



JIM DOYLE

**Governor
State of Wisconsin**

To the Honorable Members of the Senate:

I have approved Senate Bill 44 as 2003 Wisconsin Act 33 and deposited it in the Office of the Secretary of State.

Budgets reflect choices. When times get tough, budgets reflect tough choices. This budget – a very tough budget, more difficult than any in memory, perhaps more difficult than any in Wisconsin's history – should nonetheless rest firmly on the values Wisconsin has always stood for. It should reflect the priorities that Wisconsinites hold dear. Above all, this budget should embody the choices – the tough choices – that I told the people of Wisconsin I would make when they elected me as their Governor.

The following are the values, the priorities and the choices that should define Wisconsin's 2003-05 budget.

First, no state tax increases – in order to grow Wisconsin's economy.

Second, control state spending – in order to bring the budget into balance, both now and in the future.

Third, protect the state's core mission – educate our children; provide health care to our elderly and disabled and working families; support our police officers, fire fighters and other providers

of vital local government services; and safeguard Wisconsin's unique and precious environment.

Fourth, distribute the sacrifices fairly – because we're all in this together.

Fifth, fix the budget right, and fix it once – so we can move beyond the ordeal of budget-cutting to the task of growing Wisconsin.

The budget bill I am signing, once the many vetoes I have been compelled to make are incorporated, reflects these values, priorities and choices. It includes many difficult decisions and tough trade-offs. All are necessary to avoid a tax increase, reduce spending and bring the budget into balance, meet our core responsibilities, distribute the burden of sacrifice, and do the job right.

Regrettably, Senate Bill 44 became a partisan document – one that strayed far from Wisconsin's values, our state's historic priorities and the tough choices that we needed to make – between the time I introduced the budget in February and the time it passed the Legislature in late June. While I commend all legislators for passing the budget in a timely manner, I am deeply troubled by the budget bill the Legislature sent back to me.

Wisconsin does not want a state tax increase. My budget proposed none. But the Legislature's budget would raise income taxes by \$23 million on thousands of Wisconsin farmers.

Wisconsin needs an honestly balanced budget. My budget cut spending, and matched estimated revenues to expenses, to produce a truly balanced budget. But the Legislature

increased state government spending – and then assumed fictitious revenue to pretend that the budget was balanced.

The people of Wisconsin want state government to assist in educating our children, providing health care for the most vulnerable, sustaining local government and protecting the environment. My budget did all this. But the Legislature's budget cut funding for four-year-olds to attend kindergarten, underfunded Medicaid and BadgerCare while pricing our seniors out of SeniorCare, slashed support for our police officers and fire fighters, and endangered Wisconsin's environment. These actions do not reflect Wisconsin's values.

Wisconsinites understand the need for shared sacrifice when times get tough. My budget carried through with this policy, making necessary reductions across all of state government. But the Legislature just didn't get it. Their budget tried to stick it our children, our seniors, our police officers and fire fighters, and our environment, while asking no sacrifice from special interests. Instead of sharing cuts equally, they picked winners and losers. They manipulated formulas to reward certain communities at the expense of others. They pitted low income farmers against those who own lots of land. They forced school districts to choose between small class sizes and special education. They devised an arbitrary and unfair scheme that raises educational benefits for a few veterans, but cuts them for others – including veterans who became disabled as a result of their service to our country.

Finally, all of us in Wisconsin need a state government that's stable and dependable – one that's not tearing up old budgets every few months because they don't add up, spreading confusion and pessimism among citizens and businesses. My budget aimed to give Wisconsin a balanced budget that would last: instead of one that would have to be tossed away in a few

months. But the Legislature wrote its budget in a way that would have put us on the precipice of another deficit.

On every count – no taxes, less spending, solid priorities, shared sacrifice, and doing the job right – the Legislature failed. To make matters worse, the bill passed by the Legislature reflects secret deals concocted in the middle of the night rather than good faith bipartisan cooperation.

To do the job the people of Wisconsin elected me to do, I've had no choice but to make extensive use of my veto power to fix the numerous flaws that the Legislature built into this budget.

I ran a campaign to bring a new day to Wisconsin. When I became Governor in January, the state's finances were in shambles. We were \$3.2 billion in debt and \$454 million short in the immediate fiscal year. I immediately introduced, and the Legislature quickly adopted, legislation to address the immediate crisis.

In February, after only six weeks in office, I introduced a budget that was balanced, in both the short and long term. And, most importantly, I erased the largest deficit in state history not by raising taxes but by cutting state spending. I cut the budget requests of the previous administration by \$1 billion. I eliminated almost 3,000 state jobs and instead of freezing the bureaucracy, I actually cut it by ten percent, or \$400 million. These were difficult, but necessary, decisions to ensure that taxes did not increase. The people of Wisconsin did not cause this deficit and I was not about to take dollars out of their pockets to fix it.

The Legislature took the budget I developed in six weeks and spent three times as long to deliver a final product. The result of all that time? A budget that raises income taxes on farmers, spends more, imperils our children's education, threatens health care for seniors, slashes important local services, reduces our commitment to environmental protection, cuts benefits for disabled veterans and sets us on a path to future deficits. It is a budget that repeats the same fiscal bad habits that led us to our current \$3.2 billion deficit.

The budget sent to my desk is not a bipartisan document. There were no meaningful discussions on the final product between legislative leaders and my administration despite my clear and repeated offers to compromise. This is a budget that reflects the politics of the past – caving in to special interests, attacking education, imposing mandates on local government and passing off tough decisions to another day. This is the kind of thinking that got us into this fiscal mess in the first place.

The budget the Legislature sent me was so unbalanced and out of step with Wisconsin's priorities that I seriously considered vetoing the entire budget, wiping the slate clean and forcing the Legislature to start over again. But we need to put this crisis behind us. We need to move on to growing Wisconsin's economy, improving our public schools, and addressing the health care needs of our citizens. Therefore, after carefully scrutinizing this budget line by line, I have determined that I can use my extensive veto power to put this budget back into line with Wisconsin's values.

My number one priority in addressing our fiscal challenge was to avoid tax increases. My budget did not include a tax increase. The Legislature's repeal of the Farmland Preservation Tax Credit Program increases income taxes on farmers by \$23 million. I have vetoed this tax

increase on Wisconsin's agricultural producers and preserved the important land use benefits associated with this program. In order to offset this tax increase, and at the same time improve the general fund balance, I have had to be very aggressive in identifying spending reductions.

My February budget sought to set clear priorities by investing in education and setting prudent funding levels for transportation. The Legislature ignored those priorities, slashed funding for four-year-old kindergarten, put at risk the successful SAGE small class size initiative, and increased highway spending by over \$300 million above my February budget. The Republican majority took \$60 million that I had permanently allocated to schools and diverted it to building more highways. The Republican majority took money used to fix potholes on local streets, and maintain our existing infrastructure, and diverted it to build more highways. Finally, the Republican majority took \$300 million of general fund revenue over the next ten years away from education, health care and vital local services such as fire and police protection and diverted it to build more highways.

While I fully support maintaining our existing roads and making prudent investments in our infrastructure, the Legislature forgot that we are in a fiscal crisis when it came to the transportation budget. Wisconsin taxpayers value our children's education at least as much as they care about roads. They also believe that all parts of the state's budget should share in the sacrifices needed to solve this historic deficit. I have used my veto power to restore a more balanced transportation package and keep our limited resources focused on educating our children and providing health care to our seniors.

The budget I introduced in February sought to fix our fiscal problems once. It included the authority to refinance the state's debt in the event of weak revenue growth. It tapped into a

huge surplus in the Patients Compensation Fund to protect health care services to the elderly, disabled and working families. It avoided significant new spending commitments in future biennia.

Unfortunately, the Legislature returned a budget to me that increases the chance of more fiscal problems in the near future. There are no mechanisms in the bill to address weaker than expected revenue collections. Health care for our most vulnerable citizens is underfunded. The future structural deficit is increased.

I cannot stress these last points enough. It is because of the Legislature's failure to rely on realistic estimates and its preference for protecting special interests at the expense of seniors that I am forced to cut spending through vetoes.

To pay for the Medical Assistance program and make sure our seniors, the disabled and working families receive the health care they deserve, my budget included two new realistic sources of revenue totaling \$634 million. The first, an estimated \$434 million in new federal revenue associated with securing Wisconsin's fair share of Medicaid support for home and community-based care for our elderly and disabled citizens; and the second, a transfer of \$200 million from the \$600 million surplus built up in the Patients Compensation Fund.

Both of these revenue amounts for Medical Assistance were conservative. Two years ago, the previous administration secured \$1 billion in new federal funding to support Medicaid nursing costs. Given the nation's economic circumstances and the status of the federal budget at the time I submitted my budget in February, a much smaller \$434 million estimate of new federal Medicaid funds – \$366 million to pay for existing Medicaid services, plus \$68 million for

reinvestment in additional home and community-based care slots and higher rates – appeared reasonable.

Likewise, the \$200 million transfer from the \$600 million Patients Compensation Fund surplus was a conservative proposal. The fund, whose expenses have averaged less than half of its income for its entire 28 year history, would still retain a \$400 million (and growing) surplus. In addition, my budget proposed a GPR sum sufficient appropriation to protect the fund in the event of unforeseen liabilities.

In May, while the Legislature was still deliberating on the budget, Congress did in fact provide Wisconsin with over three fourths of the \$434 million federal aid estimate: \$333 million in federal fiscal relief, split between a \$151 million increase in the Medicaid "matching rate" and \$182 million in "flexible" money. My administration immediately proposed to use all \$333 million of this federal payment for Medicaid. Dedicating the entire amount to health services for the elderly, disabled and working families through the Medical Assistance program, together with transferring \$200 million from the Patients Compensation Fund, would go a long way to providing this program with the sum it needed to meet basic health care needs.

Unfortunately, rather than the total of \$634 million in federal funds and Patients Compensation Fund transfers I had proposed to keep the Medical Assistance program in sound financial condition, the Legislature chose to allocate to the Medical Assistance program only \$151 million of the federal funding provided by Congress (barely 45% of the federal funds provided). At the same time, the Legislature refused to transfer to the Medical Assistance program even a single dollar from the Patients Compensation Fund. Either decision by itself would have left the Medical Assistance program with a huge fiscal hole. Together, the

Legislature's decisions left a truly giant hole of hundreds of millions of dollars in the financing of this essential health care program for Wisconsin's seniors, disabled, and working families.

The result of the Legislature's irresponsible action is that the Medical Assistance program faces a deficit of hundreds of millions of dollars in the next biennium, and Wisconsin's seniors and disabled and working families are at risk of losing their health insurance, while doctors keep every penny of their \$600 million surplus and contribute nothing to balancing the budget.

Overall, this budget imposes shared sacrifice in order to solve the state's \$3.2 billion deficit.

But when it comes to the Medical Assistance program, the Legislature has insisted that our most vulnerable citizens – seniors who've worked all their lives, disabled persons who can't work, and working families who can't afford health insurance – must bear the sacrifice, while Wisconsin's doctors are exempted from bearing their fair share of the burden.

I will not stand for the Legislature balancing the budget on the backs of our seniors, our disabled citizens and our working families. Let me put this as plainly as possible – I would not be making the cuts I have been forced to make through vetoes if the Legislature had acted responsibly regarding use of federal funds and the Patients Compensation Fund and health care for the elderly, disabled and working families. The Legislature chose a well-to-do special interest over our seniors. My vetoes will create enough savings to protect our seniors.

Since the Legislature chose not to sufficiently fund the Medical Assistance program, I have been forced to reduce spending in the Medical Assistance program related to prior authorization for certain drugs, support for graduate medical education, reimbursements to pharmacies and increases in daily rates paid to nursing homes. These are extremely difficult cuts, but the Legislature's unwillingness to confront these budget risks has left me with no choice.

To further protect key programs in the budget, I have also used my veto authority to transfer \$145 million in savings due to a more responsible highway program to help combat future deficits. This transfer, along with vetoing many of the Legislature's GPR spending increases, will help offset the Legislature's unrealistic reliance on federal revenues and guard against weaker than expected revenue collections.

I would have preferred to use funds from the Patients Compensation Fund to accomplish these purposes and made my opinion very clear to the legislative leadership. While the veto authority is extensive, there is no language in the bill that would enable me to return to my original budget proposal on the Patients Compensation Fund. I believe the transfer from the transportation fund is the best option that was available to me through the veto power.

I have also removed through veto another partisan element of this budget – the distribution formula for shared revenue. I have reviewed the Legislature's new formula and can find no logical explanation for its impact, other than to punish some Wisconsin communities for the benefit of others.

My budget had a simple mechanism for reducing shared revenue – a \$13 per person reduction for every community in the state. The Legislature responded with a formula that would have made Rube Goldberg proud in its confusion and dead-ends. Their formula is a stranglehold for many of the state's poorest communities, squeezing out any ability to invest in the economic growth critical to a prosperous Wisconsin. The Legislature's shared revenue formula benefits the haves at the expense of the have-nots.

I said when I introduced my budget in February that it was not a perfect document, but a work in progress. Since its introduction, I have heard from many local officials who argued with merit that certain communities, most notably rural towns, are disproportionately impacted by a per person reduction. In restoring the per person reduction formula proposed in my original budget, I have also used my veto authority to allocate the additional \$20 million in shared revenue funds to implement a hold harmless provision to limit the reduction in shared revenue for every community to approximately 15 percent compared to current law. Some communities will receive larger reductions because of the cuts already in place from the budget signed last year before I became Governor.

One of the casualties of the Legislature's crusade against Wisconsin's environment was the state's bipartisan Warren Knowles-Gaylord Nelson Stewardship 2000 Program. While the Legislature spent \$300 million more than my budget for highways, it cut \$245 million of previously authorized bonding authority over the next six years critical to preserving Wisconsin's natural beauty and scenic areas. Wisconsin's tourism industry is built around that natural beauty. Indeed, one of the fundamental reasons for our highway system is to help our tourism industry prosper. Without the bipartisan Knowles-Nelson Stewardship 2000 Program, we will all have less nature to enjoy and to attract tourists from other states. This reduction is inconsistent with Wisconsin's values. It's contrary to our economic self-interest. I have vetoed the reduction in the Stewardship 2000 program to restore the current law capability to preserve and protect Wisconsin's natural wonders.

In total my vetoes will reduce appropriations from all funding sources by \$315 million compared to the Legislature's budget. I also exercised my veto authority to increase the size of the general fund balance to \$205 million. This amount will help fill the shortfall in the Medical

Assistance program created by the Legislature's unwillingness to tap the reserves of the Patients Compensation Fund and their unrealistic estimates of future federal Medicaid funding.

This balance will also protect us from any further downturns in the economy. My budget proposal wisely included the option of up to \$350 million in savings by structural refinancing of the state's debt in the event of revenue shortfalls during the biennium. Unfortunately, the Legislature rejected this option, leaving the state unprotected in case of future economic downturns. Given the softness of recent state sales tax receipts, and the weakness of the national economy, I believe increasing the size of the balance is a fiscally responsible measure to help minimize the chances that we will need a budget repair bill later in the biennium.

From general purpose revenue, net spending will be \$10.7 billion in fiscal year 2003-04 and \$11.7 billion in fiscal year 2004-05, for a biennial total of \$22.4 billion. These figures represent a spending decrease of 2.4 percent in fiscal year 2003-04 and an increase of 9.2 percent in fiscal year 2004-05, primarily due to increases in spending for Medical Assistance costs for our low-income citizens. Compared to the previous biennium, spending in the 2003-05 biennium will be less than one percent higher – a record in fiscal restraint. Total spending under the 2003-05 budget, will be \$24.0 billion in fiscal year 2003-04 and \$24.6 billion in fiscal year 2004-05, for a biennial total of \$48.6 billion.

I am signing this budget with a total of 131 vetoes. Many of these vetoes were needed to reduce spending by a total of \$315 million. These vetoes will also reduce the structural deficit confronting the state in the next biennium. A number of these vetoes are technical in nature and were required to make provisions workable. Many of the vetoes curb attempts by the Legislature to micromanage the day-to-day operations of state agencies by eliminating

burdensome new reporting requirements. The Legislature has a legitimate interest in knowing how state programs are working, but at a time when we are trying to streamline state government and make it work more efficiently and cost effectively, it is counterproductive to impose unnecessary new reporting requirements.

The budget I introduced in February was balanced without tax increases. The Legislature's partisan budget raises taxes, increases the structural deficit, blames schools and local governments for the state's budget mess, threatens environmental protection efforts, and leaves Wisconsin seniors at risk. The budget I am signing puts Wisconsin back on the right track – no tax increases, continuing educational excellence, support for key local services, a better environment and economic prosperity for all of Wisconsin.

Restoring Fiscal Discipline

- No increase in income, sales or corporate taxes. No change in exemptions or deductions.
- Erases the \$3.2 billion deficit and leaves a \$205 million balance in fiscal year 2004-05.
- Restores fairness to the shared revenue program by removing provisions which would have forced many of the state's poorest communities to absorb disproportionately large reductions in state aid.

