

*FY05*

# ANNUAL FISCAL REPORT

## Budgetary Basis



State of Wisconsin  
2005

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**State of Wisconsin  
2005 Annual Fiscal Report**

**(Budgetary Basis)**

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**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

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GOVERNOR

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October 15, 2005

The Honorable Jim Doyle  
The Honorable Members of the Legislature

This report presents statements of fund condition and operations (budgetary basis) of the State of Wisconsin for the fiscal year ended June 30, 2005. This satisfies the requirements of s. 16.40(3), Wisconsin Statutes. Displayed are major sources of revenues and major categories of expenditures for the General Fund and other funds compared to the prior year.

The 2003-05 biennium began with a fiscal year 2003 deficit of \$282 million. This quickly increased to \$3.2 billion due to the use of one-time measures to balance the 2001-03 budget combined with increasing costs. Wisconsin's \$3.2 billion budget deficit was one of the largest in the country on a per capita basis. This report confirms that the difficult decisions made by the Governor and Legislature, combined with an improving economy, have erased the deficit and left the state with a \$4.1 million surplus.

The opening General Fund balance has been reduced due to improvements in the state's revenue accounting methodology used in years prior to fiscal year 2005, which required an adjustment to fiscal year 2004 accrued revenues. The result of this adjustment is a reduction in the fiscal year 2005 opening balance of \$27.4 million.

The General Fund has an undesignated balance of \$4.1 million as of the end of the fiscal year. This is \$123.6 million lower than the balance of \$127.7 million projected by the Legislative Fiscal Bureau in its most recent fund condition for the 2003-05 biennium published in January 2005. The change in the ending balance is the net result of a number of modifications since January 2005, including subsequent revenue reestimates by the Legislative Fiscal Bureau; lower tax collections and changes in non-tax revenues; separate legislation to increase appropriations (particularly for Medical Assistance); and higher payments for income tax credits. The undesignated ending balance of \$4.1 million is \$1.7 million lower than the fiscal year 2005 ending balance projected by the Legislative Fiscal Bureau in August 2005 in its fund condition for 2005 Wisconsin Act 25 (the 2005-07 biennial budget).

General-purpose revenue taxes were \$11.397 billion compared to \$10.739 billion in the prior year, an increase of \$658 million or 6.1 percent. This increase was \$52 million, or 0.5%, below the Legislative Fiscal Bureau May 2005 estimate of \$11.449 billion. General-purpose revenue expenditures, excluding fund transfers, were \$11.860 billion compared to \$10.661 billion in the prior year, an increase of \$1.199 billion or 11.2 percent.

In fiscal year 2005, the State of Wisconsin continued to devote the major share of state tax collections to assistance to local school districts, municipalities and counties. Local assistance accounted for 56.3 percent of total general purpose revenue spending. Aid payments to individuals and organizations represented 21.3 percent of total general purpose revenue expenditures. The University of Wisconsin accounted for 8.3 percent of total general purpose revenue spending and state operations spending for all other state agencies accounted for 14.1 percent of the total.

Wisconsin, along with many other states, continues to struggle with Medicaid costs and insufficient federal revenues. Under 2005 Wisconsin Act 15, the Legislature directed that a transfer of \$75 million be made from the General Fund to the Medical Assistance Trust Fund. This amount was in addition to \$123.5 million transferred in fiscal year 2004 and \$50 million transferred in fiscal year 2005 under prior legislation.

The Honorable Jim Doyle  
The Honorable Members of the Legislature  
October 15, 2005  
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Due to limited General Fund resources resulting from the revenue accounting adjustments and the slightly slower growth in general fund revenues in fiscal year 2005, this transfer has been divided between fiscal year 2005 and fiscal year 2006 pursuant to the authority under s. 16.52 (12), Wisconsin Statutes. In fiscal year 2005, \$20 million was transferred from the General Fund to the Medical Assistance Trust Fund. The remaining \$55 million was transferred in July 2005 (fiscal year 2006). For this reason, the Medical Assistance Trust Fund continues to carry a \$53.9 million deficit at the end of fiscal year 2005. The July 2005 transfer will fully address the 2003-05 deficit in the Medical Assistance Trust Fund. Given the fiscal year 2005 closing balance of \$4.1 million, the transfer of the entire \$75 million prior to June 30, 2005, would have left the general fund with a \$50 million deficit.

In the absence of any revisions to the Legislative Fiscal Bureau's May 2005 revenue estimates, the slightly lower than anticipated revenues combined with the adjustment to the fiscal year 2005 opening balance, reduce by \$56.7 million the projected general fund ending balance for both fiscal years 2006 and 2007 under 2005 Wisconsin Act 25 (the 2005-07 biennial budget), as reported by the Legislative Fiscal Bureau. While still positive, these estimated fund balances are extremely small relative to the overall general fund budget.

The State of Wisconsin expects to publish its comprehensive annual financial report in December of 2005. The report will be prepared under generally accepted accounting principles.

Respectfully submitted,



Stephen E. Bablitch  
Secretary



William J. Raftery, CPA  
State Controller

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## **Economic Section**

## The Year In Summary

### Revenue Highlights

General purpose revenue (GPR) taxes for the fiscal year (FY) ending June 30, 2005 totaled \$11,396.6 million, an increase of 6.1 percent from FY 2004 collections of \$10,739.3 million.

Total collections for the FY 2005 were \$52.5 million, or 0.5 percent, below the Legislative Fiscal Bureau (LFB) May 2005 estimate of \$11,449.1 million.

**Table 1**

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

Tax Source	FY 05	% of Total	FY 04	% of Total	Change FY05-FY04	% Change
Individual Income	\$5,650.1	49.6%	\$5,277.1	49.1%	\$ 373.0	7.0%
General Sales & Use	4,038.7	35.4%	3,899.3	36.3%	139.4	3.6%
Corporation Franchise & Income	764.1	6.7%	650.5	6.1%	113.6	17.5%
Excise	359.4	3.2%	355.5	3.3%	3.9	1.1%
Inheritance, Estate & Gift	112.4	1.0%	86.4	0.8%	26.0	30.1%
Public Utility	254.4	2.2%	269.8	2.5%	- 15.4	-5.7%
Insurance Companies	129.8	1.1%	123.6	1.2%	6.2	5.0%
Miscellaneous	87.7	0.8%	77.1	0.7%	10.6	13.7%
<b>TOTAL GPR</b>	<b>\$11,396.6</b>	<b>100.0%</b>	<b>\$10,739.3</b>	<b>100.0%</b>	<b>\$ 657.3</b>	<b>6.1%</b>

#### Individual Income Tax

Individual income tax collections increased \$373.0 million (7.0 percent) from \$5,277.1 million in FY 2004 to \$5,650.1 in FY 2005. This was \$89.9 million (1.6 percent) below the \$5,740.0 million estimate. The individual income tax share of total GPR taxes increased from 49.1 percent in FY 2004 to 49.6 percent in FY 2005.

The largest component of individual income tax collections is withholding from wages and salaries, which increased 4.1 percent from \$5,257 million to \$5,472 million. Estimated payments increased 2.1 percent from \$902 million to \$921 million, while refunds increased 3.1 percent from \$1,390 million to \$1,433 million.

#### General Sales and Use Tax

Collections from the 5 percent general sales and use tax increased 3.6 percent from \$3,899.3 million to \$4,038.7 million. This was \$13.7 million (0.3 percent) above the \$4,025.0 million estimate. Sales tax collections as a percentage of total GPR taxes decreased from 36.3 percent to 35.4 percent.

### **Corporation Franchise and Income Tax**

Corporate collections increased 17.5 percent from \$650.5 million in FY 2004 to \$764.1 million in FY 2005. Corporate collections as a percentage of total GPR taxes increased from 6.1 percent to 6.7 percent. Corporate collections were \$14.1 million (1.9 percent) above the estimate of \$750.0 million.

The major source of corporate collections, estimated payments, increased by 16.4 percent from \$612.8 million in FY 2004 to \$713.5 million in FY 2005.

### **Excise Tax**

Cigarette tax collections increased 1.0 percent from \$291.3 million in FY 2004 to \$294.3 million in FY 2005. Collections in FY 2005 were \$4.3 million (1.5 percent) above the estimate.

Tobacco products tax collections decreased 1.9 percent from \$16.1 million to \$15.8 million. Collections in FY 2005 were \$0.1 million (0.6 percent) above the estimate.

Liquor and wine tax collections increased 2.6 percent from \$38.5 million in FY 2004 to \$39.5 million in FY 2005. Collections fell short of the estimate of \$40.0 million by \$0.5 million (1.2 percent).

Beer tax collections increased 2.1 percent from \$9.6 million to \$9.8 million and were \$0.2 million above estimates. The peak year for beer tax collections was FY 1984 with \$10.3 million.

### **Other Taxes**

Public utility tax collections decreased \$15.4 million (5.7 percent) from \$269.8 million to \$254.4 million. Collections were \$1.2 million more than forecast. Telephone taxes decreased from \$81.6 million to \$72.6 million. Public utility taxes on private light heat and power companies decreased from \$165.4 million to \$159.6 million.

Estate tax increased 30.1 percent from \$86.4 million in FY 2004 to \$112.4 million in FY 2005. Collections were \$2.4 million (2.1 percent) more than estimated.

Insurance company taxes (generally based on premiums) increased 5.0 percent from \$123.6 million to \$129.8 million. This is \$1.8 million more than the \$128 million estimate.

