F) are the second largest source of funds in the state budget. The amounts budgeted represent state agency estimates of the various federal program grants expected to be received. Corresponding state matching dollars, where applicable, are budgeted in the other state funding sources. Since it is not possible to predict future congressional budget action, the Governor's budget generally assumes no changes in federal funding except where noted.

Program revenue (PR-O) is received from user fees that finance specific activities such as public utility regulation, agricultural commodity inspections and State Fair Park admissions. Program revenue is generally budgeted to reflect the anticipated demand for these activities.

Segregated revenues (SEG-O) include revenues from such sources as the motor fuel tax, hunting and fishing license fees, and lottery ticket sales. These revenues are deposited in segregated funds such as the Transportation Fund, the Conservation Fund and the Lottery Fund, which are credited with any interest they earn. Segregated revenues can only be used for specific purposes and are not general revenues of the state, but segregated revenue fund balances have historically been lapsed to the general fund. The Governor's 2011-13 budget halted this practice. The Governor's recommended budget for the 2013-15 biennium continues the process of paying back the largest of the segregated funds, the transportation fund, by depositing \$23 million of general fund revenues to the fund in fiscal year 2013-14.

The Governor recommends a GPR budget of \$14.978 billion in fiscal year 2013-14 and \$15.508 billion in fiscal year 2014-15. On an annual basis, the Governor's GPR budget for fiscal year 2013-14 is a spending increase of \$202.4 million (1.4 percent) over the fiscal year 2012-13 base, and for fiscal year 2014-15 is a spending increase of \$529 million (3.5 percent) over fiscal year 2013-14.

TABLE 1: LARGEST BIENNIAL GPR INCREASES OVER BASE
(\$ in millions)

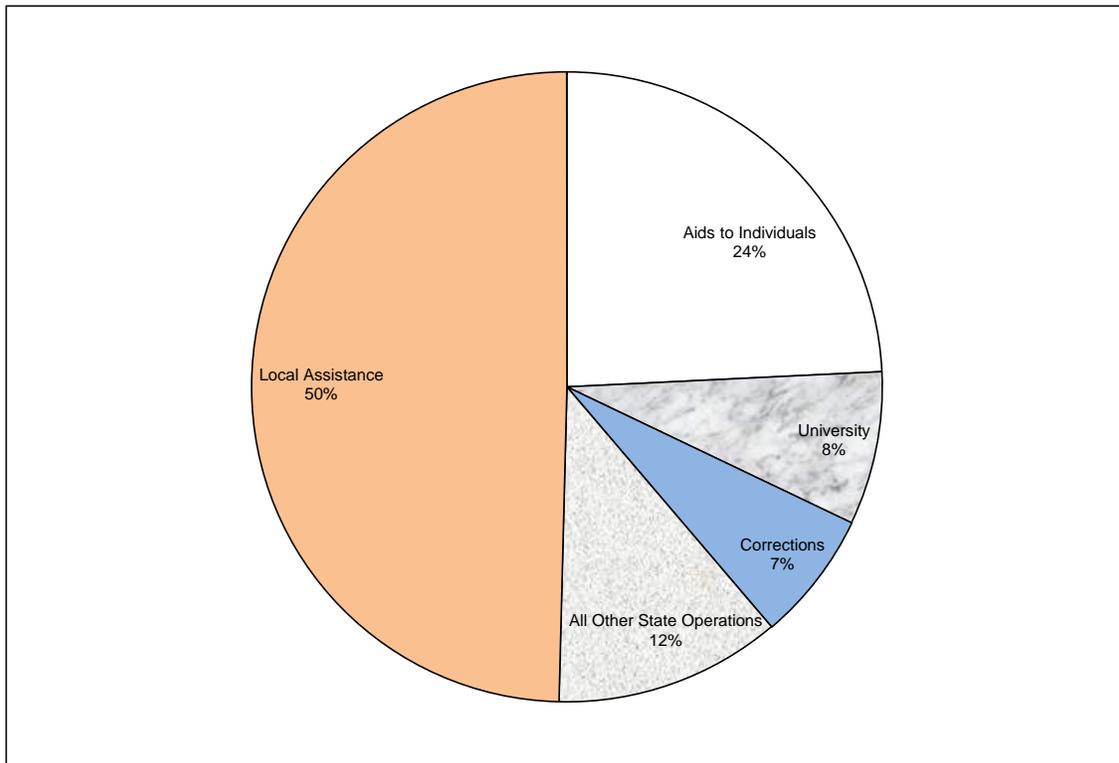
Department of Health Services	\$763
Department of Public Instruction	277
University of Wisconsin System	181
Department of Transportation	103
Department of Natural Resources	18
All Other Changes	<u>-408</u>
TOTAL	\$934

TABLE 2: TEN LARGEST GENERAL PURPOSE REVENUE PROGRAMS
(\$ in millions)

	FY15 <u>Budgeted</u>	Percent of Total	Cumulative Percent
General and Categorical School Aids	\$5,328.4	34.4%	34.4%
Medical Assistance and Related Programs	2,438.0	15.7%	50.1%
University of Wisconsin System	1,231.0	7.9%	58.0%
Corrections	1,162.8	7.5%	65.5%
State Property Tax Credits	897.4	5.8%	71.3%
Shared Revenue	904.5	5.8%	77.1%
Homestead, Earned Income and Other Tax Credits	336.9	2.2%	79.3%
Community and Social Service Aids	175.6	1.1%	80.4%
Wisconsin Works and Economic Support	159.9	1.0%	81.5%
Supplemental Security Income Program, State Supplement	<u>151.6</u>	<u>1.0%</u>	<u>82.4%</u>
Top Ten Program Total	\$12,786.1	82.4%	82.4%
Debt Service (not included above)	387.4	2.5%	84.9%
Debt Service for Appropriation Obligation Bonds	393.1	2.5%	87.5%
All Other Programs	<u>1,941.2</u>	12.5%	100.0%
GPR Total	\$15,507.8		

Detail may not add due to rounding.

CHART 3: FISCAL YEAR 2014-15 BUDGET ALLOCATION BY PURPOSE



C. POSITIONS

The Governor's budget recommendations include authorization for 69,973.68 FTE state positions from all fund sources by the end of the next biennium (fiscal year 2014-15). This represents an increase of 710.58 FTE positions from the fiscal year 2012-13 adjusted base of 69,263.10. From GPR funds, the budget provides 36,097.21 FTE positions, an increase of 300.63 from the fiscal year 2012-13 adjusted base of 35,796.58.

Table 3 demonstrates the changes from the adjusted base level FTE positions to the second year of the biennium (fiscal year 2014-15).

TABLE 3: FISCAL YEAR 2014-15 FTE POSITION CHANGES OVER BASE

	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>SEG</u>	<u>All Funds</u>
Adjusted Base	35,796.58	10,662.93	17,753.23	5,050.36	69,263.10
Agency Requests	362.52	-67.42	94.21	96.75	486.06
Governor's Recommendation	<u>-61.89</u>	<u>68.81</u>	<u>-1,064.30</u>	<u>1,281.90</u>	<u>224.52</u>
TOTAL	36,097.21	10,664.32	16,783.14	6,429.01	69,973.68

As part of the Governor's effort to streamline state government, the budget eliminates over 41.0 FTE positions as part of permanent base reductions to GPR appropriations. The budget also eliminates

135.0 FTE positions in fiscal year 2013-14 and 187.0 FTE positions in fiscal year 2014-15 that should not continue into the next biennium.

The Governor is increasing positions in the following programs in order to increase efficiency, save taxpayer money and reduce fraud:

- The budget provides positions in the Department of Revenue for tax enforcement and lottery security efforts. In a recent estimate, the Internal Revenue Service estimates that approximately 20 - 25 percent of claims for the federal Earned Income Tax Credit are fraudulent. The Governor recommends adding 13.0 FTE GPR positions in the Department of Revenue to combat fraudulent income tax returns and other tax credit claims. The Department of Revenue estimates that increasing the scale of reviews of income tax returns will increase tax collections by \$28 million over the biennium, as well as decrease improper homestead and earned income tax credit payments by \$6 million. In addition, the budget provides 15.0 FTE GPR positions for the intensive collection effort program, which is expected to increase the collection of delinquent taxes by \$18.9 million over the biennium. The Governor also recommends adding 33.0 FTE GPR positions for other tax enforcement efforts. These additional positions will reduce the department's federal audit report backlog, permit more timely assessments of unpaid Wisconsin taxes and increase revenue by approximately \$35.8 million over the biennium. The budget further provides 6.0 FTE SEG positions for lottery administrative services for the department. These additional positions will ensure enhanced lottery security and accounting, and are funded entirely by lottery proceeds.
- The budget also provides 4.0 FTE PR financial examiner positions for the Department of Financial Institutions to meet statutory and soundness examination requirements of the banking and credit union industry. This is expected to increase revenue to the general fund by approximately \$70,000, and identify problems earlier.
- The Governor continues to take steps to ensure that the state has a robust infrastructure and the appropriate resources to maintain the economic backbone of the state. This budget provides an additional 180.0 FTE SEG engineering and engineering support positions to the Department of Transportation, which are expected to reduce the department's costs paid to outside consultants by \$5.6 million annually. Those savings will be used to continue to fund priority projects without requiring the use of additional fees or taxes. The budget also provides 28.0 FTE positions for additional inspectors at safety and weight enforcement facilities, which will allow for additional hours of enforcement and more comprehensive inspections for intrastate movement of products and people.
- In order to continue the efforts of the Department of Children and Families to combat fraud in the Wisconsin Shares child care system, 13.0 FTE project positions will be converted to permanent positions.

The Governor is also adding positions to achieve specific policy priorities in the following programs:

- The budget provides a total of 280.25 FTE positions at the Department of Health Services: 78.0 FTE positions are needed to expand community-based mental health services and to meet the demand for forensic mental health diagnosis and treatment services; 85.25 FTE positions are being added to improve Medicaid program integrity and efficiency; and 117.0 FTE positions are required to meet new and expanding federal mandates on the Medicaid program imposed by the Affordable Care Act and administrative regulations.
- As with all skilled nursing facilities, the acuity of residents and resident care needs have increased over time. At the Veterans Home at King, the Governor recommends providing an additional 110.6 FTE direct care and support positions in order to improve the level of service provided to veterans. At the Veterans Home at Union Grove, the Governor's recommendations provide an additional 40.0 FTE positions to operate the renovated Gates Hall when it reopens in 2013, as well as improve evening and weekend front desk coverage.

- The following positions were added in the Department of Corrections: 38.75 FTE positions related to increased populations of sex offenders tracked by GPS and implementation of tracking restraining order violators by GPS starting January 1, 2014; 11.0 FTE positions to create an Office of the Inspector General to combat waste, fraud and ensure Wisconsin is meeting federal requirements related to prison rape elimination; 18.4 FTE positions to upgrade information technology systems and retire legacy systems to create efficiencies and increase effectiveness across department divisions; 5.5 FTE positions to provide additional mental health treatment in segregation units at maximum security institutions; and 3.0 FTE project positions in the Division of Community Corrections to address backlogs in data entry/verification of records received from the courts.
- To support the development of additional programs and course offerings for the University of Wisconsin Flexible Option degree program, which features self-paced learning and competency-based course credits, the budget provides 13.0 FTE positions to the University of Wisconsin System.
- The budget extends 37.0 FTE FED project positions at the Department of Workforce Development for reemployment services to help the unemployed with preparing for and finding a job.

Finally, the Governor will continue to reinforce conservative hiring practices with all agencies. State agencies have operated with a vacancy rate over 10 percent during the last two fiscal years.

D. BUDGET BALANCE

TABLE 4: GENERAL FUND CONDITION UNDER GOVERNOR'S BUDGET
(\$ in millions)

	2013-15 Governor's Budget			2015-17 Estimates	
	FY13	FY14	FY15	FY16	FY17
OPENING BALANCE, JULY 1	\$342.1	\$487.7	\$296.3	\$108.1	-\$206.4
REVENUES AND TRANSFERS					
Taxes	13,799.1	13,991.2	14,521.0	14,484.3	14,446.2
Departmental Revenues					
Tribal Gaming Revenues	24.7	26.0	26.8	26.8	26.8
Other	<u>618.4</u>	<u>563.5</u>	<u>521.0</u>	<u>482.8</u>	<u>482.8</u>
Total Available	\$14,784.3	\$15,068.4	\$15,365.0	\$15,102.0	\$14,749.4
APPROPRIATIONS, TRANSFERS AND RESERVES					
Gross Appropriations	\$14,682.5	\$14,978.4	\$15,507.8	\$15,546.2	\$15,543.1
Compensation Reserves	61.9	46.4	76.0	76.0	76.0
Transfers	147.6	63.4	36.3	36.2	36.1
Less Biennial Appropriation Spend Ahead	-10.5	0.0	0.0	0.0	0.0
Less Estimated Lapses	<u>-584.9</u>	<u>-316.0</u>	<u>-363.2</u>	<u>-350.1</u>	<u>-350.1</u>
Total Expenditures	\$14,296.6	\$14,772.2	\$15,256.9	\$15,308.4	\$15,305.1
BALANCES					
Gross Balance	\$487.7	\$296.3	\$108.1	-\$206.4	-\$555.7
Less Required Statutory Balance	<u>-65.0</u>	<u>-65.0</u>	<u>-65.0</u>	<u>-65.0</u>	<u>-65.0</u>
Net Balance, June 30	\$422.7	\$231.3	\$43.1*	-\$271.4	-\$620.7
Structural Balance	\$145.6	-\$191.5	-\$188.2	-\$314.5	-\$349.3

*Ending balance may be reduced by emergency legislation passed in advance of the 2013-15 budget and other legislative actions to address shortfalls in fiscal year 2012-13 appropriations.

Detail may not add due to rounding.

The estimated four-year fund condition statement is balanced through fiscal year 2014-15. The estimates for the 2015-17 biennium do not assume any projected growth in revenues or expenditures. However, prospective tax cuts and commitments to additional expenditures made in this biennium for the next are addressed in the estimates for fiscal years 2015-16 and 2016-17.

State statute also requires showing the impact of the Governor's budget on the state's budget balance under generally accepted accounting principles (GAAP). Unlike the modified accrual basis of the budget as published in the statutes, these principles require that revenues and expenditures be accounted for when they occur.

Wisconsin has a deficit under generally accepted accounting principles due to the state's long-term commitment to stabilize and equalize local property taxes. Payments for shared revenue and local property tax relief are paid during the local government fiscal year but are delayed in the state budget to

the state's subsequent fiscal year. While this mismatch is a major contributor to the state's deficit under generally accepted accounting principles, the delay has been in place for decades in order that local government budgets, and associated local levies, remain stable.

**TABLE 5: ESTIMATED GENERAL FUND CONDITION SUMMARY ACCORDING TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(\$ in millions)

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Opening Balance	-\$2,211.0	-\$2,055.8	-\$2,358.5
Revenue			
Estimated Taxes	\$13,799.1	\$13,991.2	\$14,521.0
Departmental Revenues and Transfers	618.4	563.5	521.0
Tribal Gaming Revenue	<u>24.7</u>	<u>26.0</u>	<u>26.8</u>
Total Revenue	\$14,442.2	\$14,580.7	\$15,068.8
Total Available	\$12,231.2	\$12,524.9	\$12,710.3
Less Total Appropriations (Net)	<u>14,296.6</u>	<u>14,772.2</u>	<u>15,256.9</u>
Balance Before Change in Adjustments to GAAP	-\$2,065.4	-\$2,247.3	-\$2,546.6
Net Contribution to Balance Adjustments in GAAP (change from prior year)			
Transit Aids	0.0	-26.6	-26.6
County and Municipal Aids	37.9	0.2	-1.1
Tax Credits	0.0	1.2	-6.8
Accrue/Defer Tax Revenues	<u>-28.3</u>	<u>-86.0</u>	<u>-63.5</u>
Estimated Closing Balance	-\$2,055.8	-\$2,358.5	-\$2,644.6

Detail may not add due to rounding.

E. DEBT MANAGEMENT

State debt management is necessary to ensure that long-term capital needs can be met at an affordable level. State debt management historically looks at two standards: (a) annual GPR debt service as a percentage of GPR, and (b) total outstanding debt as a percentage of personal income. These standards help ensure that annual debt service does not consume a burdensome share of the state's budget and that overall indebtedness remains within reason for the State.

In the next biennium, the standard relating to annual GPR debt service will exceed past practices. This is the result of four of the previous five biennial budgets including some level of structural refunding authorization or reamortization of variable-rate obligations, which deferred debt service payments to future years.

This 2013-15 executive budget does not include any such authorization or reamortization assumptions. Rating agencies note that the State's outstanding debt as a percentage of person income is "moderate, but above-average." However, this analysis includes the obligations incurred by the State in 2003 when it addressed its unfunded pension liabilities.

The State looks favorable when rating agencies combine outstanding debt and unfunded pension liabilities. In this analysis, the aggregate obligations for the State are "below the median for U.S. States."

The debt management policies and projected results reflected in this budget are based on three important assumptions:

1. Specific bonding recommendations for the building program will be included in the capital budget bill which will be submitted later.
2. Previously authorized, but unissued, debt will continue to be issued to complete previously approved projects and commitments. Current authorized, but unissued, general obligation bonding authority for GPR-supported programs amounts to \$2.0 billion. This authorized unissued bond authority breaks down to \$708 million for environmental and water programs, and \$1.3 billion for building and other programs, including certain transportation projects. Both of these general categories include bonds that are multiyear authorizations that require issuance of the bonds over several years.
3. The State's market access and bond ratings will not deteriorate. Wisconsin's general obligation bonds currently carry ratings of AA/Aa2/AA from Fitch, Moody's and Standard & Poor's respectively. All three ratings are considered "stable." Wisconsin's bonds are received favorably by the investment community, but like most issuers, are being given much closer scrutiny. Maintaining and improving the State's bond rating is most directly related to continued improvement of the state's long-term fiscal outlook.

The tax-exempt municipal bond market has experienced a period of historically-low interest rates. Similar to refinancing a mortgage, the State also takes advantage of these low interest rates to lower its debt service costs.

This 2013-15 executive budget includes authorization to complete up to \$2.0 billion of refunding transactions for tax-supported and self-amortizing general obligation debt. This authorization can only be used for refunding transactions that have debt service savings to the State. Currently, there is no remaining authorization for these refunding transactions. Using prior authorization, over the past ten years, the State has been able to realize more than \$100 million of debt service savings (present value basis) by completing these refunding transactions.

In addition to general obligations, the State has also previously issued appropriation obligations of the State called "General Fund Annual Appropriation Bonds." The State issued this credit in 2003 to fund liabilities associated with its Pension and Sick Leave Conversion Benefits programs, and in 2009 to repurchase tobacco settlement revenues. Debt service on these obligations is included in the budget for the Department of Administration.

F. CASH MANAGEMENT

While the 2013-15 budget is balanced as required by state law, cash shortfalls will occur at various times during the year. They arise from the difference between the "statutory/budgetary basis" on which the budget is built and the "cash basis" on which the state must pay its bills. There are significant differences in the timing of receipts and payments, particularly on dates of major state aid payments.

The private sector, from large corporations to small businesses, works on a cash basis. If a business or unit within a corporation does not have cash, it cannot pay its bills. In these cases, a business will often approach a financial institution for a short-term loan or look to reallocate cash from other units of the corporation.

The State uses a similar approach. Cash shortfalls are accommodated through short-term borrowing. Most often, this borrowing occurs automatically by using the balances of other state funds. In many years operating notes have been issued if there is a significant need for cash or if the operating notes are cheaper than using the cash of other state funds. To ensure there is sufficient cash to support state

payments, the budget retains the current law general fund interfund borrowing limit of 9 percent of general fund appropriations, which otherwise would sunset at the close of fiscal year 2012-13.

Major Budget Initiatives

IV. MAJOR BUDGET INITIATIVES

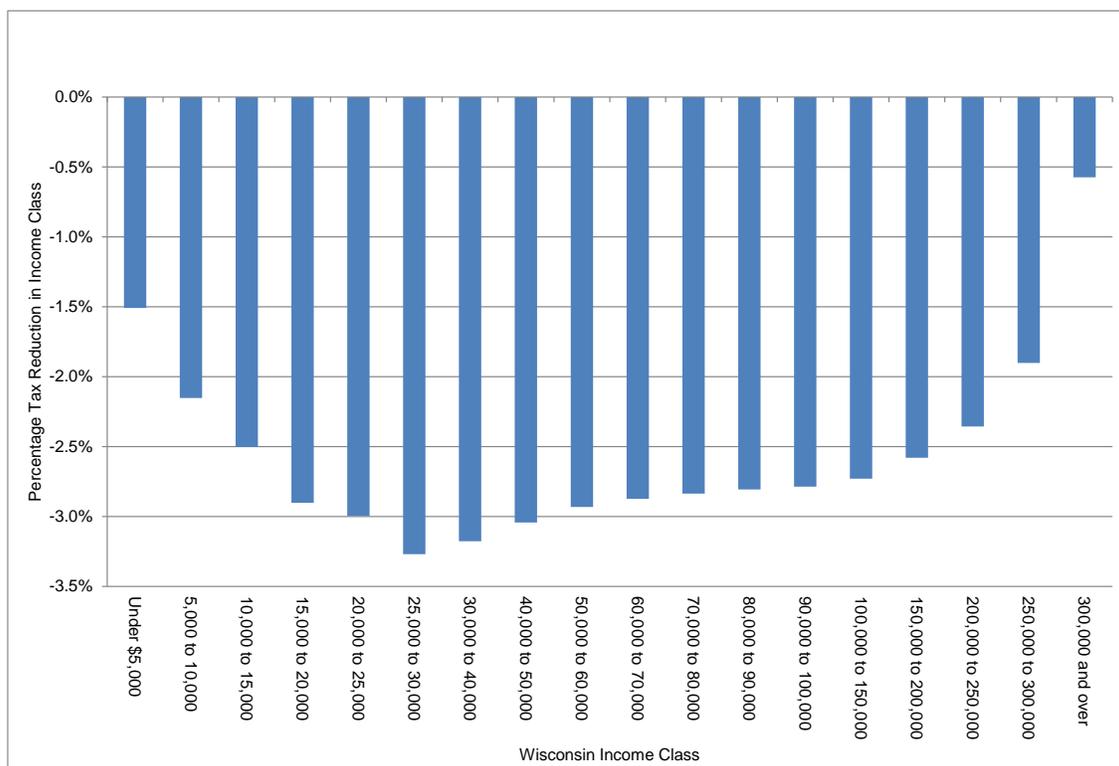
A. GROWING OUR ECONOMY

Tax Relief and Economic Development

Continuing to reduce the high tax burdens faced by Wisconsin residents and businesses is a high priority. Steep tax burdens on middle class families and small businesses are an impediment to economic growth in the state as they discourage work, investment and job creation. As Wisconsin's tax burden relative to the rest of the country comes down, Wisconsin's economic competitiveness will improve, as will the state's long-term fiscal outlook.

The Governor recommends reducing individual income taxes and targeting the relief most heavily toward middle class families. Wisconsin faces high individual income taxes overall, but its standing relative to the rest of the country is worst with those earning between \$50,000 a year and \$150,000 a year in household income. Wisconsin is often at or near the five highest states in the country for middle class taxes for both individuals and families. This budget provides over \$343 million in individual income tax relief that is overwhelmingly targeted toward these income ranges, providing tax relief to nearly every taxpayer and no new income tax increases. Rather than cutting tax rates across-the-board, the Governor recommends reducing marginal tax rates in the middle income ranges. All income taxpayers benefit from these changes, but the bulk of relief is realized by those taxpayers who face the greatest relative burdens. Nearly 75 percent of the relief will be realized by Wisconsin's middle class, and those taxpayers will see individual income taxes paid decline by between 2 - 3 percent. For example, a family with two workers each earning \$40,000 should expect to see a tax decrease of around \$100 for their household. Over the next decade this represents a tax cut of over \$1.7 billion, or more than \$1,000 for that family. This is a first step toward substantial additional reductions in the future.

CHART 4: MIDDLE CLASS TAXPAYERS WILL SEE 2 – 3 PERCENT CUTS IN INCOME TAXES



The Governor also recommends continuing to improve the tax climate for Wisconsin businesses by expanding business tax credits. Programs such as the Angel Investment Tax Credit and Economic Development Tax Credit have been successful programs, which provide entities with the opportunities to invest in Wisconsin early stage and other businesses, and promote job expansion. The Governor recommends expanding the Angel Investment Tax Credit by lifting the lifetime cap in available credits and providing an additional \$75 million in available credits for the Economic Development Tax Credit. These changes are expected to reduce taxes by \$14.9 million over the biennium. The Governor has also recommended several tax credit modifications to expand eligibility and clarify tax treatments in order to improve the efficiency and effectiveness of the credits.