Economic Development and Transportation

- Improves highway safety and enhances economic development by providing almost \$1.6 billion of state and federal funding for highway rehabilitation and construction projects

over the biennium. Despite the record state budget deficit, highway rehabilitation and construction spending will be \$77 million higher in this biennium than in the previous one.

- Enumerates four new major highway projects: USH 14 in Vernon County, USH 18 in Crawford County, USH 41 in Winnebago County and USH 41 in Brown County.
- Provides \$244 million over the biennium for the reconstruction of the Marquette Interchange in the city of Milwaukee and ensures sufficient funding for critical projects on the Southeast Wisconsin freeway system.
- Provides \$400,000 for grants to local units of government, including regional transportation authorities and transit commissions, for the development of commuter rail transit systems.
- Provides \$94,000,000 of revenue bonding authority for the petroleum environmental cleanup fund award (PECFA) program to meet projected claims over the biennium.
- Provides \$9,200,000 SEG annually for brownfields assessment, remediation and green space grants.
- Sets-aside \$1 million to help fund economic development initiatives in communities affected by plant closings.

Environmental Protection and Resource Management

- Ensures continued protection of Wisconsin's abundant natural resources by maintaining the current law bonding authorization level for the Warren Knowles-Gaylord Nelson Stewardship 2000 Program.
- Provides more than \$3.5 million over the biennium to monitor and control chronic wasting disease (CWD) in wild and captive deer populations, including five critical animal health positions at the Department of Agriculture, Trade and Consumer Protection to help combat CWD in Wisconsin's game farms.
- Increases funding by approximately \$1.6 million over the biennium to expand efforts to control and prevent the spread of invasive aquatic species that are damaging our state's lakes and rivers.
- Transfers an additional \$500,000 in each year from tribal gaming revenues to the fish and wildlife account of the conservation fund to support wildlife and fisheries management activities.
- Creates new junior conservation patron and sports licenses to encourage the participation of Wisconsin's youth in outdoor recreation.
- Transfers \$650,000 in each fiscal year of the biennium from tribal gaming revenues to the parks account of the conservation fund to support operations at Wisconsin's state parks and trails.

Agriculture

- Prevents, through veto, a \$23 million tax increase on more than 20,000 Wisconsin family farmers by restoring the Farmland Preservation Tax Credit Program. This program provides income tax relief for many lower income farmers in Wisconsin, helps support soil conservation and water quality efforts, and serves as an incentive for communities to protect their agricultural lands through land use planning.
- Expands property tax relief for farmers by reducing property tax assessments on agricultural woodlands and wetlands. This property tax relief is focused, through veto, to ensure that the agricultural woodlands provision is not abused by non-farmers.
- Provides nearly \$2 million annually for ethanol production supports to encourage the growth of the ethanol industry in our state.

Education and Training

- Recognizes the priority of Wisconsin's great school system by providing \$189 million over the biennium to increase general school aid to Wisconsin's elementary and secondary schools and relieve pressure on local property taxes.
- Provides additional revenue limit authority to the state's lowest spending school districts to help reduce inequality in educational opportunity.
- Maintains the existing level of state support for four-year-old kindergarten programs in public and choice schools.

- Preserves the School Age Guarantee in Education (SAGE) small class size initiative.
- Removes a requirement that would have increased teacher license fees by 50 percent.
- Increases special education aid by \$5,875,700 GPR over the biennium.
- Retains the current law Chapter 220 Interdistrict Integration Program, which provides educational and cultural opportunities between city of Milwaukee and suburban district students.
- Maintains funding for most GPR-funded categorical school aids, including bilingual-bicultural education, school nutrition programs, alternative education grants, and pupil transportation.
- Provides the largest increase in state history, \$23.6 million over the biennium, for state-funded financial aid programs available to University of Wisconsin students, representing a 55.7 percent jump over the previous budget.
- Increases the number of graduates in nursing and other health profession programs by creating a new grant program at the Wisconsin Technical College System.
- Authorizes the Department of Workforce Development to continue its implementation, under Wisconsin Works, of a transitional wage-paying jobs option, a program which has been demonstrated to help participants transition more quickly to permanent private-sector employment and will increase the overall skill level of Wisconsin's work force.

Human Services

- Preserves Medical Assistance benefits for the elderly, disabled and low-income families, with no reductions to either eligibility standards or services.
- Preserves the BadgerCare program to ensure health care access for working families.
- Preserves SeniorCare to ensure affordable prescription drug coverage for the elderly and vetoes legislative increases to copayments paid by participants.
- Controls prescription drug costs by adopting more prudent purchasing processes, expanding the use of prior authorization and creating mechanisms to implement preferred drug lists and purchasing pools.
- Provides funding to pilot a comprehensive reform of long-term care services for children.
- Increases funding for Milwaukee County child welfare services and for statewide foster care and adoption assistance for children with special needs.
- Provides funding to complete implementation of the Wisconsin Statewide Automated Child Welfare Information System and vetoes an increase in the county share of this cost.
- Reduces excess institutional capacity for intermediate care facilities for the mentally retarded by creating incentives for facilities to downsize and place residents into the community.

- Increases the number of community placements for patients currently residing at Northern Wisconsin Center and significantly downsizes the center. This downsizing will also decrease the number of state positions.

Public Safety

- Slows the growth in prison spending by eliminating nearly 200 primarily middle management, office and administrative positions in the Department of Corrections.
- Improves the reentry of inmates into the community by providing funding and staff to open two minimum security workhouses, one in Winnebago and one in Sturtevant. The workhouses will provide a variety of employment-focused programming and increase offender employability after release.
- Increases state prison capacity and reduces reliance on out-of-state contract beds by opening the medium security New Lisbon Correctional Institution and the minimum security Highview Correctional Institution. Expands Wisconsin's much-needed capacity for alcohol and drug treatment options for offenders by opening the Highview Correctional Facility as an intensive drug and alcohol treatment facility.
- Reduces prison costs by expanding the capacity for alternatives to revocation in state prisons and by opening the probation and parole hold facility in Sturtevant. Alternatives to revocation programs will enhance efforts to reform offenders and offer a cost-effective alternative to prison placement.

- Reduces prison costs by creating an earned release program for certain graduates of the intensive Drug Abuse Correctional Center, by providing staff and funding to create a felony drug offender alternative to prison program in Milwaukee County for female offenders, and by providing staff and funding to convert the Black River Correctional Center into a boot camp under the Challenge Incarceration Program.
- Protects the vital operations of the state crime laboratory by removing, through veto, the Legislature's proposed lapse of funds needed to employ forensic scientists at the lab.
- Makes additional investments in youth diversion programs, truancy abatement, and youth mentoring programs through the Office of Justice Assistance.
- Continues to fund Wisconsin's restorative justice efforts including restorative justice coordinators in the Milwaukee and Outagamie county district attorney offices, and promotes drug-free communities by continuing funding for an anti-drug prosecutor in both the Milwaukee and Dane county district attorney offices.

State Government Operations

- Reduces the size of state government by eliminating almost 2,300 positions.
- Modifies vesting procedures for post-retirement sick leave conversion to health insurance, thereby enabling active employees to leave the work force earlier and help state agencies manage position reductions.

- Streamlines statewide information technology management by eliminating the Department of Electronic Government.
- Introduces the principle that all state employees will pay for a share of their health insurance costs and should pay more to join more costly, less effective, health care plans.
- Creates a pharmacy purchasing pool that will enable every state resident to save money when purchasing prescription drugs.
- Fully funds National Guard Educational Tuition Reimbursement program.
- Recognizes the sacrifices made by Wisconsin's veterans by increasing, rather than decreasing as proposed by the Legislature, reimbursement levels for the Veterans Educational Tuition Grant Program.
- Provides health care aid grant increases of \$300,000 annually for veterans' dentures, eye care and hearing aids.
- Increases Veterans Service Organization grants by \$120,000 biennially.
- Authorizes staffing for a new 120-bed skilled nursing facility at the Southeast Wisconsin Veterans Home.

There are also several budget provisions I did not or could not veto that warrant discussion.

1. Qualified Economic Offer – The budget I introduced in February included a repeal of the qualified economic offer provisions under the collective bargaining law for teachers. This provision was removed from the budget by the Legislature as a "nonfiscal policy item." The Legislature's refusal to address this issue is regrettable. The removal of this provision is a further example of this Legislature's lack of support for the dedicated individuals who teach our children. I remain steadfast in my commitment to end the unfair treatment of teachers and will continue to seek a repeal of this unnecessary law.
2. Specific Position Reductions – Through several legislative motions, not directly included as part of the budget bill, the Legislature (through Joint Committee on Finance actions) has attempted to dictate specific positions for deletion in this bill. It is my intent to give discretion to executive branch agencies to determine which positions will be deleted. This means that the Department of Health and Family Services will have the flexibility to substitute other positions in place of the assistant area administrator positions deleted in a Joint Committee on Finance motion. Similarly, the Department of Corrections will have the same latitude to substitute other positions in place of the correctional unit supervisors and assistant unit supervisor positions deleted by another Joint Committee on Finance motion. Retaining these positions will improve the departments' ability to effectively manage program costs and corrections populations.
3. Reductions to Tribal Gaming Programs – Senate Bill 44 reduces or eliminates funding for several important programs funded from tribal gaming revenues. Examples of these reductions include grants to alternative schools for Native Americans, investments in the

aquaculture industry, county-tribal law enforcement grants, upgrades to wastewater treatment facilities and support for businesses located in areas near casinos. While I cannot use my veto authority to restore funding to these programs, I believe these reductions are unnecessary and counterproductive. The tribes have provided considerable revenues to the state. Investing a portion of these revenues in education, law enforcement, business development and clean water benefits all of Wisconsin.

4. Energy Conservation Efforts under the Public Benefits Program – The Legislature unwisely transferred an additional \$20 million from the public benefits energy conservation program into shared revenue payments in fiscal year 2003-04 beyond what I had proposed in my budget. As Wisconsin enters a period with significant construction of new power plants, we need to make significant and sustained investments to encourage the use of renewable energy and energy conservation. For every dollar spent on conservation, over \$3.50 is realized in energy savings. This is a great return, and a good investment for Wisconsin.

Despite facing a \$3.2 billion deficit, the budget that I proposed to the Legislature in February recommended spending more than \$94 million on energy conservation in the 2003-05 biennium. That amount would be even higher were it not for the fiscal crisis I inherited. The reductions in my initial budget were scheduled for the second year of the biennium in order to adequately prepare for fewer resources while maintaining an effective energy conservation program. Unfortunately, the Legislature took funds in the first year of the budget which will have an immediate and dramatic effect on our valuable energy conservation program. We cannot have a responsible energy policy without a sustained investment in conservation. Because of the Legislature's short-sighted action, a considerable reassessment our energy conservation efforts will be necessary.

5. Hunting and Fishing Fees – Senate Bill 44, as passed by the Legislature, did not include the modest hunting and fishing license fee increases that I included in my proposed budget. As a result of their refusal to include these modest fee increases, conservation programs in our state will suffer and citizens and visitors who enjoy our natural resources will take notice. It has been seven years since license fees were last raised and all major conservation groups in the state supported the modest fee package that was included in my budget proposal.

Unfortunately, the Legislature played politics with our natural resources and refused to listen to the users and conservation leaders who recognized the need for continued investment in our critical conservation programs. While I am unable to use my veto authority to restore the modest fee increases included in my budget proposal, I believe that we must provide additional resources for our fish and wildlife programs. Our citizens demand robust conservation programs; our recreation industry cannot succeed without them.

6. Department of Public Instruction Budget Reductions – In their assault against public education, the Legislature also unfairly targeted the Department of Public Instruction (DPI) for cuts well beyond those recommended in my original budget. While no part of state government can expect to be exempt from the reductions needed to balance this budget, the Legislature's cuts needlessly target DPI. This is especially true in light of the importance of the department's mission and its treatment by the Legislature in recent years. At a time when the department must implement far-reaching new federal requirements, and often without the promised money from Washington to do the work, these are unwise cuts. Unfortunately, I cannot restore the Legislature's cuts through my veto power.

7. Technical Correction of Existing Bonding Authorization for Grant to HR Academy – The 2001-03 biennial budget included the enumeration of \$1.5 million in general obligation bonds to help support the construction of a youth and family center at the HR Academy in Milwaukee. This public-private partnership is seeking to improve educational opportunities for underprivileged students and their families. Senate Bill 44 includes a technical correction to the bonding authorization so that it complies with the State Constitution. Unfortunately, this technical correction was included in a much larger amendment that was introduced and passed by the Senate in the middle of the night without bipartisan debate or review.

If not for the fact that this provision is technical in nature and modifies an item already in law, I would have vetoed this change. I cannot condone the way this amendment was brought to the floor and adopted. It is backroom deals like this that led to the fiscal mess we are trying to solve in this budget. I look forward to the Legislature promoting more open and bipartisan debate on budget and policy matters in the future.

8. State Operations Spending Limit – The Legislature's budget includes a requirement that the 2005-07 biennial budget spend \$100 million less annually than this budget will on state operations. This provision was included in a last minute amendment to the budget in order to give the appearance that the Legislature had addressed the state's structural deficit. Instead of making difficult decisions themselves, they deferred those decisions to the next biennium and to the Governor to propose.

Limits such as this one serve little useful purpose. My budget made deep and difficult cuts in state operations – it cut \$250 million of state support from the University of Wisconsin

System, it eliminated 200 middle management positions at the Department of Corrections and over 100 positions at the Department of Administration. On average, I cut state agencies by 10 percent. I made these cuts because I was committed to balancing this budget without tax increases.

The Legislature simply took credit for most of my cuts to state operations. In some cases, they actually reversed a few of those cuts, spending more GPR in the process. They chose to avoid making tough decisions by taking ill-conceived swipes at state operations – including a mandate that the lowest paid, but most sorely needed, workers in state government – health care workers and other part-time employees – pay 50 percent of the cost of health insurance.

While I believe that this limit is simply another example of the Legislature shirking its responsibilities, the Legislative Fiscal Bureau has relied on this provision to calculate that the Legislature's budget will have a structural deficit of \$923 million going into the 2005-07 biennium. That figure has been used extensively in describing the impact of this budget on the next.

I have carefully reviewed the budget sent to my desk. I have sought to ensure that Wisconsin has the resources it needs to avoid future deficits. I have used my veto power to address the Legislature's excesses and set some money aside in these uncertain economic times. My vetoes reduce the Legislature's structural deficit by over \$258 million – a reduction of almost 30 percent. My actions ensure that the future commitments in this budget are well below the amount that can be expected in reasonable revenue growth in the next biennium.

If I were to veto the Legislature's \$200 million future reduction in state operations, the Legislature's gimmick would erase the effect of my difficult cuts. I will not have those efforts undercut by this artificial limit and the calculation that has been based on it.

Therefore, I have retained the state operations spending limit. Because the \$200 million number was picked out of a hat without any real analysis of our needs and resources in the next biennium, agreeing to this provision is not an endorsement of this specific number. If our economy does not turn around, we may need to make even deeper cuts. If prosperity returns, we may be able to make fewer cuts and protect more of our vital programs. In either event, I pledge that I will take the same fiscally responsible approach to the next budget that I have to this one.

Finally, somewhere in the four months the Legislature spent debating this budget, they lost sight of their true objective. The citizens of this state gave us the responsibility to clean up the state's fiscal mess. The problem in Wisconsin is the fiscal mismanagement and over-spending by state government. That is the responsibility I took seriously when I submitted my budget.

The Republicans in the Legislature had a different approach. Instead of focusing on the problems with the state government's budget – problems they played a key role in creating over the last decade – they tore a page out of the discredited playbook of the last Governor and pointed their fingers at the leaders of our local communities and schools. They tried to distract attention from their unfair cuts and sham budgeting by resorting to political gimmicks and slogans.

The arguments against their levy limits are numerous, but at the heart is a very basic Wisconsin value: We in Wisconsin have believed for more than 150 years that local communities know best the needs of their citizens. Local citizens know better whether their schools need more or less money, whether they need to make new investments in roads or infrastructure to attract new jobs, or whether their police or firefighters have adequate staffing and equipment. What may be right for Eau Claire, may not be right for Appleton. Antigo may have different needs than Kenosha. Certainly, state politicians in Madison should not be mandating that one policy best fits the needs of over 1,900 counties and municipalities and 426 school districts. We must reject the Republican legislature's attempt to grab power from local citizens.

That value – trusting our communities to make wise decisions – has served us well in education. It has given us schools that are the envy of the nation. Our children consistently perform at the top of national tests. They are our future. In order for Wisconsin to prosper in an increasingly competitive global economy, our children must have the very best education available to them. Our teachers work very hard to deliver that education, often under extremely difficult circumstances. Making children and teachers the victims of the state's fiscal mess is irresponsible and inconsistent with Wisconsin's values.