Miscellaneous taxes increased 13.7 percent from \$77.1 million to \$87.7 million. The major tax in this group is the real estate transfer fee, which increased 16.4 percent from \$66.3 million to \$77.2 million.

## Expenditure Highlights

Total state General Purpose Revenue (GPR) spending increased 11.2 percent or \$1,199.2 million in FY 2005, as shown in Table 2. This compares with a 3.4 percent decrease in FY 2004.

The increase in GPR expenditures in FY 2005 was due in large part to higher costs in the Medical Assistance program. During FY 2005, \$1.6 billion was expended in MA payments, an increase of \$920.1 million from the previous year. In addition, GPR funded shared revenue payments to local governments increased by \$152 million. The magnitude of this change is partly explained by non-GPR sources, particularly federal fiscal relief measures, taking the place of state tax dollar funding on a one-time basis in FY 2004.

The largest portion of GPR expenditures in FY 2005 was directed to school districts and local units of government, consistent with past years. Local assistance expenditures were \$6,671.6 million or 56.3 percent of total GPR spending compared to \$6,506.2 million or 61.0 percent in FY 2004. Aids to individuals recorded \$2,528.9 million, which was 21.3 percent of total GPR spending in FY 2005 compared to 15.1 percent in FY 2004. State operations costs accounted for 22.4 percent of total GPR spending, down from 23.9 percent in FY 2004.

By percentage change, aid payments to individuals showed the largest increase in spending at 57.6 percent. As indicated, the majority of this increment was related to Medical Assistance. Local assistance payments increased 2.5 percent in FY 2005 compared to a 1.1 percent rise in FY 2004. State operations spending increased 4.3 percent in FY 2005 compared to an 11.3 percent decrease in FY 2004. Three quarters, or \$80.2 million, of the net increase in GPR state operations spending in FY 2005 is attributable to restructuring the payment schedule for the state's general obligation bonds. This restructuring significantly reduced debt service on a one-time basis in FY 2004. Since much of the state's GPR debt service is associated with bonds issued to finance University of Wisconsin System and Department of Corrections capital projects, this restructuring has a significant impact on the year-to-year change in state operations expenditures.

The GPR budget is shaped by the ten largest programs, as detailed in Table 3. These programs comprise 84.9 percent of total GPR expenditures, up from 83.1 percent in FY 2004. Immediately following this section is a brief explanation of each program.

**Table 2**

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

	<u>FY05</u>	% of <u>Total</u>	<u>FY04</u>	% of <u>Total</u>	<u>\$ Change</u> <u>FY05-FY04</u>	%
						<u>Change</u>
Local Assistance	\$6,671.6	56.3%	\$6,506.2	61.0%	\$165.4	2.5%
Aids to Individuals	2,528.9	21.3%	1,605.1	15.1%	923.8	57.6%
State Operations:						
UW System	985.3	8.3%	937.5	8.8%	47.8	5.1%
All Other Agencies	<u>1,673.9</u>	<u>14.1%</u>	<u>1,611.7</u>	<u>15.1%</u>	<u>62.2</u>	3.9%
Total	<u>\$11,859.7</u>	<u>100.0%</u>	<u>\$10,660.5</u>	<u>100.0%</u>	<u>\$1,199.2</u>	11.2%
Transfer to Other Funds	<u>0.0</u>		<u>123.5</u>			
TOTAL GPR	<u>\$11,859.7</u>		<u>\$10,784.0</u>			

**Table 3**

**TOP TEN PROGRAMS**  
**GPR Expenditures**  
**(\$ Millions)**

	<u>FY05</u>	<u>% of Total</u>	<u>FY04</u>	<u>% of Total</u>	<u>\$ Change FY05-FY04</u>	<u>% Change</u>
1. School Aids	\$4,789.0	40.4%	\$4,759.0	44.7%	\$30.0	0.6%
2. Medical Assistance	1,608.8	13.6%	688.7	6.5%	920.1	133.6%
3. UW System	996.9	8.4%	949.0	8.9%	47.9	5.0%
4. Correctional Services	905.3	7.6%	855.2	8.0%	50.1	5.9%
5. Shared Revenue	751.7	6.3%	599.7	5.6%	152.0	25.3%
6. State Property Tax Credits	469.3	4.0%	469.3	4.4%	0.0	0.0%
7. Tax Relief to Individuals	169.8	1.4%	162.3	1.5%	7.5	4.6%
8. Wisconsin Works	128.9	1.1%	128.9	1.2%	0.0	0.0%
9. Supplemental Security Income	128.3	1.1%	128.3	1.2%	0.0	0.0%
10. WI Tech College Sys Aids	118.4	1.0%	118.4	1.1%	0.0	0.0%
All Others	<u>1,793.3</u>	<u>15.1%</u>	<u>1,801.7</u>	<u>16.9%</u>	<u>-8.4</u>	<u>-0.5%</u>
Subtotal	\$11,859.7	<u>100.0%</u>	\$10,660.5	<u>100.0%</u>	<u>\$1,199.2</u>	11.2%
Transfer to Other Funds	<u>0.0</u>		<u>123.5</u>			
	<u>\$11,859.7</u>		<u>\$10,784.0</u>			

**School Aids:** State GPR assistance to Wisconsin's 426 school districts increased by 0.6 percent or \$30.0 million in FY 2005. Total state aids to schools, including \$60 million in segregated revenue from the Transportation Fund, plus property tax credits enabled the state to reimburse an estimated 63.7 percent of school costs in FY 2005.

Since the 1993-94 school year, school districts have been subject to statewide revenue limits. These limits control the allowable increase in each school district's revenues by limiting the total revenue a district can collect from the combined sources of property tax levies for nondebt purposes and state general aids. These controls, combined with the large increase in state school aids, succeeded in reducing the statewide gross school property tax levy by 16.4 percent in FY 1997. Since FY 1998, the gross school levy has increased by an average of 4.6 percent annually.

There are two major types of direct school aid. Approximately 89 percent of school aids are general aids, distributed by a formula designed to equalize each school district's property tax base per student, and aids to support the Milwaukee Public

Schools voluntary desegregation program. The remaining 11 percent are categorical aids, distributed based on local expenditures for specific activities or educational programs. The major categorical aid programs are programs for addressing special education needs and educational technology.

**Medical Assistance:** Wisconsin's state and federally funded Medical Assistance (MA) program pays for medical services to certain categories of low-income persons. Included are people with disabilities, seniors, children and low-income families, and pregnant women and other low-income individuals who have high medical expenses. In FY 2005, total MA expenditures were \$4,196.4 million of which \$1,608.8 million were GPR, \$19.6 million were segregated and program revenues, and the balance was federally funded. Segregated revenues, which are in the Medical Assistance Trust Fund, are derived from GPR-earned associated with the state's Intergovernmental Transfer Program and nursing home assessments. On an all funds basis, total MA spending in FY 2005 increased by 11.7 percent over FY 2004 expenditures compared to a 9.3 percent increase in the previous year. The

nonfederal portion of MA increased 15.7 percent in FY 2005 due to a decline in federal support. This compared to a 33.7 percent decrease the previous year.

These totals do not include expenditures for Wisconsin's state and federally funded health insurance program for low-income working families, BadgerCare, or pharmacy assistance program for seniors, SeniorCare. In FY 2005, BadgerCare expenditures were \$188.6 million of which \$58.9 million were GPR. In FY 2005, SeniorCare expenditures were \$129.8 million of which \$45.4 million were GPR.

**University of Wisconsin System:** Total general purpose revenue expenditures for the UW System increased by \$47.9 million, or 5.0 percent in FY 2005. As mentioned above, much of this increase was due to a one-time reduction in debt service in FY 2004. Tuition at UW institutions, despite annual increases, continues to be a relative bargain in higher education. Resident undergraduate tuition at Madison was \$1,445 below the "Big Ten" median. UW-Milwaukee was \$784 below its peer group median and all other campuses were approximately \$947 below their peer group medians in FY 2005. Tuition has not only remained well below peer group medians, but the affordability of a University of Wisconsin education for lower income families received a significant boost in FY 2005 with a 28.5 percent increase in the amounts appropriated for Wisconsin higher education grants for University of Wisconsin students.

**Correctional Services:** Growth in Wisconsin's correctional population and related expenditures continued to slow in FY 2005. The population of incarcerated felons under the supervision of the state adult corrections program increased from an average daily population of 22,331 in FY 2004 to 22,596 in FY 2005, an increase of 1.2 percent. This is the lowest rate of increase since 1987. Total GPR expenditures for the state corrections program increased \$50.1 million or 5.9 percent over the prior year, reaching \$905.3 million in FY 2005. Much of this increase can be attributed to a one-time reduction in debt service in FY 2004.

**Shared Revenue:** State shared revenue provides unrestricted aid to municipal and county governments. In FY 2005, the shared revenue formula distributed \$941 million. County and municipal aids distributed \$650.7 million from

general purpose revenues, \$170 million from the Transportation Fund and \$20 million from utility public benefits. The Expenditure Restraint Program distributed another \$58.1 million GPR to municipalities with tax rates over five mills that restrained their spending increases. The FY 2005 shared revenue payment from GPR was \$751.7 million, an increase of \$152 million from the previous fiscal year. Statewide, shared revenue payments provided municipalities with about 17.3 percent and counties with about 3.8 percent of their general revenues.

**State Property Tax Credits:** The School Levy Tax Credit pays local governments to reduce each property owner's taxes. Funding for the credit in FY 2005 was \$469.3 million, the same as in the prior fiscal year. The School Levy Tax Credit in FY 2005 offset 5.7 percent of 2004 gross property tax levies for all purposes statewide.