In addition, employers who hire disabled veterans will continue to be able to claim tax credits of up to \$4,000 for up to three years for each eligible veteran employed. This program is expected to reduce taxes by \$4.4 million over the biennium.

Finally, the Governor recommends streamlining certain sales tax provisions by increasing the statutory threshold for sales tax filing and creating a sales tax exemption for certain property sold as a lump sum. In total, the new sales tax provisions will provide approximately \$1.5 million in relief to Wisconsin businesses over the biennium.

Together, tax policies enacted in previous biennia that take effect during this budget are expected to provide \$305.8 million in relief, and new tax policies which will provide an additional \$328.6 million in new savings, will result in over \$630 million in tax relief for Wisconsin families and businesses. This will lower the state's overall tax burden and make Wisconsin's tax environment more competitive with the rest of the country, bolstering economic growth and job creation in the state.

TABLE 6: TAX CHANGES
(\$ in millions)

	<u>FY14</u>	<u>FY15</u>
<u>2013-15 Biennial Budget</u>		
Individual Income Tax - Middle Class Rate Cuts	\$172.6	\$170.6
College Tuition Income Threshold Indexing	0.7	1.5
Veterans and Surviving Spouses Property Tax Credit Expansion	0.0	8.6
Angel Investment Credit Cap Elimination	0.0	5.0
Economic Development Tax Credit Increase	0.8	9.0
Sales Tax Filing Thresholds Increase	0.2	0.2
New Sales Tax Exemption for Property Sold as a Lump Sum	0.5	0.6
Internal Revenue Code Update	-15.5	-18.2
Electronic Medical Records Sunset	0.0	-5.0
Cigarette Manufacturer Updates	<u>-1.4</u>	<u>-1.4</u>
<i>Subtotal Biennial Budget</i>	\$157.8	\$170.8
<u>Previously Enacted Legislation Phasing-In</u>		
2011 Act 32 Manufacturing and Agriculture Credit	\$31.6	\$70.6
2007 Act 20 Health Insurance Deduction	54.2	60.1
2007 Act 20 Child Care Deduction	3.4	5.8
2009 Act 161 IRA/Retirement Income	9.0	18.0
All Others	<u>23.5</u>	<u>29.7</u>
<i>Subtotal Previously Enacted Legislation</i>	121.6	184.2
Total Relief to Taxpayers	\$279.5	\$355.1
<i>Note: Tax relief reflected as a positive number while any revenue increases are reflected as a negative number. Numbers may not add precisely due to rounding.</i>		
<i>Note: These actions do not include tax fraud initiatives.</i>		

Growing Our Economy

The Governor continues to focus on growing our economy and creating jobs in Wisconsin. The Wisconsin Economic Development Corporation, Wisconsin Housing and Economic Development Authority, and Department of Tourism are the principle entities with responsibility for ensuring sufficient investments to attract businesses and promote other investment opportunities in the state.

In an effort to expand community development opportunities, the Governor has authorized the Department of Administration to oversee the administration of Community Development block grants for public facilities, revolving loans and housing. In addition, the Governor recommends improving access to low-cost capital for nonprofit 501(c)(3) organizations and other qualified organizations by expanding the authority of the Wisconsin Health and Educational Facilities Authority and Public Finance Authority to issue conduit bonds for creditworthy borrowers and reducing administrative barriers to financing.

The Governor has also recommended providing the Wisconsin Economic Development Corporation \$17 million all funds in additional expenditure authority for promoting business activity within the state and offering opportunities and training for seed accelerator and capital catalyst programs.

As a first step toward making the state's venture capital investments more robust, this budget appropriates \$25 million GPR in fiscal year 2013-14 at the Department of Administration. The secretary,

working with the director of the Office of Business Development, will establish a capital investment program aimed at supporting start-up companies in Wisconsin.

The Governor recommends providing \$2.5 million GPR for the Wisconsin Development Reserve Fund, which will leverage \$11,250,000 of loan guarantees in support of the Wisconsin Housing and Economic Development Authority's Transform Milwaukee initiative. Announced in April 2012, the initiative is focused on restoring economic vitality to industrial, residential and transportation areas connecting Milwaukee's 30th Street Industrial Corridor, Menomonee Valley, Port of Milwaukee and Aerotropolis.

In addition, the Governor recommends providing funding to grow Wisconsin's dairy industry through creation of a dairy processor grant program, funded at \$200,000 GPR annually, to provide technical assistance for business planning, product development and marketplace expansion.

Tourism

The Governor recommends increasing the amounts of funds available to the Department of Tourism to invest in international tourism, increase public relations efforts and advance grant programs to attract national meetings, conventions and sporting events to Wisconsin.

The tourism marketing campaigns and public relations initiatives have been successful in expanding the visitor base and increasing state jobs. The department was recognized nationally for its public relations in 2011 after generating \$63 million in earned media and 1.4 billion impressions throughout the year, which resulted in 2.1 million additional visitors to the state. A 2012 study indicated that visitor spending increased 7.6 percent totaling nearly \$10 billion in fiscal year 2010-11.

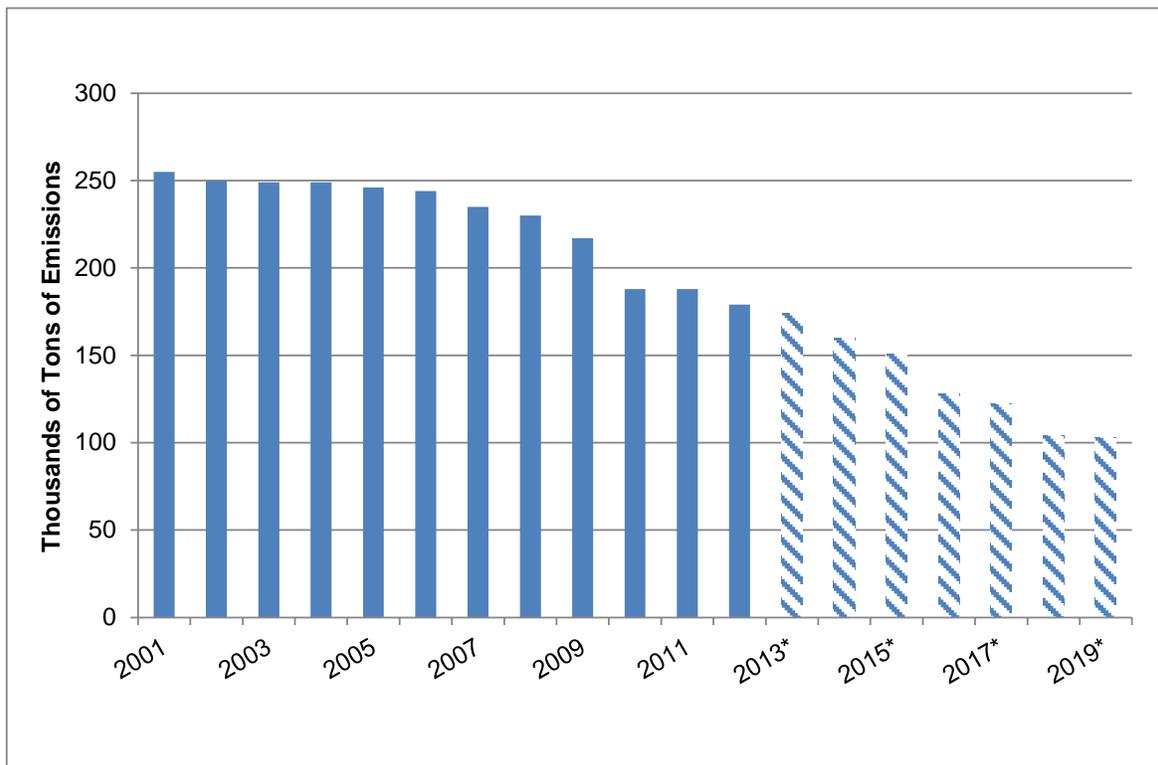
The Governor recognizes the important role that tourism plays in the Wisconsin economy, such as the \$1.3 billion in state and local taxes generated and 181,000 jobs sustained in fiscal year 2010-11. Tourism industries include hospitality such as lodging, restaurants and campgrounds; sites such as museums, galleries, attractions and historic sites; and events featuring cultural heritage, local communities and local agriculture such as cranberries, cherries and dairy. Traveler spending impacts other industries that directly support tourism businesses such as agriculture, manufacturing, construction, local governments and other service industries.

Regulatory Changes

Assisting businesses who work with the Department of Natural Resources is another focus of the budget. Increased funding and position authority in the department's small business environmental assistance program provides customers with a one-stop shop for questions on various permitting and regulations applicable to their industry, improving efficiency and effectiveness for the customer. In a related provision, information technology upgrades in the Division of Air and Waste will allow for an increased number of documents to be stored electronically, which will streamline permitting for customers.

Maintaining clean air is integral to a healthy environment. The state is responsible for meeting federal clean air standards and for administration of a federal air permitting program for major sources of air pollution. The success of the program has resulted in fewer air emissions over the last several years. However, as revenues are collected based on emission levels, revenues are no longer sufficient to support the program as required by the U.S. Environmental Protection Agency. In order to avoid a federal notice of deficiency and possible loss of federal highway funds, the budget increases revenues through a higher assessment on pollution emissions to satisfy federal requirements.

CHART 5: BILLABLE EMISSIONS FROM MAJOR AIR POLLUTION SOURCES

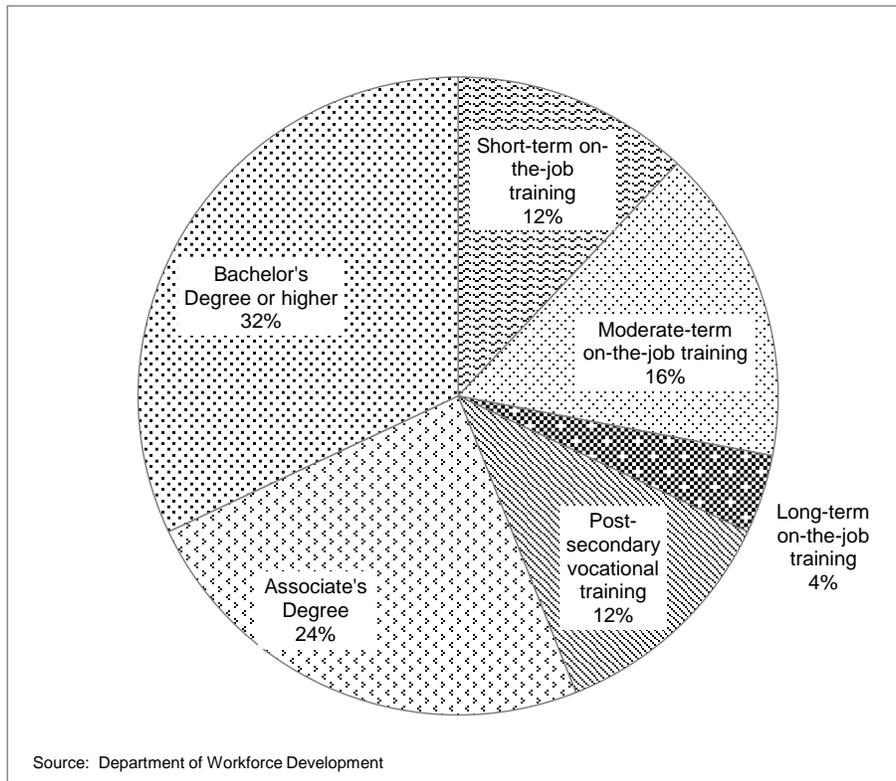


- Ensure continued funding for the state air pollution program for stationary sources of air pollution by increasing the annual fee to certain sources.
- Increase compliance and monitoring of the sand mine industry by converting \$223,400 each year in federal funding and 2.0 FTE positions to segregated revenue from the Environmental Fund.

B. DEVELOPING THE WORKFORCE

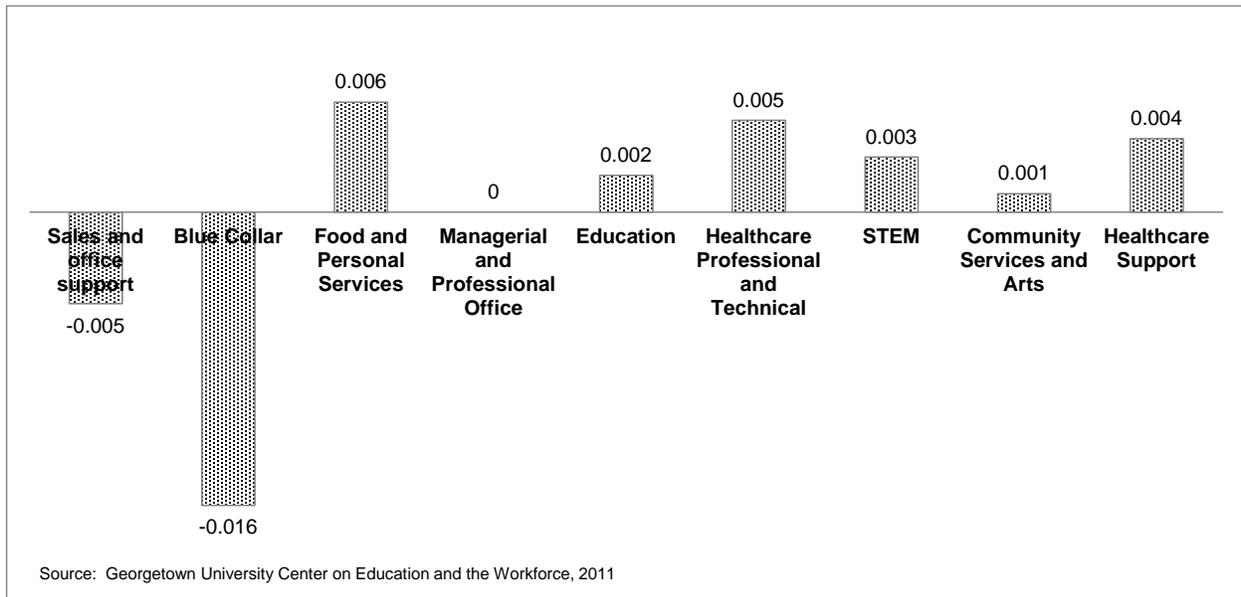
The Governor has made ensuring workers have the right skills a top priority. The Governor has heard repeatedly around the state that businesses are in need of skilled workers to increase production and create more jobs, but that workers with the right skills are scarce in the current workforce. These challenges are well documented in *The Road Ahead: Restoring Wisconsin's Workforce Development and Be Bold 2*. In the short term, Wisconsin needs more workers with middle skills – skills that require more than a high school degree, but less than a college degree – particularly in manufacturing.

CHART 6: FUTURE TRAINING NEEDS LESS DEGREE-FOCUSED



Demand for middle-skilled workers will grow in the future. As demographics and technologies change, a significant number of skilled workers in health care and information technology will be needed within the next decade.

CHART 7: HEALTH CARE AND STEM REPRESENT EMPLOYMENT NEEDS OF THE FUTURE



Because Wisconsin faces both short-term and long-term workforce challenges separately, the Governor's budget employs both short- and long-term strategies to address these critical issues. The Governor separately proposed 2013 Assembly Bill 14, which allocates \$20 million to immediately address worker shortages through a new skilled training program.

The program will provide businesses with urgently needed resources to obtain customized training and develop the workforce that is needed right now on the floors of manufacturing plants and elsewhere. Employers will have flexibility in choosing training providers, such as Wisconsin technical colleges, for both new trainees and incumbent workers. Because it is driven by employer demand, the program will respond to evolving skills needed in real time now and in the future.

The Governor also included funding for a robust and sophisticated labor market information system in 2013 Assembly Bill 14. Through the Department of Workforce Development, the state is committed to implementing an information technology program that is at the forefront of state and national efforts to better understand the labor economy. The system will connect employers and job seekers in more dynamic ways, as well as provide up-to-date information on high-demand fields that can inform our state decision makers and education providers. The new labor market information system and new skilled training program comprise the Governor's rapid-response solutions to the lack of skilled workers.

Additionally, this budget enhances job training programs at the Departments of Children and Families and Health Services in several ways. First, funding will support a redesigned and enhanced Wisconsin Works program. New performance-based contracts that began in January of this year are actively rewarding W-2 agencies for placing people in unsubsidized employment, for helping people retain their jobs, and for providing training and support services needed by some to either get ready for a job or, if necessary, obtain more appropriate, long-term support through the Supplemental Security Income program.

Second, the budget replaces trial jobs and other obsolete employment training programs with a new Trial Employment Match Program (TEMP). This program has been improved by broadening the kinds of costs that can be covered by the wage subsidy, as negotiated with a potential employer, and lengthening the duration of the placement. In addition, the program will be available to noncustodial parents for the first time in recognition of the fact that helping these individuals can, directly or indirectly, benefit their children.

Third, building off of the success of the Transitional Jobs Demonstration Project, the Department of Children and Families will focus its efforts on the Transform Milwaukee initiative. Aimed at low-income people over the age of 18, this program will serve many groups that have not always had access to job training and assistance, including young adults, noncustodial parents, individuals on probation or parole, and many others.

Fourth, the budget will provide a significant infusion of additional state and federal funding to increase the amount of job training and employment assistance provided to adults receiving FoodShare benefits who are not participating in other employment programs. The budget also provides funding to implement program reforms that will improve the effectiveness of training and assistance services by improving the measurement of outcomes and competitively bidding for the provision of services. In addition, to encourage participation in these programs, the state will begin enforcing federal time limits on nutrition assistance benefits for able-bodied adults without dependent children who are not enrolled in an employment program offered by the Department of Health Services, Department of Children and Families or Department of Workforce Development. Participation in the FoodShare Employment and Training Program for adults with dependent children, the elderly and people with disabilities will remain voluntary.

On a long-term basis, the Governor's budget takes important steps to reform the state's pipeline to the workforce: our educational systems. The elementary and secondary school system, the University of Wisconsin System and the Wisconsin Technical College System are the taxpayer-funded foundations of the state's workforce. Without reform in public education, the workforce of Wisconsin's future will not materialize. Significantly, the Governor proposes to focus funding on outputs rather than inputs. School districts, University of Wisconsin campuses and technical colleges will begin to see their funding based on performance.

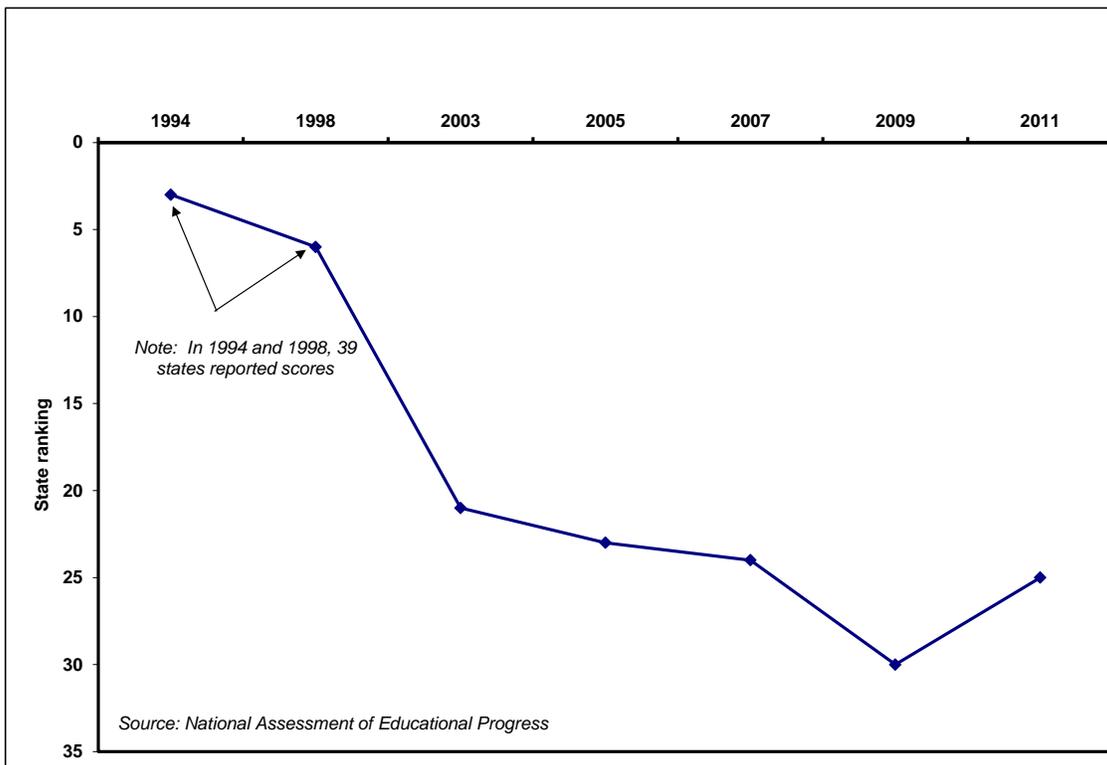
C. TRANSFORMING EDUCATION

Transforming Education through Performance Funding

For years, Wisconsin's student assessment results would seem to indicate that its students were performing exceptionally well. In 2011-12, nearly 82 percent of students scored proficient or advanced on the reading portion of the Wisconsin Knowledge and Concepts Exam. Unfortunately, these numbers have been inflated for years due to Wisconsin setting its standards far below those of other states and well short of the levels necessary for a child to be ready for life after school.

This issue was corrected in 2012 when the scores were adjusted to correspond to those scores on the National Assessment of Educational Progress (NAEP), also known as the "Nation's Report Card." By looking at the exact same test scores through a more accurate lens, fewer than 36 percent of students in the state scored at a level of proficient or advanced. Looking at NAEP data historically shows that Wisconsin has not been in the top 10 states for 4th grade reading since 1998. In fact, a recent Harvard study measuring states' progress in both reading and math shows Wisconsin ranks 38th out of 41 states with complete data between 1992 and 2011. Additional investments in education may be needed in some areas, but must be targeted deliberately to drive achievement and accountability to the greatest extent possible given the resources at hand.

CHART 8: WISCONSIN RANKING ON 4TH GRADE READING IS STILL LOW

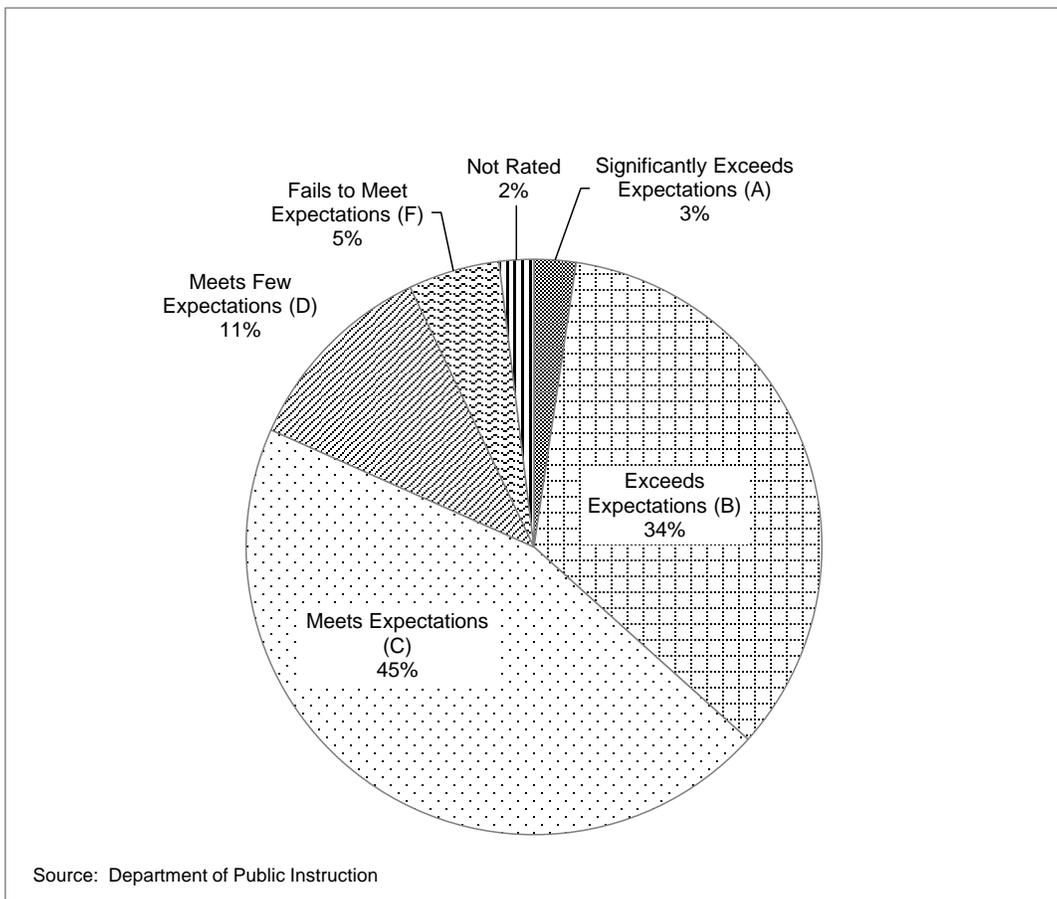


In July 2011, the Governor, State Superintendent and state education leaders took the first steps toward transforming the state's elementary and secondary education system by announcing a combined effort to reimagine the state's school accountability system. This collaboration resulted in a proposal for a transparent and comprehensive accountability framework that was approved by the U.S. Department of Education as part of the state's Elementary and Secondary Education Act flexibility request.