The proposal passed by the Legislature would cut funding for our public schools by as much as \$400 million over the next two years. The result would be teacher layoffs, larger class sizes, and sharp reductions in instructional programs. School districts, which have been operating under strict spending controls since 1993, would now be prohibited from even keeping pace with inflation.

The levy limits also would hamper our state's technical college system which plays a vital role in training our workforce and promoting economic development. At a time when technical college enrollments are growing by double digits, the legislative proposal would limit the ability of technical colleges to expand their programs to meet growing demands. As with schools, there are already mechanisms in place to limit spending increases and these new ones would be too restrictive.

The levy limits are also anti-economic growth. Legal experts on bonding have concluded that the proposed limit is so flawed that, even if a municipality passes a bonding authorization at referendum, the bonds cannot be issued because the levy limit language only makes an exception for the annual levy, not for the life-of-the-bonds irrevocable levy required by the State Constitution. By doing this, the Legislature has crippled local governments in their efforts to support and spur economic development – killing growth, killing jobs, and killing local strategies for achieving prosperity and lowering property taxes. I'm a pro-economic growth Governor. I can't possibly agree with such a misguided, anti-growth policy.

Local governments, who deliver the services that people value most, are also not to blame for the state's fiscal mess. Yet the Legislature's proposed levy limits would pit areas experiencing rapid economic growth against those that are not. Every Wisconsin community deserves police and fire services, not just those that are blessed by economic good fortune.

Local property taxes are just that – the responsibility of local officials and property owners. They're the result of decisions by the local taxpayers and the individuals they elect regarding the level of services to be delivered. An arbitrary and capricious state mandate, one that rewards the haves and punishes the have-nots, is irresponsible and contrary to the local control

so valued by Wisconsin citizens. If a community believes a tax freeze is the right thing for them, they should enact one; if, however, they believe a "freeze" would harm their schools or economic development efforts, they should be free to make that decision without interference from Madison.

While decisions regarding property tax levels are fundamentally local in nature, I do share the goal of holding down property taxes. That is why as Governor I took five important – and appropriate – actions. First, I nearly fully fund shared revenue. The budget passed by the Legislature last year created a \$1.2 billion hole in shared revenue. Left unaddressed, this action set the stage for the largest property tax increase in Wisconsin's history. It is shockingly disingenuous for legislators to suggest that they are advocates for property tax relief after having created a situation that would have increased property taxes by \$1.2 billion. I, however, was able to avoid that by cutting enough spending in the rest of the state budget to fill almost all of the \$1.2 billion shortfall. Second, in this budget I am increasing aid to schools by \$189 million to help hold down pressures to raise property taxes. Third, I fully fund the nearly \$1 billion levy credit that delivers property tax relief to seniors, families and businesses. Fourth, I maintain the revenue caps on school spending to hold down property tax increases. Fifth, and most importantly, I set an example at the state level for local officials to follow. We reduced the size of government and began to live within our means.

I have vetoed this unfair and irresponsible mandate in its entirety. In its place I call on local officials to act in the best interest of Wisconsin citizens. I was able to balance the state budget without tax increases. I steadfastly fulfilled my commitment not to raise income taxes, sales taxes, corporate taxes, and excise taxes. Wisconsin's local governments can balance their budgets while holding down taxes as well – not because they've been ordered to do so by

legislators, but because it's the right thing to do. Further, if local officials fail the test of leadership, they will be held accountable by the voters in their communities, as they should.

While I have had to use my veto authority extensively to improve many aspects of this bill, I do want to commend the Legislature for finishing the budget on time. The choices that both I and the Legislature faced in bringing the state's finances back into order were very difficult. I respect their efforts in sending me a budget that, with my vetoes, allows Wisconsin to avoid tax increases, brings spending into line with revenues, meets our highest priorities and lays the foundation for a fiscally responsible future.

I have sought to bring our great state back to fiscal stability by avoiding tax increases, reducing the size of government and setting spending priorities that reflect Wisconsin's values. I have sought to preserve and protect our great education system to ensure our children continue to receive a world-class education. I have placed my faith in local governments to both protect their citizens from property tax increases and preserve the local services that each of us counts on every day. The bill I am signing and the vetoes I have made seek to solve this budget crisis once, in a fair and responsible way, so that we can move Wisconsin forward.

Respectfully submitted,

JIM DOYLE
Governor

Date: July 24, 2003

VETO MESSAGE

TABLE OF CONTENTS

A. EDUCATION, WORKFORCE AND LOCAL GOVERNMENT 1

PUBLIC INSTRUCTION 1

1. Four-Year-Old Kindergarten 1

2. Student Achievement Guarantee in Education (SAGE) 2

3. School Revenue Limits..... 2

4. Milwaukee Parental Choice Program Eligibility 4

5. Charter Schools 4

6. Racine Charter School Program..... 5

7. Chapter 220 Interdistrict Transfer Aid 5

8. Teacher Licensure Fees..... 6

9. Federal Administrative Funding 6

10. School Finance Commission 7

11. Low-Revenue Ceiling 7

12. Sunset of Transportation Fund Dollars for General School Aid..... 7

13. Public Library System Aid 8

14. Educational Technology Courses 8

SHARED REVENUE AND TAX RELIEF 9

15. Levy Limits on Counties, Municipalities and Technical College Districts 9

16. Municipal Shared Revenue Payments..... 10

17. Legislative Joint Committee to Study Municipal Aid..... 11

18. Agricultural Forest Land 11

19. Property Classifications Within State Assessment Guidelines 12

20. Use Value of Agricultural Land 13

21. County and Municipal Fees 14

22. Lottery and Gaming Credit Precertification 14

UNIVERSITY OF WISCONSIN SYSTEM 14

23. Auxiliary Enterprises Funding of Financial Aid..... 14

24. Sunset Date for Auxiliary Enterprises Funding of Student Financial Aid 15

25. Rock County Engineering Initiative Earmark 15

WORKFORCE DEVELOPMENT 16

26. Transitional Subsidized Jobs..... 16

27. Governor's Work-Based Learning Board 17

28. Workforce Attachment and Advancement 18

29. Department of Workforce Development Earmarks 18

B. ENVIRONMENTAL AND COMMERCIAL RESOURCES..... 20

AGRICULTURE, TRADE AND CONSUMER PROTECTION 20

1. Farmland Preservation Tax Credit Sunset..... 20

2. Pet Regulation..... 20

3. Ethanol Production Subsidy 21

4. Fertilizer Tonnage Surcharge 21

5.	Sampling for Agrichemical Contamination	22
6.	Consumer Protection Surcharge Revenue	22
7.	Consumer Protection Position Reduction Report.....	22
8.	Telephone Solicitation Regulation Appropriation	23
COMMERCE		23
9.	Minority Business Certification Program	23
10.	Petroleum Inspection Fund Transfer	24
11.	Wisconsin Development Fund Grants	24
12.	Forestry Education Grant Program.....	25
13.	Great Lakes Intertribal Council Grant	25
ENVIRONMENTAL IMPROVEMENT PROGRAM		25
14.	General Obligation Bonding Reduction and Present Value Subsidy Limit.....	25
LAND USE.....		26
15.	Comprehensive Planning Land Information Requirement.....	26
NATURAL RESOURCES		26
16.	Agrichemical Management and Environmental Fund Revenues.....	26
17.	Recycling Demonstration Grant Earmarks.....	27
18.	Bonding Authority for the Stewardship 2000 Program	27
19.	Sale of State Lands	28
20.	Aids in Lieu of Property Taxes Formula.....	28
21.	Passive Review of Obligations Under the Stewardship 2000 Program	29
22.	Forestry Best Management Practices for Water Quality	29
23.	Operations at Centennial State Parks	29
24.	Tribal Gaming Revenue for Snowmobile Trail Aids	30
25.	ATV Safety Enhancement Grant Program.....	30
26.	Recreational Boating Aids Earmarks	31
27.	Back Tag Requirement.....	31
28.	"Into the Outdoors" Television Program.....	31
29.	Plan to Implement Administrative Reductions	32
BOARD OF COMMISSIONERS OF PUBLIC LANDS		32
30.	Timber Sales Proceeds	32
TOURISM.....		32
31.	Earmark for Out-of-State Marketing.....	32
32.	Marketing Appropriation	33
TRANSPORTATION.....		33
33.	Highway Program.....	33
34.	Joint Committee on Finance Authority to Supplement State Highway Programs	36
35.	Sales Tax Transfer from the Sale of Automobiles.....	37
36.	Surplus Land Sale.....	37
37.	Commuter Rail Transit System Development.....	37
38.	Position Reduction Plan	38
39.	Traffic Signals	38

C.	HEALTH AND PUBLIC SAFETY	39
	CORRECTIONS	39
1.	New Lisbon Reimbursement of Costs	39
2.	Highview Correctional Institution Alternative to Revocation Beds	39
3.	Pilot Program for Nonviolent Offender Community Reintegration	39
4.	Contracting with County Sheriffs for Beds	40
5.	Juvenile Correctional Services Program Revenue Deficit.....	40
	DISTRICT ATTORNEYS	41
6.	Byrne and Penalty Assessment Funded Assistant District Attorneys.....	41
	HEALTH AND FAMILY SERVICES	42
7.	Medical Assistance – Revenue Report.....	42
8.	Graduate Medical Education	42
9.	Nursing Home Bed Assessment.....	43
10.	Nursing Home Bed Assessment Credit	44
11.	Prescription Drug Reimbursement Rates	45
12.	Prescription Drugs – Prior Authorization Advisory Committee	45
13.	Mental Health Medication Review Committee	46
14.	SeniorCare – Copayments for Brand Name Prescription Drugs	47
15.	SeniorCare – Long-Term Care Insurance and Spend-Down Requirements	47
16.	Managed Care for Recipients of Supplemental Security Income	48
17.	Drug Savings and Funding for Health Maintenance Organizations.....	48
18.	Supplemental Nursing Home Payment Pilot Demonstration	49
19.	Food Stamp Retailer Transaction Fee.....	49
20.	Hospital Data Collection	50
21.	Chronic Disease Program	50
22.	Tobacco Control Advisory Committee	51
23.	Health Insurance Risk Sharing Plan	51
24.	Multiple Sclerosis Screening	51
25.	Northern Wisconsin Center	52
26.	Daily Rate for Community Placements	52
27.	Bureau of Quality Assurance Surveyors	52
28.	Income Augmentation Plan	53
29.	Wisconsin Statewide Automated Child Welfare Information System (WiSACWIS).....	53
	JUSTICE	54
30.	Consumer Protection Assessments.....	54
31.	Criminal History Searches; Fingerprint Identification Appropriation	54
32.	Department of Justice Required Lapses.....	54
	OFFICE OF JUSTICE ASSISTANCE	55
33.	Federal Homeland Security Funding	55
	PUBLIC DEFENDER BOARD.....	55
34.	Base Budget Reductions.....	55

D.	STATE GOVERNMENT OPERATIONS	57
	BUDGET MANAGEMENT AND COMPENSATION RESERVES	57
1.	Discretionary Compensation Adjustment Reductions	57
	ADMINISTRATION	57
2.	Attorney Positions	57
3.	State Agency Appropriation Lapses to the General Fund	58
4.	Local Revenue Sharing Board.....	58
5.	Interest Component in Risk Management General Fund Supplements	59
6.	Public Benefits: Limitation on the Public Service Commission	59
7.	Required Report on Gaming Expenditures	59
8.	State Government Management Systems and Web Site.....	60
9.	Computer Services Rate Setting by Rule	60
10.	Transfer or Lapse of Information Technology Funds	60
11.	Required Report on Space Occupancy	61
12.	Tax Appeals Commissioner Hiring Freeze	61
13.	Waste Facility Siting Board Transfer	62
	BUILDING PROGRAM	62
14.	Hmong Cultural Center.....	62
	EMPLOYEE TRUST FUNDS	63
15.	Municipal Employer-Initiated Change in Health Care Plan Provider	63
16.	Part-Time Employee Health Insurance	63
17.	Pharmacy Purchasing Pool	64
18.	Private Employer Health Care Program	65
	OFFICE OF STATE EMPLOYMENT RELATIONS	66
19.	Appropriation Conversion.....	66
20.	Appointment of the Director.....	66
21.	Creation of Statutory Divisions	66
22.	Lapse of Employee Development and Training Services Revenue.....	66
	LEGISLATURE	67
23.	Legislative Reference Bureau Assistance in Obtaining Federal Grants	67
	PROGRAM SUPPLEMENTS.....	67
24.	Joint Committee on Finance Emergency Supplemental Appropriation	67
	SECRETARY OF STATE	67
25.	Deputy Secretary of State	67
	VETERANS AFFAIRS	68
26.	Veterans Tuition and Fee Reimbursement Schedule.....	68

E.	TAX AND FINANCE	70
	REVENUE	70
1.	Cigarette and Tobacco Excise Tax Refunds.....	70
2.	Bad Debt Deductions Against Cigarette and Tobacco Products Taxes	71
3.	Joint Committee on Finance Approval of Lottery Privatization	71

A. EDUCATION, WORKFORCE AND LOCAL GOVERNMENT

PUBLIC INSTRUCTION

1. Four-Year-Old Kindergarten

Sections 2032e, 2032g, 2042v, 9141 (2q) and 9341 (3q)

These sections provide that a child in a four-year-old kindergarten program shall be counted as 0.25 of a pupil for both revenue limit and general school aids purposes, if the child is not considered to have a disability. Under current law, a child in a four-year-old kindergarten program is counted as either 0.5 or 0.6 of a pupil, depending on the program involved.

I am vetoing these sections because they diminish the resources available to school districts to provide four-year-old kindergarten programs. Over half of the school districts in the state currently offer or are planning to offer four-year-old kindergarten programs, which serve nearly 17,000 children statewide. Since these provisions reduce the weight given to these students in the overall membership count for state aid and spending purposes, school districts that provide four-year-old kindergarten will have reductions made to their allowable revenue limit and to their general school aid. Rather than pulling back on our commitment to four-year-old kindergarten, we must at least maintain our current efforts, even during this difficult state budget period.

Reduced funding for four-year-old kindergarten is contrary to both the needs of Wisconsin and research on early childhood education in general. Studies show that as preschoolers continue their education, they are more likely to have higher academic achievement, more likely to graduate from high school, and are less likely to be placed in special education and less likely to become involved with the criminal justice system. Further, while four-year-old kindergarten benefits all children, early education efforts are especially important in areas of the state with high concentrations of disadvantaged youth. Early education opportunities will enable these children to do better and make a positive contribution to Wisconsin's economy and society.

As a result of my veto, an estimated \$38 million of revenue limit authority will be restored annually to the school districts that provide four-year-old kindergarten.

When the Legislature adopted these provisions, it also reduced estimated costs for the Milwaukee Choice and Milwaukee Charter programs because these programs count four-year-old pupils in the same manner as for regular public schools. Therefore, I am making the following reestimates:

- Choice payments are increased by \$1,764,600 GPR in fiscal year 2003-04 and by \$1,782,900 GPR in fiscal year 2004-05.
- The estimated lapse from general school aids related to Choice payments is increased by \$794,100 in fiscal year 2003-04 and \$802,300 in fiscal year 2004-05.

- Charter payments are increased by \$564,000 GPR in fiscal year 2003-04 and by \$568,900 GPR in fiscal year 2004-05.
- The lapse from general school aids related to Charter payments is increased by the same amount as the Charter payment estimates are increased.

When the Legislature adopted these provisions, it also reduced the estimated cost of certain tax credits and the cost of computer aid payments. The impact of this veto on these programs is addressed under my veto message regarding revenue limits. (See Public Instruction, Item #3.)

2. Student Achievement Guarantee in Education (SAGE)

Sections 286 [as it relates to s. 20.255 (2) (bb)], 351b, 1998m, 1998n, 1998no, 1999c, 1999n, 2009m, 2021m, 2021n, 2021no, 2021nr and 9441 (1z)

These provisions allow school districts currently participating in the SAGE program to opt out of reducing class sizes in grades two or three, or both. School districts choosing this option would have state aid reduced by the amount that would have been received for continuing participation in grades two and three. Any SAGE funding that remains unexpended due to these provisions will be used to increase special education funding, beginning in fiscal year 2004-05.

I am vetoing these provisions because the original intent of the program was to reduce class sizes in grades kindergarten through three. Allowing school districts to opt out of the program in grades two or three would significantly reduce the benefit of this program on students' future academic achievement. Research continues to show the benefits of smaller class sizes, especially in the early elementary school grades and for economically disadvantaged students.

Further, I object to any plan that would pit economically disadvantaged students who benefit from smaller class sizes in the early grades against children with disabilities. These provisions tie SAGE funding to special education. Both special education and SAGE are critical educational programs that deserve adequate funding. Both programs should be promoted, not weakened, and should not be at odds with each other. To that end, my budget not only maintains the current SAGE program, but also increases special education aid by \$5,875,700 GPR.