**Tax Relief to Individuals:** Wisconsin paid out \$169.8 million GPR in tax relief to individuals through a variety of programs during FY 2005.

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

Wisconsin's Homestead Credit pioneered property tax relief through circuit-breakers. The program remains one of the nation's leaders in providing circuit-breaker relief, ranking third among the states in comprehensiveness and per capita expenditures for residential property tax relief. The Homestead Credit provided \$126.9 million of tax relief in FY 2005, compared with \$119.8 million in FY 2004. About 237,000 low-income homeowners and renters – over half of them elderly – benefit from the program each year.

The Farmland Preservation Credit provides a refundable credit to 19,500 farmers who qualify through exclusive agricultural zoning or individual farmland preservation agreements. Wisconsin's Farmland Preservation Credit is one of only two similar state programs in the country. Farmland Preservation Credit expenditures totaled \$13.4 million in FY 2005, a decrease of \$1.1 million from the prior year.

The Earned Income Credit program reduces income taxes for 214,000 low-income working families with children. In FY 2005, the Earned Income Credit paid a total of \$77.4 million to these households. Of this amount, federal Temporary Assistance for Needy Families (TANF) funding provided \$59.5 million and GPR provided \$17.9 million.

**Wisconsin Works:** Wisconsin Works or W-2 is the state's replacement program for the Aid to Families with Dependent Children (AFDC) program. W-2 is a work-based system that provides support services, such as child care and transportation, to families in order to help them achieve self-sufficiency. On average, there were approximately 14,493 W-2 cases per month served over the course of FY 2005. However, as of June 2005, the monthly W-2 caseload for cash assistance has fallen to just over 8,837, on average, from 34,430 in 1997 when W-2 was implemented.

In addition to W-2 cash benefits, other W-2 expenditures like work experience, job search, education and training, and administration are funded by the program. Also included are state funds for fraud programs and several other small public assistance-type programs. In total, \$128.9 million of state GPR was spent on W-2 and other public assistance programs administered by the Department of Workforce Development in FY 2005, which represents no change from the prior year.

**State Supplemental Income:** Wisconsin provides a supplement to the federal supplemental security income (SSI) program which provides cash assistance to low-income aged, blind and disabled workers and to disabled parents as support for their children. In FY 2005, a total of \$151 million was expended in SSI payments. This included \$128.3 million in state funding and \$22.7 million in federal funds.

**Wisconsin Technical College System Aids:** State general aid for technical colleges totaled \$118.4 million GPR in FY 2005, the same as the prior year's GPR allocation.

The sixteen technical college districts provide the state with technical and occupational education and training programs designed to meet the state's need for a highly skilled work force. Approximately one in nine Wisconsin adults, or 460,000 individuals annually, participate in technical college programs ranging from associate degrees to short-term course work in specific occupational skill areas. In addition, technical college districts take an active role in providing tech-prep and youth apprenticeship services in partnership with K-12 schools, industry and labor. Technical college districts also contribute to the state's economic development through a variety of technical assistance and customized training efforts.

**Comparative Condition of the General Fund**  
**January 2005 Fiscal Bureau Estimates vs. Final Budget**  
(in Thousands)

	FY05 Actual	January 2005 LFB Est.	Variance
<b>OPENING BALANCES</b>			
Undesignated, Unreserved Opening Balance	\$ 105,200	\$ 105,200	\$ - <sup>1</sup>
Add Prior Year Designation of Continuing Balances	51,194	-	51,194 <sup>2</sup>
Prior Period Adjustment	<u>(27,390)</u>	<u>-</u>	<u>(27,390)</u> <sup>3</sup>
Unreserved Opening Balance	<u>129,004</u>	<u>105,200</u>	<u>23,804</u>
<b>REVENUES</b>			
Taxes	11,396,650	11,320,100	76,550 <sup>4</sup>
Departmental Revenues	<u>413,335</u>	<u>378,333</u>	<u>35,002</u> <sup>5</sup>
Total Revenues	<u>11,809,985</u>	<u>11,698,433</u>	<u>111,552</u>
Total Available Resources	<u>11,938,989</u>	<u>11,803,633</u>	<u>135,356</u>
<b>APPROPRIATIONS</b>			
Gross Appropriations	11,919,234	11,767,852	(151,382) <sup>6</sup>
Compensation Reserves	158,674	163,020	4,346 <sup>7</sup>
Transfer to the Medical Assistance Trust Fund	70,000	-	(70,000) <sup>8</sup>
Less: Lapses	<u>(213,030)</u>	<u>(254,953)</u>	<u>(41,923)</u> <sup>9</sup>
Net Appropriations	<u>11,934,878</u>	<u>11,675,919</u>	<u>(258,959)</u>
<b>UNDESIGNATED, UNRESERVED FUND BALANCE</b>	<u>\$ 4,111</u>	<u>\$ 127,714</u>	<u>\$ (123,603)</u>

Notes:

- UNDESIGNATED, UNRESERVED OPENING BALANCE. The January 2005 estimates from the Legislative Fiscal Bureau (LFB) contains most recent general fund condition for the fiscal year 2005, ending June 30. The January opening balance for fiscal year 2005 was based on actual revenues, appropriations and opening balance for the preceding year, the first year of the biennium.
- PRIOR YEAR DESIGNATION FOR CONTINUING BALANCE. A portion of the previous year's gross ending balance had been designated, or set aside, to cover left over continuing budget authority that could legally be carried forward and spent in the next year. This continuing authority is generated in biennial appropriations in the first year, or even numbered year, of the biennium and in continuing appropriations each year. The LFB fund condition summary does not include an estimate for the amount of continuing authority carried forward, and therefore, the designated amount for continuing balances is always a variance with the LFB estimate.
- PRIOR PERIOD ADJUSTMENT. See Notes to the Financial Statements, Note L.
- TAXES. Actual tax collections were more than the estimated tax collections.
- DEPARTMENTAL REVENUES. Departmental revenues are revenues received by individual state agencies and deposited in the general fund. Actual departmental revenues may differ from budgeted revenue due to the manner in which the legislature treats certain required appropriation reductions. For example, larger actual revenues compared to revenues estimated by LFB were due primarily to the manner savings were captured and paid into the general fund for sum certain GPR appropriations. These savings, which related to the suspension of employer contributions for unused sick leave and supplemental health insurance premium credits, were paid in cash to the general fund. The LFB treated these savings as lapsing appropriation authority.
- GROSS APPROPRIATIONS. Final gross appropriations varied from LFB estimated gross appropriations as follows:

Gross Appropriations Per LFB January 2005 fund condition summary	11,767,852
Add: continuing appropriation authority brought forward from	51,194
Add: increases to sum sufficient appropriations above LFB estimate	27,783
Add: fiscal year legislation other than budget bill legislation	94,504
Less: second year biennial appropriation authority used in first year	-22,099
<b>FINAL GROSS APPROPRIATIONS</b>	<b>11,919,234</b>

- COMPENSATION RESERVES. Compensation reserves are budgetary set-asides for employee wage and benefit increases for the fiscal year.
- TRANSFERS. During the fiscal year, transfers were made to the Medical Assistance Trust Fund as required by Acts 2 (\$50 million) and 15 (\$20 million partial payment of the \$75 million total).
- LAPSES. A lapse is the automatic termination of an appropriation. It represents the amount of unexpended, unencumbered balance of the appropriation at the end of the fiscal year. Actual lapses may differ from budgeted lapses due to the manner in which the legislature treats certain required appropriation reductions.

## **Statements of Fund Condition and Operations**

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

(In Millions of Dollars)