For the first time in November 2012, parents and taxpayers were able to view school report cards for each public school in the state. The report cards will be produced annually beginning in June 2013 and will provide an overall score and categorization that reflects student achievement, student growth, progress in closing achievement gaps, and college and career readiness for each school and school district.

This budget takes the next steps in the transformation of Wisconsin's K-12 education system by using the new accountability system to direct new GPR funding. The 2012 report cards show that a blended approach to funding allocation is needed to reward the highest performing schools, to encourage average schools to achieve excellence and to assist underperforming schools in radically reforming learning.

CHART 9: REPORT CARD GRADES BY PERCENTAGE OF ENROLLMENT



Included in the budget is a \$64 million performance incentive grant program, beginning in fiscal year 2014-15, for K-12 schools with the following features:

- \$24 million will be awarded to schools with grades of "significantly exceeds expectations" or "exceeds expectations."
- \$30 million will be awarded to schools that improve report card scores by at least three points (out of 100 total) over the prior year.
- Although school districts are permitted to set policies regarding districtwide objectives for use of awards, awarded schools will have discretion over spending the awards. Awards should not be considered base building or ongoing, and could fund one-time items such as teacher bonuses, purchases of new technology or facility upgrades.
- \$10 million will be available as competitive grant funding for school districts that present innovative plans to turn around underperforming schools. Support for these districts recognizes the unique challenges faced by schools.

Leveraging new funding to spark a competitive, creative spirit in schools while recognizing excellence will improve the educational experience of pupils and set the state on a course to compare more favorably to the rest of the nation.

Performance-based funding is not only a tool for use in elementary and secondary education. In order to fully reform the education pipeline and produce a workforce that meets the needs of Wisconsin's employers, the state's public postsecondary education systems also must be encouraged to align resources with state priorities.

As described above, the state is in need of middle-skilled workers. The Wisconsin Technical College System is well positioned to play an important role in developing this workforce. The technical colleges' core mission is to provide occupational education and training to students, and customized training and technical assistance to businesses. Campuses have expanded their roles by providing an increasing number of college transfer programs and general education courses, and while popular, these activities do not address the skills training required by Wisconsin's employers. The Governor's budget provides incentives for the technical colleges to refocus on the system's core mission and increase activities related to alternative pathways to credentials, shorter certificate programs and specialized training for employers. Technical college general state aid will transition from a formula-based distribution mechanism to a performance-based distribution system as follows:

- Beginning in fiscal year 2014-15, 10 percent of state general aid for technical colleges will be distributed to technical college districts based on student job placement rates, degrees and certificates awarded in high-demand fields, the number of courses or programs with industry-validated curriculum, the transition of adult students from basic education to skills training, participation in dual enrollment programs, and training provided to employers.
- Each fiscal year through fiscal year 2018-19, an additional 10 percent of state general aid will be distributed based on performance. Beginning in fiscal year 2019-20, 100 percent of state general aid will be distributed based on performance.
- To provide the districts with additional resources to achieve improved performance, appropriations for all technical college categorical aid and grant programs are consolidated into one appropriation which can be used to fund either the previously separate aid and grant programs, or new initiatives to earn performance funding monies.
- The Governor also appropriated an additional \$5 million for state general aid, to assist technical college districts in beginning the transition to performance funding.
- To ensure accountability, the Wisconsin Technical College System Board may only award the performance funding based on an allocation plan approved by the Secretary of Administration, and must provide annual reports to the Legislature and the secretary regarding progress toward the state priorities.

The University of Wisconsin System is a critical economic driver for Wisconsin, providing outstanding education to Wisconsin's future workers at an affordable price and fostering job growth through research and services for businesses. The Governor's budget will incentivize the university to perform each of these functions more robustly and efficiently. A new program to impel a renewed vision and focus on state workforce priorities will:

- Provide \$10 million in each year of the biennium for projects that address one of the following three state priorities:
 - Economic development, which includes any program or activity that encourages the establishment and growth of business in this state.
 - Workforce development, which may include increasing degrees awarded in high-need fields, opportunities for practical student work experiences, and research and development.
 - Affordability, which may include reducing time-to-degree, increasing opportunities for postsecondary students to earn college credits and improving credit transfer.

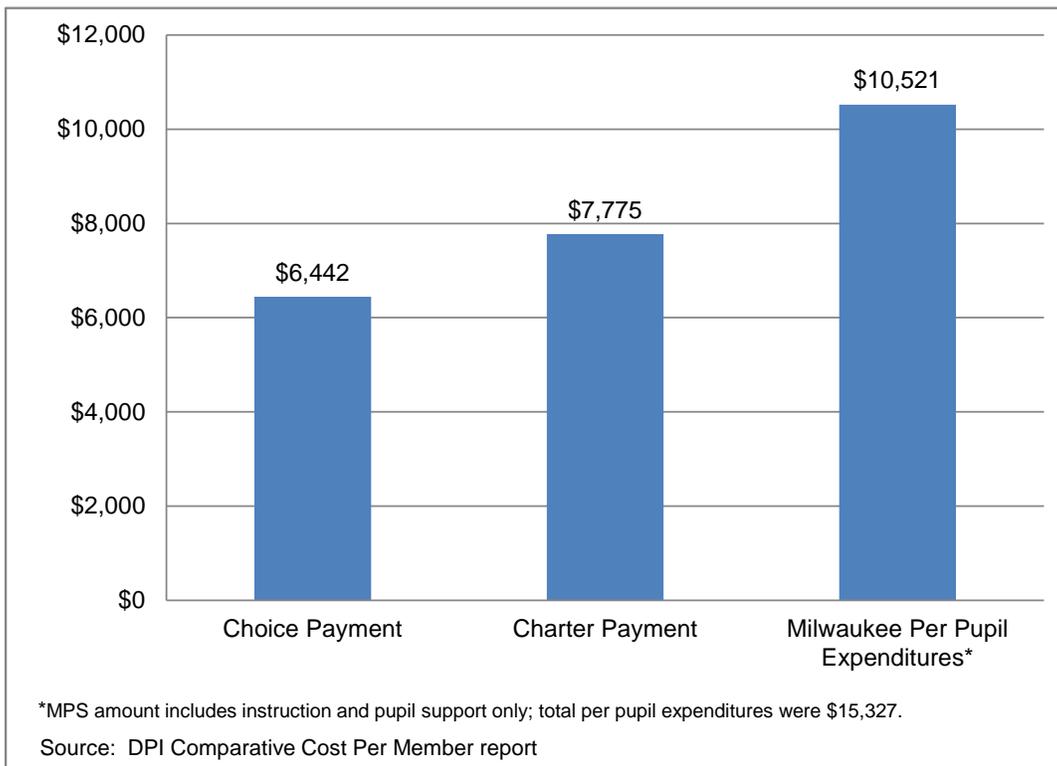
- Ensure accountability by requiring the Board of Regents to develop a plan for awarding performance-based grants to projects and submit that plan for approval to the Secretary of Administration. Additionally, the board will be responsible for tracking outcomes of the projects and reporting on progress annually.

Elementary and Secondary Education

The Governor seeks to continue to expand choices for parents, especially for parents of students in struggling schools. The Governor's 2011-13 budget included the first expansion of the parental choice program beyond Milwaukee since its inception in 1989. As a result, low-income parents in the Racine Unified school district are afforded more control over the education of their children. In a district where 16 of 32 schools do not meet expectations on school report cards, the ability for Racine families to make a choice is particularly valuable. Through the 2013-15 budget, the Governor seeks to further expand available options for families in school districts with struggling schools and provide parents with the ability to obtain the educational experience they feel is best for their child. The Governor's budget will strengthen parental choice by:

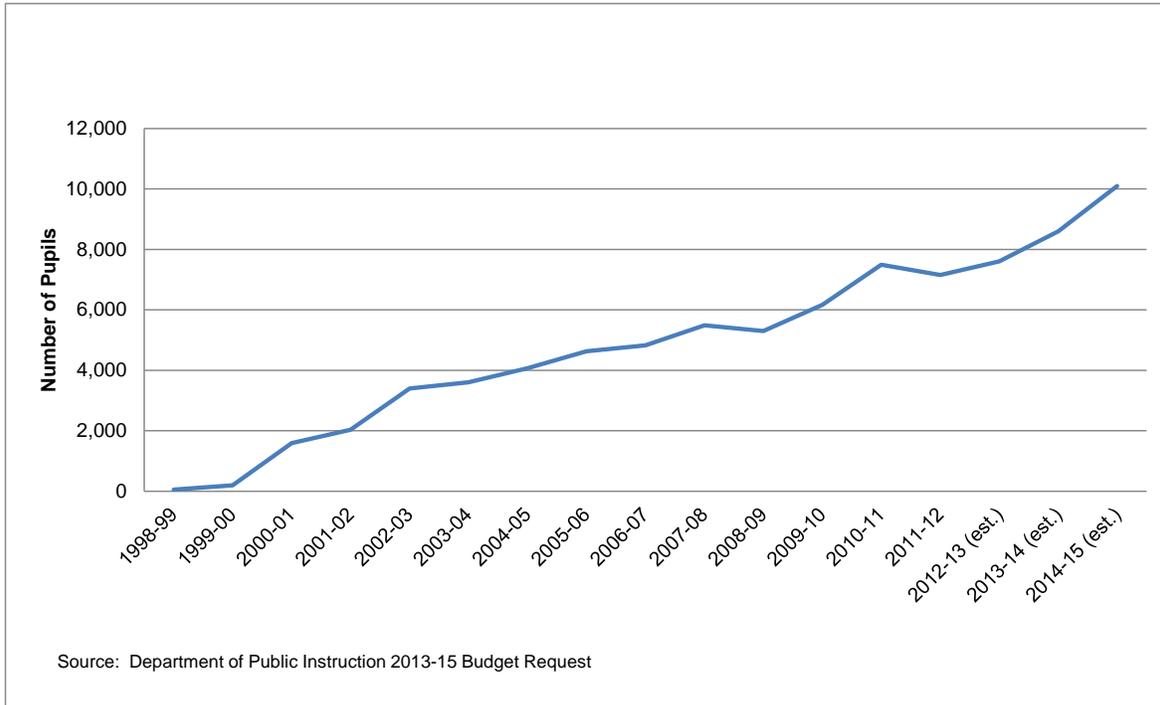
- Opening the choice program to school districts with at least two struggling schools (those receiving school report card grades of "fails to meet expectations" or "meets few expectations"), at least 4,000 students and at least 20 students that intend to participate in the program. This expansion will be capped at 500 students statewide for fiscal year 2013-14, and 1,000 students statewide for fiscal year 2014-15. Eligibility requirements for students would be similar to current choice program eligibility requirements.
- Increasing the per pupil payment to participating schools from \$6,442 to \$7,050 for pupils in grades kindergarten through 8 and \$7,856 for pupils in grades 9 through 12. This is the first increase since 2009-10. Although this increase does not achieve parity with charter schools, it is a first step toward that goal.
- Permitting private schools to participate in multiple programs with one notification to the Department of Public Instruction.

CHART 10: IN 2010-11, CHOICE PAYMENT SIGNIFICANTLY LOWER THAN CHARTER PAYMENT OR MPS SPENDING



The Governor also supports enhanced educational options through charter schools, home-based educational programs and traditional public schools, while at the same time maintaining high standards of accountability and balancing freedom of choice with available resources.

CHART 11: PARTICIPATION IN INDEPENDENT CHARTER SCHOOL PROGRAM PROJECTED TO INCREASE



One of the Governor's cornerstone initiatives is to create a new charter school oversight board. The board will enable the further development of the independent charter school system while creating a new level of accountability for all levels of the system. The budget includes the following provisions:

- Create a charter school oversight board to manage the authorization of local independent charter school authorizers. The new board will consist of eleven members, including two appointees of the Governor, six appointees of the leaders of the Legislature, two appointees of the State Superintendent, and the State Superintendent or his or her designee.
- New independent charter school authorizers may be nonprofit, nonsectarian entities or groups of entities.
- When applying to the board, to ensure accountability, applicant entities must include the following items: a strategic plan for authorizing schools that meet identified educational needs and promote diversity of educational choices; a performance framework for school operators that includes student achievement, student growth, closing achievement gaps, attendance, postsecondary readiness, financial sustainability of the school and management principles; an assurance regarding accountability and transparency; a plan to address failing schools; a description of the types of schools and potential attendance areas; information about the financial viability of the school; and a plan for replication of successful schools. On an ongoing basis, authorizers are required to approve only high-quality school applications, monitor performance, and provide annual reports regarding contract nonrenewals, performance, operating costs and services provided to schools.
- To further ensure accountability, each charter or contract between an authorizer and a charter school governing board must specify performance requirements, provisions for expansion for successful school operators, methodologies for data collection, clarity regarding the rights and responsibilities of the parties to the charter, a parent-teacher conference requirement, and reporting requirements and training requirements.

- Balancing accountability and flexibility is critical. To ensure flexibility for charter school operators, each school will have the express ability to receive and disburse funds, secure insurance, enter into contracts for various types of services, incur debt, pledge assets as collateral, accept gifts and grants, acquire real property, and otherwise act as a separate legal entity from the authorizer.

The Governor's budget provides additional support for independent charter schools. The charter school per pupil payment is increased by 1 percent in each year, from \$7,775 in the current year to \$7,852 for the 2013-14 school year and \$7,931 in the 2014-15 school year. Further, the Governor has included additional flexibilities for charter schools, such as:

- A competency-based charter school teaching license, which permits adults to leverage proven knowledge to gain a temporary charter school teaching license in given subject or subjects.
- For instrumentality charter schools, a delineation of the rights and responsibilities of the school operator and the school district.
- Students in districts with at least two struggling schools and 4,000 students will be able to attend an independent charter school anywhere in the state under the new structure; students in other school districts must receive approval from the resident school board.

The Governor also recognizes that traditional public schools can play a significant role in increasing a family's choice in educational opportunities. The 2013-15 budget includes the following additional opportunities:

- By transforming the part-time open enrollment program into the Course Options program, students of any grade who wish to attend classes at a University of Wisconsin System campus, technical college or other nonprofit approved by the Department of Public Instruction will be able to take up to two courses using the program's structure to determine cost.
- Homeschooled students may attend up to two courses at any school district in the state. Currently, these students are limited to the course offerings in the high school of their resident school districts. By removing limitations, homeschooled pupils can avail themselves of unique courses in neighboring school districts at any grade level.
- The budget makes it easier for school districts to avail themselves of on-line teaching and resources by: prohibiting requirements that teachers be physically present in the classroom, which ensures that students will have access to on-line courses in the future; removing barriers to teachers becoming certified in on-line teaching by eliminating the requirement of an additional 30 credit hours of professional development; and providing \$1.5 million in fiscal year 2014-15 for the Department of Public Instruction to begin developing an on-line portal that will offer blended learning opportunities, collaboration areas for teachers and digital content.

Additionally, the Governor recommends parents of students with special needs have the ability to send their child to any school of their choice under a new Special Needs Scholarship Program. Under the program, a student with an Individualized Education Program (IEP) can attend any public or private school in the state by using a scholarship. The scholarship amount will be determined by the Department of Public Instruction, after a review of the student's IEP. The scholarship is paid directly to the school the child attends and is deducted from the resident school district's equalization aid payment. To protect property taxpayers, resident districts count the pupil as enrolled but are not permitted to increase property taxes to make up for the deduction. Private schools are subject to specified accountability requirements.

The Governor recognizes the state must continue to invest in developing knowledge of how our students are doing, and using that knowledge to improve instruction and guide students, is critical to improving outcomes. The Governor's budget includes additional support for the following initiatives:

- Increased funding to expand early reading screening of \$1.5 million in fiscal year 2013-14 and \$1.4 million in fiscal year 2014-15. Early reading assessment was recommended by the Governor's Read to Lead task force, and the Governor signed 2011 Wisconsin Act 166 to begin the program in the 2012-13 school year for kindergarten. The budget provides sufficient funding to expand the program to four-year-old kindergarten, 1st grade and 2nd grade by the 2014-15 school year.
- Increased funding to implement improved student assessments of \$1.9 million in fiscal year 2013-14 and \$9.6 million in fiscal year 2014-15. Wisconsin was a leader in a consortium that developed a new assessment to align with the national common core standards in reading and mathematics. During the next biennium, school districts will transition from the Wisconsin Knowledge and Concepts Exam to the consortium-developed SMARTER Balanced Assessment. The budget provides funding for this transition and for the development of new, rigorous assessments that are not included in the SMARTER Balanced Assessment. Additionally, funding is provided to administer the American College Testing (ACT) suite of exams, which includes the EXPLORE, PLAN and ACT or WorkKeys tests for high school students. Providing districts with these ACT testing resources will guide students in considering career paths.
- Additional funding for the statewide student information system of \$13.9 million over the biennium to continue implementation.
- Additional funding for the Department of Public Instruction's longitudinal data system of \$3.3 million in each year to increase functionality as well as a requirement to work with the Departments of Workforce Development and Children and Families to ensure a strong link between education and workforce data.
- Additional funding of \$6.9 million in fiscal year 2013-14 and \$6.7 million in fiscal year 2014-15 to support our teachers through the state educator effectiveness system. The Governor supports improving educator practice to improve student achievement. By providing resources to school districts for training, the Governor's budget will ensure uniformity and quality in teacher evaluation practices while helping teachers to receive specific, frequent and actionable feedback.
- Help ensure students in poverty have great teachers by funding the expansion of the Teach For America program.

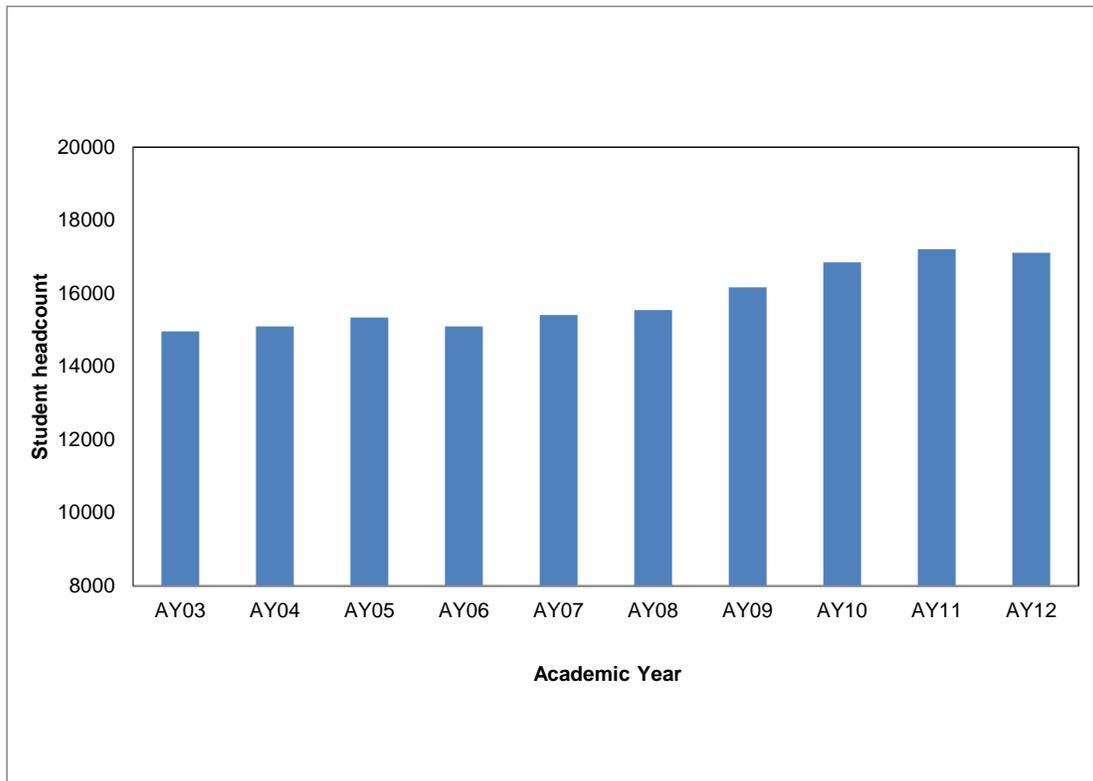
Higher Education

The Governor's investments in higher education in the 2013-15 budget focus on incentivizing progress on state goals and developing our workforce, as described above. In addition to these outcome-focused investments, the Governor's budget increases the ability of students to navigate the state higher education system easily and in less time. The budget includes:

- \$650,000 in fiscal year 2013-14 and \$1.3 million in fiscal year 2014-15 in the University of Wisconsin System's GPR block grant intended for the Flexible Option program. The Flexible Option provides students with competency-based progression in an on-line program, reducing costs and time to degree.

- A requirement that the University of Wisconsin and technical colleges collaborate and implement a core credit transfer policy by the 2014-15 school year. Most traditional-age undergraduate students will attend at least two different institutions during their college careers; however, it is difficult for Wisconsin students to know whether academic work they have already completed will count at another institution due to a patchwork of hundreds of articulation agreements among state higher education institutions. By requiring that basic degree requirements be transferable among all state public institutions, students will be assured that they will not lose credits, time and money by transferring to a new institution.

CHART 12: UNDERGRADUATE TRANSFERS INTO OR WITHIN UNIVERSITY OF WISCONSIN SYSTEM UP 10 PERCENT IN LAST 5 YEARS



Further, with increased funding proposed by the Governor in this budget, forgiveness of \$66 million in reductions over the biennium, and the ability to recoup health insurance and pension overpayments, the University of Wisconsin is well-positioned to undertake creative initiatives to enhance the value of a Wisconsin higher education.

Additionally, the Governor recommends helping maintain the value of the college tuition tax deduction for working families by indexing the income thresholds for inflation. By doing this, inflation will not erode the value of an important tax benefit for middle class families sending their children to Wisconsin colleges and universities. Over this biennium, this will provide approximately \$2.2 million in tax relief to eligible families sending their children to college.

D. REFORMING GOVERNMENT

Tax Simplification and Enforcement

Improving the simplicity of Wisconsin's tax code is important for both individuals and businesses who may have struggled with high tax compliance burdens. To achieve a greater level of conformity with federal tax law, the Governor recommends updating Wisconsin's tax code to be consistent with a number of recently adopted provisions of the Internal Revenue Code. Among the provisions are several changes to the code made by the Affordable Care Act of 2010, as well as several minor provisions including rules relating to the corporate repurchase of convertible debt instruments, pension funding rules for determining segment rates, transfers from excess pension assets to retiree medical accounts, transfers from excess pension assets to purchase retiree group term life insurance, the exemption of phased retirement payments from the early distribution tax, and the adoption of the installment method for accrual basis taxpayers. The net effect of these updates is an increase in revenues of \$15.5 million in fiscal year 2013-14 and \$18.2 million in fiscal year 2014-15, due almost entirely to the tax law changes contained in the Affordable Care Act. The Governor also recommends maintaining Wisconsin's conformity with several provisions that were renewed under the American Taxpayer Relief Act of 2012 passed at the beginning of this year.

The Governor also recommends phasing out an inefficient tax credit. The Electronic Medical Records Credit will phase out following tax year 2013. Employers eligible to receive the Wisconsin credit will continue to have the opportunity to receive federal incentive payments for up to \$63,750 for installation and meaningful use of electronic medical records. The phase out of this credit is expected to allow the state to retain \$5 million in revenues in the biennium.