3. School Revenue Limits

Sections 2043d, 2043h, 2043s, 2043u, 2043w and 2043y

These sections reduce the allowable increase in school district revenue per pupil under the school revenue limits to \$120 for the 2003-04 school year and to \$100 for the 2004-05 school year and every year thereafter. Under current law, the allowable increase in school district revenue per pupil under the revenue limits is estimated to be \$236 in 2003-04 and \$241 in 2004-05.

I am vetoing these sections because they will greatly reduce educational resources in our state and will limit the responsibilities and accountability of our locally elected school boards. For nearly ten years, the state has subjected school districts to the most stringent revenue controls imposed on any unit of government in order to slow the growth of property taxes. While I believe that it is fiscally prudent to keep current law revenue limits in place at this time, the provisions passed by the Legislature would reduce school spending to levels below inflation and would force districts to make deep cuts in the classroom.

These provisions would also forever cap per-pupil increases at \$100 per year. Based on inflation estimates made by the Congressional Budget Office, school districts would be forced to reduce their spending per pupil by ten percent over the next decade alone, as measured in current dollar terms, if these sections are not vetoed. School districts are already struggling under current law revenue caps to provide our children the quality education they deserve while keeping pace with increasing costs, particularly for employee health care. Denying our schools access to the revenue they are allowed under current caps will seriously impair the ability of our school districts to ensure that every child in Wisconsin receives a high-quality education and that Wisconsin's future workforce is properly trained. As a result of my veto, current law revenue limits will be retained.

This action should in no way be interpreted as encouraging school districts to spend up to the maximum allowed under the current revenue limits. It does, however, recognize that locally elected government officials, rather than state officials, are charged with the responsibility of managing their local units of government and are ultimately the ones who should be held accountable for the cost and quality of local services, including education. It is essential that school boards be able to work with administrators, principals, parents and local citizens to determine appropriate educational opportunities and spending levels for their local school district. Local school officials know their school districts best, including what their schools need and how much their local citizens are willing to spend to educate their children. These officials should be entrusted with the jobs that they were elected to perform, including budgeting and determining appropriate levies, and be held accountable by the local citizens they represent if they overstep their bounds.

When the Legislature adopted these provisions, it also reduced the estimated cost of certain tax credits and the cost of computer aid payments. Therefore, as a result of this veto, the restoration of the pupil count for four-year-old kindergarten (see Department of Public Instruction, Item #1) and the restoration of current law levy rate limits on technical colleges (see Shared Revenue and Tax Relief, Item #15), I am reestimating the cost of several tax relief programs as follows:

- Property tax rent credit claims are estimated to decrease GPR revenues by an additional \$3,000,000 in fiscal year 2003-04 and by an additional \$6,200,000 in fiscal year 2004-05.
- Homestead credit costs are estimated to increase by \$1,000,000 GPR in fiscal year 2003-04 and by \$1,900,000 GPR in fiscal year 2004-05.
- Farmland preservation credit costs are estimated to increase by \$500,000 GPR in fiscal year 2003-04 and by \$700,000 GPR in fiscal year 2004-05.

- Exempt computer aid payments to local governments are estimated to increase by \$1,700,000 GPR in fiscal year 2003-04 and by \$3,300,000 GPR in fiscal year 2004-05.

4. Milwaukee Parental Choice Program Eligibility

Sections 2022d, 2022h, 2022p, 2022t and 9341 (4m)

These provisions modify the eligibility requirements for both students and schools in the Milwaukee Parental Choice Program (MPCP). Specifically, these provisions delete the cap on the number of pupils that may participate in the program, delete the prior year attendance requirements for pupils entering the program, allow students to continue in the program even if family income rises above the program's income criteria and allows schools located throughout Milwaukee County to participate. Under current law, participation is capped at 15 percent of Milwaukee Public Schools (MPS) membership; pupils may no longer participate in the program if family income exceeds 175 percent of the federal poverty level; and students must have been enrolled in MPS, the choice program or grades kindergarten through three in a private school in the city of Milwaukee or have not been enrolled in school in the prior school year to join the program. Also under current law, only schools located in the city of Milwaukee may participate.

I am vetoing these provisions because I object to this expansion of the Milwaukee Parental Choice Program, and I believe that policy changes of this significance should be addressed through separate legislation, where a full and open debate can occur. First, while the cap on MPCP participation may become binding at some point, enrollment in Choice schools remains below the cap and is anticipated to remain below the cap throughout the biennium. As such, a larger discussion on this issue can occur before enrollment approaches the cap. Second, the program was created to provide educational options to low-income children and families in the city of Milwaukee. An expansion of the program to include private schools throughout Milwaukee County is well beyond the scope of this original intent. Finally, it makes little sense to completely eliminate income tests for families once they have a child in the program. It is worth noting that, in other income-based programs for low-income families, such as BadgerCare (health care) and Wisconsin Shares (child care), the state does not eliminate the income ceiling for enrolled families whose economic circumstances improve. The original, and still valid, intent for the Choice Program was to give options to low-income families living in the city of Milwaukee that they could not otherwise afford, not to provide a lifetime guarantee to a free private school education regardless of future income.

5. Charter Schools

Sections 2020g, 2020k and 2042k

These sections include several provisions pertaining to the Milwaukee Charter Schools Program and transportation of pupils to charter schools. These sections allow pupils residing outside of the Milwaukee Public Schools (MPS) System's boundaries to attend a Milwaukee charter school. They also delete the prior year enrollment requirements for participation in the Milwaukee Charter Schools Program. In addition, these sections

allow school districts, including MPS, to transport pupils to and from a charter school. Under current law, to participate in the Milwaukee Charter Schools Program, a pupil in the previous school year must have been enrolled in MPS, attended a Milwaukee Choice school, been enrolled in a nonchoice private school in Milwaukee in grades kindergarten through three, not have been enrolled in school, or have been enrolled in a school in the Milwaukee or Racine Charter School Programs.

I am vetoing these sections because I am concerned about the expansion of the scope of charter schools at this time, and because policy changes of this significance should be addressed through separate legislation where a full and open debate can occur. I am also vetoing these sections because the Milwaukee Charter Schools Program should continue to be focused on providing additional educational opportunities for city of Milwaukee children. Opening up the program to students living outside of MPS's boundaries may diminish the ability of Milwaukee students to participate in the program.

6. Racine Charter School Program

Sections 2020m and 2021f

These sections eliminate the current 400-pupil cap on the number of students that may attend the Racine charter school. These sections also cap at 400 the number of pupils previously enrolled in the Racine Unified School District for which the school district may receive payments equal to the amount of school aid per pupil the district is eligible for in the current school year.

I am vetoing these sections because I object to the expansion of this pilot program at this time. In addition, since the Racine Unified School District is only projected to receive payments for 180 pupils during the 2003-05 biennium, application of the 400-pupil cap for payments to the district is unnecessary.

7. Chapter 220 Interdistrict Transfer Aid

Sections 2032m, 2032n, 2032o, 2042m and 2042r

These sections reduce from 0.75 to 0.65 in the 2004-05 school year and to 0.5 thereafter the fraction of a pupil counted in the sender district's membership count for state aid purposes for students participating in the Chapter 220 Interdistrict Integration Program. These sections also reduce aid to a district receiving a Chapter 220 interdistrict transfer pupil by paying the district the lesser of the average net cost per pupil of the district or \$11,000 in the 2004-05 school year, \$10,000 in the 2005-06 school year, \$9,000 in the 2006-07 school year and \$8,000 in any subsequent school year. Under current law, the district receiving the student is paid an amount based on its average net cost per pupil without these caps.

I am vetoing these sections because the state must maintain its commitment to diversity and the provision of public school options for Milwaukee students. The original – and still valid – intent of the Chapter 220 program is to provide educational opportunities to both city and suburban students and to foster an awareness and appreciation of cultural differences among students and school districts that choose to participate. If this

commitment is diminished by significantly reducing the incentives to both Milwaukee Public Schools and Milwaukee-area suburban schools to participate in the Chapter 220 program, academic and cultural opportunities will be narrowed at a time when our society is increasingly multicultural. The ability of Wisconsin to benefit from these students' potential contributions to our economy and society will also be harmed.

8. Teacher Licensure Fees

Sections 286 [as it relates to s. 20.255 (2) (hg)], 348m, 351f, 1993g, 1993r, 1995m and 9341 (5f)

These provisions require the Department of Public Instruction to increase fees for teacher and administrator licenses from \$100 to \$150 as of July 1, 2004. These provisions also require the department to use the revenues generated by the fee increase to distribute grants to all school districts to fund mentoring for new educators.

I am vetoing these provisions because the fee increase represents a tax on teachers at a time when they have already sacrificed salary increases under the provisions of the qualified economic offer. I am also vetoing these provisions because this 50 percent fee increase would cause Wisconsin to have one of the highest licensure fees in the country. Lastly, the department needs the flexibility to adjust licensure fees to meet anticipated expenditures. These provisions would subject all future license fee increases to legislative approval, preventing the department from accurately aligning fees with expenditures.

9. Federal Administrative Funding

Section 1995t

This provision requires the Department of Public Instruction to submit to the Joint Committee on Finance any plans to use federal funding to support the department's general program operations. This provision also requires Joint Committee on Finance approval of such plans through a 14-day passive review process.

I am vetoing this provision because it is important that state agencies have the flexibility to manage their budgets. Given the Legislature's expectation that agencies will be accountable for delivering programs effectively, agencies need to have the operational flexibility to ensure that these expectations are met. Retaining existing flexibility under current law is critical to that process. Furthermore, the department is the only state agency subject to this requirement, and I object to it being singled out in this way.

10. School Finance Commission

Sections 286 [as it relates to s. 20.505 (4) (ba)] and 9141 (2c)

These provisions create a school finance commission to study the funding of elementary and secondary education in Wisconsin. These provisions also provide \$10,000 GPR in fiscal year 2003-04 for expenses of the commission.

I am vetoing these provisions because creating a school finance commission through law is unnecessary. In my State of the State address, I already indicated that I will create a Governor's Task Force on Education Financing. Consequently, I am vetoing the creation of this commission and returning the \$10,000 for its expenses to the general fund. Although there is no language in the budget bill designating funding for the commission's expenses, the purpose of this funding was specified in the Joint Committee on Finance's amendments to the bill. By lining out the Department of Administration's s. 20.505 (4) (ba) appropriation for fiscal year 2003-04 and writing in a smaller amount that deletes the \$10,000 GPR, I am vetoing the part of the bill which funds the school finance commission. Furthermore, I am requesting the Department of Administration secretary not to allot these funds.

11. Low-Revenue Ceiling

Section 2043b

This section increases the low-revenue ceiling provision from \$6,900 to \$7,400 in the 2003-04 school year and to \$7,800 in any subsequent school year if a school board adopts a resolution to use this additional authority by a two-thirds vote of the members elect.

I am partially vetoing this section to eliminate the two-thirds vote requirement because it is an unnecessary intrusion into local affairs. The increase in the low revenue exemption, which I proposed in my original budget, will help reduce spending disparities and increase equity among school districts. However, school boards should be able to make decisions by a majority vote in the same manner as state government and other local governments. Requiring school boards to pass measures on super-majority votes undermines the authority of local government officials and Wisconsin residents when they vote in local elections. As a result of my veto, school boards will be able to use the new \$7,400 and \$7,800 low-revenue ceiling exemption levels established by the bill through the simple majority vote process that exists under current law. It is anticipated that as many as 98 school districts could benefit from the low-revenue exemption.

12. Sunset of Transportation Fund Dollars for General School Aid

Sections 8m, 173m, 179m, 353m, 852m, 2007m, 2033m, 2034m, 2036m, 2037m, 2038m, 2039m and 9441 (1f)

These sections sunset the use of transportation fund dollars for general school aids after fiscal year 2004-05. Consequently, ongoing funding for general school aids for fiscal year 2005-06 and beyond is \$60,000,000 below the fiscal year 2004-05 funding level.

I am vetoing these sections because the rationale for using transportation fund dollars to help support general school aids for the 2003-05 biennium will continue to exist into the future. Pupil transportation expenses play a significant role in overall school costs. Therefore, it is appropriate that the transportation fund continue to contribute toward the support of Wisconsin's schools. As a result of this veto, ongoing funding for general school aids from the transportation fund will be maintained at \$60,000,000 for fiscal year 2004-05 and beyond. Given the importance of education, it is essential that school aids not face an immediate \$120,000,000 reduction in the 2005-07 biennium. This veto ensures that our commitment to education is maintained and the state's long-term budget is more secure.

13. Public Library System Aid

Sections 354, 2311m, 2311s and 9443 (1qz)

These sections sunset support for public library system aid from the universal service fund as of June 30, 2005. The sections also require telecommunications providers to itemize the total customer assessment related to certain universal service fund programs on customers' bills for telecommunications services.

I am vetoing section 354 to remove the sunset of universal service fund appropriations for public library system aid because adding a sunset could result in a permanent and significant decrease in aid to public library systems. State support for local libraries is critical to educating our children and fostering economic development.

I am also vetoing sections 2311m, 2311s and 9443 requiring the itemization of the total customer assessment related to universal service fund expenditures for non-Public Service Commission programs on customers' bills. I object to this provision because it creates needless paperwork and serves no useful purpose.

14. Educational Technology Courses

Section 1057d

This section deletes the requirement that the Department of Administration work with the Department of Public Instruction (DPI) to develop courses for the instruction of professional employees licensed by DPI in the use of educational technology.

I am partially vetoing this section because DPI, as the state's chief educational agency, should have a major role in developing courses on educational technology for the employees it licenses.

SHARED REVENUE AND TAX RELIEF

15. Levy Limits on Counties, Municipalities and Technical College Districts

Sections 943m and 1532m

These sections limit, for three years, the increase in property taxes that a county, municipality or technical college district may impose. For counties and municipalities, the annual increase is limited to the percentage change in equalized value due to new construction, net of improvements removed. For technical colleges, the annual increase is limited to 2.6 percent. These sections also provide adjustments to the limits for debt service authorized prior to July 1, 2003, and allow for the limits to be exceeded by referenda.

I am vetoing these sections because they restrict economic development, limit local government access to capital markets, endanger public health and safety, hinder educational attainment and job training, and foster inequities among local governments.

First, these levy limits endanger economic development. These limits fail to recognize that local government investments must often be made before development can begin. Without the needed infrastructure and ability to finance new projects, economic growth will suffer.

Second, these levy limits make it all but impossible for most Wisconsin municipalities to issue general obligation bonds. The levy limit language is so flawed that even if a municipality passes a bond issue by a referendum, the bonds cannot be issued. In contrast, the Wisconsin Constitution requires an irrevocable levy for the life of the bonds. Under this provision, any bonds that could be issued must be less than the full faith and credit of the municipality. This would lower credit ratings and carry higher interest rates.

Third, these levy limits endanger public health and safety. Poverty, crime and health problems create greater need for fire, police, elderly care and emergency medical services. The regions of the state that experience slower growth are often the very same areas with residents most in need of these services. This proposal limits the ability of municipalities to fund these necessary services for the elderly, poor and other vulnerable residents of their communities.

Fourth, these levy limits hinder educational attainment and job training. The limits on technical college levies will require students to pay more for classes or reduce the course offerings of the technical colleges. In either case, this diminishes our ability to provide individuals with the skills necessary to improve their earnings and compete for better paying jobs. Further, it hampers funding for many of the functions of municipal government – for example public libraries – that also support our children's education.

Fifth, these levy limits are inequitable. Wisconsin's neediest communities, with little open space for new construction, could have little or no levy growth. In contrast, wealthier municipalities with open land available for development will have substantial capacity to raise revenues. Consider what would have occurred had the proposal been in effect in 2001. In that year, the city of Milwaukee had a 0.9 percent increase in value due to new construction while Germantown had a 5.6 percent increase; Marinette had a

1.4 percent increase while Sun Prairie had a 6.1 percent increase; and Monroe had a 1.2 percent increase while Middleton had a 4.7 percent increase. The proposal will result in limiting the ability of municipalities to provide vital public services and exacerbating the existing discrepancies in economic growth.

Local elected officials are in the best position to make decisions regarding the appropriate level of services to fund and provide for residents of their communities. These officials have continually made difficult decisions regarding these important issues. Local governments and their residents should not be penalized for the state's own fiscal disorder.

The veto of the levy limit on Wisconsin Technical College Districts will have an impact on several of the state's tax relief programs. This impact is discussed under Department of Public Instruction, Item #3. I have not reestimated the spending levels in these programs related to vetoing limits on municipal and county levies. I believe that local elected officials will act responsibly and limit growth in local levies. As such, a reestimate is not necessary.

16. Municipal Shared Revenue Payments

Sections 286 [as it relates to s. 20.835 (1) (dd)], 661m, 662d, 662de, 662e, 663, 665, 1653d, 1653e, 1653f, 1654, 1655, 1656, 1658, 1658d, 1662b, 1662d, 1663b, 1664b, 1666b, 1669d, 1669e, 1669f, 1669g and 9445 (1) (b) and (1m)

These provisions create new formulas for municipal shared revenue payments in 2004 and 2005. Specifically, these provisions create a new equalization formula for larger population municipalities and a proportional reduction formula for smaller population municipalities. Jointly, these formulas reduce municipal shared revenue payments by \$50,000,000 compared to current law beginning in 2004. These provisions then repeal the new formulas and eliminate all provisions regarding the distribution of municipal shared revenue for 2006 and beyond.