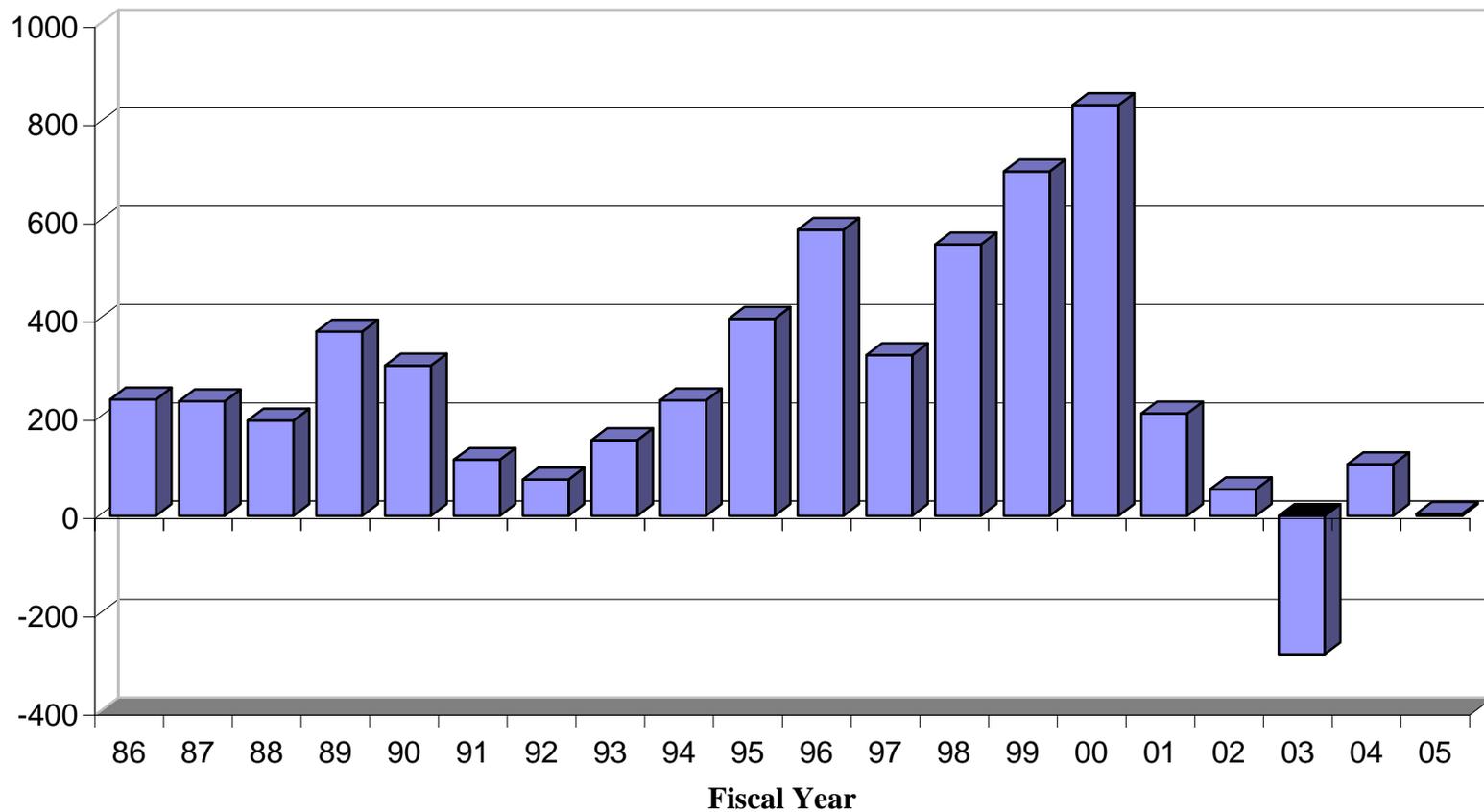


Exhibit A-1

State of Wisconsin  
 Statement of Recorded Revenues, Expenditures and Fund Balance-Budget vs.  
 Actual-General Purpose Revenues-Statutory Basis  
 For the Fiscal Year Ended June 30, 2005  
 (In Thousands)

	Budget			Actual	Variance
	Published Budget	Appropriation Adjustments	Final Budget		
Beginning Unreserved					
Undesignated Balance..... \$	105,200	\$	105,200	\$ 105,200	\$
Beginning Unreserved					
Designated Balance.....		51,194	51,194	51,194	
Prior Period Adjustment.....				(27,390) (3)	(27,390)
Total.....	105,200	51,194	156,394	129,004	(27,390)
<b>REVENUES</b>					
Taxes:					
Individual.....	5,630,000		5,630,000	5,650,109	20,109
Corporation.....	735,000		735,000	764,053	29,053
Sales & Use.....	4,025,000		4,025,000	4,038,715	13,715
Excise.....	362,300		362,300	359,444	(2,856)
Inheritance & Gift.....	100,000		100,000	112,346	12,346
Public Utility.....	253,200		253,200	254,443	1,243
Insurance.....	130,000		130,000	129,839	(161)
Miscellaneous.....	84,600		84,600	87,701	3,101
Total Taxes.....	11,320,100		11,320,100	11,396,650	76,550
Departmental Revenue:					
Indian Gaming Revenue.....	48,651		48,651	3,806	(44,845)
Other.....	329,682		329,682	243,258	(86,424)
Total Department Revenues.....	378,333		378,333	247,064 (2)	(131,269)
Total Revenues.....	11,698,433		11,698,433	11,643,714	(54,719)
TOTAL AVAILABLE.....	11,803,633	51,194	11,854,827	11,772,718	(82,109)
<b>EXPENDITURES</b>					
LAPSE					
Commerce.....	54,223	1,351	55,574	50,529	5,045
Education.....	6,087,369	71,689	6,159,058	6,066,276	92,782
Environmental Resources.....	189,057	2,756	191,813	162,228	29,585
Human Relations & Resources.....	3,500,371	200,524	3,700,895	3,658,504	42,391
General Executive.....	180,846	876	181,722	172,745	8,977
Judicial.....	98,715	2,834	101,549	99,453	2,096
Legislative.....	60,810	3,851	64,661	56,567	8,094
General (Incl. Shared Revenue).....	1,596,461	20,989	1,617,450	1,593,390	24,060
Compensation Reserves.....	163,020	(158,674)	4,346	0	4,346
Less: Estimated Lapse.....	(254,953)	0	(254,953)	0	(254,953)
TOTAL EXPENDITURES.....	11,675,919	146,196	11,822,115	11,859,692	(37,577)
Transfers in - General Fund.....	0	0	0	166,271 (2)	166,271
Transfer to Medical Assistance Trust....	0	0	0	(70,000)	(70,000)
UNRESERVED BALANCE	127,714	(95,002)	32,712	9,297	(23,415)
Designation for continuing balances.....	0	(5,186)	(5,186)	(5,186)	0
UNRESERVED					
Undesignated Balance..... \$	127,714	(100,188) \$	27,526	4,111 \$	(23,415)
	(1)				

The accompanying notes are an integral part of this statement.

- (1) See Note E
- (2) See Note F
- (3) See Note L

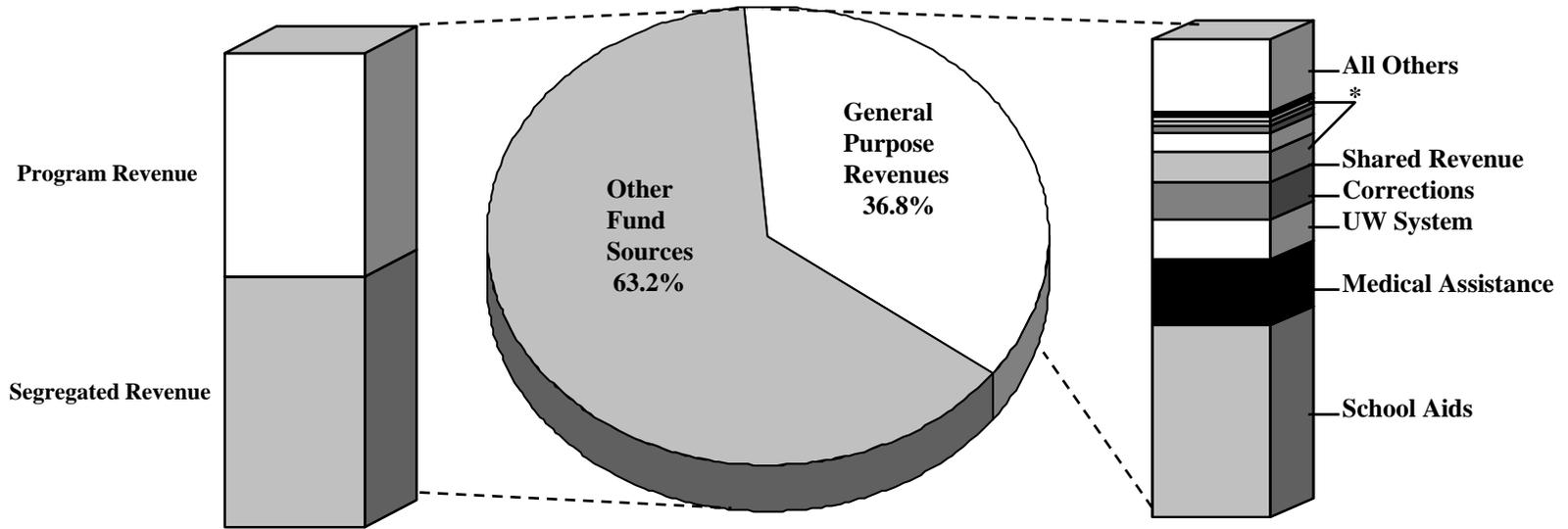
# Total Expenditures by Fund Source, State of Wisconsin

For the Fiscal Year Ended June 30, 2005

**Other Expenditures**  
**\$20.4 Billion**

**Total Expenditures**  
**\$32.3 Billion**

**General Purpose Revenue Expenditures**  
**\$11.9 Billion**



\* WI Tech College System Aids  
 State Supplements to SSI  
 Wisconsin Works  
 Tax Relief to Individuals  
 Property Tax Credits

Exhibit A-2

State of Wisconsin  
Statement of Recorded Revenues, Expenditures, and Changes in Fund Balance

All Funds - Statutory Basis

For the Fiscal Year Ended June 30, 2005

(In Thousands)