Ensuring that all taxpayers pay what they legally owe is essential to guarantee that law-abiding taxpayers do not pay more than they should for government services. Recent federal legislation defining roll-your-own retailers as manufacturers passed as part of the federal transportation reauthorization. To ensure fairness and consistency in the application of the cigarette tax and the provisions of the tobacco master settlement agreement, the Governor recommends modifying current law to define commercial roll-your-own operators as manufacturers, making them subject to the same taxation as businesses that are selling cigarettes that were manufactured and taxed according to the letter and spirit of the law. This is expected to increase excise tax collections by \$2.8 million over the biennium.

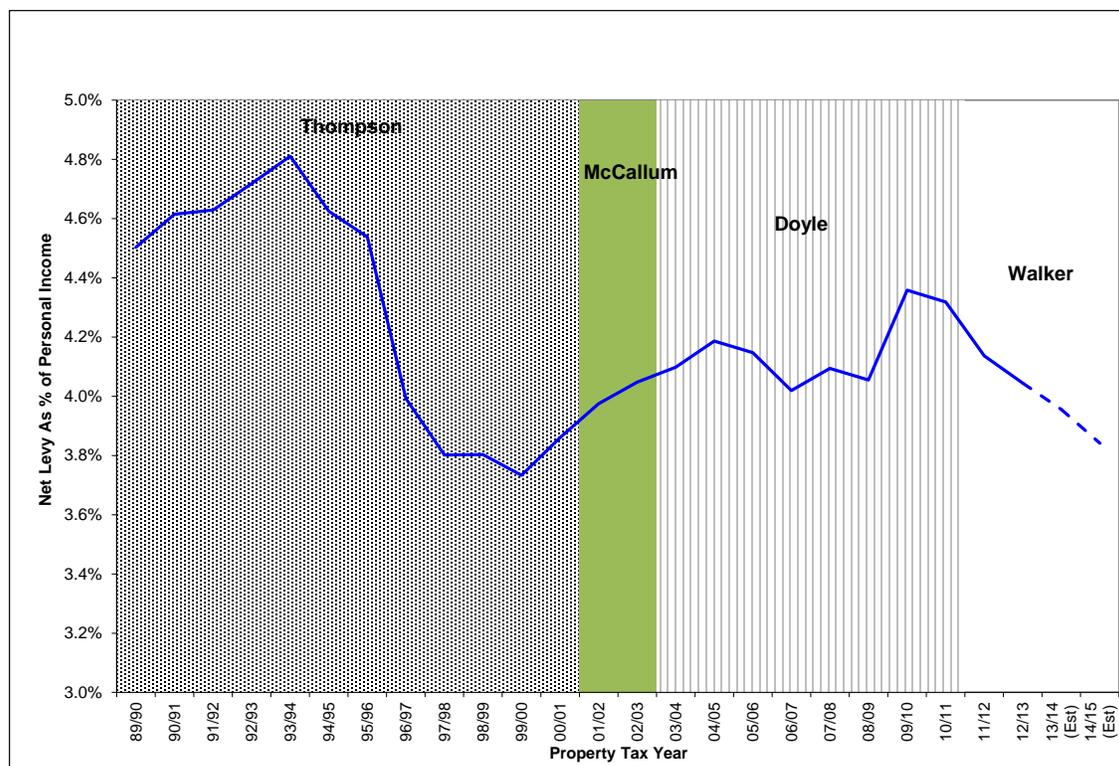
To reduce tax fraud, the Governor recommends strengthening Wisconsin's laws against fraudulent tax credit claims and providing additional resources to the Department of Revenue for reducing tax evasion. These resources are expected to prevent approximately \$17 million in tax fraud each year of the biennium. Reducing tax fraud means that taxes for law-abiding taxpayers can be lower both now and in the future. This budget also provides additional resources to the department to expand intensive collection efforts that are projected to improve collections by \$18.9 over the biennium. The Governor also recommends providing the department with new position and expenditure authority to expand tax enforcement related to income adjustments on federal audit reports. These efforts are projected to increase collections by \$7 million in fiscal year 2013-14 and \$28.8 million in fiscal year 2014-15. The Governor further recommends modifying current law to prevent those who are eligible for refunds for motor vehicle taxes paid but who owe other taxes from collecting those refunds until other debts and obligations are paid. This is expected to increase collections by \$600,000 over the biennium.

Property Tax Relief and Local Government

Responsible property tax controls implemented in the 2011-13 budget led to the first consecutive declines in property tax bills for the typical homeowner since the 1997-98 property tax year. Bills fell by 0.3 percent in 2011/12 and by 0.6 percent in 2012/13, according to preliminary estimates. This contrasts with the 2.4 percent annual rate of growth during the preceding ten years. Importantly, such relief was achieved despite a troubled real estate market that placed more of the burden on existing property owners as opposed to new construction. This was possible because total levy growth has been below 1 percent for two years in a row, a performance not seen since at least the 1940s. Even with such

modest growth in levies, local governments have been able to maintain strong public services due to the savings made possible by 2011 Wisconsin Act 10.

CHART 13: HOLDING THE LINE ON PROPERTY TAXES REVERSED TREND OF RISING BURDENS



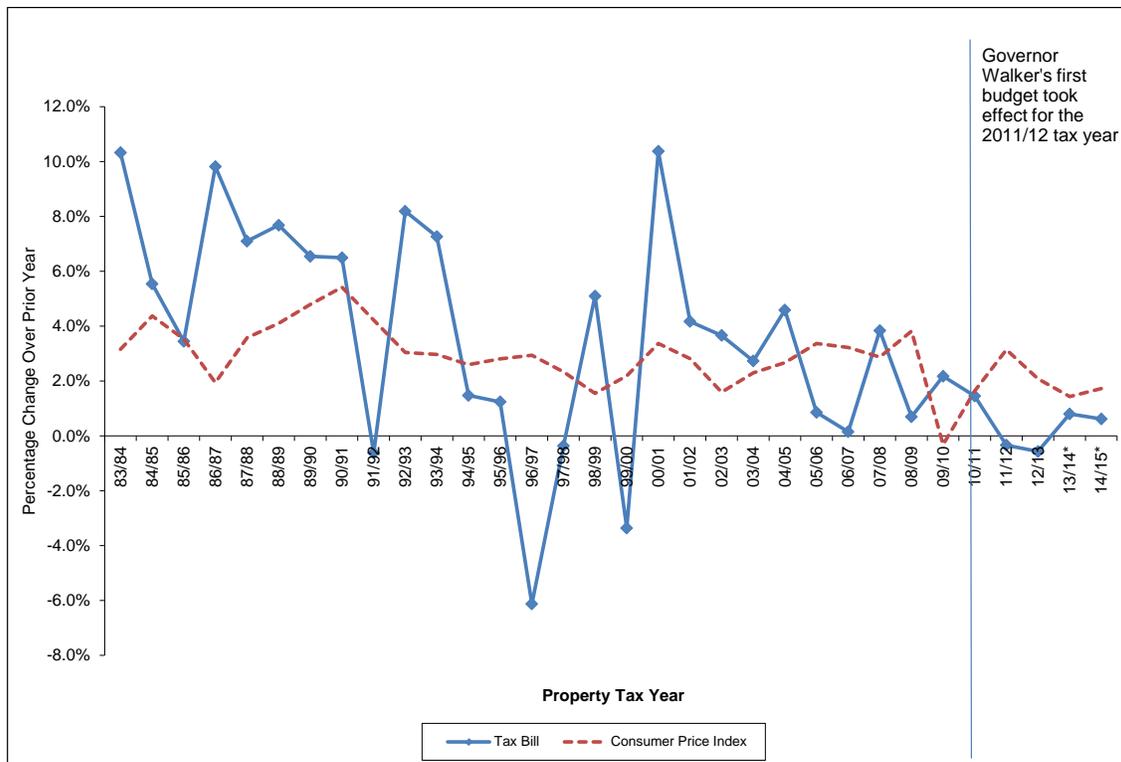
The Governor recommends continuing policies that protect Wisconsin property taxpayers while encouraging efficiency in local units of government. For counties and municipalities, the Governor recommends leaving current levy limits unchanged so that municipalities and counties may only increase their levies to match the growth in property values due to net new construction, while allowing for current law exceptions including debt service, service consolidations and annexations. Additionally, the Governor recommends extending the supermajority vote requirement provisions for carryover capacity utilization.

The Governor also recommends renewing levy limits for technical college districts that limit the increase in levies to the growth in equalized value due to net new construction, once again allowing for the current law adjustments and exclusions. This budget recommends expanding the supermajority vote requirement to utilize unused levy limit carryover capacity utilization to include technical college district boards. These controls promote prudence in taxation by allowing local units of government to utilize levy limit capacity in the subsequent year if it is not needed immediately while still protecting property taxpayers, and promote consistency across all property tax types.

The Governor recommends eliminating mill rate limitations on the operating levies for counties and technical college districts. Mill rate limits do not protect property taxpayers as thoroughly as levy limits do since they are a function of both current property values as well as the amount of tax being collected. Due to different paces of property value growth around the state, the mill rate limits granted some units of government more latitude to raise taxes than others that was not fully related to restraint in property tax levies. Strong levy limits, by contrast, cap the total amount of tax that can be collected and thus serve as a stronger control mechanism. These combined limits and controls ensure property taxpayers are well-protected from significant property tax increases, and local governments will operate under a consistent set of property tax controls.

In addition to the continuation of property tax controls, the Governor recommends nearly \$160 million over the biennium in additional funding for property tax relief. Most of this increase will come from \$126 million in increased funding for school district general equalization aids, which will reduce the amount of revenues school districts raise from property taxes. The Governor also recommends allocating all lottery revenues net of prizes and administrative expenses to the lottery and gaming credit and using general purpose revenues to replace the lottery revenues currently funding the school levy tax credit. This represents an increase of \$29.7 million over the biennium in property tax credits.

CHART 14: FOUR YEARS IN A ROW WITH TAX BILLS BELOW INFLATION



The Governor also recommends continuing current state funding commitments to counties and municipalities by maintaining current law levels of shared revenue, general transportation aid, municipal service payments, youth aids and all other major local aid funding. The Governor also recommends modifying allowable adjustments under the Expenditure Restraint Program to give more flexibility to governments that choose to contract with other governments for services, in order to ensure that the government providing the contracted service is not penalized under the program.

Finally, the Governor recommends prohibiting local units of government from passing ordinances or other policies which require residency within the jurisdiction of the local unit, unless as required by state law.

State Employee Benefits

This budget includes funding for the higher costs of current health care and pension benefits for state employees as well as several reform initiatives. The Wisconsin Retirement System with its unique risk-sharing design has been consistently ranked as one of the best retirement systems in the country. In order to keep the system fully funded despite the investment losses of 2008, the contribution rates for both employers and employees have increased. In addition, the budget includes language that would address the hiring of annuitants by increasing the break in service requirement and establishing a threshold that requires anyone returning to work over two-thirds of full time to stop his or her annuity and

rejoin the Wisconsin Retirement System. This change will address most of the concerns with rehiring annuitants without shutting the door to people who want to continue to be employed or depriving state and local governments of experienced workers. The budget also includes resources for the Department of Employee Trust Fund's business modernization and technology integration project, which will streamline and provide additional on-line services to all Wisconsin Retirement System participants.

Health care is one of the fastest growing costs for both the public and private sectors. This trend will only accelerate as the federal government implements the Affordable Care Act, which contains numerous taxes and fees on providers and on employers who offer their employees health care coverage. In an attempt to improve the health and well-being of their employees and manage these costs, many companies and governments are getting employees more involved in their own health care.

Supporting wellness programs and creating incentives for employees to be cost-conscious consumers of their own health care is a win-win for employees and state government. The Governor believes the first step in any serious employee wellness program is for employees to understand their current health status. By participating in a wellness assessment and biometric screening, employees will have an opportunity to establish health baselines and potentially identify any health concerns that should be addressed sooner rather than later. Each person's information will remain confidential; however, aggregated data will enable the state to design effective and targeted wellness programs that best meet the needs of its workforce. In this, the Year of Well-Being, the Governor will kick-off a concerted effort to encourage all state employees to focus on and improve their health and well-being. In addition to important benefits to the individual, this effort will save money in the long run, by preventing chronic diseases and reducing treatment costs as well as reducing absenteeism and use of sick leave, helping state government to be more effective and efficient.

In addition, because health care costs of smokers and other people who use tobacco are estimated to be 30 to 35 percent higher than nonsmokers, the Governor recommends that a tobacco user charge be included for state employee health plans beginning in calendar year 2014. Employees who use tobacco products will be assessed an extra \$50 per month and will be encouraged to avail themselves of smoking cessation and other services designed to help them kick the habit.

The Governor also believes that one of the most effective cost containment strategies is to encourage employees to be cost-conscious consumers of health care. A high deductible health plan coupled with a health savings account is a proven method of doing just that. With lower premiums as a result of the high deductible and the ability to retain any unspent dollars in the health savings account, many people can save money over a more typical plan design. A goal of this plan design is to create an incentive for employees to more carefully weigh the costs against the benefits of various tests, procedures and medicines, and engage in additional wellness activities. Under the current system, the incentives for both the providers and the patients are aligned to access more not less health care. Many companies have embraced this model, as have 13 other states. Beginning in calendar year 2015, the Governor is recommending that all health plans be required to offer an optional high deductible health plan with an employer-funded health savings account.

With these steps, the Governor aims to bend the cost curve on state employee health care. This is important because with substantial annual health care cost inflation and the new taxes and fees under the federal Affordable Care Act, health care costs will otherwise continue to consume the majority of resources available for total employee compensation.

Fraud Identification and Prevention Initiatives

In addition to many of the initiatives already discussed that reform how government funds are collected and spent, the Governor's Waste, Fraud and Abuse Commission identified many additional opportunities for state government to achieve savings and become more efficient. As one example, the Department of Health Services permanently established an Office of the Inspector General to improve the coordination and efficiency of the department's program integrity functions. In the ten months since its establishment, the office has saved \$7 million in avoided costs and \$5 million in recouped payments, achieving an average savings of \$23 for each \$1 spent on administration. This ratio is expected to rise now that the office is fully staffed for the first time in January 2013. A similar office will be established at the

Department of Corrections. With the additional positions added in this budget, the office will have 27.0 FTE positions and be split into three units to focus on different priorities: preparedness and response unit; professional standards and Prison Rape Elimination Act unit; and quality assurance unit.

As importantly, agencies have embraced the principles behind the commission's recommendations and have continued the progress through ongoing efforts such as the Lean Government initiative and the Small Business Regulatory Review Board, which recently identified over 300 potential administrative rule modifications that will make it easier to do business in the state.

The Governor's budget continues the effort to eliminate waste, fraud and abuse. The budget provides 13.0 FTE GPR positions in the Department of Revenue to combat fraudulent income tax returns and other tax credit claims, which is estimated to increase tax collections by \$28 million over the biennium as well as decrease improper homestead and earned income tax credit payments by \$6 million. In addition, the budget provides 15.0 FTE GPR positions for the intensive collection effort program, which is expected to increase the collection of delinquent taxes by \$18.9 million over the biennium. The budget also provides 6.0 FTE SEG positions for lottery administrative services for the department. These additional positions will ensure enhanced lottery security and accounting and are funded entirely by lottery proceeds. Finally, the budget includes the conversion of 13.0 FTE project positions to permanent in order to continue to address fraud in the Wisconsin Shares child care program.

Information Technology Investments

Consistent with one of the key recommendations of the commission, the budget includes investments in several significant information technology systems to improve state government operations. First, the financial module of the enterprise resource planning system will be implemented in the next biennium. This initiative will begin to replace archaic and duplicative administrative systems throughout state government with an integrated system that will provide both decision makers and the public access to better and more transparent information.

Second, another core process that does not have adequate information technology support is procurement and purchasing. As one of the largest purchasers in the state, having a modern procurement system is critical to saving taxpayer dollars. The increased functionality and improved ability to do business with the State will in part be supported by a new vendor fee.

Third, in an effort to allow agencies to focus on what they do best, which is run programs that serve the public and not waste efforts on duplicating infrastructure services that can best be offered centrally, the budget launches the private cloud initiative and the self-funded Web portal. Both initiatives are designed to improve the information technology infrastructure that supports agency programs. One of the first results of the self-funded portal initiative will be the development of the one-stop business registration system that will eliminate thousands of man-hours for start-up businesses. These employers can alternatively focus on their business instead of on government red-tape.

Another example of reforming the way that state government does business is at the Department of Children and Families, which is implementing an electronic benefits card that will initially be used for Wisconsin Works benefits and then to support the child care parent pay initiative. Under this initiative, parents will receive their child care subsidy on an electronic benefits card, and they will pay their child care providers directly without the state acting as the middleman. This will not only simplify the administration of the child care program and increase program integrity, but it will be consistent with the approach that thousands of parents across the state use to handle their arrangements with child care providers.

Justice Initiatives

Allocating resources to criminal justice agencies at both the state and local level is an essential component of a robust system. In order to create efficiencies and streamline functions, the Governor's budget transfers functions currently overseen by the Office of Justice Assistance to the Departments of Corrections, Justice and Military Affairs. This transfer does not eliminate any responsibilities currently housed at the office, but instead combines them with similar functions in the other departments. The

Department of Justice currently works with law enforcement agencies across the state to collect fingerprint records, DNA from convictions and criminal histories of offenders; the addition of the Wisconsin Justice Information Sharing program will strengthen related endeavors. The Department of Military Affairs will administer state homeland security funds; as the Adjutant General also serves as the Homeland Security Advisor, there will be a seamless transition of program duties.

Changes in the Department of Justice will also focus resources on complex legal cases and better position Wisconsin to respond with more specialized representation through the establishment of a solicitor general's office, funded at \$411,600 GPR in fiscal year 2013-14 and \$548,900 GPR in fiscal year 2014-15 and 4.0 FTE positions in each year. The funding and positions will allow the department to provide in-depth legal representation at the state and federal appellate levels. To increase surcharge collections that help support programs for victims of crime, the budget modifies how surcharges are applied. The imposition and collection of the crime victim and witness assistance surcharge is streamlined by eliminating the composite parts and depositing all revenues to the victim and witness reimbursement program. Further, the surcharge must be imposed on all counts of an offense and may not be waived by a judge. Strengthening the imposition and collection efforts will increase funds available to support many crime victim and witness programs administered by the department and benefit victims.

Other Government Efficiencies

The Governor also seeks to sell state property and assets where they do not align with state purposes or missions. The budget will: (a) allow the Building Commission or the Department of Administration, with certain exceptions including prisons, parks and land owned by the Board of Commissioners of Public Lands, and with the approval of the Building Commission, to offer for sale or lease any state-owned real property unless prohibited by the Wisconsin Constitution, federal law or other specific statutes; (b) direct net proceeds from a sale first to pay off any outstanding debt related to the property and then to refund general obligation or revenue bonds; (c) allow the department to attach conditions to a sale or contract that are in the best interest of the state; (d) allow a co-owning nonstate entity right of first refusal to purchase the property; and (e) allow the Secretary of Administration to adjust positions and operating budgets of affected agencies. In addition, agencies would be required to submit an inventory of all real properties to the department. The department would obtain appraisals for any properties that may be offered for sale and report this information to the Building Commission.

The budget also makes permanent reductions in many GPR appropriations. By becoming more efficient and controlling the cost of state government, it can be more nimble and have more resources to react to the future needs of the state.

E. INVESTING IN INFRASTRUCTURE

The Governor's budget would appropriate the \$4.7 million unallocated balance of the Universal Service Fund to create a broadband grant program to increase broadband access and capacity and expand high speed Internet service access to underserved areas. Priority would be given to proposed projects that include matching funds or public-private partnerships, affect areas with no broadband service providers, and those affecting a large geographic area or a large number of previously underserved individuals or communities.

Transportation

The Governor recognizes that a well-maintained transportation system is vital to growing the economy. Wisconsin's investment in highways, rail and harbors in this biennium will continue our transition from an aging transportation network into a modern, 21st century transportation system, create jobs in the transportation industry, ensure convenient access to work for commuter, recreation locations for tourists, and transport our manufacturing and agricultural goods throughout the state and around the world.

The Governor's budget recommends an increase of \$55 million for routine highway maintenance to ensure existing roadways are safe, cleared of ice and snow, and well-maintained. Investing in

maintenance reduces or delays more costly replacement or rehabilitation of roadways, alleviating pressure on existing transportation resources. The state will continue to invest in the state highway rehabilitation program by providing an \$80.8 million increase over base funding to ensure pavement integrity is maintained and will provide an additional \$38.4 million of funding above base amounts for critical highway capacity expansion projects through the major highway development program.

This budget continues to invest in preserving and improving vital transportation infrastructure assets in Southeast Wisconsin. In the 2011-13 budget, the Governor accelerated the reconstruction of the Zoo Interchange. This budget dedicates \$500 million over the biennium to ensure this project continues as scheduled, partially financed by \$102 million in Transportation Fund SEG-supported bond and \$200 million in general fund supported bonds as part of the funding to reconstruct the Zoo Interchange. Debt service on the general fund supported bonds will be partially supported by the sale of surplus government property. The budget also provides \$50 million for reconstruction of I-94 between the Illinois border and the Mitchell Interchange. The combined investment in Southeast Wisconsin Freeway projects under this budget is \$550 over the biennium, an increase in total project funding of \$130 million over the previous biennium.

The Governor also recommends investing an additional \$70.7 million into the freight transportation network, of which \$10.7 million will be invested in the harbor infrastructure and \$60 million into freight rail. Recognizing the need to move goods from harbors to highways, this budget also provides \$236 million in funding for major improvements to the Hoan Bridge and the I-794 freeway, which will allow for efficient flow of goods from the Port of Milwaukee to the interstate.

States across the nation are facing the challenge of maintaining a modern transportation system in the face of slow growth in transportation revenue sources and aging highway infrastructure. To protect taxpayer dollars, while maintaining the high quality of Wisconsin's transportation system, the Governor recommends continuing to deposit 0.25 percent of all general fund revenues into the Transportation Fund. This is expected to generate over \$70 million for the fund over the biennium. In addition, the Governor recommends repaying a portion of the transportation user-fee revenue raided under prior administrations, which results in a one-time transfer of \$23 million from the general fund to the Transportation Fund. The Governor further recommends transferring \$32 million in Petroleum Inspection Fund revenue to the Transportation Fund.

In addition to the revenue changes, the Governor recommends that the Transportation Projects Commission review enumerated major highway development projects to identify any projects that are unnecessary given current projections on highway capacity. Finally, beginning in fiscal year 2014-15, the Governor recommends funding transit operating aids from the general fund to further strengthen the relationship between user fee revenues and investments in transportation infrastructure. These changes improve the balance of the Transportation Fund and ensure continued investment in transportation infrastructure while preventing an increase of taxes or fees over the biennium.

Department of Transportation Initiatives

- Provide an additional \$23 million in revenue by repaying transfers from the Transportation Fund made in prior biennia.
- Transfer an additional \$32 million of road-user generated revenue from the Petroleum Inspection Fund to the Transportation Fund.
- Fund transit operating aids from the general fund beginning in fiscal year 2014-15 to further strengthen the relationship between user fee revenues and investments in transportation infrastructure.

- Provide a total of \$550 million in funding for the continued construction of the Zoo Interchange project and the I-94 North-South Corridor. Of this amount, \$500 million will go towards addressing immediate infrastructure needs related to the Zoo Interchange. The remaining \$50 million will support continued reconstruction of certain aspects of the I-94 North-South Corridor. These projects will serve generations of Wisconsin residents and businesses, financed by \$107 million in Transportation Fund SEG-supported and \$200 million in GPR-supported general obligation bonds.
- Provide \$236 million total funding authority for the reconstruction of the Hoan Bridge and I-794 freeway.
- Provide \$80.8 million above the base amounts for state highway rehabilitation to preserve pavement quality throughout the state and \$38.4 million above the base for the major highway development program to address critical highway expansion needs.
- Increase funding for routine maintenance agreements with counties by \$55 million over the biennium and split funding for routine maintenance from overall state maintenance funding to ensure that state operations expenditures do not reduce funding for highway maintenance and to facilitate performance based contracting with counties or other routine maintenance providers.
- Provide \$2.7 million SEG in additional expenditure authority for two new state patrol recruiting classes and \$3.8 SEG million and 28.0 FTE positions for additional inspectors at safety and weight enforcement facilities, which will allow for additional hours of enforcement, and allow for more comprehensive inspections for intrastate movement of products and people.
- Increase the penalties for oversize/overweight vehicles by 1 to 8 cents per pound, depending on the severity of the weight violation by the vehicle.
- Provides an additional 180.0 FTE engineering and engineering support positions to the Department of Transportation, which are expected to reduce the department's costs consultants by \$5.6 million. Those savings will be used to continue to fund priority projects in the department without requiring the use of additional fees or taxes.
- Provide \$560,000 SEG for information technology equipment maintenance related to issuing Real ID identification products.
- Provide \$10.7 million in bonding authority for the Harbor Assistance Program and \$60 million for the Freight Rail Preservation Program over the biennium.
- Realign federal funding under MAP-21 to consolidate Transportation Enhancement Activities, Bicycle and Pedestrian Facilities, and Safe Routes to School federal appropriations into a single Transportation Alternatives appropriation and establish parameters for when funds are awarded and can be used.
- Rename and broaden the definition of the existing Flood Damage Aids to include disaster assistance and provide an additional \$400,000 SEG for the program. In addition, require approval by the Governor for expenditures from this program of greater than \$1 million.