I am partially vetoing these provisions because these formulas misrepresent the actual allocation, create inequities among municipalities, add needless complexity and create uncertainty for long-term municipal funding.

First, the formula changes do not work as claimed. It is claimed that the new equalization formula aids important public safety needs, such as police and fire. In reality, it actually provides the most aid to those communities with the fewest public safety needs. Municipalities with costs below 50 percent of the state average of larger municipalities will have those costs weighted at 150 percent, while municipalities with above average costs will receive no aid on any dollar spent above the average. In other words, those who live in high-crime areas do not receive the state aid necessary to provide important police and other public safety services.

Second, the formula changes create inequities in aid to municipalities. When all the pieces of municipal budgets are put together, wealthier municipalities would have smaller percent reductions than poorer communities.

Third, the formula changes add unnecessary complexity. They redistribute state aid to mask the simple need for a modest reduction in shared revenue to help address the state's budget deficit.

Fourth, the proposal repeals shared revenues without an alternative. There should be no repeal without a replacement. State revenue sharing is a long-standing progressive feature of Wisconsin state-local finance. Municipalities need certainty regarding their future shared revenue payments.

As a result of my veto, the \$50,000,000 reduction to shared revenue will be accomplished directly. It will be computed on a straightforward per capita basis, equaling an estimated \$12.73 per person. It will establish a maximum allowable percentage reduction. No municipality would have more than a 15.7 percent reduction compared to current law payments for 2004. The payment distribution will be settled for all future years.

Under my veto, all municipalities are expected to receive at least as much shared revenue as under my initial budget proposal. Indeed, my veto allocates the entire \$20,000,000 that the Legislature added back to shared revenue to fund the minimum guarantee that is implicit in the maximum percentage reduction. As a result, over 1,100 municipalities will be better off, and no municipalities will be worse off, than under my initial budget proposals.

With this action, and the veto of the levy limits, I know and expect local elected officials will continue to make the types of difficult decisions that they have made in the past to hold the line on spending and still fund important services, such as police and fire, for the citizens of their communities.

17. Legislative Joint Committee to Study Municipal Aid

Section 9133 (3m)

This section specifies that the Joint Committee on Legislative Organization may create a joint committee to study the distribution of state aid to municipalities.

I am vetoing this section because it is unnecessary. The Legislature may create such committees without a provision in the budget bill. Moreover, my veto of the municipal shared revenue changes eliminates the primary need for this committee. While the Legislature left future municipal shared revenue distributions completely unspecified, and, consequently, left local officials with little direction in how to plan for future budgets, my veto of the municipal shared revenue changes establishes a distribution that continues into the future.

18. Agricultural Forest Land

Section 1536h

This section establishes agricultural forest land as a new classification of property. It specifies that agricultural forest land is to include land that is producing or capable of

producing commercial forest products and that is included in a parcel that has been classified, in part, as agricultural land or is contiguous to a parcel, owned by the same person, that has been classified in whole or in part as agricultural land. The bill requires that agricultural forest land be assessed at 50 percent of market value for both property taxation and equalization purposes.

I am partially vetoing this section because its focus should be on forest land owned by farmers. As a result of my veto, only land that is producing or capable of producing commercial forest products that is contiguous to a parcel owned by the same person that is classified "in whole" as agricultural land will be included in this new category. As affected by this veto, land that is on a parcel that is "in part" agricultural land and land contiguous to a parcel that is "in part" agricultural land will be excluded from the definition.

This partial veto to narrow the classification is necessary because the Legislature's definition of agricultural forest land is too broad. It neither requires that a minimum percentage of a parcel be agricultural nor requires a minimum amount of agricultural acreage. Such a broad definition could also be subject to abuse and encourage nonfarmers to convert forest lands to receive tax benefits.

By limiting the land that may be classified as agricultural forest to land contiguous to a parcel that is fully devoted to agriculture and owned by the same person, my veto provides significant tax relief by targeting the property classification to those whose livelihood is farming without creating a greater shift of property taxes to nonagricultural land.

While I understand that this veto may exclude some land for which a legitimate claim for a tax break could be made, any additional expansion of the agricultural forest classification should not occur without further research into its effects on other properties. Absent such research, application of this new classification beyond its intended target could undermine farm tax relief efforts as property tax rates rise in response to lower overall valuations. This result would undercut not only this effort to assist farmers, but also efforts to assist farmers through use value and the new classification for undeveloped land that I am also signing into law in this budget bill.

Separately, I am acting to save an existing tax relief program for farmers by vetoing the elimination of the farmland preservation tax credit (see Agriculture, Trade and Consumer Protection, Item #1). Taken together, my actions provide a very substantial benefit for the agricultural industry by vetoing a \$23 million income tax increase for farmers and retaining provisions that reduce property taxes on wetlands and certain forest lands that are part of a farm.

19. Property Classifications Within State Assessment Guidelines

Section 1536b

This section divides a group of properties into separate components for the purpose of determining the types of property in a municipality that are subject to Department of Revenue assessment oversight. This oversight ensures that certain types of property be assessed within ten percent of full value at least once every four years. Under current

law, the value of swamp and waste, forest land and other property is summed to determine if they are at least five percent of a municipality's total value and thus subject to Department of Revenue oversight. Under this section, swamp and waste (renamed "undeveloped land" under the bill), agricultural forest, productive forest and other are all considered separately rather than as a whole for this purpose.

I am partially vetoing this section because it unnecessarily weakens assessment standards. Maintaining property assessments within specified criteria is an essential step in ensuring fair and equitable property taxation. As a result of my veto, the current law treatment of property classifications for Department of Revenue oversight is restored.

20. Use Value of Agricultural Land

Section 1536m

This section requires that any modification to the procedures used by the Department of Revenue in implementing the use value of agricultural land be approved under the administrative rule process.

I am vetoing this section because this requirement is unduly cumbersome and results in unacceptable delays. The determination of use values of agricultural land will always be a complex process requiring many steps and modifications as changes to the farm economy and farm laws continue to unfold. To allow use values to reflect the Legislature's intent, it is essential that the department be able to update its data sources and make adjustments in a timely manner. The rigidity of the rule-making process would not allow this to occur. Administrative rules are also an inappropriate means to enact the level of detail that is needed to calculate use values across the state. Moreover, if the ordinary rule-making process is followed to comply with this provision, no change in the use value formula will likely be in place in time to avoid negative agricultural land values that will occur in 2004. Since this outcome from the current formula is unworkable, the department needs to act rapidly to ensure agricultural values are fairly calculated.

Rather than use the cumbersome administrative rule process for procedural changes, existing means to change the use value formulas should be employed. Many modifications to use value procedures can be put in place through revisions to the department's assessment manual. This approach allows timely action and ensures statewide uniformity and equity in property tax administration. To the extent that major changes in the formula are needed, current law provides that these be made through the rule-making process. In addition, I request that the department provide the Legislature and other interested parties with complete information on any changes to the use value determination process.

21. County and Municipal Fees

Section 1532p

This section requires that any fee imposed by a county or municipality bear a reasonable relationship to the service for which the fee is imposed. It further requires that when a fee is first imposed, the county or municipality shall issue a written finding that the fee is reasonably related to the service for which the fee is imposed.

I am vetoing this section because it is unnecessary. Court decisions have clearly articulated that fees must be reasonably related to the purpose for which they are imposed. Moreover, this section's requirement for a written finding merely adds a redundant state mandate to the list of requirements that localities must meet.

22. Lottery and Gaming Credit Precertification

Section 1670dt

This section requires each county and city that administers the lottery and gaming credit to implement a procedure verifying that lottery and gaming credits are being claimed only for properties used as the principal dwellings of the home owners. These local governments are further required to report to the Department of Revenue every five years on these procedures. In addition, this section requires the department to summarize local procedures in a report to the Joint Committee on Finance every five years.

I am partially vetoing this section to eliminate the reports required from the department to the Joint Committee on Finance because these reports are unnecessary and may not be timely. In lieu of these reports, the committee may request an update on local government verification efforts at any time. In addition, the department can also propose changes to ensure that lottery and gaming credits are being used solely for tax relief to Wisconsin home owners.

UNIVERSITY OF WISCONSIN SYSTEM

23. Auxiliary Enterprises Funding of Financial Aid

Section 9157 (1x)

This section requires the University of Wisconsin Board of Regents to submit to the Department of Administration and then to the Joint Committee on Finance under 14-day passive review its plan for using auxiliary enterprises balances to fund new program revenue appropriations created to support funding increases to Wisconsin Higher Education Grants-University of Wisconsin students, the Lawton minority undergraduate grant program and the graduate student financial aid program. It would also prohibit the use of student segregated fees in funding the financial aid appropriations.

I am partially vetoing this section to remove the requirement that the Board of Regents submit a plan for the proposed use of auxiliary enterprises balances to fund student

financial aid. I object to this provision because the management of the auxiliary accounts is a Board of Regents function. To require legislative oversight of this matter would erode the Board of Regents' authority and unnecessarily hinder the board's ability to manage these programs. This partial veto retains the provision prohibiting the use of segregated fees in funding the auxiliary enterprises appropriations for student financial aid.

24. Sunset Date for Auxiliary Enterprises Funding of Student Financial Aid

Sections 329d, 386d, 389d, 390d, 933g, 939g, 990g, 9425 (2x) and 9457 (2x)

Provisions within these sections would sunset the auxiliary enterprises appropriations related to student financial aid programs affecting University of Wisconsin System students on June 30, 2005.

I am partially vetoing these sections to delete the June 30, 2005, sunset date in order to maintain flexibility in meeting student financial aid needs. While I expect that auxiliary enterprises funding of financial aid programs will not be required beyond fiscal year 2004-05, this decision should be made in the context of the 2005-07 biennial budget.

25. Rock County Engineering Initiative Earmark

Section 286 [as it relates to s. 20.285 (1) (a) and (im)]

This section provides \$378,300 GPR and \$203,700 PR in fiscal year 2004-05 and 5.0 FTE GPR positions for the University of Wisconsin-Platteville. These additional resources are intended for University of Wisconsin-Platteville to provide engineering instruction at the University of Wisconsin-Rock County campus.

I am vetoing this provision because I object to having the Legislature earmark funding for campus specific programs in the University of Wisconsin System. The Board of Regents should retain the authority to approve new programs. While collaborative programs like this may have great value to help grow the state economy, the Board of Regents should have the ability to make decisions after considering all of its priorities.

Although there is no language in the budget bill that authorizes this increase, the purpose of this funding was included in a Joint Committee on Finance amendment to the bill. By lining out the University of Wisconsin System's s. 20.285 (1) (a) and s. 20.285 (1) (im) appropriations and writing in smaller amounts that delete the \$378,300 GPR and the \$203,700 PR in fiscal year 2004-05, I am vetoing the parts of the bill which fund this provision. In addition, I am requesting the Department of Administration secretary not to allot these funds and not to authorize the positions. I am also requesting that in setting tuition rates during the 2003-05 biennium, the Board of Regents not raise tuition related to the amount of academic student fees permitted under this amendment of the Joint Committee on Finance.

WORKFORCE DEVELOPMENT

26. Transitional Subsidized Jobs

Section 9159 (4f)

This section directs the Task Force on Transitional Jobs, created by the secretary of the Department of Workforce Development, to continue its work reviewing and researching the creation and implementation of a subsidized work program under the Wisconsin Works (W-2) program, and to propose legislation that effects its findings and recommendations.

I am partially vetoing section 9159 (4f) because I object to causing unnecessary delay in the implementation of a transitional subsidized jobs program. Through this veto, I am returning, as closely as possible, to the intent of my original proposal on transitional jobs.

My budget proposal called for the creation of a new transitional subsidized jobs program, offering W-2 participants time-limited subsidized employment and access to the earned income tax credit (EITC) as a new rung on the W-2 employment ladder.

The rationale behind implementing a transitional subsidized job program is to create a mechanism that, by providing W-2 participants an on-the-job experience that enables them to learn the demands and rewards of real work by doing real work, is more cost-effective and efficient in moving W-2 participants into unsubsidized jobs. This model of transitional subsidized jobs assumes short-term job slots with limited extensions; minimum wage paying jobs with access to the earned income tax credit; full reimbursement of employers; and thorough monitoring and strong management to ensure that participants make a rapid transition from subsidized to unsubsidized, private sector jobs.

The experience of transitional subsidized jobs programs both here in Wisconsin and in other states provides evidence of benefits for participants, their children and employers. In addition, the transitional jobs program will be an important tool in growing the state's economy. With the dramatic increase in retirements expected over the next decade, providing employers with opportunities to train additional employees will be important to their success.

The secretary of the department has already appointed a task force on transitional jobs, which has been meeting for several months to research strategies for implementing a transitional subsidized job program and to make recommendations to the department. My budget proposal and the activity of the task force represent a first step in implementing a transitional job component in the W-2 program.

27. Governor's Work-Based Learning Board

Sections 81, 117d, 286 [as it relates to s. 20.292 (1) (ga) and (kx) and s. 20.445 (1) (em)], 544, 548, 549d, 550d, 552d, 553, 725d, 946d, 946e, 946f, 946g, 946j, 1862d, 1863d, 1865d, 1866d, 1867d, 1867t, 1869d, 1870d, 1871, 1872, 1872h, 1873, 1874, 1875, 1876, 1878, 2405d, 9149 (1x), 9159 (6x) and 9259 (3)

These provisions eliminate the Governor's Work-Based Learning Board and transfer responsibility for the youth apprenticeship program to the Department of Workforce Development and responsibility for all other programs currently overseen by the board to the Wisconsin Technical College System Board.

I am vetoing sections 81, 117d, 286 [as it relates to s. 20.292 (1) (ga) and (kx) and s. 20.445 (1) (em)], 544, 548, 549d, 550d, 552d, 553, 725d, 946g, 1862d, 1863d, 1866d, 1867d, 1867t, 1872, 1873, 1874, 1875, 1876, 1878, 2405d, 9149 (1x) and 9259 (3) in their entirety and partially vetoing sections 946d, 946e, 946f, 946j, 1865d, 1869d and 9159 (6x) to reinstate the Work-Based Learning Board and to restore positions and funding to the Work-Based Learning Board that were transferred under the bill to the Wisconsin Technical College System Board.

I am also partially vetoing sections 1870d and 1871 to restore the Work-Based Learning Board's authority for administering the youth apprenticeship grant program, even though I could not, through a veto, transfer the actual appropriation dollar amounts for the youth apprenticeship program from the Department of Workforce Development to the board. Lastly, I am partially vetoing section 1872h to modify the expectation that 60 percent of participants completing a youth apprenticeship will be offered full-time employment by their employer to an expectation that 60 percent of participants will be offered employment, thereby expanding the expectation to include offers of part-time employment. This should minimize any disincentive an employer may have in taking on youth apprentices who may not want to pursue full-time employment immediately after high school graduation.

I could not veto the transfer to the Wisconsin Technical College System Board of the appropriations for school-to-work programs for at-risk youth and work-based learning grants to tribal colleges without stripping these programs of their funding. However, since these programs are essentially pass-through grants, having the programs administered by the technical college system board should not hamper the Work-Based Learning Board's ability to oversee school-to-work programs in general. I am requesting that the Work-Based Learning Board and Department of Workforce Development provide whatever assistance may be needed by the technical college system board to administer these programs.

I object to the repeal of the Work-Based Learning Board because dividing the state's school-to-work activities between separate departments would severely jeopardize the ability of the state to provide a coordinated and effective transition from education to employment. Building the skill level of Wisconsin's workforce is critical to my strategy to grow Wisconsin. Doing it in the piecemeal fashion that would result if the Legislature's changes were implemented will not get us where we need to be. The intent of this veto is to maintain as closely as possible a consolidated school-to-work program under the Work-Based Learning Board.

In addition to the 60 percent employment offer provision, the bill includes other important accountability measures for the youth apprenticeship program that I am retaining. These include limiting the maximum grant award to \$900, requiring that local partners provide matching funds equal to 50 percent of the grant and expecting that 80 percent of individuals who participate in the program for two years receive a high school diploma. In addition, I expect that the Work-Based Learning Board will continue to work closely with the Wisconsin Technical College System, the Department of Public Instruction and the Department of Workforce Development to ensure that Wisconsin's school-to-work programs retain their high quality and their commitment to having participants reach their maximum potential.

28. Workforce Attachment and Advancement

Section 1251m

Section 1251m repeals the Workforce Attachment and Advancement (WAA) program.

I am vetoing this section to retain the legal structure of the WAA program. I object to the elimination of the statutory language authorizing the Department of Workforce Development to distribute WAA grants. Under the WAA program, the department provides grants to Wisconsin Works (W-2) agencies and local work force development boards. The WAA grants are used to help low-income families and noncustodial parents find employment, remain attached to the work force and advance to higher paying employment.