	General Fund			Major Special Revenue Funds		Other	As of June 30, 2005
	General Purpose	Program Revenue	Subtotal	Transportation	Conservation		
<b>REVENUES</b>							
Taxes.....	\$ 11,396,650	\$ 19,795	\$ 11,416,445	\$ 982,690	\$ 81,740	\$ 99,851	12,580,726
Intergovernmental Revenue.....	9,680	6,180,989	6,190,669	755,332	33,130	211,752	7,190,883
Licenses.....	78,676	162,883	241,559	340,112	93,357	300,275	975,303
Charges for Goods and Services.....	12,563	2,147,921	2,160,484	38,620	16,517	587,965	2,803,586
Contributions.....	0	0	0	0	0	2,063,106	2,063,106
Interest & Investment Income.....	8,550	70,645	79,195	6,916	766	7,086,363	7,173,240
Gifts & Donations.....	0	362,462	362,462	12	1,510	11,915	375,899
Other Revenue.....	99,772	438,574	538,346	36,477	963	1,469,579	2,045,365
Transfers.....	10,274	(33,705)	(23,431)	10,272	21,841	819,530	828,212
Other Transactions.....	27,549	198,322	225,871	2,408	4	20,097	248,380
Proceeds from Bonds & Notes.....	0	0	0	166,878	0	567,563	734,441
<b>TOTAL REVENUES</b>	<b>11,643,714</b>	<b>9,547,886</b>	<b>21,191,600</b>	<b>2,339,717</b>	<b>249,828</b>	<b>13,237,996</b>	<b>37,019,141</b>
<b>EXPENDITURES</b>							
Commerce.....	50,529	202,991	253,520	92	1,460	130,409	385,481
Education.....	6,066,276	3,548,336	9,614,612	60,000	469	335,815	10,010,896
Environmental Resources.....	162,228	70,932	233,160	1,992,885	248,626	593,154	3,067,825
Human Relations & Resources.....	3,658,504	5,275,008	8,933,512	0	120	1,427,419	10,361,051
General Executive.....	172,745	453,449	626,194	1,533	0	5,043,462	5,671,189
Judicial.....	99,453	14,794	114,247	0	0	346	114,593
Legislative.....	56,567	1,667	58,234	0	0	0	58,234
General (Incl. Shared Revenue).....	1,593,390	61,309	1,654,699	190,418	161	745,862	2,591,140
<b>TOTAL EXPENDITURES</b>	<b>11,859,692</b>	<b>9,628,486</b>	<b>21,488,178</b>	<b>2,244,928</b>	<b>250,836</b>	<b>8,276,467</b>	<b>32,260,409</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>							
EXPENDITURES.....	(215,978)	(80,600)	(296,578)	94,789	(1,008)	4,961,529	4,758,732
<b>BEGINNING FUND BALANCE</b>							
PRIOR PERIOD ADJUSTMENT	(27,390)		(27,390)			(462)	(27,852)
DESIGNATED.....	51,194	0	51,194	0	0	0	51,194
UNDESIGNATED.....	105,200	22,169	127,369	(730,200)	28,036	67,137,878	66,563,083
<b>TOTAL</b>	<b>129,004</b>	<b>22,169</b>	<b>151,173</b>	<b>(730,200)</b>	<b>28,036</b>	<b>67,137,416</b>	<b>66,586,425</b>
<b>INTER-FUND</b>							
TRANSFERS.....	96,271	(77,355)	18,916	(78,901)	(32)	60,017	0
<b>ENDING FUND BALANCE</b>	<b>9,297</b>	<b>(135,786)</b>	<b>(126,489)</b>	<b>(714,312)</b>	<b>26,996</b>	<b>72,158,962</b>	<b>71,345,157</b>
DESIGNATED.....	(5,186)	0	(5,186)	0	0	0	(5,186)
UNDESIGNATED.....	\$ 4,111	\$ (135,786)	\$ (131,675)	\$ (714,312)	\$ 26,996	\$ 72,158,962	\$ 71,339,971
				(1)			

The accompanying notes are an integral part of this statement.

(1) See Note I

## Exhibit A-3

State of Wisconsin  
 Summary of Recorded Revenues and Expenditures-All Other Funds-  
 Statutory Basis (Including Inter-Fund Transfers)  
 For the Fiscal Year Ended June 30, 2005  
 (In Thousands)

Funds By Category	Undesignated Fund Balance as of June 30, 2004	Revenues	Expenditures	Inter-Fund Transfers	Undesignated Fund Balance as of June 30, 2005
<b><u>OTHER GOVERNMENTAL FUNDS</u></b>					
<u>Other Special Revenue</u>					
213 Heritage State Parks & Forests	\$ 1,174	\$ 34	\$ 31	\$ 0	\$ 1,177
214 WI Health Education Loan Repay	15	51	51	0	15
217 Waste Management	6,500	141	8	0	6,633
218 Wisconsin Election Campaign	529	298	327	0	500
219 Investment and Local Impact	173	4	0	0	177
220 Election Administration	6,413	44,049	10,683	1,746	41,525
222 Industrial Building Construction	345	7	0	0	352
224 Self-Insured Employer Liability	263	360	8	0	615
225 Medical Assistance Trust	(195,643)	169,401	97,655	70,000	(53,897)
226 Work Injury Benefits	5,473	3,534	3,192	0	5,815
228 Tobacco Control Fund	782	0	0	(772)	10
229 Uninsured Employers	10,519	4,477	2,646	0	12,350
235 Utility Public Benefits	29,921	116,283	122,688	0	23,516
238 Mediation	(9)	536	346	(2)	179
250 State Capitol Restoration	5	15	0	0	20
257 Agricultural Chemical Cleanup	584	3,090	2,522	0	1,152
258 Farms For The Future	0	0	0	0	0
259 Agrichemical Management	2,444	6,039	5,443	(2)	3,038
261 Agricultural Producer Security	4,167	2,546	1,040	0	5,673
264 Historical Legacy Trust	62	1	0	0	63
272 Petroleum Inspection	26,108	89,315	65,110	(210)	50,103
274 Environmental	11,408	41,878	36,617	(3,636)	13,033
277 Dry Cleaner Environmental Responsibility	2,852	1,015	1,838	(3)	2,026
279 Recycling	11,684	37,333	30,044	(6,893)	12,080
280 Information Technology Investment	(2,964)	50	0	0	(2,914)
285 Universal Service	5,142	28,153	27,631	0	5,664
286 Budget Stabilization	33	473	0	0	506
723 Children's Trust	428	184	17	0	595
266 Historical Preservation Partnership Trust	354	3,011	2,933	0	432
Total Other Special Revenue	<u>(71,238)</u>	<u>552,278</u>	<u>410,830</u>	<u>60,228</u>	<u>130,438</u>
<u>Debt Service</u>					
315 Bond Security and Redemption	(2,312)	532,685	522,854	0	7,519
<u>Capital Projects</u>					
490 State Building Trust	56,158	89,920	90,445	0	55,633
495 Capital Improvement	197,178	583,176	730,513	0	49,841
Total Capital Projects	<u>253,336</u>	<u>673,096</u>	<u>820,958</u>	<u>0</u>	<u>105,474</u>
<u>Permanent</u>					
743 Agriculture College	305	0	0	0	305
744 Common School Principal	558,984	37,350	0	80	596,414
745 Normal School	19,800	674	0	0	20,474
746 University	234	0	0	0	234

Exhibit A-3

State of Wisconsin  
 Summary of Recorded Revenues and Expenditures-All Other Funds-  
 Statutory Basis (Including Inter-Fund Transfers)  
 For the Fiscal Year Ended June 30, 2005  
 (In Thousands)

Funds By Category		Undesignated Fund Balance as of June 30, 2004	Revenues	Expenditures	Inter-Fund Transfers	Undesignated Fund Balance as of June 30, 2005
760	Historical Society Trust	10,674	858	477	0	11,055
763	Common School Income	2,248	23,414	24,516	0	1,146
767	Benevolent	14	0	0	0	14
875	University Trust Principal	179,919	(13,667)	0	0	166,252
876	University Trust Income	6,314	38,368	20,385	(8)	24,289
	Total Permanent	<u>778,492</u>	<u>86,997</u>	<u>45,378</u>	<u>72</u>	<u>820,183</u>
	TOTAL OTHER GOVERNMENTAL FUNDS	<u>958,278</u>	<u>1,845,056</u>	<u>1,800,020</u>	<u>60,300</u>	<u>1,063,614</u>
<b><u>FIDUCIARY AND OTHER</u></b>						
<b><u>Pension (and Other Employee Benefit)</u></b>						
262	Public Employe Trust	1,406,929	1,278,867	1,048,234	0	1,637,562
747	Fixed Retirement Investment	57,645,129	7,546,375	3,034,312	0	62,157,192
751	Variable Retirement Investment	5,862,380	657,306	505,328	0	6,014,358
	Total Pension (and Other Employee Benefit)	<u>64,914,438</u>	<u>9,482,548</u>	<u>4,587,874</u>	<u>0</u>	<u>69,809,112</u>
<b><u>Private Purposes</u></b>						
570	Tuition Trust	11,755	(197)	67	0	11,491
769	College Savings Program Trust	4,404	1,847	492	(11)	5,748
	Total Private Purposes.....	<u>16,159</u>	<u>1,650</u>	<u>559</u>	<u>(11)</u>	<u>17,239</u>
<b><u>Agency</u></b>						
788	Support Collections Trust	10,326	942,320	944,422	0	8,224
<b><u>Other (Business-type funds)</u></b>						
521	Lottery	23,292	454,517	466,906	(2)	10,901
530	Health Insur Risk Sharing Plan	49,097	125,054	127,744	0	46,407
531	Local Govt Property Insurance	31,995	26,024	14,693	(1)	43,325
532	State Life Insurance	85,880	13,204	3,965	(1)	95,118
533	Patients Compensation	694,966	87,476	25,077	(2)	757,363
573	Environmental Improvement	192,808	137,942	151,823	0	178,927
582	Veterans Trust	27,416	30,732	29,690	0	28,458
583	Veterans Mortgage Loan Repayment	131,853	91,090	122,687	(266)	99,990
587	Transportation Infrastructure Loan	908	383	1,007	0	284
	Total Other (Business-type funds).....	<u>1,238,215</u>	<u>966,422</u>	<u>943,592</u>	<u>(272)</u>	<u>1,260,773</u>
	TOTAL FIDUCIARY AND OTHER.....	<u>66,179,138</u>	<u>11,392,940</u>	<u>6,476,447</u>	<u>(283)</u>	<u>71,095,348</u>
	TOTAL - ALL FUNDS.....	<u>\$ 67,137,416</u>	<u>\$ 13,237,996</u>	<u>\$ 8,276,467</u>	<u>\$ 60,017</u>	<u>\$ 72,158,962</u>