Water Quality

- Ensure the safety of Wisconsin's dams by providing \$4 million for dam repair, reconstruction and removal projects.

F. IMPROVING MENTAL HEALTH PROGRAMS

In Wisconsin, the state and local governments work cooperatively to meet the needs of individuals with mental health needs. Under this joint system, the Department of Health Services provides counties state and federal funding and policy direction, while each county develops its own programs and budgets tailored to meet the needs of residents.

This budget includes a significant investment in enhancing and expanding the services provided by state and local governments to individuals with mental illness. These initiatives build on proven, evidence-based strategies, expand successful programs and address the most urgent needs identified by consumers, providers and advocates throughout the state.

First, the budget provides funding to integrate and coordinate community-based care for juveniles who are involved in multiple systems of care by expanding Coordinated Service Teams statewide. Coordinated Service Teams provide wraparound models of care for children with behavioral health issues and their families, who are involved in two or more systems of care, including the mental health, long-term care, juvenile justice, child welfare, substance abuse and special education systems. Currently there are 44 programs operating in the state.

Second, the budget provides funding to expand intensive, targeted community-based care for adults and children with severe mental illness. The Comprehensive Community Services program provides enhanced, individualized services that help reduce inpatient hospitalizations, improve primary health outcomes, improve relationships, increase meaningful employment and improve overall life satisfaction. The budget provides funding to expand Comprehensive Community Services statewide and to offset the \$6 million in local funding that currently supports the program in 26 counties.

Third, the budget provides funding to develop Peer-Run Respite Centers, which is a model that has been successful in other states. Peer-Run Respite Centers improve the outcomes of individuals in crisis or those having difficulty coping with mental illness by providing services like peer supports, 24/7 warm lines, wellness activities, respite and hospital diversion. The services are provided by people who have been successful in the recovery process, and the programs are run in close collaboration with local law enforcement and crisis agencies.

Fourth, the budget provides funding to broadly cover in-home counseling services under the Medicaid program. Currently, in-home counseling is only covered for certain children diagnosed with severe emotional disturbances. Expanding the coverage will allow earlier interventions, particularly for children and families with less acute conditions, and will make it easier for families to access necessary services, resulting in a reduction of out-of-home placements and improved outcomes for children.

Fifth, the budget provides funding and positions to establish an Office of Children's Mental Health Services that will be responsible for coordinating initiatives, monitoring program performance and assuring the integration of services provided to children across all state agencies. The creation of the office will ensure that program policies and services are best meeting the needs of children throughout the state and will assist agencies in developing and delivering effective services for children.

Finally, the budget provides funding and positions to increase the capacity of the state forensic treatment units to meet the growing demand for inpatient evaluation and treatment services. The Department of Health Services is statutorily required to serve forensic patients who are ordered by the state courts to obtain mental health evaluation and treatment. Although the department has greatly expanded the services provided outside of the state mental health institutes, the number of patients waiting in jails for admission has grown. In order to reduce the waiting times of patients and to provide timely treatment, the department will be opening two additional inpatient admission units during fiscal year 2013-14.

G. HELPING VICTIMS OF DOMESTIC VIOLENCE

Perhaps no member of society is more vulnerable than a person living with domestic abuse. As seen in cases across the country and right here in Wisconsin, a woman is in danger just from the act of trying to leave an abuser. In order to give victims an extra layer of protection, the Governor's budget provides funding to local units of government and law enforcement agencies to implement GPS tracking programs for people served with a domestic abuse or harassment restraining order or injunction, even before the person has violated that order. Knowing where the abuser is will give the victim the knowledge to react in a potentially dangerous situation and allows faster response times for law enforcement.

When a victim of domestic abuse makes the decision to leave her abuser, a safe haven is needed. The Governor recommends two projects for inclusion in the capital budget to provide those facilities in our largest cities. The Family Justice Center in Milwaukee would collocate services for families impacted by violence, housing the Sojourner Family Peace Center, Child Protection Center, Children's Hospital of Wisconsin and associated community-based services. The new center would offer one location for victims to receive needed assistance, including a shelter, counseling and courthouse advocacy program. The facility will be the nation's first complete collocation of a Child Advocacy Center with a Family Justice Center, and the center will be the first to integrate models of care and services to treat the family together. The Family Justice Center model focuses on early intervention and prevention, which can stop violence from escalating and perpetuating a generational cycle. In Madison, the Domestic Abuse Intervention Services facility and shelter would have 56 shelter beds, doubling its current capacity and addressing significant increases in those waitlisted for the shelter. The new location will feature security features for residents and others receiving services.

H. REFORMING HEALTH CARE ENTITLEMENTS

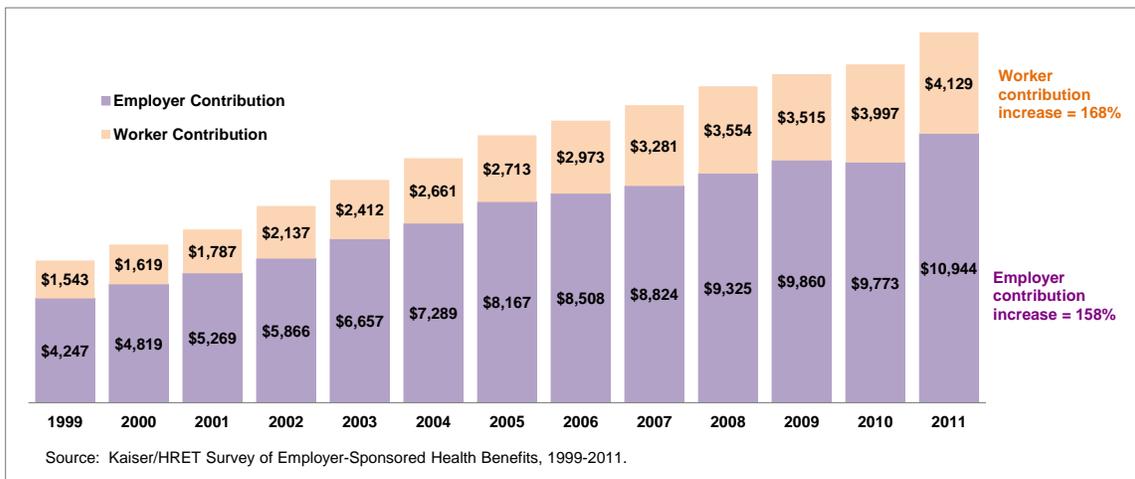
Wisconsin's Health Care Market Today

Health insurance coverage and access to high quality affordable health care are essential components of maintaining healthy communities and increasing the quality and years of healthy life for all Wisconsin residents. These are areas where Wisconsin excels. Our state has long ranked among the top states for the quality of our health care providers, our uniquely competitive individual and small group health insurance markets, and the high percentage of state residents with health insurance coverage. However, among these local successes, it is indisputable that national challenges remain.

The ever-increasing expenditures for health care in the United States are unsustainable. In 2011, over \$2.7 trillion was spent in the United States on health care, the equivalent of 18 percent of gross domestic product (GDP). In 1970, health care spending was only 7.2 percent of GDP.

The growth in health insurance premiums far exceeds the general rate of inflation and the growth in worker earnings. This rapid growth in health expenditures burdens our economy by making our local businesses less financially competitive and reducing the resources they have to invest in innovation and new technology. Every extra dollar spent on premiums reduces the money Wisconsin families have to spend on all other necessities, including housing, food and saving for their children's educations.

CHART 15: AVERAGE ANNUAL CONTRIBUTIONS TO PREMIUMS FOR FAMILY COVERAGE

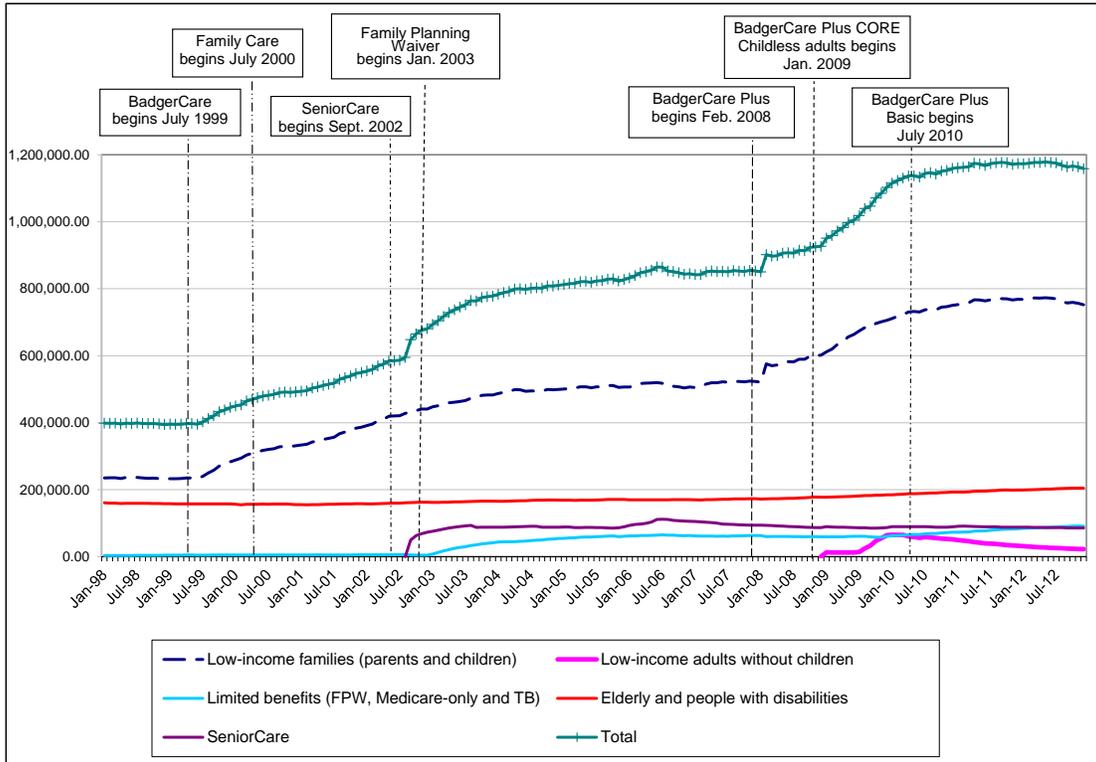


The growth in health care spending has little correlation to better health outcomes. A fractured, uncoordinated health system can result in unnecessary, duplicative and even harmful care. The dramatic increase in health care costs and poor return on investment have driven health care purchasers, providers and insurers to invest in finding solutions. As a result of these efforts, Wisconsin health care providers are national leaders in coordinating care, measuring health care outcomes and increasing the efficiency of the health care system; and the state's employers are among the most innovative in finding ways to purchase higher quality, more cost-effective care for their employees. Building on these advancements to make meaningful changes that address the growing costs of health care is a crucial component in building Wisconsin's economy and supporting Wisconsin's families.

Medicaid's Role in Wisconsin's Health Care Market

The Wisconsin Medicaid programs, including BadgerCare Plus, Family Care and SeniorCare, were created to be an essential safety net for low-income individuals and families who lose or cannot afford employer-sponsored health insurance. Medicaid is the main source of health care coverage for many people with significant disabilities and individuals in need of long-term care. The broad eligibility criteria and comprehensive benefits offered by the programs have helped Wisconsin maintain one of the highest rates of health insurance coverage in the country.

CHART 16: ENROLLMENT IN MEDICAID HAS ALMOST TRIPLED SINCE THE IMPLEMENTATION OF BADGERCARE IN 1999



However, frequent eligibility and program expansions over the last decade have led to an unprecedented growth in program enrollment. Combined with the loss of higher federal reimbursement levels, the program faced a deficit of nearly \$2 billion in the 2011-13 biennium. Instead of reducing benefits across-the-board or cutting provider reimbursement rates to levels that shift costs to other payers, the Governor invested \$1.2 billion in additional state revenues, expanded and consolidated program integrity activities under the Office of the Inspector General, and implemented a series of fundamental, commonsense reforms that increased the cost-effectiveness of care and made the coverage under the Medicaid program more comparable to private insurance for higher income working families. As a result, Medicaid will end the 2011-13 biennium on budget for the first time since 2007. The Governor's plan for entitlement reform and health care sustainability directly addresses the issues that drive the growth in health spending, invests in evidence-based approaches that help individuals achieve independence and returns Medicaid and other assistance programs to their intended purpose as a safety net for the neediest.

The Impact of Federalization on the Delivery and Cost of Health Care

Addressing the underlying cost drivers of health care is a necessary step in boosting the long-term health of our population and the economic vitality of our businesses, and preventing state and local health care costs from crowding out all other budget priorities.

Over the next two years, the way that health insurance coverage is delivered and paid for will change considerably due to new federal mandates and requirements imposed by the Affordable Care Act. These changes, however, take Wisconsin in the wrong direction. The Affordable Care Act broadly expands federal involvement in the state's health care system, limits local and state flexibility and increases taxes and fees without substantially addressing the factors that drive health care expenditures. As a result of these changes, the number of individuals relying on government for health care coverage will increase, as will the state's costs for Medicaid benefits and administration.

First, the Affordable Care Act includes provisions that will directly increase the costs of health insurance, making it less affordable for individuals, families and businesses. A tax on insurance premiums beginning in 2014 is projected to increase health insurance costs for purchasers between 2 and 4 percent per year. In Wisconsin, this will total \$3 billion in new taxes on insurance purchasers over the first ten years. The Affordable Care Act also increases taxes on out-of-pocket medical expenses by eliminating reimbursement of over-the-counter drugs from flexible spending accounts, capping annual contributions to flexible spending accounts and increasing the income threshold for deducting medical expenses from 7.5 percent to 10 percent of adjusted gross income. Affordable Care Act reductions in Medicare payments to safety net providers beginning in 2014 will reduce the daily rate for care provided to the uninsured by up to 25 percent. Lastly, complying with the dozens of additional regulations and reporting requirements contained in the Affordable Care Act will increase the burden on employers that offer insurance and raise insurer administrative costs.

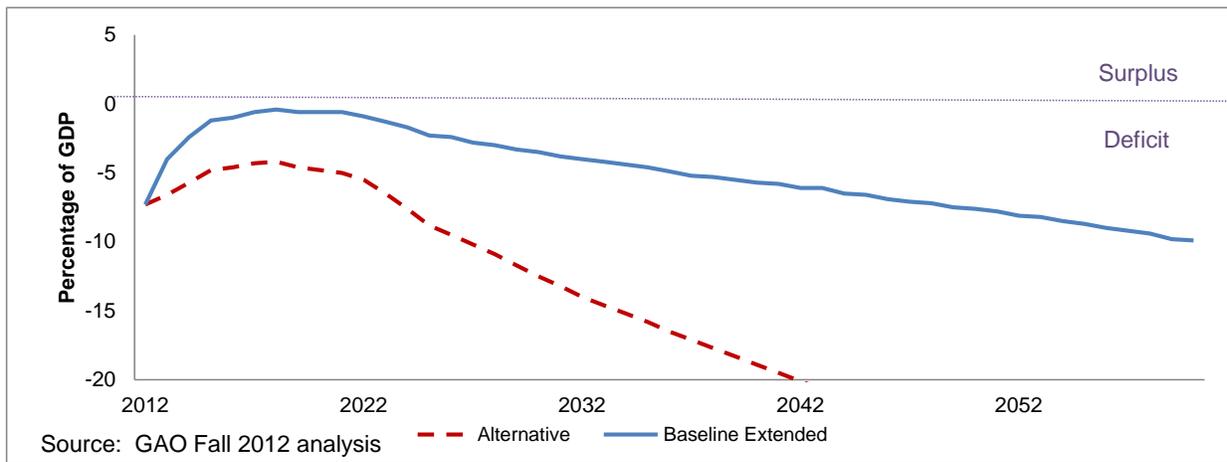
Second, the new federal risk rating requirements in the Affordable Care Act will radically disrupt Wisconsin's highly competitive and affordable non-group insurance market by increasing costs and driving purchasers out of the market. For more than 30 years, Wisconsin's limited regulation of the non-group and small group insurance markets has ensured that consumers have a wide variety of high quality choices at low rates, while the Health Insurance Risk Sharing Plan has ensured that individuals with pre-existing conditions have access to affordable, subsidized and cost-controlled insurance coverage.

Under the new risk rating requirements, it is projected that 83 percent of the 180,000 individuals and families purchasing coverage in the non-group market will experience premium increases of 10 to over 50 percent. Even after accounting for the tax subsidies available through the exchange, 53 percent of individuals buying individual coverage will see their premiums increase by an average of 29 percent. Families in the non-group market fare even worse, with 64 percent experiencing premium increases averaging 33 percent. With these changes, 150,000 individuals are expected to exit the non-group market.

Third, the Affordable Care Act severely limits the flexibility that insurers and businesses have in designing health insurance benefit packages and cost-sharing options to meet the needs of consumers. This one-size-fits-all approach constrains innovation and restricts the ability of insurers to develop consumer incentives to achieve better health care outcomes. This is particularly harmful in Wisconsin where employers, insurers and providers have worked cooperatively to become leaders of innovation in improving the health care delivery system.

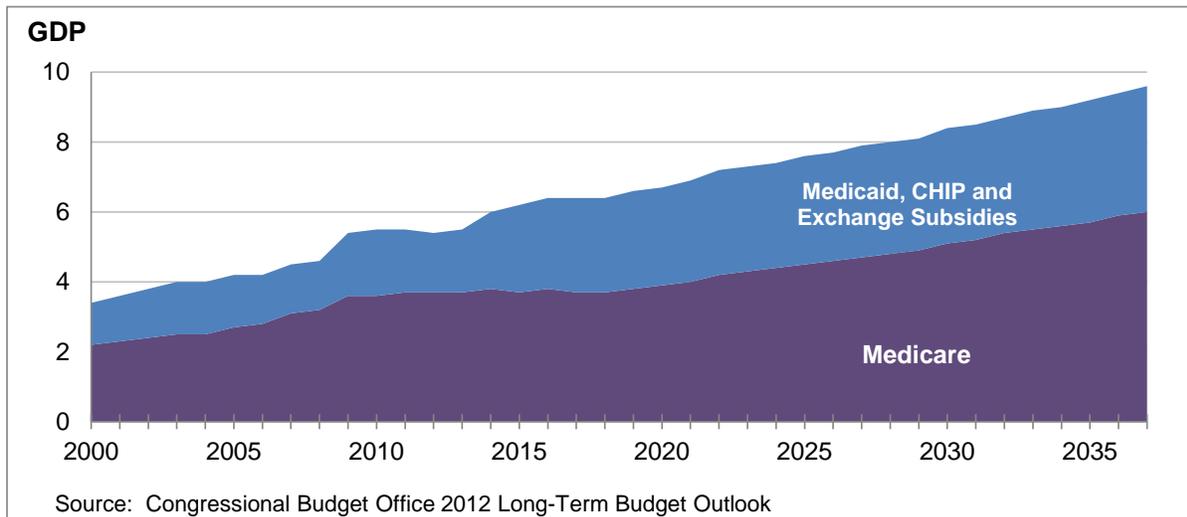
Fourth, the Affordable Care Act will significantly increase government spending and debt, which are already at untenable levels. The U.S. Government Accountability Office has reported that, absent significant policy changes, the federal government is facing a rapid and unsustainable increase in debt.

CHART 17: FEDERAL BUDGET SURPLUSES AND DEFICITS UNDER DIFFERENT FISCAL POLICY SIMULATIONS



Total federal spending on Medicaid and Medicare will almost double as a percentage of GDP by 2040, according to the Congressional Budget Office.

CHART 18: FEDERAL SPENDING ON MAJOR HEALTH CARE PROGRAMS WILL GROW TO NEARLY 10 PERCENT OF GROSS DOMESTIC PRODUCT BY 2037



The Kaiser Commission on Medicaid and the Uninsured has projected that government spending will increase by \$1 trillion over the first ten years if all states expand Medicaid coverage as required by the Affordable Care Act. Federal spending just on Medicaid will increase 26 percent. This level of spending and debt is simply irresponsible and puts all federally-financed programs at risk.

The Governor's Health Care Plan

Attempting to address the excessive growth in health care costs by mandating even more spending, as required by the Affordable Care Act, will not work. Instead, true health care affordability will come from directly addressing the factors that drive costs and fundamentally improving the effectiveness of the health care system. The Governor's budget addresses the growth in health care costs through proven, consumer-driven and evidence-based initiatives designed to increase consumer engagement, support educated decision making, prevent unnecessary and duplicative care, ensure adequate access to care and reform entitlements in ways that support independence and strengthen the safety net.

Cost Driver 1: Poorly aligned provider payment incentives

Cost Driver 2: Lack of transparency on cost and quality and limited consumer engagement

Cost Driver 3: Inadequate knowledge of the relative cost-effectiveness and benefits of treatment options

The budget provides a \$5 million infusion of funding to the Wisconsin Health Information Organization (WHIO) that will jump start the organization's ability to produce consumer-focused health care cost and quality data. The funding will also support statewide consumer health literacy programs and give providers and insurers access to meaningful data to support quality improvement activities and provider payment reform. This investment will increase the transparency of cost and quality data, allowing individuals and businesses to become educated consumers of health care.

Cost Driver 4: Inadequate access to primary, preventive and specialty care in underserved areas

The budget will address projected shortages in health care providers by increasing the number of primary care physicians and dentists that graduate from our state medical and dental schools each year and creating new opportunities for medical school students and graduates to train in rural and underserved areas of the state.

The budget also expands access to the expert, state-of-the-art treatments to residents in all areas of the state by funding a project at the University of Wisconsin Carbone Cancer Center that will provide access to molecular imaging services to cancer patients in 17 oncology care sites throughout the state.

Finally, the budget broadly expands successful, evidence-based mental health programs statewide. These programs have been highly effective at helping children and adults struggling with mental illness to avoid hospitalization, improve primary health outcomes and increase overall life satisfaction.

Cost Driver 5: Increases in the occurrence of preventable conditions

Based on successful programs pioneered by Wisconsin companies, this budget continues the focus on supporting state employee wellness programs and building a culture of health in the workplace by motivating employees to focus on and improve their health and well-being.

Cost Driver 6: Unsustainable growth of Medicaid

Fully funding the state's Medicaid programs is the largest increase in projected expenditures in the budget. To cover federal changes as well as population and inflation reestimates, the cost of the Medicaid program is projected to increase by 14 percent over the current biennium.

TABLE 7: MEDICAID AND BADGERCARE PLUS EXPENDITURES
(\$ in millions)

	2005-07	2007-09	2009-11	2011-13	2013-15
	Actual	Actual	Actual	Budgeted	Projected
General Program Revenue	\$3,148	\$2,836	\$2,733	\$3,878	\$4,675
Federal Revenue	\$5,458	\$6,785	\$9,636	\$8,247	\$9,218
Program and Segregated Revenue	<u>\$506</u>	<u>\$1,198</u>	<u>\$1,451</u>	<u>\$1,597</u>	<u>\$1,794</u>
All Funds	\$9,113	\$10,819	\$13,820	\$13,722	\$15,688
<i>Change over prior biennium</i>		19%	28%	-1%	14%

Compared to the base budget, this increase totals \$664 million GPR over the biennium. Of this, 39 percent (\$258 million GPR) is due to a reduction in the federal rate of reimbursement, increases in payments for Medicare coverage for dually-eligible enrollees, and additional costs of new Affordable Care Act mandates, including the health insurance premium tax. The remaining 61 percent (\$397 million GPR) is due to routine caseload, inflation and utilization changes.

In addition, the Affordable Care Act and other federal Medicaid requirements will increase the state and local costs of administering Medicaid by \$36 million GPR over the biennium. The majority of this new cost is related to the increase in the number of people that will be applying for public assistance through the state's local income maintenance offices. This budget fully funds the increase in public program enrollment by providing \$38 million all-funds to increase local government income maintenance funding.