These objectives should remain a component of the state's programs to assist low-income workers. While the allocation for the WAA cannot be recovered, I encourage the department to use other available funds to provide WAA grants to W-2 agencies and local work force development boards.

29. Department of Workforce Development Earmarks

Sections 286 [as it relates to s. 20.445 (1) (kv) and s. 20.445 (3) (dz)], 492g, 614g, 1272g, 1857m, 9159 (9d)

Sections 286 [as it relates to s. 20.445 (3) (dz)] and 1272g earmark \$100,000 annually to support grants to an organization that provides summer and after-school recreation programs for children and families of Southeast Asian origin as part of the Temporary Assistance for Needy Families budget. Sections 286 [as it relates to s. 20.445 (1) (kv)], 492g, 614g and 1857m earmark \$100,000 annually in tribal gaming revenues to support compulsive gambling grants to organizations that assist persons who are African American and persons of Southeast Asian origin with compulsive gambling issues. Finally, section 9159 (9d) requires the department to secure federal funding to be used to contract with certain specified faith-based organizations to create jobs and counsel families that have been impacted by gun violence.

I am partially vetoing section 286 [as it relates to s. 20.445 (1) (kv) and s. 20.445 (3) (dz)] and vetoing the remainder of these provisions in their entirety because I strongly object to the manner in which they were included in the budget bill.

While I support the goals of these programs, new funding initiatives like these should be discussed in open debate and not included in a late night omnibus motion in order to secure enough votes to pass the budget bill. When I was elected Governor, I promised to change the way government does business. Signing these items into law would be a return to a style of budget development that I promised to eliminate.

By lining out the Department of Workforce Development's s. 20.445 (3) (dz) appropriation and writing in a smaller amount that deletes \$100,000 annually, I am vetoing the part of the bill that funds grants for summer and after-school recreation programs for families and children of Southeast Asian origin. I am also requesting the Department of Administration secretary not to allot these funds.

B. ENVIRONMENTAL AND COMMERCIAL RESOURCES

AGRICULTURE, TRADE AND CONSUMER PROTECTION

1. Farmland Preservation Tax Credit Sunset

Sections 1583p, 1731ec, 1731eg, 1731ek, 1731em, 1731g, 1731gm, 1731j, 1731L and 1731n

These sections repeal the Farmland Preservation Program by prohibiting farmland preservation tax credit claims for taxable years beginning after December 31, 2002, for a claimant who is subject to exclusive agricultural zoning. The provision allows claims by a claimant who is subject to an existing farmland preservation agreement until the agreement expires, but prohibits the Department of Agriculture, Trade and Consumer Protection from entering into new agreements.

I am vetoing these sections because I object to the \$23 million increase in income taxes that repealing this program will impose on farmers in the state. Over 20,000 farmers, many of them with low incomes, benefit from the Farmland Preservation Program. The program also provides an incentive for communities and farmers to limit loss of productive agricultural land to development and encourages soil and water conservation. At a time when our agricultural economy is facing serious challenges, we should not raise income taxes on our farmers. As a result of my veto, GPR expenditures from the sum sufficient appropriation for farmland preservation tax credits under s. 20.835 (2) (dm) will increase by an estimated \$11.1 million in fiscal year 2003-04 and \$11.6 million in fiscal year 2004-05.

2. Pet Regulation

Sections 2120b, 2120bb, 2120bd, 2120bf, 2120bh, 2120bj, 2120bL, 2120bn, 2120bp, 2120br, 2120bt, 2120bv, 2120bw and 9404 (4)

This provision modifies the regulations affecting pet breeders, dealers, kennels and shelters. Current law requires the Department of Agriculture, Trade and Consumer Protection to license and inspect pet breeders, dealers, kennels and shelters, but provides no staff or funding for the purpose. These sections remove the requirement that the department license pet dealers, kennels and shelters, but retain the requirement that the department license pet breeders and promulgate rules specifying license fees. The bill provides no additional staff or funding for the program.

I am partially vetoing this provision to repeal the entire pet breeder, dealer, kennel and shelter regulation because I object to the imposition of regulatory duties without the necessary staff and funding. Furthermore, the modified regulations offer only limited protections to animals. Limiting the department's regulatory requirements to pet breeders, while requiring fewer resources than the full pet regulation program, nonetheless requires staff and funding. The inevitable diversion of resources from the

department's primary mission of animal health and disease control will place the state's commercial and wild animal populations at risk for a potentially devastating disease outbreak.

With this veto, local governments will still be able to appoint humane officers to investigate cases of inhumane treatment, execute inspection warrants, seek subpoenas, issue citations and request prosecution. The department will continue to train and certify local humane officials. I recognize the importance of humane treatment of pets and will support reasonable regulation of the pet industry if adequate resources are provided to the department.

3. Ethanol Production Subsidy

Section 286 [as it relates to s. 20.115 (1) (d) and (k)]

This provision appropriates \$1,000,000 GPR and \$2,900,000 PR-S from tribal gaming revenues annually for payments to ethanol producers in the state. This represents a 32 percent increase to the \$2,945,000 in base level funding available in fiscal year 2002-03.

I object to this level of funding because it is excessive given the state's fiscal condition. By lining out the Department of Agriculture, Trade and Consumer Protection's s. 20.115 (1) (d) appropriation and leaving \$0 GPR in each year, and by lining out the department's s. 20.115 (1) (k) appropriation and writing in a smaller amount that deletes \$1,000,000 PR-S in each year, I am vetoing this provision to provide a level of funding consistent with my original budget proposal. I am also requesting the Department of Administration secretary not to allot these funds.

I support the development of the ethanol industry in our state, but we need to make difficult decisions in solving the state's \$3.2 billion deficit. As a result of my veto, \$1,900,000 PR-S will be available annually for ethanol grants.

4. Fertilizer Tonnage Surcharge

Section 1745

This section increases the fertilizer tonnage surcharge cap paid by the manufacturers of plant fertilizers sold in the state from \$0.38 to \$0.63. The surcharge funds reimbursements for cleanup of sites contaminated with agrichemicals.

I am partially vetoing this section to increase the tonnage surcharge cap to \$0.86 because I object to the reduction in reimbursements that would be necessary under the lower cap. This veto is consistent with my original proposal to set the cap at \$0.88. Ensuring sufficient funds are available for cleanup of agrichemical contamination is a critical part of protecting Wisconsin's agricultural and natural resources.

5. Sampling for Agrichemical Contamination

Section 1755q

This section prohibits the Department of Agriculture, Trade and Consumer Protection from collecting or analyzing samples of plants, soil or water for the purpose of determining whether soil contamination has occurred unless the department first determines: (a) probable cause exists to suspect a discharge; (b) sufficient funds are available to pay the state's portion of cleanup costs; and (c) the department has reason to believe the discharge poses a significant risk to human health.

I am vetoing this section because I object to the limitation it places on the department's ability to protect human health and the environment from chemical contamination. The majority of agrichemical contamination sites addressed by the department involve discharges that have occurred gradually over time and are not detectable without chemical testing. It is essential that the department be allowed to assess the severity of suspected contamination sites using the normal tools of sampling and analysis.

6. Consumer Protection Surcharge Revenue

Section 1815d

This section increases the maximum amount that may be credited to the Department of Agriculture, Trade and Consumer Protection's consumer protection, information and education appropriation from \$185,000 annually to \$375,000 annually. Under current law, when a court imposes a fine or forfeiture for a violation of various consumer protection laws, the court imposes a 25 percent consumer protection assessment. The assessment is deposited into the general fund and is credited to the department's appropriation, subject to the statutory maximum.

I am vetoing this section because I object to this unnecessary increase. In the past two fiscal years, revenues credited to the appropriation have been significantly lower than the current cap.

7. Consumer Protection Position Reduction Report

Section 9104 (3x)

This section requires the Department of Agriculture, Trade and Consumer Protection to submit to the Joint Committee on Finance, by November 1, 2003, a report detailing its plan for implementing the reductions in consumer protection positions included in the budget bill. The report is subject to 14-day passive review by the committee, and the department is prohibited from implementing the plan without committee approval.

I am vetoing this section because I object to the infringement on executive branch authority to manage programs and because it is unnecessary.

8. Telephone Solicitation Regulation Appropriation

Sections 286 [as it relates to s. 20.115 (8) (jm)] and 291n

This provision converts the telephone solicitation regulation appropriation from continuing to annual. The appropriation funds the Department of Agriculture, Trade and Consumer Protection's regulation of companies that engage in telephone solicitation and is funded by fees paid by those businesses.

I am vetoing this provision because I object to the limitation on the department's ability to effectively administer the successful do-not-call program. In just over one year, more than 1.1 million Wisconsin households have signed up for the no-call list. The do-not-call program is extremely important to protecting Wisconsin citizens and should not be weakened by unnecessary legislative changes.

COMMERCE

9. Minority Business Certification Program

Sections 221m, 842t, 924g, 943p, 1029r, 1524r, 1527g, 1528g, 1528m, 1528n, 1528s, 1528t, 1533b, 1682d, 1682m, 1683d, 1683m, 2022b, 2031p, 2325h, 2325j, 2325k, 2325m, 2384c, 2384cj, 2384cm, 2384cr, 2440m, 2442r, 2448g, 2448r, 2618v, 2618vd, 2618vg, 2618vm, 2618vp and 2628fg

These sections extend the Department of Commerce's minority business certification process to make department certification the standard for other units of state and local government, including the State of Wisconsin Investment Board, the Departments of Transportation and Health and Family Services, the Wisconsin Housing and Economic Development Authority, counties, villages, towns, cities, technical college district boards, metropolitan sewerage districts, school boards, public libraries, exposition districts, professional baseball park districts, professional football stadium districts, cultural arts districts, and the Bradley Center Sports and Entertainment Corporation.

I am vetoing these sections to maintain the current minority business certification system. While I recognize the benefits of a streamlined minority business certification process, I object to including these provisions in a budget bill because significant issues need to be investigated regarding potential conflicts with federal requirements and court decisions that, if unresolved, may result in the loss of federal funding for state and local activities. In addition, these provisions may impose an unfunded mandate on local governments. I am requesting the Department of Commerce to review these issues in consultation with affected parties and formulate a process that leads to increased minority business certification while also complying with federal law and court orders and minimizing the burden on minority businesses and local governments so as to foster more economic development.

10. Petroleum Inspection Fund Transfer

Section 9209 (1)

This section transfers from the petroleum inspection fund to the general fund \$7,657,400 in each year of the 2003-05 biennium.

I am partially vetoing this section to increase the transfer from the petroleum inspection fund to the general fund to \$20,767,400 because during tight fiscal times it is necessary to use all of the resources of the state to ensure the general fund has sufficient revenues to fund vital programs.

The partial veto will result in no effective date being specified for the transfer. Under s. 16.52 (12), because no date is specified for when the transfer is to be made, the Department of Administration shall determine a date on which the transfer shall be made or provide for partial transfers to be made on different dates. It is my intent that the entire \$20,767,400 be transferred in fiscal year 2003-04. As a result, this veto improves the state's long-term financial condition by limiting the transfer to the first year of the 2003-05 biennium. Due to higher than anticipated revenues and reduced estimates of incoming claims, sufficient resources will remain in the petroleum inspection fund to meet program needs and maintain the claims backlog at a reasonable level.

11. Wisconsin Development Fund Grants

Section 9109 (1d)

This section requires the Department of Commerce to make grants from the Wisconsin development fund before June 30, 2004, to persons residing in or municipalities located in counties where, during any 12-month period after February 1, 2001, a plant closing has eliminated 500 jobs, multiple plant closings have eliminated 1,000 jobs or a plant closing has resulted in an average unemployment rate of at least 7.5 percent. In order to award a grant, the department must receive a detailed plan for the use of grant funds, the department secretary must approve the plan and a written agreement must be entered into specifying conditions for the use of grant funds. Grant recipients are required to submit a report within six months after all funds are expended detailing how grant proceeds were used. The total amount of grants may not exceed \$1,000,000.

These grants to assist displaced workers with finding new employment are important, particularly in the current economy. I am, however, partially vetoing this section to remove references to any 12-month time period, the number of jobs eliminated and the limit on grants. I object to these provisions because the department is best able to assess the most effective use of grant funds for those affected by plant closings or high unemployment and should not be limited in the amount or circumstances under which those funds can be awarded.

12. Forestry Education Grant Program

Section 286 [as it relates to s. 20.143 (1) (t)]

This provision appropriates funding for the Department of Commerce's forestry education grant program.

I object to this funding because limited resources should be allocated to the most effective programs. This program is underutilized and duplicates forestry education programs offered by the Department of Natural Resources and the Wisconsin Environmental Education Board. By lining out the Department of Commerce's s. 20.143 (1) (t) appropriation and leaving \$0, I am vetoing the part of the bill which funds this provision. I am also requesting the Department of Administration secretary not to allot these funds.

13. Great Lakes Intertribal Council Grant

Sections 293s, 293u, 607u and 2628m

These sections repeal the appropriations under the Departments of Administration and Commerce that provide tribal gaming funds for an annual grant to the Great Lakes Intertribal Council which supports a liaison between Native American tribes and state agencies. A reference to this annual grant is deleted from the language governing the Department of Commerce's tribal gaming economic development and marketing appropriation under s. 20.143 (1) (kg).

I am vetoing these sections because I object to the elimination of these funds for the Great Lakes Intertribal Council. Although I cannot restore funding for the liaison position at this time, retaining these provisions allows the Department of Commerce to request funding at a later date.

ENVIRONMENTAL IMPROVEMENT PROGRAM

14. General Obligation Bonding Reduction and Present Value Subsidy Limit

Sections 285ag [as it relates to the Environmental Improvement Program], 680t and 2466

Sections 285ag [as it relates to the Environmental Improvement Program] and 680t reduce general obligation bonding authority for the clean water fund by \$21,500,000. Section 2466 reduces the present value subsidy limit for the clean water fund by \$44,900,000.

I am partially vetoing section 285ag [as it relates to the Environmental Improvement Program] and vetoing section 680t to restore the existing bonding authority and partially vetoing section 2466 to restore the existing present value subsidy limit because I object to the potential negative impact on local governments' abilities to address water treatment needs. Restoring this bonding authority and present value subsidy limit will

enable the Environmental Improvement Program to meet projected requests for financial assistance related to clean water fund loans over the biennium.

LAND USE

15. Comprehensive Planning Land Information Requirement

Sections 230b and 230c

These sections prohibit the Department of Administration from providing a comprehensive planning grant funded by deed recording fee revenues to a local unit of government unless the grant application includes planning efforts that: (a) expedite and integrate the use of preexisting locally created and maintained Wisconsin land information program data; (b) utilize digital data that is consistent with Wisconsin land information program interests, modernization and public access standards; and (c) maximize public participation through access to planning support tools.

I am vetoing these sections because I object to the imposition of unnecessary requirements on local governments. Standardized land information and public participation are already integral parts of the comprehensive planning process.

NATURAL RESOURCES

16. Agrichemical Management and Environmental Fund Revenues

Sections 286 [as it relates to s. 20.370 (2) (dx)], 402k, 855p, 855q, 855r, 855s, 855t, 855x, 1745d, 1745i, 1745L, 1750c, 1750e, 1750f, 1750g, 1750j, 1750L, 2475r and 9138 (2z)

Sections 855p, 855q, 855r, 855s, 855t, 855x, 1745d, 1745i, 1745L, 1750c, 1750e, 1750f, 1750g, 1750j and 1750L shift the deposit of revenues from pesticide product license fees, wood preservatives cleanup surcharges, primary producer fees, and soil or plant additive and fertilizer distribution groundwater fees from the environmental fund to the agrichemical management fund.

Sections 286 [as it relates to s. 20.370 (2) (dx)], 402k and 2475r allow the Department of Natural Resources to request reimbursement from the agrichemical management fund by the Joint Committee on Finance when funds are expended or expected to be expended on emergency cleanup actions at agrichemical sites under the jurisdiction of the Department of Agriculture, Trade and Consumer Protection. A zero-dollar appropriation is created for these reimbursements. The Department of Natural Resources is permitted to request reimbursement from this new appropriation in cases where funds from its state-funded spills response appropriation under s. 20.370 (2) (dv) are used at an emergency cleanup.

Section 9138 (2z) authorizes the Department of Natural Resources to submit a plan to the secretary of the Department of Administration to reallocate a reduction taken to its appropriation under s. 20.370 (2) (mq) among other appropriations from the

environmental fund. If approved, the secretary would be required to submit the plan to the Joint Committee on Finance under a 14-day passive review process.