The accompanying notes are an integral part of this statement

Exhibit A-4

State of Wisconsin  
 Comparative General Fund Statement of Assets, Liabilities and Fund Balance  
 Fiscal Years Ended June 30, 2005, 2004, and 2003  
 (In Thousands)

	June 30, 2005	June 30, 2004	June 30, 2003
<b><u>ASSETS</u></b>			
Cash.....	\$ (133,959)	\$ (15,344)	\$ (295,396)
Contingent Fund Advances.....	3,080	3,521	3,533
Investments.....	255	445	445
Accounts Receivable.....	1,074,269	1,098,109	1,050,580
Due from Other Funds.....	22,014	79,682	60,087
Inventory.....	330	172	0
Prepayments.....	64,332	62,535	59,731
Other Assets.....	5	0	0
TOTAL ASSETS.....	<u>1,030,326</u>	<u>1,229,120</u>	<u>878,980</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable.....	541,033	338,083	413,162
Due to Other Funds.....	37,607	78,020	62,182
Tax and Other Deposits.....	33,908	39,332	33,539
Deferred Revenue.....	24,589	47,287	27,752
TOTAL LIABILITIES.....	<u>637,137</u>	<u>502,722</u>	<u>536,635</u>
<b><u>FUND BALANCE</u></b>			
<u>Reserved Balances</u>			
GPR Encumbrances.....	97,025	93,457	91,922
PR Encumbrances.....	422,653	454,378	407,629
Total Reserved Balances.....	<u>519,678</u>	<u>547,835</u>	<u>499,551</u>
<u>Unreserved Designated Balances</u>			
GPR Designation for Continuing Balances.....	5,186	51,194	6,402
<u>Unreserved Balances</u>			
GPR Unreserved Balance.....	4,111	105,200	(282,221)
PR Unreserved Balance.....	(135,786)	22,169	118,613
Total Unreserved Balances.....	<u>(131,675)</u>	<u>127,369</u>	<u>(163,608)</u>
TOTAL FUND BALANCE.....	<u>393,189</u>	<u>726,398</u>	<u>342,345</u>
TOTAL LIABILITIES AND FUND BALANCE.....	<u>\$ 1,030,326</u>	<u>\$ 1,229,120</u>	<u>\$ 878,980</u>

The accompanying notes are an integral part of this statement

Exhibit A-5  
 Budget vs Actual Expenditures  
 All Funds Statutory Basis  
 For the Fiscal Year Ended June 30, 2005  
 (in Thousands)

<u>Function/Expenditure Description</u>	<u>Budget</u>			<u>Actual</u>	<u>Lapses and Balances</u>
	<u>Published Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Expenditures <sup>1</sup></u>	
Commerce	\$ 473,052	\$ 60,727	\$ 533,779	\$ 367,569	\$ 166,210
Education	9,507,703	491,058	9,998,761	9,724,337	274,424
Environmental Resources	2,477,860	379,718	2,857,578	2,524,387	333,191
Human Relations and Resources	8,867,060	571,603	9,438,663	8,770,635	668,028
General Executive	791,644	107,921	899,565	780,036	119,529
Judicial	111,702	6,163	117,865	114,593	3,272
Legislative	62,479	3,885	66,364	58,235	8,129
General Appropriations	1,990,577	54,755	2,045,332	2,014,435	30,897
Total Chapter 20	<u>\$ 24,282,077</u>	<u>\$ 1,675,830</u>	<u>\$ 25,957,907</u>	<u>\$ 24,354,227</u>	<u>\$ 1,603,680</u>
Retirement Annuities			3,484,124	3,253,795	230,329
Support Collection Trust Payments			975,200	942,756	32,444
Insurance Premiums			1,077,405	944,506	132,899
Debt Service Payments			522,854	522,854	-
Capital Projects Expenditures			977,363	805,858	171,505
Lottery Prizes			274,320	262,345	11,975
Other Segregated Revenue			410,435	293,591	116,844
Program Revenue Appropriations			465,889	376,216	89,673
Clearing and Custody Accounts			1,072,092	112,052	960,040
Total Non Chapter 20 Expenditures			<u>\$ 9,259,682</u>	<u>\$ 7,513,973</u>	<u>\$ 1,745,709</u>
Total State Expenditures Excluding Transfers			<u>\$ 35,217,589</u>	<u>\$ 31,868,200</u>	<u>\$ 3,349,389</u>

The accompanying notes are an integral part of this statement

<sup>1</sup> Expenditures exclude non-budgetary transfers

## Notes To Fund Statements

### Note A Statutory Basis of Accounting

The State of Wisconsin Annual Fiscal Report is a report of financial results recognized on the statutory basis of accounting, for the fiscal year, against the state's budget as reflected in Chapter 20 of the Wisconsin Statutes. The report is not intended to display accounting information in accordance with Generally Accepted Accounting Principles (GAAP).

The State's Comprehensive Annual Financial Report, which is prepared in accordance with GAAP is issued under a separate cover at the end of the calendar year.

Statutes generally require that revenues and expenditures be recognized in the fiscal year in which they are received or paid, with specific exceptions. The legislature may change the recognition of revenues and expenditures among fiscal years.

The state's centralized accounting records remain open until July 31 (August 15 for income, sales and use tax receipts) to permit the state departments to record revenues and expenditures applicable to the fiscal year ended June 30.

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

Encumbrances are treated as expenditures in the initial year. However, the recording of charges against encumbrances applicable to the prior year is limited by the available appropriation balances of that year. Expenditures reported in this report are equal to current year disbursement and encumbrance balances less the prior year encumbrance balances. The Building Trust Fund, the Capital Improvement Fund, and the Bond Security and Redemption Fund, are closed for encumbrances as of June 30.

Note that the health and life insurance premiums are paid two months in advance of the actual coverage months. The health and life insurance costs for the last two months of the fiscal year are recorded as expenditures in the following fiscal year.

All investments owned by the state retirement funds are an exception to the requirement to recognize revenues and expenditures on the cash basis since investments are adjusted to market and the resultant unrealized gains or losses are reflected in the accounts of those funds.

State statutes also provide that contributions to the state retirement funds received after August 1, which relate to earnings paid for services rendered in the previous fiscal year, may be recorded as revenues of the previous fiscal year.

In addition, state administrative policies require that revenues and expenditures be reported on a net basis; i.e., overcollections refunded are deducted from revenues, and overpayments collected are deducted from expenditures. Collections on loan principal and interest are recorded as receipts.

Equity transfers are recorded as receipts or expenditures from/to the receiving or paying funds, respectively.

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

## **Note B Fiscal Controls**

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

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

## **Note C Classification of Funds**

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

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

## **Note D Extraordinary Transfers and Transactions Affecting Fund Balance**

### Compensation Reserve

In FY05, Chapter 20 included a compensation reserve for employe salary and fringe benefit increases. The total amount reserved (appropriated) was \$163,020,000 and the amount expended was \$158,674,000 leaving a lapse amount of \$4,346,000.

## **Note E Published Budget**

The published budget amounts used in Exhibit A-1 are those shown for "General Purpose Revenues" (GPR) in the January 2005 Legislative Fiscal Bureau Estimate.

The adjustments column reflects legislation passed subsequent to the original budget act, statutorily required appropriation adjustments to sum-sufficient and biennial appropriations and appropriation changes enacted under the statutory authority of the Legislative Joint Finance Committee or by statutory authority under program supplements.

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

## **Note F Total Departmental Revenues**

For budget comparison purposes, inter-fund transfers in, are added to other revenues to arrive at total departmental revenues. In FY05, a \$75,000,000 transfer from the Transportation Fund and other cash transfers required in Act 33 were recorded as transfers into the General Fund, rather than as revenues. The Chapter 20 budget captured these funds more generically as revenue. In order to properly compare actual revenues to budgeted revenues, the two, actual revenues and transfers, should be added together.

**Note G Projected-to-Actual General Fund Condition**

The variance between the published budgeted ending balance and actual undesignated balance at the end of fiscal year 2005 is explained as follows:

	(thousands)
ENDING FUND BALANCE (UNDESIGNATED) PER JANUARY 2005 ESTIMATE	\$ 127,714
OPENING BALANCE	
ADJUSTMENTS:	
Prior year designation for continuing balances	51,194
Prior period adjustment	(27,390)
Total opening balance adjustments	<u>23,804</u>
REVENUE ADJUSTMENTS	
Taxes received more than estimate	76,550
Departmental revenues less than estimate	(131,269)
Total revenue below estimate	<u>(54,719)</u>
APPROPRIATION ADJUSTMENTS	
New Legislation	(94,504)
Sum Sufficient Changes	
Reestimates	(27,783)
Compensation Reserve Adjustment	(158,674)
Budget brought forward from previous year	(51,194)
Budget carried to next year for continuing appropriations	5,186
Biennial authority used in first year	22,099
Compensation Reserve Transferred to agencies	158,674
Total Appropriation Adjustments	<u>(146,196)</u>
LAPSES LESS THAN BUDGETED	<u>(37,577)</u>
INTER-FUND TRANSFERS	96,271
DESIGNATION FOR CONTINUING BALANCES	<u>(5,186)</u>
UNDESIGNATED FUND BALANCE	\$ <u><u>4,111</u></u>

**Note H General Fund Cash Flow**

Normally the General Fund experiences a short-term cash flow problem in the first half of the year, resulting in the issuance of an operating note. However because inter-fund borrowing was used to address any short-term cash flow problem an operating note was not required.