In the last biennium, the Governor was able to control the growth of the Medicaid program by implementing a series of commonsense entitlement reforms. This budget builds on those efforts by codifying those changes in state statute and implementing several new reforms that will reduce program costs by \$17 million GPR. These reforms will eliminate disincentives for people with disabilities to engage in meaningful work; make eligibility criteria more consistent across programs; improve policies and procedures related to third-party liability, estate recovery and divestment; and increase the identification of incorrect and fraudulent payments and claims.

Beginning in January 2014, all states must decide whether to enact the broad expansions of Medicaid required under the Affordable Care Act. Many states have struggled with this choice because the terms of the expansion, as dictated by the federal government, are so inflexible. Although states have long been considered the laboratories of Medicaid innovation, the Affordable Care Act and decisions made by the administration give states little latitude to determine how to design an expansion that best meets the needs of their residents. There is also a great deal of bipartisan uncertainty over the details of the expansion and whether the federal government will be able to afford to keep its promises related to reimbursement rates for expansion populations.

The Governor believes that government can best support those in need by helping them become independent, which leads to more freedom and more prosperity for everyone. By increasing the cost of health insurance, the Affordable Care Act will instead increase dependency and weaken the private health insurance market by forcing people onto government health care programs. In deciding how to address the Affordable Care Act mandates that apply to Medicaid, the Governor has balanced the need to maintain a strong and sustainable health care safety net while ensuring the greatest number of people possible can afford to remain in the private health insurance market and maintain their independence.

The Affordable Care Act requires all states to expand Medicaid eligibility to all nonelderly individuals with incomes under 133 percent of the federal poverty level. In Wisconsin, the Medicaid programs cover most adults to 200 percent of the federal poverty level, although new enrollment for adults without dependent children has been capped since 2009. In this budget, the Governor recommends reducing Medicaid

eligibility for adults who are not pregnant, disabled or elderly to 100 percent of the federal poverty level to reflect that federal subsidies are available in the exchange to assist individuals with higher incomes.

This decision will be almost budget neutral for the Medicaid program, reducing projected benefit expenditures by \$3 million GPR over the biennium. On an annualized basis, after full implementation, the number of nondisabled adults enrolled in Medicaid will decrease by 5,417 and the number of adults who are uninsured will decrease by 224,580.

TABLE 8: PROJECTED CHANGE IN PUBLIC PROGRAM ENROLLMENT AND CHANGE IN THE UNINSURED FOLLOWING FULL IMPLEMENTATION OF THE GOVERNOR'S MEDICAID CHANGES

Estimated Population	Parents and Pregnant Women	Childless Adults	Total Nondisabled Adults
January 1, 2014			
Medicaid	268,516	16,450	284,966
Uninsured	104,962	372,138	477,100
Private Market	849,765	1,477,870	2,327,635
After Full Implementation			
Medicaid	180,721	98,828	279,549
Uninsured	91,750	160,770	252,520
Private Market and Exchange	950,772	1,606,860	2,557,632
Change After Full Implementation			
Medicaid	-87,795	82,378	-5,417
Uninsured	-13,212	-211,368	-224,580
Private Market and Exchange	101,007	128,990	229,997

I. PROTECTING OUR CITIZENS

Public safety is a central tenet of the Governor's priorities and this budget increases the commitment to protecting people across the state, especially our most vulnerable.

Law Enforcement

Authorizing the collection of DNA at arrest in all felony and certain misdemeanor offenses will expand the tools available to law enforcement to solve crimes, both active and cold cases. Over half of all other states and the federal government already authorize this collection at arrest, and to encourage adoption by remaining states, Congress recently passed and the President signed legislation granting startup funds to states who adopt DNA collection at arrest.

Along with increased resources to solve crimes, it is vital to have a robust criminal justice system to prosecute and defend the accused. The Governor's budget provides pay progression for assistant state public defenders and assistant attorneys general, in addition to the pay progression already provided for assistant district attorneys. Retaining experienced attorneys on both sides of the courtroom is necessary for an efficient and effective criminal justice system and pay progression will reward attorneys with increasing years of service.

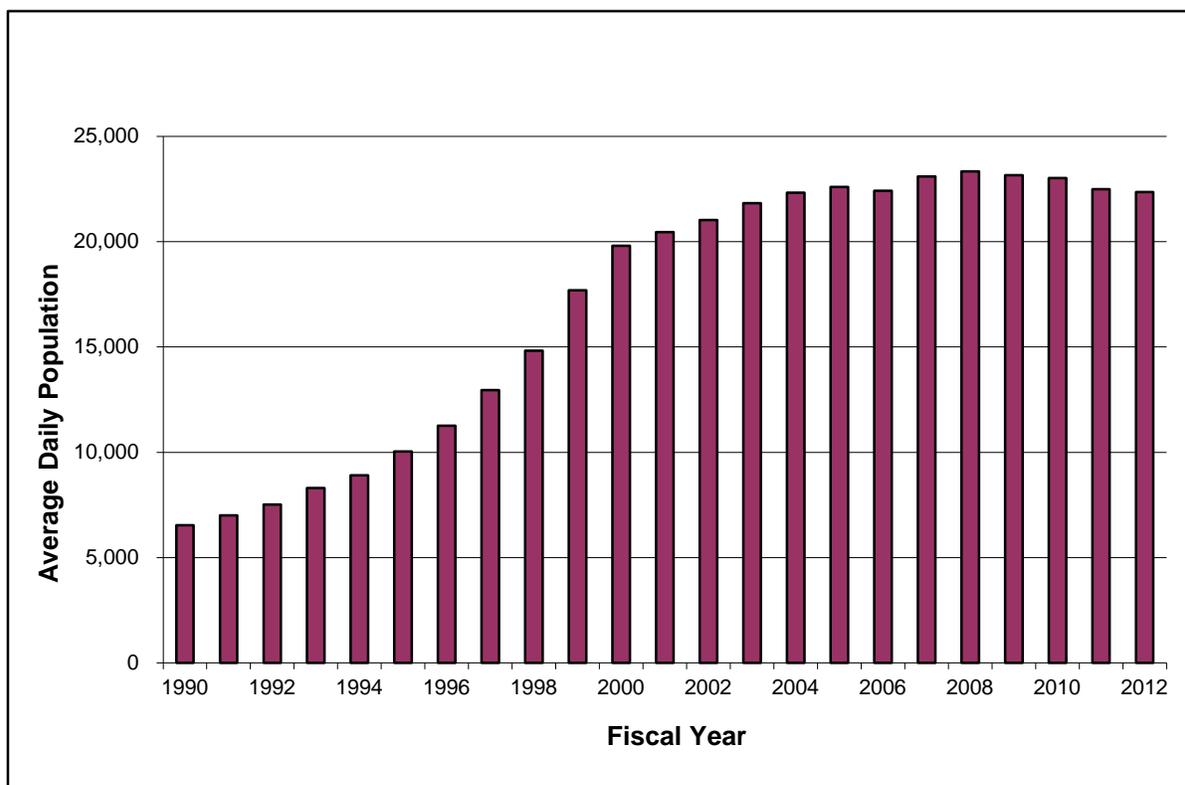
Among the most vulnerable in society are children, and this budget increases funding and positions at the Department of Justice to enable proactive investigations of those who seek out children on-line in an attempt to harm and exploit them. Expanding the Internet Crimes Against Children unit and focusing on child sex trafficking will bring added safety to children across the state. To address acts of terror and

violence the Wisconsin Statewide Intelligence Center funding is being converted from declining federal funds to state general purpose revenues, with three positions restored to ensure a robust data and intelligence gathering center.

Corrections

Ensuring adequate resources are provided for the safe oversight of our prisons and supervision of offenders in the community is achieved through several provisions included in the budget for the Department of Corrections. Funding is provided to cover expected costs of food, institutional supplies and health care costs. The average daily population was 21,887 in fiscal year 2011-12, and the populations are projected to be 22,269 in fiscal year 2013-14 and 22,459 in fiscal year 2014-15. The juvenile population is projected to be 300 in each fiscal year of the next biennium.

CHART 19: ADULT INSTITUTION POPULATION



Along with projected increases in the institution populations, the population tracked in the community via GPS is also projected to increase over the next biennium. The Governor's budget provides funding and position authority to cover the costs of monitoring sex offenders on GPS tracking and includes funding to implement the provisions of 2011 Wisconsin Act 266, which authorizes a judge to order certain violators of domestic abuse and harassment restraining orders and injunctions to be tracked via GPS.

Promoting effective operations of the state's correctional facilities, dispersed field offices and central office are highly dependent on updated information technology systems. The systems in place at the Department of Corrections are old and failing, affecting daily operations and potentially compromising safety both in the institutions and for those who encounter offenders in the community. The Governor's budget includes funding and positions to upgrade outdated systems and coordinate technology both across department divisions and allow faster interactions with other criminal justice partners.

Other Justice Initiatives

- Direct state funding for the Sexual Assault Victim Services grant program to replace previous surcharge revenue. Provide \$2,000,000 GPR in each year to ensure stable funding for grants to agencies that support victims of sexual assault.
- Provide \$91,000 PR-S and 1.0 FTE position in each fiscal year for a traffic safety resource prosecutor. The position will provide vehicular crime-related training, education, assistance and other services for state prosecutors.
- Improve mental health treatment in segregation units at maximum correctional institutions at Green Bay, Columbia and Waupun.

Child Welfare

The Governor recommends investments in programs designed to serve children in the child welfare system. These children will benefit from a federal IV-E waiver recently approved by the federal government. Under the terms of the waiver and provisions in this budget, savings that are generated by including postreunification services in new provider contracts in the Bureau of Milwaukee Child Welfare will be able to be used to provide these same services in the balance of the state rather than being returned unused to the federal government. These services support permanent living arrangements and reduce the number of times children have to return to the foster care system. And in recognition of the financial burden that parents who are willing to care for foster children face, the Governor is recommending an increase in foster care rates of 2.5 percent in calendar year 2014 and an additional 2.5 percent in calendar year 2015. Finally, because the outcomes of youth who age out of the foster care system are much worse than those who are adopted, the budget extends foster care payments to age 21 for those teenagers who continue to make progress on an Individualized Education Program. Additional support services will also be provided for youth aging out of the foster care system through currently unused foster care funds.

J. SUPPORTING OUR VETERANS

The State of Wisconsin has a long history of providing assistance and support to state veterans to supplement the benefits provided by the federal government. These state programs help veterans complete their educations, obtain health care services, overcome barriers to employment, receive support in emergency situations and obtain federal benefits for which they are qualified.

Statistics show, however, that the state's veterans have been hit hard by the economic downturn. There are approximately 408,000 veterans living in Wisconsin, 55,000 of them are disabled. Of the 240,000 state veterans in the civilian labor force, between 13 and 15 percent are unemployed, which is nearly double the rate for the rest of the workforce. Unemployment rates for recently returned Wisconsin battalions are even higher. In response, the Governor declared 2012 the Year of the Veteran and implemented numerous initiatives to address these challenges, putting particular emphasis on employing Wisconsin's veterans.

Military veterans have unique skills and experiences that make them excellent employees and attractive to employers. The state Department of Veterans Affairs, Department of Workforce Development and Department of Military Affairs worked in cooperation to hold 16 career fairs around the state and a virtual on-line job fair to connect employers who have thousands of available jobs with veterans and their spouses. The departments directly contacted unemployed veterans to ensure they were aware of available employment services, proactively reached out to employers to communicate the benefits of hiring veterans and hosted three employer seminars. Finally, the Department of Veterans Affairs increased the focus on employment assistance at veterans benefit fairs and welcome home outreach events.

In addition to the Year of the Veteran initiatives, the Governor signed several pieces of legislation during the last legislative session to assist and honor state veterans:

- Creating a tax credit for employers who hire unemployed eligible disabled veterans (2011 Wisconsin Act 212).
- Waiving the fee for one professional or occupational license provided to a veteran to reduce the cost of returning to the civilian workforce (2011 Wisconsin Act 209).
- Ensuring that relevant military training or experience can be counted towards satisfying professional or occupational license requirements (2011 Wisconsin Act 120).
- Extending the expiration date on a professional or occupational license held by a military service member if the credential would have expired while the service member was on active duty (2011 Wisconsin Act 210).
- Providing reciprocal occupational credentials to spouses of service members assigned to Wisconsin (2011 Wisconsin Act 210).
- Expanding the authority of state agencies to hire disabled veterans on a noncompetitive basis (2011 Wisconsin Act 211).
- Providing death or disability benefits under the Wisconsin Retirement System to system participants who are disabled or killed while performing qualified military service (2011 Wisconsin Act 116).
- Providing low-cost natural resources recreation cards to veterans with significant service-related disabilities that entitle the holder to the rights equivalent to a small game hunting license and resident fishing license, and admission to state parks and trails (2011 Wisconsin Act 168).
- Authorizing the remodeling of Gates Hall at the Union Grove Veterans Home to serve veterans currently on the waiting list for skilled nursing services (2011 Wisconsin Act 96).
- Improving the accountability of the state Department of Veterans Affairs by increasing the number of members and requiring statewide representation on the Board of Veterans Affairs and changing the appointment process for the secretary of the department (2011 Wisconsin Act 36).

This budget continues to build on these achievements to ensure that returning service members have the support they need to successfully reintegrate into civilian life and to honor and care for our older veterans in need.

Veterans Employment and Education Initiatives

The Governor recommends investments in programs and benefits designed to increase employment and educational attainment among veterans:

- Extending the Work Opportunity Tax Credit for hiring unemployed, disabled veterans will continue the emphasis on helping unemployed veterans get back into the workforce.
- Revising the residency requirements for tuition remission under the Wisconsin G.I. Bill will make the standards more comparable to those for other state veterans' benefits. Currently, veterans who would otherwise qualify for tuition remission at a University of Wisconsin or Wisconsin Technical College campus must have entered military service while residents of the state, regardless of how long they have subsequently lived in Wisconsin. This revision extends the tuition remission benefit to otherwise qualifying veterans who have been Wisconsin residents for at least five years.
- Providing \$500,000 for seed funding and training for veteran-owned start-up companies.

- Eliminating an arbitrary time limit for spouses of veterans who were disabled or killed in the line of duty to use the tuition benefit. In several cases, spouses were not aware of the benefit until it was too late to qualify. Eliminating this limit will permit spouses to claim educational benefits earned by a service member when it is best for them.
- Requiring veterans who are receiving tuition remission benefits to maintain a 2.0 grade point average, which is consistent with the requirements for other state and federal higher education programs.
- Transferring the state Disabled Veterans Outreach Program and Local Veterans Representative employment specialists from the Department of Workforce Development to the Department of Veterans Affairs will strengthen the veterans-specific focus of these programs while ensuring the programs maintain strong cooperation with other workforce development strategies.

Funding for Veterans Services

For more than ten years, the financial solvency of the Veterans Trust Fund has declined, most recently because of reductions in the profitability of the veterans' loan programs that have been negatively impacted by the national economic downturn. The financial health of the fund is of great concern to Wisconsin veterans because it is used to provide essential veterans' benefits, including education and retraining grants, emergency assistance grants, transitional housing, transportation, assistance obtaining health care, and personal and home improvement loans. The fund also supports grants to Veterans Service Officers and organizations, the operations of the state Veterans Museum and state Veterans Cemeteries; and some general operations of the department.

In the next biennium, the condition of the Veterans Trust Fund will be further impacted by a transfer of expenditure authority and positions from the Mortgage Loan Repayment Fund. Due to a moratorium on the issuance of new mortgages and historically low interest rates, the Mortgage Loan Repayment Fund is no longer generating sufficient interest to support current expenditures. The transfer is based on the recommendations of a bond consulting company, and it will eliminate any potential risk of future bond default.

In the 2011-13 budget, the Governor provided \$5.5 million GPR to support the Veterans Trust Fund and to repay a prior administration's raid on the fund. This was the largest infusion of general fund dollars to the fund since 1972. In this budget, the Governor recommends providing an additional \$5.3 million GPR which will ensure the solvency of the Veterans Trust Fund through the upcoming biennium and prevent the need for any reduction in veterans benefits, services or grants.

The Governor also recommends protecting surplus revenues generated by the state Veterans Homes by adding those appropriations to the Veterans Trust Fund. Over the last year, the Department of Veterans Affairs has focused on improving and expanding the skilled nursing facility operations at the state Veterans Homes. The existing skilled nursing facilities in Union Grove and King are running at or near capacity, and the newly opened facility in Chippewa Falls has a waiting list of 199 veterans for 72 available beds. The high demand for these services allows the department to generate excess funding that can be used to support improvements to the programs and services provided to state veterans.

To support veterans and their families, the Governor also recommends expanding eligibility under the veterans and surviving spouse property tax credit to cover surviving spouses who receive dependency and indemnity compensation due to the veterans' service-connected deaths. The purpose of this expansion is to cover cases where surviving spouses would otherwise lose this important benefit because the veteran died due to service-connected disabilities without a federal disability rating of 100 percent. This expansion of the credit will take effect starting in the 2014 tax year and will deliver tax relief of \$8.6 million annually beginning in fiscal year 2014-15.

The Governor recommends increasing the amount of grants to tribal Veterans Service Officers and nonprofit Veterans Service Organizations to increase the direct services they can provide to veterans. The Governor also recommends increasing funding for transportation services provided to disabled

veterans and increasing the grant to Camp American Legion from \$10,000 per year to \$50,000 per year. Camp American Legion is a free recreational facility located in Oneida County that provides rest, relaxation and rehabilitation to veterans and active military members suffering from any physical or psychological medical condition. The camp is also a place for family reintegration and welcomes families and children.

The Wisconsin Veterans Homes are one of the longest running services the state provides to veterans. The Wisconsin Veterans Home at King was first established in 1887 and originally called the Soldiers' Home. Ensuring that the care and services provided to our veterans in the State Veterans Homes are the highest quality is a top priority of the Governor and the Department of Veterans Affairs.

As with all skilled nursing facilities, the acuity of residents and resident care needs have increased over time. In April 2012, the administration recommended increasing the positions and budget at the Veterans Home at King to help meet the demand for skilled nursing care. The Governor recommends providing an additional 110.6 FTE direct care and support positions in the budget to improve the level of service provided to veterans. Among other benefits, the additional positions will:

- Reduce overtime and the use of contract staff among all categories of positions;
- Increase the number of direct care staffing hours per resident;
- Increase the availability of social work and respirator care services;
- Provide more homelike dining room meal service in all buildings; and
- Add unit clerk coverage to weekend shifts.

At the State Veterans Home at Union Grove, the Governor's recommendations provide additional positions and budget authority to operate the renovated Gates Hall when it reopens in 2013 and to improve evening and weekend front desk coverage. The Governor also recommends increasing the budget for the newly-opened Veterans Home at Chippewa Falls to account for full-year operations.

Honoring Our Veterans

The Year of the Veteran provided an opportunity to reaffirm the state's commitment to our veterans at dozens of special events throughout the state. The recognition of the service of veterans should not end with the calendar year, however. In addition to events that have been scheduled into the next biennium, including the Faces of Freedom celebration in March, the Governor recommends several initiatives in the budget to continue to honor Wisconsin's veterans.

Providing military honors at funerals is an important way the state honors our veterans. The program that pays stipends to veterans organizations that provide these services has faced deficits in the past two biennia. The department has requested supplemental funding to fix the shortfall in fiscal year 2012-13. On an ongoing basis, the Governor recommends creating a sum sufficient appropriation to fund Military Funeral Honors stipends so that the provision of these services is never again at risk due to budget deficits.

Ensuring affordable access to the state's natural resources is another way the state thanks our veterans for their service. In the budget, the Governor recommends building on existing programs that provide low cost or free hunting and fishing licenses to disabled veterans and active duty service members on leave. The Governor recommends issuing vouchers to returning service members to redeem for free hunting and fishing licenses within a year of returning from active duty. The Governor also recommends providing a free one-year state parks and trails pass to active duty military personnel who are on leave, and waiving state park and trail admission fees for all veterans every Memorial Day and Veterans Day weekend.

Finally, one of the most visible ways the state honors veterans is with the State Veterans Museum. Following years of planning, the state is developing a new state of the art building to jointly house the State Historical Museum and the State Veterans Museum. To assist in the development of this project, the Governor recommends providing funding and an additional position to help the museum make connections across the state to tell the stories of veterans. The Governor also recommends fully funding the routine operations and maintenance of the current museum and providing funding and positions to safely move the museum's archives to the newly built preservation and storage facility.

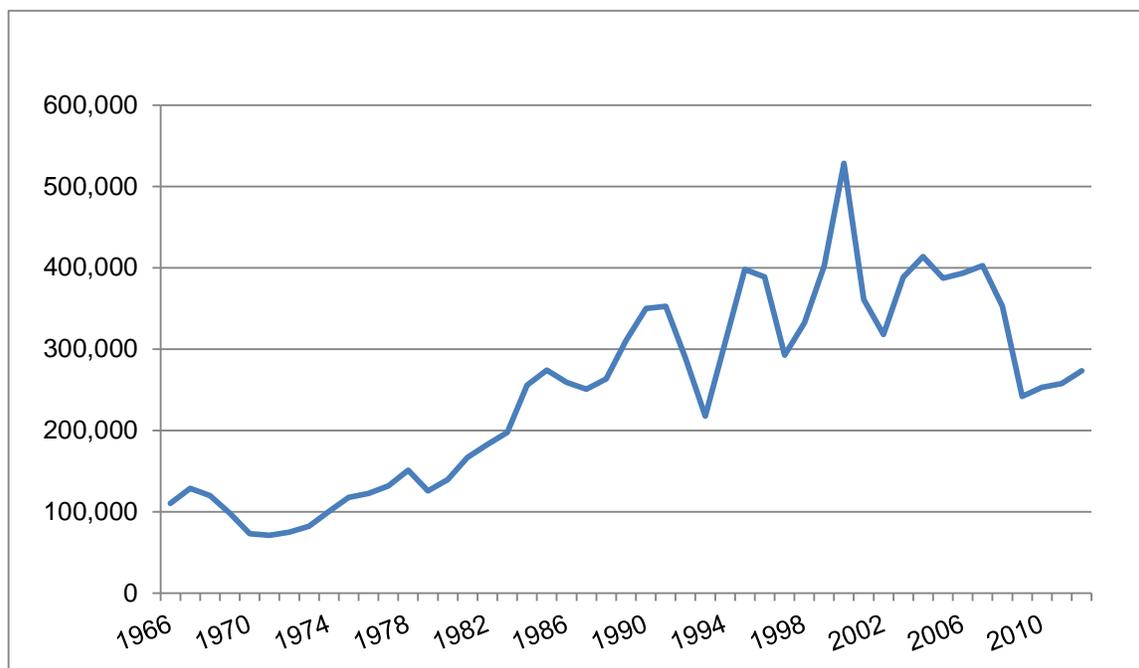
K. PRESERVING WISCONSIN'S HERITAGE

The Governor recommends providing \$1.2 million GPR over the biennium and 10.0 FTE positions to the Wisconsin Historical Society for operation of the Circus World Museum. This will ensure that the Circus World Museum collections remain vibrant and operations are optimized for effectiveness. The Circus World Museum is the largest circus history museum in the world and consists of circus wagons, historical artifacts, photographs, publications, films and music collections. The Governor recognizes that preserving the unique circus history in Baraboo also promotes tourism and supports job creation for the state.

The Governor has long recognized the importance of hunting in Wisconsin; it is both an important part of state tradition as well as an integral part of the economy in many areas of the state. Over the years hunters have become dissatisfied with the deer hunt and were looking for changes in deer management. Also, the number of hunters shrunk 6.5 percent from 2000 to 2010. The Department of Administration, at the direction of the Governor, contracted with a deer management expert to conduct a review and analysis of deer management in Wisconsin. After almost a year of work, the deer trustee report was issued in July 2012.

The report concluded that fun had been taken out of hunting by frequently changing and burdensome regulations, population models were not working for individual deer management units and there was a need to increase communications and cooperation between private landowners, hunters and the Department of Natural Resources.

CHART 20: HISTORICAL GUN DEER HARVESTS



Implementing recommendations of the deer trustee report is a focus of the Governor's budget for the Department of Natural Resources. The budget includes provisions to update the state's land cover map (last updated in 1992), focus on research and monitoring of deer habitat, buck mortality and herd health metrics, and authorized a deer management assistance program, including the collection of enrollment fees from voluntary participants. The changes will help the department collect the data necessary to modify deer management in Wisconsin and be responsive to hunter concerns.