I am vetoing these provisions because I object to the infringement on executive branch authority to manage programs. Under this transfer of fee revenues from the environmental fund to the agrichemical management fund, the Department of Natural Resources would retain its current cleanup responsibilities, while losing revenues which are collected for the purpose of funding cleanups. In addition, the department would be required to undergo a new level of legislative oversight each time a cleanup is performed. This oversight would delay cleanup of contaminated sites and unduly infringe on the department's ability to prioritize activities. Finally, authorizing the Department of Natural Resources to reallocate the reduction to its Air and Waste Division operations appropriation is unnecessary.

17. Recycling Demonstration Grant Earmarks

Sections 406e and 2474L

These sections require the Department of Natural Resources to make two awards from its waste reduction and recycling demonstration grant appropriation under s. 20.370 (6) (br). The first award is an annual grant of \$50,000 to a private, nonprofit, industry-supported organization that provides waste reduction and recycling assistance through business-to-business peer exchange and that was in existence on October 29, 1999. The second is an annual contract for the operation of a statewide materials exchange program with an organization that received funding in the 1997-99 biennium from the Recycling Market Development Board.

I am vetoing these sections because I object to the infringement on executive branch authority to manage programs and because they are unnecessary. Legislative earmarks for the two organizations identified in this provision circumvent the competitive grant application review and award process. The organizations described can apply to receive these grant funds under the department's established award process for waste reduction and recycling demonstration grants.

18. Bonding Authority for the Stewardship 2000 Program

Sections 285ag [as it relates to the Warren Knowles-Gaylord Nelson Stewardship 2000 Program], 680r, 801c, 801f, 801h, 801j, 801m, 801p, 801t, 802g, 802h, 802j, 802k, 804f, 804g and 804k

These provisions reduce overall bonding authority for the Warren Knowles-Gaylord Nelson Stewardship 2000 Program by \$245,000,000. Bonding authorizations under these provisions are \$15,000,000 in fiscal year 2003-04, \$10,000,000 in fiscal year 2004-05 and \$30,000,000 annually through fiscal year 2009-10. Of the amount authorized for fiscal year 2003-04, \$5,000,000 is set aside for the final installments for the acquisition of the Peshtigo River State Forest.

I am vetoing these provisions because I object to reducing Wisconsin's commitment to preserving our unique natural heritage, promoting outdoor recreational opportunities and

protecting ecologically sensitive areas. I also object to the earmark of bonding authority relating to the Peshtigo River State Forest because it is unnecessary. By maintaining current law, I am restoring total bonding authority for the Stewardship 2000 Program to \$572,000,000. I am also retaining the current maximum allocation of \$60,000,000 per year with \$45,000,000 dedicated to land acquisition and \$15,000,000 dedicated to property development and local assistance. Sufficient bonding authority will remain for prior land acquisition commitments, including the Peshtigo River State Forest. The Stewardship 2000 Program is a critical investment in Wisconsin's tourism industry and our high quality of life.

19. Sale of State Lands

Section 9138 (3x)

This section requires the Department of Natural Resources to sell up to \$20,000,000 worth of land currently owned by the state and under jurisdiction of the department in each year of the 2003-05 biennium. The department is required to submit proposals for the sale of land to the Joint Committee on Finance for passive review. Net proceeds are to be deposited in the budget stabilization fund. If the department is unable to sell enough land to net \$20,000,000 during the fiscal year, the department is required to submit an explanation to the committee.

I am vetoing this section because the annual amount of \$20,000,000 is an arbitrary figure and represents a serious disinvestment in Wisconsin's ecologically critical and environmentally sensitive areas. Further, I object to the infringement on the Natural Resources Board's authority to determine which properties are not needed for conservation purposes and are suitable for sale.

20. Aids in Lieu of Property Taxes Formula

Sections 1536bm and 1536c

These sections establish a new formula to calculate annual payments of aids in lieu of property taxes for properties acquired by the Department of Natural Resources after the effective date of the budget bill. For such properties, estimated value is based on the purchase price or the equalized value of the property prior to purchase by the department, whichever is lower. For property that is tax exempt at the time of purchase, these sections require the last recorded equalized value to be used or a payment of \$1 per acre to be made, whichever is greater.

I am vetoing these sections because I object to the potential negative impact on local governments arising from a reduction in the amount paid for future aids in lieu of property taxes. By maintaining current law, the department will continue to pay aids in lieu of property taxes on land it acquires based on the purchase price of the property, adjusted annually to reflect changes in the equalized valuation of all land, excluding improvements, in the taxation district.

21. Passive Review of Obligations Under the Stewardship 2000 Program

Sections 802L, 802m and 802n

This provision removes the current \$250,000 threshold for Joint Committee on Finance's review of land acquisition and property development activities under the Warren Knowles-Gaylord Nelson Stewardship 2000 Program and requires that all such activities be subject to passive review by the committee. This provision maintains the current \$250,000 threshold for grants to communities and nonprofit conservation organizations.

I am partially vetoing this provision to repeal any passive review requirement by the committee of land acquisition, property development and grant activities under the Stewardship 2000 Program because I object to legislative intrusion in this area. This review is unnecessary and results in considerable delay and wasted taxpayer resources. For several years, the Joint Committee on Finance has used the passive review process to entangle time sensitive land acquisitions with partisan legislative politics, endanger critical land purchases and jeopardize matching funds from private conservation organizations, local governments and federal grants. There are sufficient review mechanisms in the budget process and the policy oversight of the Natural Resources Board to ensure that Stewardship 2000 Program dollars are used effectively and efficiently.

22. Forestry Best Management Practices for Water Quality

Section 868p

This section requires the Department of Natural Resources to institute forestry best management practices for water quality on all properties under its supervision. The department may submit requests for an exemption to the Joint Committee on Finance under a 14-day passive review process.

I am vetoing this section because it is unnecessary and infringes on executive branch authority to manage programs. The department has the expertise to determine on which properties it is appropriate to institute forestry best management practices for water quality.

23. Operations at Centennial State Parks

Section 286 [as it relates to s. 20.370 (1) (mu)]

This provision establishes position authority and related funding from the parks account of the conservation fund for 1.0 FTE SEG facility repair position at the Tommy G. Thompson Centennial State Park and 1.0 FTE SEG natural resources educator position at the Capital Springs Centennial State Park. Although there is no language authorizing the position increase, the purpose of this funding was included in a Joint Committee on Finance amendment to the bill.

I am partially vetoing section 286 [as it relates to s. 20.370 (1) (mu)] because I object to adding permanent costs to the parks account of the conservation fund when current

ongoing parks revenues are insufficient to support current program costs. The Legislature reduced significantly the recommended transfer of tribal gaming revenues for parks operations that I included in my budget recommendations, which would have delayed the need for future fee increases. At the level of revenue provided by the Legislature, the costs of the additional positions would require a fee increase or the reduction of operations at other state parks in the 2005-07 biennium. By lining out the Department of Natural Resources parks and recreation appropriation under s. 20.370 (1) (mu) and writing in smaller amounts that delete \$105,100 SEG in fiscal year 2003-04 and \$149,500 SEG in fiscal year 2004-05 provided for this purpose, I am vetoing that part of the bill that funds these 2.0 FTE SEG positions in each fiscal year. I am also requesting the Department of Administration secretary not to allot these funds and not to authorize the 2.0 FTE positions in fiscal years 2003-04 and 2004-05.

24. Tribal Gaming Revenue for Snowmobile Trail Aids

Sections 286 [as it relates to s. 20.370 (5) (ck)], 404c, 609k and 2608m

This provision appropriates \$500,000 PR-S in each year from tribal gaming revenues for snowmobile trail aids.

I am vetoing this provision because I object to using funds from sources outside of the snowmobile account of the conservation fund for snowmobile trail projects. While I recognize the important contributions that snowmobiling makes to Wisconsin's tourism economy, snowmobile activities should be funded by its participants as is the case with funding of activities of other recreational vehicle users. In addition, this funding is excessive in light of the \$3.2 billion deficit facing the state. We must make difficult decisions about priorities.

Under the bill, unappropriated tribal gaming revenues are deposited to the general fund. This veto, and other reductions to the Legislature's spending increases, will help increase the general fund balance to help guard against future budget deficits. This veto eliminates the creation of new appropriations under s. 20.370 (5) (ck) and s. 20.505 (8) (hm) 8m. I am also requesting the Department of Administration secretary not to allot these funds.

25. ATV Safety Enhancement Grant Program

Section 286 [as it relates to s. 20.370 (5) (cx)]

This provision allocates \$250,000 SEG in each year from the all-terrain vehicle (ATV) account of the conservation fund for the ATV Safety Enhancement Grant program.

I am partially vetoing section 286 [as it relates to s. 20.370 (5) (cx)] because I object to the excessive amount allocated for this purpose. By lining out the Department of Natural Resources appropriation under s. 20.370 (5) (cx) and writing in smaller amounts that delete \$150,000 SEG provided for this purpose in each year, I am reducing total funding for the program to \$100,000 in each year. I am also requesting the Department of Administration secretary not to allot these funds. This reduced level of funding will ensure that there are sufficient resources to support trail aids.

26. Recreational Boating Aids Earmarks

Sections 286 [as it relates to s. 20.370 (5) (cq)], 404g, 404j, 918t, 9138 (4f), 9138 (4g), 9138 (4k) and 9438 (1k)

These provisions make various earmarks of funding from the recreational boating facilities aids appropriation for grants to the Southeastern Wisconsin Fox River Commission, Village of Grantsburg for dredging Memory Lake, and Little Muskego Lake protection and rehabilitation district for dredging Little Muskego Lake.

The provisions also require the Department of Natural Resources to allocate funds for projects relating to aquatic invasive species prevention, control, education and inspection.

I am vetoing these provisions because I object to the infringement on the authority of the department and the Waterways Commission to decide which projects, and associated funding, will provide the best recreational opportunities to the many users of Wisconsin's waters. Furthermore, legislative earmarks bypass normal project review processes and place other worthy projects at a disadvantage. By lining out the Department of Natural Resources' s. 20.370 (5) (cq) appropriation and writing in a smaller amount that deletes \$200,000 SEG provided in fiscal year 2003-04, I am vetoing the part of the bill that funds the earmark to the Southeastern Wisconsin Fox River Commission. I am also requesting the Department of Administration secretary not to allot these funds.

27. Back Tag Requirement

Sections 873m, 873p, 873r, 874c, 874e, 874m, 874o, 874q, 874s, 874u, 875m, 905d and 905f

These sections eliminate the requirement for deer hunters to wear back tags. These sections also eliminate the authority of the Department of Natural Resources to issue back tags, appoint agents to issue back tags and charge a fee to reserve back tag numbers.

I am vetoing these sections because I object, for reasons of public safety and law enforcement, to the elimination of back tags that aid in the identification of deer hunters in the field. Back tags provide landowners and law enforcement officers an effective mechanism to enforce our state's trespass law and investigate hunting regulation violations. Further, because reserved back tag numbers are available for an additional fee, the elimination of back tags would have a negative fiscal impact on the fish and wildlife account of the conservation fund.

28. "Into the Outdoors" Television Program

Section 803m

This section requires the Department of Natural Resources to provide \$750,000 annually for production of the "Into the Outdoors" television program from the department's appropriation under s. 20.370 (9) (mu).

I am vetoing this section because I object to the limitation on the department's flexibility to determine how best to use limited resources. While I support successful programs such as this one, the department is facing significant reductions and needs to be able to set priorities. I also object to setting a particular level of funding, which severely limits the department's ability to negotiate an agreement if production costs are reduced or other sources of funding become available.

29. Plan to Implement Administrative Reductions

Section 9138 (5g)

This provision requires the Department of Natural Resources, by January 1, 2004, to submit to the secretary of the Department of Administration a plan to implement GPR reductions to its appropriations under ss. 20.370 (8) (ma) and (9) (ma). The secretary may approve or modify the plan and then submit it to the Joint Committee on Finance by March 1, 2004. The plan is subject to committee approval under a 14-day passive review process prior to implementation.

I am vetoing this provision because it is unnecessary and infringes on executive branch authority to manage programs.

BOARD OF COMMISSIONERS OF PUBLIC LANDS

30. Timber Sales Proceeds

Sections 829c and 829r

Section 829r requires the Board of Commissioners of Public Lands to deposit proceeds from the sale of timber and firewood from normal school fund lands to the general fund. Section 829c requires proceeds from the sale of timber and firewood from common school fund lands be considered income of the fund to be distributed as public school library aids.

I am vetoing these sections because I object to infringement on the board's authority to manage the normal school and common school funds. The Board of Commissioners of Public Lands is an independent and constitutionally established entity that bears the fiduciary responsibility to manage its trust funds.

TOURISM

31. Earmark for Out-of-State Marketing

Sections 417h and 417k

These sections require the Department of Tourism to expend at least \$3,950,000 in each fiscal year on marketing activities in media markets outside of Wisconsin to promote the state as a tourism destination. The department would be required to expend these funds from its existing GPR and PR-S marketing appropriations.

I am vetoing these sections because they are unnecessary and unduly infringe on executive branch authority to manage programs. This legislative earmark would prevent the department from responding to marketing opportunities both within and outside of Wisconsin. Removing this earmark will ensure that Wisconsin's tourism industry can continue to flourish.

32. Marketing Appropriation

Section 286 [as it relates to s. 20.380 (1) (b)]

This provision increases funding for the Department of Tourism's marketing activities by \$500,000 GPR in each year compared to my original budget proposal.

I am partially vetoing section 286 [as it relates to s. 20.380 (1) (b)] because I object to this funding increase in light of the fiscal constraints facing the state. By lining out the Department of Tourism's appropriation under s. 20.380 (1) (b) and writing in smaller amounts that delete the \$500,000 GPR provided for this purpose in each fiscal year, I am vetoing that part of the bill that funds this provision. Furthermore, I am requesting the Department of Administration secretary not to allot these funds.

TRANSPORTATION

33. Highway Program

Sections 8 [as it relates to s. 20.395 (6) (af)], 285ag [as it relates to major highway projects, highway rehabilitation projects and s. 20.395 (6) (af)], 286 [as it relates to s. 20.395 (3) (bq), (cq), (cr) and (cx), and (6) (af)], 435m, 683d, 683g, 683h, 1670m, 1671, 1672c, 1672g, 1672h, 1672i, 1694f, 1699q, 9153 (1r) (a) and (b), 9153 (2p), 9153 (3r), 9253 (1) and 9253 (1x)

These sections make the following changes to the state's highway improvement program:

- Provide GPR-supported general obligation bonds to fund portions of the State Highway Rehabilitation and Major Highway Development programs;
- Provide transportation fund SEG-supported general obligation bonds to fund portions of the Southeast Wisconsin Freeway Rehabilitation program;
- Increase total funding available for all highway improvement programs;
- Place a variety of conditions and requirements on the use of bonding and distribution of funds to projects under the Southeast Wisconsin Freeway Rehabilitation program;
- Require the Department of Transportation to submit a report and establish base funding levels as part of its 2005-07 biennial budget request; and

- Provide for a transfer from the transportation fund to the general fund and for a lapse from Department of Transportation operations and vehicle inspection appropriations to the transportation fund.

Sections 8 [as it relates to s. 20.395 (6) (af)], 285ag [as it relates to major highway projects, highway rehabilitation projects and s. 20.395 (6) (af)], 286 [as it relates to s. 20.395 (6) (af)], 435m, 683d, 683g, 683h, 1670m, 1671, 1694f, 1699q and 9153 (2p) provide GPR-supported general obligation bonding authority and the related debt service appropriation to support the State Highway Rehabilitation and Major Highway Development programs. In addition, existing transportation fund SEG-supported bonding authority is reduced by \$40,000,000 and reallocated to the Marquette Interchange. I object to the use of GPR for this purpose because it sets a bad precedent. Highway programs should continue to be supported by transportation-related revenues paid into the transportation fund. Due to the state's budget deficit, it is necessary to utilize bonding for the State Highway Rehabilitation program for the first time. However, this is intended for the 2003-05 biennium only and is necessary to maintain the program.

I am partially vetoing the above provision to provide up to \$1,000,000,000 in transportation fund supported general obligation bonds for the State Highway and Southeast Wisconsin Freeway Rehabilitation programs. Of this amount, \$253,900,000 in fiscal year 2003-04 and \$230,000,000 in fiscal year 2004-05 are intended for the State Highway Rehabilitation program, and \$15,924,200 in fiscal year 2003-04 and \$65,656,200 in fiscal year 2004-05 are intended for the Southeast Wisconsin Freeway Rehabilitation program. General obligation bonds will not be used to support the Major Highway Development program. The remaining \$434,519,600 of bonding authority after making the above allocations will not be used.