**Note I Negative Transportation Fund Balances**

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

**Note J Unappropriated Activities**

The Department of Commerce enters into contracts with private vendors for programs that they manage. These contracts have not been budgeted within a state appropriation and therefore, this activity is summarized here to provide full disclosure of state agency operations.

	Commerce
Revenues	\$979,206
Expenditures	\$979,206
Balance	\$0

**Note K Sum Sufficient Increases**

The B-2 Exhibit shows both lapsing amounts and adjustments to sum sufficient appropriations. In order to correctly show the lapsing amounts the increase column includes supplements. These supplements needs to be removed to calculate the Actual Sum Sufficient Increases.

B-2 Sum Sufficient Increases	\$33,957
Less Supplements (included in total above)	(6,174)
Actual Sum Sufficient Increases	<u>27,783</u>

**Note L Prior Period Adjustment**

The opening general fund balance has been reduced due to improvements in the state's revenue accounting methodology used in years prior to fiscal year 2005, which required an adjustment to fiscal year 2004 accrued revenues. The result of this adjustment is a reduction in the fiscal year 2005 opening balance of \$27.4 million.

## **Supplemental Data**

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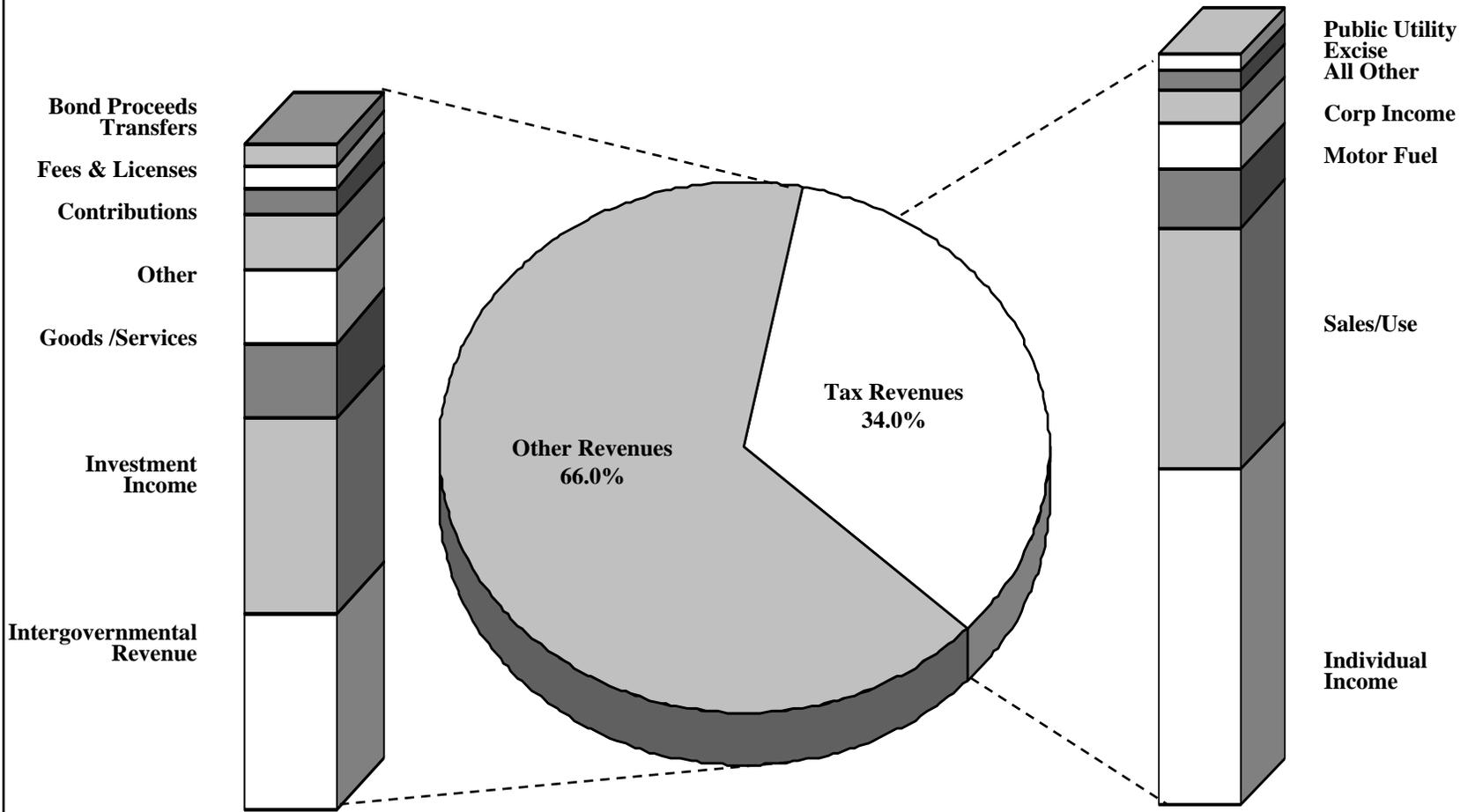
# Total Revenues, State of Wisconsin

For the Fiscal Year Ended June 30, 2005

**Other Revenues**  
\$24.4 Billion

**Total Revenues**  
\$37.0 Billion

**Tax Revenues**  
\$12.6 Billion



For more detail on revenues, see Schedule A-2

Exhibit B-1

State of Wisconsin  
 Analysis of Revenues-All Funds  
 Fiscal Years Ended June 30, 2005, 2004, and 2003  
 (In Thousands)

	June 30, 2005	June 30, 2004	June 30, 2003
<b>TAX REVENUES</b>			
General Purpose Revenue			
Income Taxes			
individual.....	\$ 5,650,109	\$ 5,277,119	\$ 5,051,997
Corporation.....	764,053	650,526	526,545
Total Income Taxes.....	6,414,162	5,927,645	5,578,542
Sales and Excise Taxes			
General Sales and Use.....	4,038,715	3,899,264	3,737,912
Cigarette.....	294,301	291,323	293,697
Other Tobacco Products.....	15,841	16,101	15,508
Liquor and Wine.....	39,532	38,470	36,038
Malt Beverage (Beer).....	9,770	9,601	9,517
Total Sales and Excise Taxes.....	4,398,159	4,254,759	4,092,672
Public Utility Taxes			
Private Light, Heat and Power.....	159,573	165,436	147,018
Municipal Light, Heat and Power.....	1,936	1,813	1,729
Telephone.....	72,616	81,587	106,256
Pipeline.....	10,556	10,555	10,542
Electric Cooperative.....	7,235	8,486	9,417
Municipal Electric.....	1,568	1,296	1,233
Conservation and Regulation.....	469	512	552
Utility Tax (Refunds) Interest and Penalties.....	490	116	43
Total Public Utility Taxes.....	254,443	269,801	276,790
Inheritance, Estate and Gift Taxes			
Inheritance and Estate.....	112,346	86,357	68,702
Gift.....	0	0	0
Total Inheritance, Estate and Gift Taxes.....	112,346	86,357	68,702
Miscellaneous Taxes			
Insurance Companies (Premiums).....	129,839	123,621	114,897
Real Estate Transfer Fee.....	77,221	66,325	57,384
Lawsuits (Courts).....	10,382	10,691	10,567
Other.....	98	120	185
Total Miscellaneous Taxes.....	217,540	200,757	183,033
<b>TOTAL GPR TAX REVENUES.....</b>	<b>11,396,650</b>	<b>10,739,319</b>	<b>10,199,739</b>
<b>Program Tax Revenues</b>			
Fire Dues.....	15,035	14,768	13,350
Pari-mutuel Taxes.....	1,546	1,804	1,916
County Expo Tax Administration.....	387	385	370
Baseball Park Administration Fee.....	352	319	354

Exhibit B-1

State of Wisconsin  
 Analysis of Revenues-All Funds  
 Fiscal Years Ended June 30, 2005, 2004, and 2003  
 (In Thousands)

	June 30, 2005	June 30, 2004	June 30, 2003
<b>Program Tax Revenues, Cont.</b>			
Business Trust Regulation Fee.....	\$ 1,738	\$ 2,094	\$ 1,520
Other.....	737	825	745
<b>TOTAL PROGRAM TAX REVENUES.....</b>	<b>19,795</b>	<b>20,195</b>	<b>18,255</b>
<b>TOTAL-GENERAL FUND TAX REVENUES.....</b>	<b>11,416,445</b>	<b>10,759,514</b>	<b>10,217,994</b>
Type of Revenues			
Transportation Fund			
Motor Fuel Tax.....	955,548	934,605	902,480
Air-Carrier Tax.....	5,818	8,195	5,446
Railroad Tax.....	15,953	11,923	12,459
Aviation Fuel Tax.....	1,506	1,348	1,312
Other Taxes.....	3,865	3,523	3,390
Conservation Fund			
2/10 Mill Forestry Mill Tax.....	78,264	72,190	67,063
Forest Crop Taxes.....	3,476	4,610	3,860
Mediation Fund.....	3	3	3
Petroleum Inspection Tax.....	86,602	92,563	93,686
Recycling Fund			
Temporary Service Charges.....	13,246	25,543	15,428
<b>TOTAL STATE TAX REVENUES.....</b>	<b>12,580,726</b>	<b>11,914,017</b>	<b>11,323,121</b>
Intergovernmental Revenue.....	7,190,883	7,302,464	7,518,310
Licenses and Permits.....	975,303	969,210	845,776
Charges for Goods and Services.....	2,803,586	2,784,392	2,587,332
Contributions.....	2,063,106	2,980,855	2,038,155
Interest and Investment Income.....	7,173,240	9,696,273	2,038,503
Gifts and Donations.....	375,899	341,902	343,153
Proceeds from Sale of Bonds.....	734,441	2,706,057	646,000
Other Revenues.....	2,045,365	1,797,449	2,082,322
Other Transactions.....	248,380	245,811	920,329
<b>TOTAL DEPARTMENTAL REVENUES.....</b>	<b>23,610,203</b>	<b>28,824,413</b>	<b>19,019,880</b>
<b>TRANSFERS.....</b>	<b>828,212</b>	<b>847,007</b>	<b>939,406</b>
<b>TOTAL REVENUES.....</b>	<b>\$ 37,019,141</b>	<b>\$ 41,585,437</b>	<b>\$ 31,282,407</b>