Several properties have been purchased over the years using the Knowles-Nelson Stewardship program, and it is now imperative to maintain these properties for the enjoyment of outdoor enthusiasts across the state. While overall funding for the program will not change, a portion of funding currently allocated to land acquisition will be repurposed for property development, including repair and maintenance of roads, boat access sites and a renovation of the Kettle Moraine Fish Hatchery, which is vital to the state's sport fishing success.

Conservation and Animal Health

- Provide \$372,100 SEG in fiscal year 2013-14 and \$406,000 SEG in fiscal year 2014-15 to support the opening of several new facilities at parks and southern forests across the state and increased limited term employee hours to assist the millions of visitors to Wisconsin state parks each year.
- Support the law enforcement program at the Department of Natural Resources through increased funding of \$50,000 SEG in each year for conservation warden mileage costs and \$226,600 SEG in each year to fund master lease payments for mobile data computers.
- Maintain operations at the state's fish hatcheries by providing \$85,500 SEG in fiscal year 2013-14 and \$135,200 in fiscal year 2014-15 to compensate for increased distribution, utilities and production costs.
- Provide \$55,600 in fiscal year 2013-14 and \$72,500 in fiscal year 2014-15 and 1.0 FTE position for a master planner to develop master plans focusing on properties administered by the Bureau of Parks. The position will develop plans for more efficient use of state-owned land.
- Allow expansion of the elk herd to additional counties, while maintaining requirements for disease testing and prevention to protect the health of the elk and deer herds.
- Maintain funding for premises registration to allow the Department of Agriculture, Trade and Consumer Protection to respond effectively to any potential animal health incidents.

Water Quality

- Protect our lakes and rivers and improve water quality in Wisconsin by providing an additional \$24 million over the biennium to reduce nonpoint source water pollution through increased nutrient management planning, contaminated sediment removal and other pollution abatement practices.
- Provide \$85,000 SEG and 1.0 FTE project position in each year to support the development of a remote sensing program to measure lake water quality.
- Provide continuing support to nonpoint source abatement projects through increased revenues dedicated to the nonpoint account of the Environmental Fund. Revenues would be reallocated from the environmental management account, resulting in no overall fee increase.

**Economic
Assumptions and
Revenue Estimates**

V. ECONOMIC ASSUMPTIONS AND REVENUE ESTIMATES

NATIONAL ECONOMY

The Legislative Fiscal Bureau's 2013-15 revenue estimates are based on the January 2013 national economic forecast from IHS Global Insight, Inc. (Global Insight). Global Insight forecasts weak economic growth in 2013 as the national economy will be constrained by the fiscal contraction taking place at the federal level due, in particular, to the expiration of the temporary payroll tax cut. The expiration of the payroll tax cut will weaken consumer demand, which will dampen retail sales and, as a result, employment and income. However, the national economy will gradually gain strength in 2014 and accelerate further in 2015 as the recovery, particularly in the housing sector, becomes more self-sustaining.

- Real Output Growth. Real Gross Domestic Product (GDP) will increase by 1.7 percent in 2013, by 2.7 percent in 2014 and by 3.4 percent in 2015.
- Employment. Employment is projected to continue to grow gradually over the next few years with growth in total nonfarm payrolls of 1.4 percent in 2013, 1.7 percent in 2014 and 2.1 percent in 2015. Private payrolls are expected to be slightly stronger at 1.7 percent growth in 2013, 2.0 percent growth in 2014 and 2.3 percent growth in 2015.
- Inflation. Inflation is expected to continue to remain low. Consumer prices are expected to rise by 1.4 percent in 2013, 1.7 percent in 2014 and 1.6 percent in 2015.
- Profits. Corporate profits grew strongly coming out of the recession, but growth has slowed and is expected to be uneven. Before-tax profits are projected to shrink 2.3 percent in 2013, grow by 11.6 percent in 2014 and shrink by 2.0 percent in 2015.
- Incomes. Personal income growth will follow the trajectory of employment with slow growth of 2.8 percent in 2013, followed by stronger growth of 5.0 percent in both 2014 and 2015.
- Retail Sales. Retail sales growth is expected to be modest over the next few years as consumers absorb the impact of increased payroll taxes and as the initial recovery in auto sales following the recession moderates. Sales are projected to grow 2.5 percent in 2013, 2.9 percent in 2014 and 3.4 percent in 2015.

TABLE 9: SUMMARY OF THE NATIONAL ECONOMIC OUTLOOK

Economic Indicators	Actual			Forecast	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Gross Domestic Product					
Nominal GDP	4.0	4.1	3.3	4.4	5.0
Real GDP	1.8	2.3	1.7	2.7	3.4
Prices and Wages					
GDP Deflator	2.1	1.8	1.5	1.7	1.5
Consumer Price Index	3.1	2.1	1.4	1.7	1.6
Compensation Per Hour	2.2	1.9	2.0	2.3	2.5
Production and Other Measures					
Total Nonfarm Employment	1.2	1.4	1.4	1.7	2.1
Industrial Production	4.1	3.6	2.0	3.0	3.7
Housing Starts (Millions)	0.612	0.774	0.970	1.281	1.612
Light Vehicle Sales (Millions)	12.73	14.42	15.01	15.65	16.21
Retail Sales	8.0	4.9	2.5	2.9	3.4
Profits and Income					
Corporate Profits Before Tax	2.1	16.3	-2.3	11.6	-2.0
Personal Income	5.1	3.3	2.8	5.0	5.0

All numbers are annual percent change except as noted.

WISCONSIN ECONOMY

In 2012, Wisconsin's economy continued to recover from the recession. Wisconsin's unemployment rate remained below the national rate, with Wisconsin's rate averaging 6.9 percent in 2012 compared to the national average of 8.1 percent in 2012. Wisconsin's personal income growth of 3.2 percent was in line with national growth of 3.3 percent.

TABLE 10: SUMMARY OF THE WISCONSIN ECONOMIC OUTLOOK

Economic Indicators	Actual			Forecast	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Nonfarm Employment (in thousands)	2,739.1	2,753.6	2,801.9	2,836.0	2,886.6
Percent Change	0.4	0.5	1.8	1.2	1.8
Unemployment Rate – Percent of Labor Force	7.5	6.9	6.8	6.5	5.8
Personal Income Percent Change	4.5	3.2	3.7	4.5	4.5

For the coming biennium, Wisconsin's economy is expected to continue to improve, at a rate comparable to the rest of the country.

- **Employment.** The state's overall employment changes will be similar to the national employment changes. In 2013, total nonfarm employment will increase by 1.8 percent. In 2014 and 2015, employment growth will be 1.2 percent and 1.8 percent, respectively. The state's average unemployment rate is expected to remain below the national rate, but follow the same projected trend. Wisconsin's average unemployment rate is expected to decline to 6.8 percent in 2013, 6.5 percent in 2014 and 5.8 percent in 2015. In comparison, the national average unemployment rate is expected to decrease to 7.6 percent in 2013, 7.3 percent in 2014 and 6.7 percent in 2015.

- Income. Wisconsin's personal income growth will also be similar to the national trend. Wisconsin's total personal income should increase by 3.7 percent in 2013, 4.5 percent in 2014 and 4.5 percent in 2015. This compares to national income growth estimates of 2.8 percent in 2013, 5.0 percent in 2014 and 5.0 percent in 2015.

REVENUE ESTIMATES

TABLE 11: GENERAL PURPOSE REVENUE ESTIMATES
(\$ in millions)

<u>Current Law Estimates</u>	<u>Actual FY12</u>	<u>Estimate FY13</u>	<u>Estimate FY14</u>	<u>Estimate FY15</u>
Individual Income	\$7,041.7	\$7,280.0	\$7,465.0	\$7,855.0
General Sales and Use	4,288.7	4,380.0	4,500.0	4,610.0
Corporation Franchise and Income	906.6	890.0	905.0	910.0
Public Utility	365.9	355.6	358.2	355.8
Excise				
Cigarette	587.8	560.0	550.0	540.0
Liquor and Wine	47.0	49.6	50.5	51.5
Tobacco Products	65.5	62.8	64.7	66.7
Beer	9.2	9.1	9.1	9.0
Insurance Companies	148.1	152.0	160.0	168.0
Miscellaneous	<u>54.1</u>	<u>60.0</u>	<u>65.0</u>	<u>73.0</u>
Total GPR Taxes	\$13,514.6	\$13,799.1	\$14,127.5	\$14,639.0
Change Over Prior Year				
Amount		\$284.5	\$328.4	\$511.5
Percent		2.1%	2.4%	3.6%

Detail may not add due to rounding.

The Governor recommends significant tax reductions to allow taxpayers to retain more of their income, encourage investment and grow the economy in Wisconsin. These tax law changes are described earlier under Growing Our Economy and are summarized in Table 6. The principal tax change for individual income tax is the reduction in the marginal tax rates for the first three income tax brackets. There are also several collections initiatives and other tax law changes to ensure taxpayer fairness and efficiency. On corporate taxes, the Governor recommends increasing the amount of credits for the economic development tax credit program and phasing out the electronic medical records credit. The Governor also recommends adopting numerous changes to increase consistency with the federal Internal Revenue Code.

The Governor also recommends several actions to enforce the state's tax laws in order to protect law-abiding taxpayers from higher tax burdens.

**TABLE 12: GENERAL PURPOSE REVENUE ESTIMATES UNDER
GOVERNOR'S RECOMMENDATIONS**
(\$ in millions)

<u>Current Law Estimates</u>	Actual <u>FY12</u>	Estimate <u>FY13</u>	Estimate <u>FY14</u>	Estimate <u>FY15</u>
Individual Income	\$7,041.7	\$7,280.0	\$7,320.0	\$7,737.4
General Sales and Use	4,228.7	4,380.0	4,499.4	4,609.3
Corporation Franchise and Income	906.6	890.0	906.8	908.8
Public Utility	365.9	355.6	358.3	355.9
Excise				
Cigarette	587.8	560.0	551.4	541.4
Liquor and Wine	47.0	49.6	50.5	51.5
Tobacco Products	65.5	62.8	64.7	66.7
Beer	9.2	9.1	9.1	9.0
Insurance Companies	148.1	152.0	160.0	168.0
Miscellaneous	<u>54.1</u>	<u>60.0</u>	<u>65.0</u>	<u>73.0</u>
Total GPR Taxes	\$13,514.6	\$13,799.1	\$13,991.2	\$14,521.0
Change Over Prior Year				
Amount		\$284.5	\$192.1	\$529.8
Percent		2.1%	1.4%	3.8%

Detail may not add due to rounding.

Reference Section

VI. REFERENCE SECTION

GLOSSARY OF TERMS AND ABBREVIATIONS

Adjusted Base Year: The legislatively authorized total level of funding in the second year of a biennium for an appropriation, program or agency, which becomes the base and starting point for funding changes in the upcoming budget.

Aids to Individuals and Organizations: State payments made directly to or on behalf of an individual or private organization.

Annual Appropriations: Authorization for expenditures only up to the amount shown in the Chapter 20 appropriations schedule and only for the fiscal year for which they are appropriated. Unused funds in annual appropriations lapse to the fund of origin at the close of each fiscal year.

Base Level Reallocations: A means of transferring existing budgeted dollars from lower to higher priority activities.

Base Year Reconciliation: The documentation of adjustments to agency budgets at the appropriation level throughout the current biennium which have an effect on the base year (the second year of the current biennium).

Biennial Appropriations: Authorization for expenditures for the biennium for which they are appropriated. Dollar amounts shown in the Chapter 20 appropriations schedule represent the most reliable estimates of the amounts which will be expended in each fiscal year. Amounts can be expended in any fashion between the two years of the biennium.

Bond Revenue: Monies resulting from the contracting of public debt as authorized by the Legislature for specific purposes.

Continuing Appropriations: Authorization for expenditures from an appropriation until the appropriation is fully depleted or repealed by subsequent action of the Legislature. The appropriation for any given year consists of the previous fiscal year ending balance together with the new Chapter 20 appropriation authority granted during the current fiscal year.

Fiscal Year (FY): The year between July 1 and the following June 30 which corresponds to the state's budget and accounting period. A fiscal year is usually expressed as FY13 for fiscal year 2012-13, for example.

Full-Time Equivalent (FTE) Position: Designates the number (down to 0.1) of authorized positions affected by an action. A 1.0 FTE position represents full-time authority for 2,080 hours of employment, 0.5 FTE position represents 1,040 hours, etc.

General Purpose Revenue (GPR): Monies consisting of general taxes (sales, income, excise, inheritance, etc.), miscellaneous receipts and revenues collected by state agencies which are paid into the general fund, lose their identity and are then available for appropriation for any purpose by the Legislature.

General Purpose Revenue-Earned (GPR-E): Miscellaneous revenues collected by agencies that are deposited in the general fund and interest earnings on general fund balances.

Lapse: For annual appropriations, any budgeted funds that remain unspent at the end of each fiscal year revert or lapse back to the fund (general fund, transportation fund, conservation fund, etc.) from which they were appropriated. For biennial appropriations, a lapse occurs only in the second fiscal year of each biennium. There is no lapse from continuing appropriations.

Limited Term Employee (LTE): Individuals employed by the state for temporary positions, which are limited by law to 1,044 hours per 26 consecutive pay periods, and are not part of the state's civil service system.

Local Assistance: Appropriations made to or on behalf of units of local government in Wisconsin to help pay costs which would otherwise be borne by local governments.

Mission Statement: The overall purpose of a governmental organization. In many cases specific legislative direction is given to an agency and serves as the principal purpose of the agency.

One-Time Financing: The provision of funds for a cost that will not recur in future years.

Permanent Positions: All positions, classified and unclassified, which are not LTE or project positions and which do not have a termination date. Most position numbers are expressed as full-time equivalent (FTE). This would represent one person working full-time as one FTE position and two persons each working half-time as one FTE position.

Program Goal: A broadly based statement of anticipated results.

Program Revenue – Federal (PR-F): Monies received from the federal government and deposited as program revenues in the general fund.

Program Revenue – Other (PR or PR-O): Monies credited by law to a specific general fund appropriation to finance a particular agency, program or activity. They generally represent monies from user charges such as license and inspection fees, receipts from product sales or reimbursement for the cost of services provided to an individual or organization which is not another state agency.

Program Revenue – Service (PR-S): Monies credited by law to a specific general fund appropriation to finance a particular agency, program or activity when the service is provided to another state agency or the funding is received from another state agency.

Program Structure: The building blocks of an agency's budget are as follows:

Program: A broad category of similar services for an identifiable group or segment of the population for a specific purpose.

Subprogram: A breakdown of a program into units which identify more specific services or a more specific segment of the population.

Program Element: A breakdown of a subprogram into units which further program objectives by contributing to a specific output or group of related outputs described by a service or target group.

Program Summary: The same information as the department summary but at the program and subprogram levels.

Project Positions: A position with a fixed termination date and with a maximum duration of four years.

Segregated Revenue – Federal (SEG-F): Monies received from the federal government and deposited as revenues in a segregated fund.

Segregated Revenue – Local (SEG-L): Monies received from local governments which are used in conjunction with state and/or federal funds on transportation projects with a local component.

Segregated Revenue – Other (SEG or SEG-O): Monies which, by law, are deposited into funds other than the general fund. The funds retain their interest earnings and are available for predesignated purposes.

Segregated Revenue – Service (SEG-S): Monies which are credited by law to a specific segregated fund appropriation to finance a particular agency, program or activity when the service is provided to another state agency.

Standard Budget Adjustments: Technical adjustments to the base which are needed to accurately reflect the current level of funding on an annualized basis.

State Operations: Expenditures which are not local assistance or aids to individuals that fund the administrative operations of state agencies and the University of Wisconsin.

Sum Certain Appropriations: Authorization for expenditures from the indicated source in the specific amounts appropriated in the Chapter 20 schedule.

Sum Sufficient Appropriations: Authorization for expenditures from the indicated source in the amounts necessary to accomplish the purpose specified. Dollar amounts shown in the Chapter 20 appropriation schedule represent the most reliable estimate of the amounts which will be needed; however, they are not controlling.

Turnover: A reduction to the salary budget to reflect the savings realized when positions become vacant and when experienced employees are replaced with those who earn only the minimum salary in their classification.

Unclassified Positions: Permanent positions which are not filled through the civil service and which have no civil service protection.

Appendices

APPENDIX 1
Summary of All Funds Appropriations
Governor's Recommendations - FY14

	<u>FY13 Base</u>	<u>FY14 Recommended</u>	<u>Change From Base (Amt)</u>	<u>Change Percent</u>
Administration, Department of	1,221,082,800	976,703,700	-244,379,100	-20.0
Agriculture, Trade and Consumer Protection	103,773,600	96,486,900	-7,286,700	-7.0
Bd. for People w/ Developmental Disabilities	1,301,700	1,404,900	103,200	7.9
Board of Commissioners of Public Lands	1,547,200	1,548,900	1,700	0.1
Board on Aging and Long-Term Care	2,848,000	2,851,700	3,700	0.1
Building Commission	41,461,700	42,944,900	1,483,200	3.6
Child Abuse and Neglect Prevention Board	2,998,200	3,002,400	4,200	0.1
Children and Families, Department of	1,100,142,300	1,122,966,100	22,823,800	2.1
Circuit Courts	96,581,200	94,733,700	-1,847,500	-1.9
Corrections, Department of	1,274,863,300	1,278,053,800	3,190,500	0.3
Court of Appeals	10,477,000	10,246,400	-230,600	-2.2
District Attorneys	45,207,000	45,803,000	596,000	1.3
Educational Communications Board	19,190,200	19,652,200	462,000	2.4
Employee Trust Funds, Department of	36,265,300	41,372,100	5,106,800	14.1
Employment Relations Commission	3,198,000	1,982,500	-1,215,500	-38.0
Employment Relations, Office of State	5,643,100	5,972,800	329,700	5.8
Environmental Improvement Program	48,248,500	45,977,200	-2,271,300	-4.7
Financial Institutions, Department of	17,825,800	17,849,700	23,900	0.1
Fox River Navigational System Authority	125,400	125,400	0	0.0
Government Accountability Board	6,583,200	6,927,500	344,300	5.2
Governor, Office of the	4,435,800	3,741,300	-694,500	-15.7
Health and Educational Facilities Authority	0	0	0	0.0
Health Services, Department of	9,046,553,500	9,818,396,600	771,843,100	8.5
Higher Educational Aids Board	142,056,600	146,230,400	4,173,800	2.9
Historical Society	21,828,000	23,872,200	2,044,200	9.4
Insurance, Office of the Commissioner of	104,289,000	108,069,600	3,780,600	3.6
Investment Board	35,300,000	35,300,000	0	0.0
Judicial Commission	290,900	289,200	-1,700	-0.6
Judicial Council	69,700	66,500	-3,200	-4.6
Justice, Department of	89,449,400	118,925,800	29,476,400	33.0
Legislature	76,047,100	75,052,400	-994,700	-1.3
Lieutenant Governor, Office of the	393,500	316,600	-76,900	-19.5
Lower Wisconsin State Riverway Board	202,600	208,700	6,100	3.0
Medical College of Wisconsin	7,909,000	9,255,700	1,346,700	17.0
Military Affairs, Department of	83,597,700	102,844,100	19,246,400	23.0
Miscellaneous Appropriations	124,852,400	129,136,800	4,284,400	3.4
Natural Resources, Department of	561,677,000	570,591,700	8,914,700	1.6
Program Supplements	25,567,100	4,841,000	-20,726,100	-81.1
Public Defender Board	83,405,600	88,492,100	5,086,500	6.1
Public Instruction, Department of	6,028,484,900	6,091,137,100	62,652,200	1.0
Public Service Commission	24,483,300	23,753,400	-729,900	-3.0
Revenue, Department of	176,023,900	180,021,000	3,997,100	2.3
Safety and Professional Services, Dept. of	66,626,300	52,890,900	-13,735,400	-20.6
Secretary of State	513,600	507,000	-6,600	-1.3
Shared Revenue and Tax Relief	2,381,348,600	2,410,479,900	29,131,300	1.2
State Fair Park Board	22,179,900	22,824,900	645,000	2.9
Supreme Court	31,997,500	31,154,500	-843,000	-2.6
Technical College System Board	146,295,300	145,491,200	-804,100	-0.5
Tourism, Department of	17,713,700	17,960,500	246,800	1.4
Transportation, Department of	2,966,639,300	3,067,380,300	100,741,000	3.4
Treasurer, State	4,861,100	4,874,600	13,500	0.3
University of Wisconsin System	5,812,482,000	5,985,137,300	172,655,300	3.0
Veterans Affairs, Department of	137,448,600	141,685,200	4,236,600	3.1
Wisconsin Economic Develop. Corp.	76,979,800	61,300,700	-15,679,100	-20.4
WHEDA	0	2,500,000	2,500,000	0.0
Workforce Development, Department of	329,829,600	360,758,800	30,929,200	9.4
TOTALS	32,671,195,800	33,652,093,800	980,898,000	3.0

APPENDIX 2
Summary of All Funds Appropriations
Governor's Recommendations - FY15

	<u>FY14</u> <u>Recommended</u>	<u>FY15</u> <u>Recommended</u>	<u>Change From</u> <u>FY14 (Amt)</u>	<u>Change</u> <u>Percent</u>
Administration, Department of	976,703,700	938,854,300	-37,849,400	-3.9
Agriculture, Trade and Consumer Protection	96,486,900	95,338,400	-1,148,500	-1.2
Bd. for People w/ Developmental Disabilities	1,404,900	1,404,900	0	0.0
Board of Commissioners of Public Lands	1,548,900	1,550,500	1,600	0.1
Board on Aging and Long-Term Care	2,851,700	2,829,300	-22,400	-0.8
Building Commission	42,944,900	60,686,000	17,741,100	41.3
Child Abuse and Neglect Prevention Board	3,002,400	3,003,300	900	0.0
Children and Families, Department of	1,122,966,100	1,122,494,200	-471,900	0.0
Circuit Courts	94,733,700	94,733,700	0	0.0
Corrections, Department of	1,278,053,800	1,277,869,900	-183,900	0.0
Court of Appeals	10,246,400	10,267,800	21,400	0.2
District Attorneys	45,803,000	48,315,200	2,512,200	5.5
Educational Communications Board	19,652,200	19,838,800	186,600	0.9
Employee Trust Funds, Department of	41,372,100	42,278,800	906,700	2.2
Employment Relations Commission	1,982,500	1,484,300	-498,200	-25.1
Employment Relations, Office of State	5,972,800	6,031,800	59,000	1.0
Environmental Improvement Program	45,977,200	47,943,200	1,966,000	4.3
Financial Institutions, Department of	17,849,700	17,947,900	98,200	0.6
Fox River Navigational System Authority	125,400	125,400	0	0.0
Government Accountability Board	6,927,500	6,602,500	-325,000	-4.7
Governor, Office of the	3,741,300	3,741,300	0	0.0
Health and Educational Facilities Authority	0	0	0	0.0
Health Services, Department of	9,818,396,600	10,324,381,700	505,985,100	5.2
Higher Educational Aids Board	146,230,400	150,465,300	4,234,900	2.9
Historical Society	23,872,200	24,062,500	190,300	0.8
Insurance, Office of the Commissioner of	108,069,600	108,013,000	-56,600	-0.1
Investment Board	35,300,000	35,300,000	0	0.0
Judicial Commission	289,200	289,700	500	0.2
Judicial Council	66,500	66,800	300	0.5
Justice, Department of	118,925,800	121,454,700	2,528,900	2.1
Legislature	75,052,400	75,111,200	58,800	0.1
Lieutenant Governor, Office of the	316,600	316,600	0	0.0
Lower Wisconsin State Riverway Board	208,700	208,800	100	0.0
Medical College of Wisconsin	9,255,700	9,428,000	172,300	1.9
Military Affairs, Department of	102,844,100	102,663,500	-180,600	-0.2
Miscellaneous Appropriations	129,136,800	132,488,500	3,351,700	2.6
Natural Resources, Department of	570,591,700	573,676,600	3,084,900	0.5
Program Supplements	4,841,000	4,841,000	0	0.0
Public Defender Board	88,492,100	83,325,100	-5,167,000	-5.8
Public Instruction, Department of	6,091,137,100	6,253,888,100	162,751,000	2.7
Public Service Commission	23,753,400	23,677,000	-76,400	-0.3
Revenue, Department of	180,021,000	179,703,800	-317,200	-0.2
Safety and Professional Services, Dept. of	52,890,900	52,874,200	-16,700	0.0
Secretary of State	507,000	508,600	1,600	0.3
Shared Revenue and Tax Relief	2,410,479,900	2,424,133,300	13,653,400	0.6
State Fair Park Board	22,824,900	22,840,000	15,100	0.1
Supreme Court	31,154,500	31,198,000	43,500	0.1
Technical College System Board	145,491,200	150,501,100	5,009,900	3.4
Tourism, Department of	17,960,500	17,964,100	3,600	0.0
Transportation, Department of	3,067,380,300	3,028,512,900	-38,867,400	-1.3
Treasurer, State	4,874,600	4,877,600	3,000	0.1
University of Wisconsin System	5,985,137,300	6,033,363,900	48,226,600	0.8
Veterans Affairs, Department of	141,685,200	142,129,700	444,500	0.3
Wisconsin Economic Develop. Corp.	61,300,700	66,700,700	5,400,000	8.8
WHEDA	2,500,000	0	-2,500,000	-100.0
Workforce Development, Department of	360,758,800	364,261,300	3,502,500	1.0
TOTALS	33,652,093,800	34,346,568,800	694,475,000	2.1

APPENDIX 3
Summary of GPR Appropriations
Governor's Recommendations - FY14

	<u>FY13 Base</u>	<u>FY14 Recommended</u>	<u>Change From Base (Amt)</u>	<u>Change Percent</u>
Administration, Department of	647,974,900	446,212,300	-201,762,600	-31.1
Agriculture, Trade and Consumer Protection	28,831,000	26,767,000	-2,064,000	-7.2
Bd. for People w/ Developmental Disabilities	25,900	59,100	33,200	128.2
Board of Commissioners of Public Lands	0	0	0	0.0
Board on Aging and Long-Term Care	1,077,200	1,126,300	49,100	4.6
Building Commission	39,295,400	39,320,500	25,100	0.1
Child Abuse and Neglect Prevention Board	999,600	996,700	-2,900	-0.3
Children and Families, Department of	355,411,700	348,181,500	-7,230,200	-2.0
Circuit Courts	96,348,500	94,501,000	-1,847,500	-1.9
Corrections, Department of	1,158,182,600	1,163,404,800	5,222,200	0.5
Court of Appeals	10,477,000	10,246,400	-230,600	-2.2
District Attorneys	41,895,100	42,340,200	445,100	1.1
Educational Communications Board	8,039,300	7,933,400	-105,900	-1.3
Employee Trust Funds, Department of	433,100	321,100	-112,000	-25.9
Employment Relations Commission	2,574,800	1,797,400	-777,400	-30.2
Employment Relations, Office of State	0	0	0	0.0
Environmental Improvement Program	40,248,500	37,977,200	-2,271,300	-5.6
Financial Institutions, Department of	0	0	0	0.0
Fox River Navigational System Authority	0	0	0	0.0
Government Accountability Board	2,664,700	2,818,800	154,100	5.8
Governor, Office of the	4,435,800	3,741,300	-694,500	-15.7
Health and Educational Facilities Authority	0	0	0	0.0
Health Services, Department of	2,824,510,600	3,088,191,100	263,680,500	9.3
Higher Educational Aids Board	139,254,100	143,427,900	4,173,800	3.0
Historical Society	14,132,900	14,829,900	697,000	4.9
Insurance, Office of the Commissioner of	0	0	0	0.0
Investment Board	0	0	0	0.0
Judicial Commission	290,900	289,200	-1,700	-0.6
Judicial Council	69,700	66,500	-3,200	-4.6
Justice, Department of	41,698,100	45,587,000	3,888,900	9.3
Legislature	74,096,000	73,065,700	-1,030,300	-1.4
Lieutenant Governor, Office of the	393,500	316,600	-76,900	-19.5
Lower Wisconsin State Riverway Board	0	0	0	0.0
Medical College of Wisconsin	7,661,500	9,008,200	1,346,700	17.6
Military Affairs, Department of	24,013,000	24,139,300	126,300	0.5
Miscellaneous Appropriations	96,134,400	99,199,900	3,065,500	3.2
Natural Resources, Department of	128,460,200	135,919,700	7,459,500	5.8
Program Supplements	19,539,900	4,841,000	-14,698,900	-75.2
Public Defender Board	82,116,100	87,190,900	5,074,800	6.2
Public Instruction, Department of	5,162,445,900	5,220,877,700	58,431,800	1.1
Public Service Commission	0	0	0	0.0
Revenue, Department of	93,215,500	90,693,700	-2,521,800	-2.7
Safety and Professional Services, Dept. of	2,413,200	2,412,300	-900	0.0
Secretary of State	0	0	0	0.0
Shared Revenue and Tax Relief	2,147,889,100	2,136,517,700	-11,371,400	-0.5
State Fair Park Board	3,369,300	3,494,900	125,600	3.7
Supreme Court	15,275,300	14,775,400	-499,900	-3.3
Technical College System Board	108,247,300	108,286,200	38,900	0.0
Tourism, Department of	4,674,200	5,322,400	648,200	13.9
Transportation, Department of	162,296,000	177,301,000	15,005,000	9.2
Treasurer, State	0	0	0	0.0
University of Wisconsin System	1,124,903,400	1,200,147,000	75,243,600	6.7
Veterans Affairs, Department of	2,627,700	2,402,800	-224,900	-8.6
Wisconsin Economic Develop. Corp.	32,790,600	35,111,500	2,320,900	7.1
WHEDA	0	2,500,000	2,500,000	0.0
Workforce Development, Department of	24,613,500	24,760,400	146,900	0.6
TOTALS	14,776,047,000	14,978,420,900	202,373,900	1.4

APPENDIX 4
Summary of GPR Appropriations
Governor's Recommendations - FY15

	<u>FY14</u> <u>Recommended</u>	<u>FY15</u> <u>Recommended</u>	<u>Change From</u> <u>FY14 (Amt)</u>	<u>Change</u> <u>Percent</u>
Administration, Department of	446,212,300	415,291,600	-30,920,700	-6.9
Agriculture, Trade and Consumer Protection	26,767,000	26,336,700	-430,300	-1.6
Bd. for People w/ Developmental Disabilities	59,100	59,100	0	0.0
Board of Commissioners of Public Lands	0	0	0	0.0
Board on Aging and Long-Term Care	1,126,300	1,126,300	0	0.0
Building Commission	39,320,500	54,862,500	15,542,000	39.5
Child Abuse and Neglect Prevention Board	996,700	996,700	0	0.0
Children and Families, Department of	348,181,500	354,992,900	6,811,400	2.0
Circuit Courts	94,501,000	94,501,000	0	0.0
Corrections, Department of	1,163,404,800	1,162,811,800	-593,000	-0.1
Court of Appeals	10,246,400	10,267,800	21,400	0.2
District Attorneys	42,340,200	44,848,900	2,508,700	5.9
Educational Communications Board	7,933,400	7,915,200	-18,200	-0.2
Employee Trust Funds, Department of	321,100	250,100	-71,000	-22.1
Employment Relations Commission	1,797,400	1,381,000	-416,400	-23.2
Employment Relations, Office of State	0	0	0	0.0
Environmental Improvement Program	37,977,200	39,943,200	1,966,000	5.2
Financial Institutions, Department of	0	0	0	0.0
Fox River Navigational System Authority	0	0	0	0.0
Government Accountability Board	2,818,800	2,826,500	7,700	0.3
Governor, Office of the	3,741,300	3,741,300	0	0.0
Health and Educational Facilities Authority	0	0	0	0.0
Health Services, Department of	3,088,191,100	3,323,952,300	235,761,200	7.6
Higher Educational Aids Board	143,427,900	147,662,800	4,234,900	3.0
Historical Society	14,829,900	15,016,100	186,200	1.3
Insurance, Office of the Commissioner of	0	0	0	0.0
Investment Board	0	0	0	0.0
Judicial Commission	289,200	289,700	500	0.2
Judicial Council	66,500	66,800	300	0.5
Justice, Department of	45,587,000	46,866,300	1,279,300	2.8
Legislature	73,065,700	73,113,800	48,100	0.1
Lieutenant Governor, Office of the	316,600	316,600	0	0.0
Lower Wisconsin State Riverway Board	0	0	0	0.0
Medical College of Wisconsin	9,008,200	9,180,500	172,300	1.9
Military Affairs, Department of	24,139,300	24,258,800	119,500	0.5
Miscellaneous Appropriations	99,199,900	102,223,400	3,023,500	3.0
Natural Resources, Department of	135,919,700	138,989,000	3,069,300	2.3
Program Supplements	4,841,000	4,841,000	0	0.0
Public Defender Board	87,190,900	82,023,800	-5,167,100	-5.9
Public Instruction, Department of	5,220,877,700	5,380,559,100	159,681,400	3.1
Public Service Commission	0	0	0	0.0
Revenue, Department of	90,693,700	90,040,300	-653,400	-0.7
Safety and Professional Services, Dept. of	2,412,300	2,412,300	0	0.0
Secretary of State	0	0	0	0.0
Shared Revenue and Tax Relief	2,136,517,700	2,157,370,700	20,853,000	1.0
State Fair Park Board	3,494,900	3,494,600	-300	0.0
Supreme Court	14,775,400	14,802,200	26,800	0.2
Technical College System Board	108,286,200	113,292,700	5,006,500	4.6
Tourism, Department of	5,322,400	5,325,800	3,400	0.1
Transportation, Department of	177,301,000	250,649,600	73,348,600	41.4
Treasurer, State	0	0	0	0.0
University of Wisconsin System	1,200,147,000	1,231,007,000	30,860,000	2.6
Veterans Affairs, Department of	2,402,800	2,386,500	-16,300	-0.7
Wisconsin Economic Develop. Corp.	35,111,500	38,511,500	3,400,000	9.7
WHEDA	2,500,000	0	-2,500,000	-100.0
Workforce Development, Department of	24,760,400	27,013,700	2,253,300	9.1
TOTALS	14,978,420,900	15,507,819,500	529,398,600	3.5

APPENDIX 5
Summary of All Funds Positions
Governor's Recommendations - FY14

	<u>FY13 Base</u>	<u>FY14 Recommended</u>	<u>Change From Base (FTE)</u>
Administration, Department of	1,027.31	1,014.03	-13.28
Agriculture, Trade and Consumer Protection	594.89	630.89	36.00
Bd. for People w/ Developmental Disabilities	6.75	6.75	0.00
Board of Commissioners of Public Lands	8.50	9.50	1.00
Board on Aging and Long-Term Care	37.00	37.00	0.00
Building Commission	0.00	0.00	0.00
Child Abuse and Neglect Prevention Board	6.00	6.00	0.00
Children and Families, Department of	778.00	791.91	13.91
Circuit Courts	527.00	527.00	0.00
Corrections, Department of	10,254.37	10,287.27	32.90
Court of Appeals	75.50	75.50	0.00
District Attorneys	424.90	422.90	-2.00
Educational Communications Board	56.68	56.68	0.00
Employee Trust Funds, Department of	260.20	262.20	2.00
Employment Relations Commission	25.50	9.01	-16.49
Employment Relations, Office of State	48.65	49.95	1.30
Environmental Improvement Program	0.00	0.00	0.00
Financial Institutions, Department of	136.54	141.54	5.00
Fox River Navigational System Authority	0.00	0.00	0.00
Government Accountability Board	53.75	53.75	0.00
Governor, Office of the	37.25	37.25	0.00
Health and Educational Facilities Authority	0.00	0.00	0.00
Health Services, Department of	5,923.80	6,172.05	248.25
Higher Educational Aids Board	11.00	11.00	0.00
Historical Society	131.54	136.04	4.50
Insurance, Office of the Commissioner of	152.30	154.30	2.00
Investment Board	145.10	145.10	0.00
Judicial Commission	2.00	2.00	0.00
Judicial Council	1.00	1.00	0.00
Justice, Department of	609.49	666.74	57.25
Legislature	777.97	777.97	0.00
Lieutenant Governor, Office of the	4.00	4.00	0.00
Lower Wisconsin State Riverway Board	2.00	2.00	0.00
Medical College of Wisconsin	0.00	0.00	0.00
Military Affairs, Department of	416.56	428.86	12.30
Miscellaneous Appropriations	0.00	0.00	0.00
Natural Resources, Department of	2,658.94	2,682.84	23.90
Program Supplements	0.00	0.00	0.00
Public Defender Board	579.85	579.85	0.00
Public Instruction, Department of	635.57	634.77	-0.80
Public Service Commission	153.00	149.00	-4.00
Revenue, Department of	1,052.08	1,090.13	38.05
Safety and Professional Services, Dept. of	369.60	284.60	-85.00
Secretary of State	4.00	4.00	0.00
Shared Revenue and Tax Relief	0.00	0.00	0.00
State Fair Park Board	39.90	39.00	-0.90
Supreme Court	219.75	219.75	0.00
Technical College System Board	63.00	58.00	-5.00
Tourism, Department of	35.00	35.00	0.00
Transportation, Department of	3,350.04	3,549.04	199.00
Treasurer, State	9.95	9.95	0.00
University of Wisconsin System	34,675.96	34,682.46	6.50
Veterans Affairs, Department of	1,136.10	1,332.70	196.60
Wisconsin Economic Develop. Corp.	0.00	0.00	0.00
WHEDA	0.00	0.00	0.00
Workforce Development, Department of	1,744.81	1,677.76	-67.05
TOTALS	69,263.10	69,949.04	685.94

APPENDIX 6
Summary of All Funds Positions
Governor's Recommendations - FY15

	FY14	FY15	Change From
	<u>Recommended</u>	<u>Recommended</u>	<u>FY14 (FTE)</u>
Administration, Department of	1,014.03	1,008.03	-6.00
Agriculture, Trade and Consumer Protection	630.89	630.89	0.00
Bd. for People w/ Developmental Disabilities	6.75	6.75	0.00
Board of Commissioners of Public Lands	9.50	9.50	0.00
Board on Aging and Long-Term Care	37.00	37.00	0.00
Building Commission	0.00	0.00	0.00
Child Abuse and Neglect Prevention Board	6.00	6.00	0.00
Children and Families, Department of	791.91	788.61	-3.30
Circuit Courts	527.00	527.00	0.00
Corrections, Department of	10,287.27	10,305.02	17.75
Court of Appeals	75.50	75.50	0.00
District Attorneys	422.90	422.90	0.00
Educational Communications Board	56.68	56.68	0.00
Employee Trust Funds, Department of	262.20	262.20	0.00
Employment Relations Commission	9.01	9.01	0.00
Employment Relations, Office of State	49.95	49.95	0.00
Environmental Improvement Program	0.00	0.00	0.00
Financial Institutions, Department of	141.54	141.54	0.00
Fox River Navigational System Authority	0.00	0.00	0.00
Government Accountability Board	53.75	48.75	-5.00
Governor, Office of the	37.25	37.25	0.00
Health and Educational Facilities Authority	0.00	0.00	0.00
Health Services, Department of	6,172.05	6,204.05	32.00
Higher Educational Aids Board	11.00	11.00	0.00
Historical Society	136.04	136.04	0.00
Insurance, Office of the Commissioner of	154.30	154.30	0.00
Investment Board	145.10	145.10	0.00
Judicial Commission	2.00	2.00	0.00
Judicial Council	1.00	1.00	0.00
Justice, Department of	666.74	675.74	9.00
Legislature	777.97	777.97	0.00
Lieutenant Governor, Office of the	4.00	4.00	0.00
Lower Wisconsin State Riverway Board	2.00	2.00	0.00
Medical College of Wisconsin	0.00	0.00	0.00
Military Affairs, Department of	428.86	428.86	0.00
Miscellaneous Appropriations	0.00	0.00	0.00
Natural Resources, Department of	2,682.84	2,670.34	-12.50
Program Supplements	0.00	0.00	0.00
Public Defender Board	579.85	579.85	0.00
Public Instruction, Department of	634.77	629.96	-4.81
Public Service Commission	149.00	147.00	-2.00
Revenue, Department of	1,090.13	1,090.13	0.00
Safety and Professional Services, Dept. of	284.60	284.60	0.00
Secretary of State	4.00	4.00	0.00
Shared Revenue and Tax Relief	0.00	0.00	0.00
State Fair Park Board	39.00	39.00	0.00
Supreme Court	219.75	219.75	0.00
Technical College System Board	58.00	58.00	0.00
Tourism, Department of	35.00	35.00	0.00
Transportation, Department of	3,549.04	3,549.04	0.00
Treasurer, State	9.95	9.95	0.00
University of Wisconsin System	34,682.46	34,688.96	6.50
Veterans Affairs, Department of	1,332.70	1,330.70	-2.00
Wisconsin Economic Develop. Corp.	0.00	0.00	0.00
WHEDA	0.00	0.00	0.00
Workforce Development, Department of	1,677.76	1,672.76	-5.00
TOTALS	69,949.04	69,973.68	24.64

APPENDIX 7
Summary of GPR Positions
Governor's Recommendations - FY14

	<u>FY13 Base</u>	<u>FY14 Recommended</u>	<u>Change From Base (FTE)</u>
Administration, Department of	98.25	98.84	0.59
Agriculture, Trade and Consumer Protection	211.00	211.00	0.00
Bd. for People w/ Developmental Disabilities	0.00	0.00	0.00
Board of Commissioners of Public Lands	0.00	0.00	0.00
Board on Aging and Long-Term Care	14.73	15.73	1.00
Building Commission	0.00	0.00	0.00
Child Abuse and Neglect Prevention Board	1.00	1.00	0.00
Children and Families, Department of	217.65	218.65	1.00
Circuit Courts	527.00	527.00	0.00
Corrections, Department of	9,655.22	9,704.12	48.90
Court of Appeals	75.50	75.50	0.00
District Attorneys	380.90	380.90	0.00
Educational Communications Board	35.14	35.14	0.00
Employee Trust Funds, Department of	0.00	0.00	0.00
Employment Relations Commission	20.50	9.01	-11.49
Employment Relations, Office of State	0.00	0.00	0.00
Environmental Improvement Program	0.00	0.00	0.00
Financial Institutions, Department of	0.00	0.00	0.00
Fox River Navigational System Authority	0.00	0.00	0.00
Government Accountability Board	19.30	19.30	0.00
Governor, Office of the	37.25	37.25	0.00
Health and Educational Facilities Authority	0.00	0.00	0.00
Health Services, Department of	2,460.17	2,627.27	167.10
Higher Educational Aids Board	11.00	11.00	0.00
Historical Society	100.15	100.65	0.50
Insurance, Office of the Commissioner of	0.00	0.00	0.00
Investment Board	0.00	0.00	0.00
Judicial Commission	2.00	2.00	0.00
Judicial Council	0.50	0.50	0.00
Justice, Department of	383.08	400.58	17.50
Legislature	758.17	758.17	0.00
Lieutenant Governor, Office of the	4.00	4.00	0.00
Lower Wisconsin State Riverway Board	0.00	0.00	0.00
Medical College of Wisconsin	0.00	0.00	0.00
Military Affairs, Department of	80.63	80.63	0.00
Miscellaneous Appropriations	0.00	0.00	0.00
Natural Resources, Department of	291.10	285.00	-6.10
Program Supplements	0.00	0.00	0.00
Public Defender Board	574.85	574.85	0.00
Public Instruction, Department of	250.24	253.24	3.00
Public Service Commission	0.00	0.00	0.00
Revenue, Department of	859.28	875.33	16.05
Safety and Professional Services, Dept. of	1.00	1.00	0.00
Secretary of State	0.00	0.00	0.00
Shared Revenue and Tax Relief	0.00	0.00	0.00
State Fair Park Board	0.00	0.00	0.00
Supreme Court	114.50	114.50	0.00
Technical College System Board	23.25	23.25	0.00
Tourism, Department of	30.00	30.00	0.00
Transportation, Department of	0.00	0.00	0.00
Treasurer, State	0.00	0.00	0.00
University of Wisconsin System	18,432.76	18,439.26	6.50
Veterans Affairs, Department of	0.00	0.00	0.00
Wisconsin Economic Develop. Corp.	0.00	0.00	0.00
WHEDA	0.00	0.00	0.00
Workforce Development, Department of	126.46	129.61	3.15
TOTALS	35,796.58	36,044.28	247.70

APPENDIX 8
Summary of GPR Positions
Governor's Recommendations - FY15

	FY14	FY15	Change From
	<u>Recommended</u>	<u>Recommended</u>	<u>FY14 (FTE)</u>
Administration, Department of	98.84	95.84	-3.00
Agriculture, Trade and Consumer Protection	211.00	211.00	0.00
Bd. for People w/ Developmental Disabilities	0.00	0.00	0.00
Board of Commissioners of Public Lands	0.00	0.00	0.00
Board on Aging and Long-Term Care	15.73	15.73	0.00
Building Commission	0.00	0.00	0.00
Child Abuse and Neglect Prevention Board	1.00	1.00	0.00
Children and Families, Department of	218.65	218.65	0.00
Circuit Courts	527.00	527.00	0.00
Corrections, Department of	9,704.12	9,721.87	17.75
Court of Appeals	75.50	75.50	0.00
District Attorneys	380.90	380.90	0.00
Educational Communications Board	35.14	35.14	0.00
Employee Trust Funds, Department of	0.00	0.00	0.00
Employment Relations Commission	9.01	9.01	0.00
Employment Relations, Office of State	0.00	0.00	0.00
Environmental Improvement Program	0.00	0.00	0.00
Financial Institutions, Department of	0.00	0.00	0.00
Fox River Navigational System Authority	0.00	0.00	0.00
Government Accountability Board	19.30	19.30	0.00
Governor, Office of the	37.25	37.25	0.00
Health and Educational Facilities Authority	0.00	0.00	0.00
Health Services, Department of	2,627.27	2,643.91	16.64
Higher Educational Aids Board	11.00	11.00	0.00
Historical Society	100.65	100.65	0.00
Insurance, Office of the Commissioner of	0.00	0.00	0.00
Investment Board	0.00	0.00	0.00
Judicial Commission	2.00	2.00	0.00
Judicial Council	0.50	0.50	0.00
Justice, Department of	400.58	400.58	0.00
Legislature	758.17	758.17	0.00
Lieutenant Governor, Office of the	4.00	4.00	0.00
Lower Wisconsin State Riverway Board	0.00	0.00	0.00
Medical College of Wisconsin	0.00	0.00	0.00
Military Affairs, Department of	80.63	80.63	0.00
Miscellaneous Appropriations	0.00	0.00	0.00
Natural Resources, Department of	285.00	285.00	0.00
Program Supplements	0.00	0.00	0.00
Public Defender Board	574.85	574.85	0.00
Public Instruction, Department of	253.24	254.43	1.19
Public Service Commission	0.00	0.00	0.00
Revenue, Department of	875.33	875.33	0.00
Safety and Professional Services, Dept. of	1.00	1.00	0.00
Secretary of State	0.00	0.00	0.00
Shared Revenue and Tax Relief	0.00	0.00	0.00
State Fair Park Board	0.00	0.00	0.00
Supreme Court	114.50	114.50	0.00
Technical College System Board	23.25	23.25	0.00
Tourism, Department of	30.00	30.00	0.00
Transportation, Department of	0.00	0.00	0.00
Treasurer, State	0.00	0.00	0.00
University of Wisconsin System	18,439.26	18,445.76	6.50
Veterans Affairs, Department of	0.00	0.00	0.00
Wisconsin Economic Develop. Corp.	0.00	0.00	0.00
WHEDA	0.00	0.00	0.00
Workforce Development, Department of	129.61	143.46	13.85
TOTALS	36,044.28	36,097.21	52.93

ABOUT THE BUDGET DOCUMENTS

The 2013-15 budget appears in four components: Executive Budget, Budget in Brief, Summary of Tax Exemption Devices and Budget Message.

The Executive Budget presents each agency's budget request, accompanied by the Governor's recommendations and initiatives. The Budget in Brief gives an overview of the Governor's revenue and expenditure priorities and serves as the state's fiscal plan. The Governor's Budget Message provides the text of the speech the Governor delivers to the Legislature at the time the budget is introduced, laying out the Governor's budget priorities and plans for the state. These documents were prepared by the Division of Executive Budget and Finance in the Department of Administration.

Summary of Tax Exemption Devices, written by the Division of Research and Policy in the Department of Revenue, explains current Wisconsin tax law provisions that decrease state revenue by exempting certain persons, income, goods or property from the impact of established taxes. It includes data on the fiscal impact of each exemption device for fiscal year 2011-12.

The Executive Budget, Budget in Brief and Budget Message can be found on the Internet at: www.doa.state.wi.us/executivebudget.

The Summary of Tax Exemption Devices can be found on the Internet at: <http://www.revenue.wi.gov/report/index.html>.

The state's Publishing Services Center printed and bound the documents.