The accompanying notes are an integral part of this statement

Exhibit B-2

General Fund Sum Sufficient Appropriations  
For the Fiscal Year Ended June 30, 2005  
(In Thousands)

Agency	Appr		Chapter 20	Increases	Expenditures	Lapse	
<b>State Operations</b>							
370	116	1fe	Endangered Resources General Fund.....	364	0	353	11
410	104	1c	Reimbursement Claims from Counties With State Institutions.....	246	0	147	99
455	102	1b	Special Counsel.....	806	0	389	417
455	202	2am	Officer Training Reimbursement.....	134	0	110	24
465	103	1c	Public Emergencies.....	49	0	24	25
505	405	4d	Claims Awards.....	24	25	49	0
505	801	8am	Interest on racing & bingo moneys.....	12	5	17	0
515	104	1c	Badgerxx for Individual Advances	0	35	35	0
525	101	1a	Governor's Office Administration.....	3,414	88	2,773	729
525	102	1b	Contingent Fund.....	22	0	6	16
525	103	1c	Membership In National Assoc.....	146	0	121	25
525	201	2a	Executive Residence.....	197	21	218	0
625	101	1a	Circuit Courts.....	54,336	2,223	55,390	1,169
660	101	1a	Court Of Appeals.....	8,217	244	8,293	168
680	101	1a	Supreme Court.....	4,261	84	4,014	331
765	501	5a	Legislative Operation Costs.....	60,810	3,851	56,567	8,094
855	101	1a	Obligation On Operating Notes.....	8,000	0	0	8,000
855	102	1b	Operating Notes Expenses.....	200	0	0	200
855	108	1bm	Payment of Cancelled Drafts Fund 100 - All except UW.....	1,200	0	1,066	134
855	108	1bm	Payment of Cancelled Drafts Fund 100 - UW.....	0	28	28	0
855	401	4a	Interest On Overpayment Of Taxes.....	2,250	0	695	1,555
855	403	4c	Minnesota Income Tax Reciprocity.....	48,600	1,250	49,850	0
855	413	4cm	Illinois Income Tax Reciprocity.....	30,900	0	28,042	2,858
855	405	4e	Transfer To Conservation Fund - Land Acquisition.....	233	0	233	0
855	408	4f	Supplemental Title Fee Matching.....	10,695	54	10,749	0
855	409	4fm	Transfer to Transportation Fund - Hub Facility Exemption	2,530	0	2,530	0
865	101	1a	Judgement & Legal Expenses.....	47	(47)	0	0
<i>Total State Operations.....</i>				<b>237,693</b>	<b>7,861</b>	<b>221,699</b>	<b>23,855</b>

**Aids and Local Assistance**

115	202	2b	Animal Disease Indemnities.....	109	0	20	89
235	104	1e	MN-WI Student Reciprocity.....	3,200	2,963	6,163	0
235	106	1fe	Wisconsin Higher Education Grants.....	19,927	0	19,850	77
235	109	1fy	Academic Excellence.....	3,133	44	3,177	0
255	218	2fm	Charter Schools.....	30,160	0	29,991	169
255	235	2fu	Milwaukee Parental Choice Program .....	83,800	1,853	85,653	0
255	306	3c	National Teacher Certification.....	625	0	577	48
285	406	4dd	Lawton Minority Undergraduate Grants.....	3,081	0	3,081	0
370	503	5da	Aids In Lieu Of Taxes.....	4,625	0	4,133	492
435	774	7da	Reimburse Local Units of Government.....	400	0	338	62
435	715	7ed	State Supplement to Federal Supplemental Security Income Program.....	128,282	0	128,282	0
445	102	1aa	Special Death Benefit.....	479	0	0	479
465	305	3e	Disaster Recovery Aids.....	1,347	485	1,832	0
505	412	4er	Volunteer Firefighter & EMT Service Award Program.....	965	368	1,333	0
515	101	1a	Annuity Supplements And Payments.....	2,360	2	2,362	0
835	101	1c	Expenditure Restraint Program Acct.....	58,146	0	58,146	0
835	102	1d	Shared Revenue Account.....	31,875	0	31,875	0
835	105	1db	County and Municipal Aids Account	659,703	1,928	661,631	0
835	109	1e	State Aid: Computers.....	73,900	0	70,287	3,613
835	203	2c	Homestead Tax Credit.....	108,600	18,338	126,938	0

Exhibit B-2

General Fund Sum Sufficient Appropriations  
For the Fiscal Year Ended June 30, 2005  
(In Thousands)

Agency	Appr		Chapter 20	Increases	Expenditures	Lapse	
<b>Aids and Local Assistance (Continued)</b>							
835	205	2dm	Farmland Preservation Credit.....	15,300	0	13,460	1,840
835	209	2ep	Cigarette Tax Refunds.....	11,500	0	11,473	27
835	212	2f	Earned Income Tax Credit.....	19,031	0	17,948	1,083
835	302	3b	School Levy Tax Credit.....	469,305	0	469,305	0
855	402	4b	Election Campaign Payment.....	330	0	242	88
<i>Total Aids and Local Assistance.....</i>				<u>1,730,183</u>	<u>25,981</u>	<u>1,748,097</u>	<u>8,067</u>
<b>Principal Repayment and Lease Rental</b>							
115	205	2d	Principal Repayment and Interest.....	17	0	16	1
115	702	7b	Principal Repayment and Interest.....	3,178	0	699	2,479
115	707	7f	Principal Repayment and Interest.....	848	0	621	227
190	101	1c	Principal Repayment and Interest.....	962	0	855	107
190	102	1d	Principal Repayment and Interest.....	1,297	0	994	303
225	103	1c	Principal Repayment and Interest.....	1,970	0	1,799	171
245	106	1e	Principal Repayment and Interest.....	1,325	0	1,164	161
250	105	1e	Principal Repayment and Interest.....	161	0	142	19
255	104	1d	Principal Repayment and Interest.....	1,207	0	1,119	88
285	110	1d	Principal Repayment and Interest.....	112,457	0	99,500	12,957
320	103	1c	Principal Repayment and Interest.....	36,018	0	15,977	20,041
320	282	2c	Principal Repayment and Interest.....	2,019	0	1,490	529
370	701	7aa	Principal Repayment and Interest.....	27,827	0	23,779	4,048
370	705	7ca	Principal Repayment and Interest.....	5,137	0	4,417	720
370	706	7cb	Principal Repayment and Interest.....	52,715	0	51,203	1,512
370	707	7cc	Principal Repayment and Interest.....	16,951	0	16,543	408
370	708	7cd	Principal Repayment and Interest.....	843	0	840	3
370	713	7ce	Principal Repayment and Interest.....	171	0	132	39
370	714	7cf	Principal Repayment and Interest.....	878	0	718	160
370	709	7ea	Principal Repayment and Interest.....	675	0	569	106
395	664	6af	Principal Repayment and Interest.....	154	0	95	59
410	107	1e	Principal Repayment and Interest.....	71,607	0	59,902	11,705
410	307	3e	Principal Repayment and Interest.....	4,514	0	4,102	412
435	207	2ee	Principal Repayment and Interest.....	12,506	0	11,170	1,336
435	602	6e	Principal Repayment and Interest.....	60	14	74	0
465	104	1d	Principal Repayment and Interest.....	3,590	0	3,268	322
485	106	1f	Principal Repayment and Interest.....	1,535	0	1,448	87
505	414	4es	Principal Repayment and Interest.....	4,754	0	0	4,754
505	413	4et	Principal Repayment and Interest.....	20	0	0	20
855	801	8a	Principal Repayment and Interest.....	978	0	812	166
867	102	1b	Principal Repayment and Interest.....	10,880	0	9,416	1,464
867	301	3a	Principal Repayment and Interest.....	0	101	101	0
867	302	3b	Principal Repayment and Interest.....	1,321	0	1,123	198
867	309	3bm	Principal Repayment and Interest.....	76	0	35	41
867	306	3br	Principal Repayment and Interest.....	81	0	73	8
<i>Total Principal Repayment and Lease Rental.....</i>				<u>378,732</u>	<u>115</u>	<u>314,196</u>	<u>64,651</u>
<b>Pay Plan &amp; Supplement</b>							
865	103	1c	Salary.....	0	0	0	0
865	104	1d	Fringe.....	0	0	0	0
<i>Total Pay Plan &amp; Supplements.....</i>				<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL GENERAL FUND SUM SUFFICIENTS</b>				<u>\$ 2,346,608</u>	<u>33,957</u>	<u>2,283,992</u>	<u>96,573</u>

(1)

(1) See Note K