Section 286 [as it relates to s. 20.395 (3) (bq), (cq), (cr) and (cx)] provides SEG funding for the State Highway Rehabilitation, Major Highway Development and Southeast Wisconsin Freeway Rehabilitation programs and FED funding for the State Highway Rehabilitation program. I object to the excessive funding levels provided during these tight fiscal times. By lining out these appropriations and leaving \$0 or writing in smaller amounts, I am vetoing these appropriations to reflect my intent to reduce the SEG revenue support for the highway programs. Through this partial veto I am deleting \$47,772,600 SEG in fiscal year 2003-04 and \$43,000,000 SEG in fiscal year 2004-05 for the State Highway Rehabilitation program, \$18,346,400 SEG in fiscal year 2003-04 and \$2,208,300 SEG in fiscal year 2004-05 for the Major Highway Development program, and \$23,976,400 SEG in fiscal year 2003-04 and \$37,208,400 SEG in fiscal year 2004-05 for the Southeast Wisconsin Freeway Rehabilitation program. I am also requesting the Department of Administration secretary not to allot these funds. These SEG reductions include the elimination of funding provided for limited term employees and consultants in the State Highway Rehabilitation program in fiscal year 2003-04 and in the Major Highway Development program in fiscal years 2003-04 and 2004-05 because they are unnecessary. It is my intent that the funding the Legislature provided in the State Highway Rehabilitation program in fiscal year 2004-05 not be used for limited term employees and consultants, but remain in the SEG appropriation in order to minimize the use of bonding. In addition, by lining out the State Highway Rehabilitation FED appropriation and writing in a smaller amount that deletes \$74,799,600 FED in fiscal year 2003-04 and \$47,776,600 FED in fiscal year 2004-05, I am reflecting my

intent to reallocate FED funding to the Major Highway Development program in the amount of the reduction.

Section 1694f limits the use of bonding for the Marquette Interchange by not allowing repayment of principal and interest past June 30, 2009, and requires that all SEG and FED funds allocated to the Marquette Interchange project be expended prior to issuance of any general obligation bonds; section 1672c requires the Department of Transportation to allocate at least \$49,350,000 in each fiscal year to projects for the rehabilitation of Southeast Wisconsin freeways other than the Marquette Interchange; sections 1672g and 1672h require the department to maximize the use of SEG and FED funds for the payment of bonds; and section 1672i allows the department to request that the Joint Committee on Finance reallocate funds from the State Highway Rehabilitation or Major Highway Development program SEG appropriations to support debt service on bonds issued for the Marquette Interchange. I object to the Legislature's infringement on executive branch authority to manage programs. I am vetoing sections 1672c, 1672g, 1672h and 1672i to provide the department with the necessary flexibility to manage the rehabilitation of the Marquette Interchange to maximize the benefit to the state and its taxpayers. I am partially vetoing section 1694f to allow general obligation bonding to be authorized for the Marquette Interchange, as well as the State Highway Rehabilitation program, but to remove unduly restrictive conditions established by the Legislature.

Section 9153 (3r) requires the department to provide a report as part of its 2005-07 biennial budget request that includes a funding plan for the remainder of the Marquette Interchange project which maximizes the use of SEG and FED funds and minimizes the use of bonding. In addition, the report may not include issuance of bonds for which principal and interest payments extend beyond June 30, 2009. I am vetoing this section because it is unnecessary and limits the department's options for future funding of the Marquette Interchange and other statewide projects. The department will continue to plan for the most cost-effective manner in which to complete this and other highway projects.

Section 9153 (1r) requires the department to increase the base for highway programs in its 2005-07 biennial budget request to the Department of Administration. I am partially vetoing this section to remove the new base provision for the Major Highway Development program SEG and transportation revenue bond appropriations because it is unnecessary to modify the base for this program. However, I am not vetoing the new base for the State Highway Rehabilitation and Southeast Wisconsin Freeway Rehabilitation programs to reflect my intent to reduce or eliminate the use of general obligation bonding in the 2005-07 biennium by increasing the use of SEG funds.

Section 9253 (1) provides for a transfer from the transportation fund to the general fund of \$30,000,000 in fiscal year 2004-05. Section 9253 (1x) requires the secretary of the Department of Transportation to ensure a lapse of \$175,000 in each fiscal year of the biennium from vehicle inspection and department operations appropriations to the transportation fund. I am partially vetoing these sections to eliminate the lapse requirement and to provide for a transfer from the transportation fund to the general fund of \$175,000,000 because during tight fiscal times it is necessary to use all of the resources of the state to fund vital programs. The partial veto will result in no effective date being specified for the transfer. Under s. 16.52 (12), because no date is specified for when the transfer is to be made, the Department of Administration shall determine a date on which the transfer shall be made or provide for partial transfers to be made on

different dates. It is my intent that the transfer be comprised of \$100,000,000 in fiscal year 2003-04 and \$75,000,000 in fiscal year 2004-05. I am requesting the Department of Administration secretary to make the transfer in this manner.

As a result of the partial vetoes outlined above, the general fund will not support any new general obligation bonding for transportation. All bonding will be supported by transportation-related revenues. In addition, while my vetoes will result in \$100 million less spending on highway projects, the highway improvement program is sufficiently funded to meet the needs of the state. The State Highway Rehabilitation program will be provided funding from all sources of \$540,708,700 in fiscal year 2003-04 and \$554,661,300 in fiscal year 2004-05. The Southeast Wisconsin Freeway Rehabilitation program will be provided funding from all sources of \$87,241,800 in fiscal year 2003-04 and \$173,741,800 in fiscal year 2004-05. The appropriation schedule under s. 20.395 will reflect funding for the Major Highway Development program of \$164,900,400 in fiscal year 2003-04 and \$191,193,900 in fiscal year 2004-05. However, these amounts do not reflect my intent to use federal funds made available by reducing the State Highway Rehabilitation FED appropriation to increase funding for the Major Highway Development program by a corresponding amount. I am requesting the Department of Transportation secretary to make this increase through existing administrative authority. As a result, the Major Highway Development program will be provided funding from all sources of \$239,700,000 in fiscal year 2003-04 and \$238,970,500 in fiscal year 2004-05.

The partial vetoes will also result in an additional \$145,000,000 being transferred to the general fund. This transfer, and other reductions to the Legislature's spending increases, will help create a \$205 million general fund balance to help guard against future budget deficits. These reductions to highway spending and the subsequent transfer to the general fund would not have been necessary if the Legislature had acted responsibly regarding funding of health care for our seniors, disabled individuals and working families.

34. Joint Committee on Finance Authority to Supplement State Highway Programs

Sections 286 [as it relates to s. 20.865 (4) (u)] and 9153 (2x)

This provision requires the Department of Transportation to submit a report to the Joint Committee on Finance by January 1, 2004, that includes the department's response to the Legislative Audit Bureau's performance audit of the state highway program, various cost reduction measures and allocation of savings from cost reduction measures. Subsequent to receipt of the report, the committee may supplement the Major Highway Development program by \$4,833,000 SEG and the State Highway Rehabilitation program by \$11,120,500 SEG in fiscal year 2004-05 from the committee's supplemental appropriation under s. 20.865 (4) (u).

I am vetoing this provision because I object to this infringement on executive branch authority to manage programs and because it is unnecessary. Under the current practice of Legislative Audit Bureau's performance audits, the department's response will be included in the final report. In addition, the department continuously seeks cost reductions in the state highway program. By lining out the committee's supplemental

appropriation under s. 20.865 (4) (u) and leaving \$0 to delete \$15,953,500 SEG in fiscal year 2004-05, I am reestimating the appropriation to reflect the removal of the department's authority to request funding under this provision.

35. Sales Tax Transfer from the Sale of Automobiles

Sections 286 [as it relates to s. 20.855 (4) (fn)], 670g and 1650m

This provision requires the Department of Revenue to determine on each July 1, beginning in 2005, the total taxes imposed under ss. 77.52 and 77.53 that are paid to the Department of Revenue and to the Department of Transportation in the immediately preceding calendar year on the sale or use of new motor vehicles. Annually, on July 1, ten percent of the total amount determined shall be transferred from the general fund to the transportation fund.

I am vetoing this provision because I object to the earmarking of sales and use tax revenues for specific purposes. This provision sets a bad precedent that would erode revenues to the general fund by an estimated \$24,000,000 in fiscal year 2005-06 and \$25,000,000 in fiscal year 2006-07. The loss of these revenues to the general fund would add to the state's structural deficit and severely limit the state's ability to meet its future needs, especially during times of tight fiscal constraints.

36. Surplus Land Sale

Section 9153 (1z)

This provision requires the Department of Transportation to sell sufficient surplus land to deposit to the transportation fund not less than \$4,000,000 in each fiscal year of the biennium.

I am vetoing this provision because I object to this infringement on executive branch authority to manage programs and because it is unnecessary. The department determines when it is cost-effective to buy and sell land and will continue to do so to maximize the benefit to the state.

37. Commuter Rail Transit System Development

Sections 286 [as it relates to s. 20.395 (2) (cx)], 420e and 1703

These provisions create a new commuter rail transit system development grant program and amend the current rail passenger service federal appropriation to include funding for commuter rail transit projects.

I am partially vetoing section 1703 to remove the restrictions on the program related to light rail systems and preliminary engineering because I object to limiting the flexibility of the Department of Transportation to administer the grant program.

I am partially vetoing section 286 [as it relates to s. 20.395 (2) (cx)] and vetoing section 420e because the provision is unnecessary. If awarded, federal funds for these commuter rail projects would be given directly to the local government developing the project.

38. Position Reduction Plan

Section 9153 (1y)

This provision allows the Department of Transportation to submit a plan by the third quarterly meeting of the Joint Committee on Finance under s. 13.10 of the statutes in each fiscal year to reallocate position reductions and associated funding adjustments. The plans would be subject to a 14-day passive review process.

I am vetoing this provision because it is an unnecessary infringement on executive branch authority to manage programs.

39. Traffic Signals

Section 9153 (1j)

This provision requires the Department of Transportation to install traffic control signals at the intersection of Inman Parkway and USH 51 in the town of Beloit in Rock County by June 30, 2004.

I am vetoing this provision because I object to this earmark that circumvents the normal approval process. The department evaluates traffic signal needs throughout the state, including the town of Beloit.

C. HEALTH AND PUBLIC SAFETY

CORRECTIONS

1. New Lisbon Reimbursement of Costs

Section 9110 (1x)

This provision allows the city of New Lisbon to apply to the Department of Corrections for reimbursement of costs associated with extending utility service to the New Lisbon Correctional Institution for costs incurred between May 1, 2002, and March 31, 2004. Under the provision, the Department of Corrections is required to pay at least \$215,000 of those costs no later than June 30, 2004.

I am vetoing this provision because it is unnecessary. The department already has an agreement to reimburse the city for costs associated with extending utility service to the prison. Since the facility is scheduled to open in April 2004, payments for water and sewer will begin at that time.

2. Highview Correctional Institution Alternative to Revocation Beds

Section 2490d

This provision converts Highview to a minimum security correctional institution and requires the Department of Corrections to designate 50 beds for programming for offenders in prison as an alternative to revocation.

I am partially vetoing this provision because I object to the limitations it imposes on the department's use of prison beds. The effect of the veto is to eliminate the requirement that the department designate a specific number of beds for alternative to revocation placements in order to maintain flexibility in the use of prison beds. I am also requesting that the department use some beds at Highview for alternative to revocation placements, as well as continue to use beds for this purpose at other institutions.

3. Pilot Program for Nonviolent Offender Community Reintegration

Section 2485g

This section requires the Department of Corrections to request proposals for the establishment of two 25-bed halfway houses for nonviolent offenders, one located in an urban area and one located in a rural area, and specifies that a proposal may not be accepted unless the daily cost is less than or equal to the highest daily cost of out-of-state contract beds. It also requires a study to be submitted to the Governor and the Legislature by January 1, 2007, evaluating the cost effectiveness, administration, public opinion and success of the program in accomplishing community reintegration of nonviolent offenders.

I am partially vetoing this section because I object to the limits it imposes on the department's ability to provide effective offender treatment and community protection. I am vetoing the provision that would require establishment of one rural and one urban halfway house because it would limit the department's ability to find suitable locations for halfway house beds. I am vetoing the provision that would require the cost to be less than or equal to the highest daily rate provided for out-of-state contract beds because it would limit the department's ability to provide appropriate treatment to offenders and provide community protection. I am vetoing the reporting requirement because it imposes a burdensome work load at a time when agency budgets are limited.

The effect of this veto will be to require the Department of Corrections to request proposals to create a pilot program for nonviolent offenders to spend the last six months of incarceration at one of two 25-bed halfway houses. The pilot program will sunset July 1, 2008.

4. Contracting with County Sheriffs for Beds

Section 2491g

This provision requires the Department of Corrections to accept proposals from county sheriffs to place state inmates in county jails by July 1 of each year if there is an existing contract with a private provider for placement of inmates in out-of-state facilities. The department must evaluate the proposals by October 1 of each year and notify a county if state inmates can be placed in the county's jail beginning the following January 1. The department must also give such counties priority over out-of-state contractors if the department determines that inmates may be placed in a county's jail.

The provision specifies that the daily cost for placing an inmate in a county jail must be determined by the Department of Corrections and the county, but requires the daily cost to be no higher than the highest daily rate provided to out-of-state contractors.

I am vetoing this provision because I object to the limits it places on the department's ability to negotiate contracts with county sheriffs. I support working with counties to house state inmates and the department is already pursuing agreements with counties to reduce reliance on out-of-state contract beds. Given the department's current authority in this area, this provision is unnecessary.

5. Juvenile Correctional Services Program Revenue Deficit

Sections 441d, 2493m, 9130 (2f) and 9430 (2f)

These provisions require the Department of Corrections to do all of the following:

- Estimate unexpended revenues, less encumbrances, on or before March 15 of each odd-numbered year, that will remain in the juvenile correctional services appropriation on June 30 of that year, and provide the estimate to the Department of Administration and the Joint Committee on Finance.

- Require that 50 percent of any deficit projected by the Joint Committee on Finance be included in the cost basis for calculation of secured correctional facility daily rates for each year of the subsequent biennium, and require that the share of daily rate revenue proportionate to the share of the increased cost basis be reserved for retiring the deficit. Any revenue reserved for this purpose that exceeds the amount of the deficit must be reimbursed to the counties and the state in a manner proportionate to the total number of days of juvenile placements at the facilities for each county and the state. Specify that \$569,300 be added to the cost basis for the calculation of daily rates in the 2003-05 biennium.
- Submit quarterly reports to the Joint Committee on Finance detailing year-to-date revenues and expenditures and projecting the unexpended revenues, less encumbrances, that will remain in the appropriation on June 30 of that year. Require the department to report on efforts to reduce operating costs to minimize any potential deficit.

I am partially vetoing section 441d as it relates to the juvenile correctional services deficit and the other sections entirely to maintain the department's flexibility to effectively manage juvenile programs. I object to the reporting requirements and deadlines because they impose a burdensome work load at a time when agency budgets are limited. Further, these provisions would place an undue burden on counties by requiring the Department of Corrections to charge counties to recover deficits in the appropriation.

DISTRICT ATTORNEYS

6. Byrne and Penalty Assessment Funded Assistant District Attorneys

Sections 286 [as it relates to s. 20.475 (1) (h)] and 9101 (13p)

This provision allocates \$165,000 PR-O annually in penalty assessment matching funds and associated Byrne funding of \$495,000 PR-F annually to fund 11.0 FTE PR-O assistant district attorney positions. To provide the remaining match funding necessary to fully fund 11.0 FTE PR-O assistant district attorney positions, the provision directs the Office of Justice Assistance to determine a reduction in penalty assessment matching funds of \$22,300 PR-O annually and associated Byrne funds of \$66,900 PR-F annually from among the following programs: (a) antidrug task forces; (b) Governor's Law Enforcement and Crime Commission special projects; (c) truancy and supervision programs; (d) Wisconsin Incident Based Reporting System program; and (e) children's community grants.

I am vetoing this provision because I object to exempting the district attorneys from spending reductions. I am lining out the appropriation under s. 20.475 (1) (h) and writing in a smaller amount that deletes \$660,000 PR-O funding in each fiscal year. I am also requesting the Department of Administration secretary not to allot these funds. The effect of this veto will be to delete the funding increase and position authority added by the Legislature and instead implement my recommendation to reduce the district attorneys GPR salaries and fringe benefits appropriation by \$900,000 GPR and 15.0 FTE GPR positions annually.

Further, I object to the allocation of scarce penalty assessment and Byrne funds for assistant district attorney positions. Diverting these funds to assistant district attorney positions reduces the ability of the state to fund a variety of programs and does not provide a long-term solution for funding the positions. During fiscal year 2002-03, my administration facilitated the Joint Committee on Finance approval of 11.0 FTE PR-F assistant district attorney positions. As more federal funding is made available in the future, the State Prosecutors Office will forward similar position requests to the Department of Administration.

Since federal requirements mandate that Byrne funding for assistant district attorney positions be limited to four years, the Legislature's proposal would have created a long-term GPR commitment for the state. Vetoing this provision will give the Office of Justice Assistance more flexibility to use these penalty assessment matching funds and associated Byrne funding for other crime prevention and law enforcement programs and initiatives.

HEALTH AND FAMILY SERVICES

7. Medical Assistance – Revenue Report

Sections 9124 (10f) and 9124 (11f)

These sections require the Department of Administration secretary to submit to the Joint Committee on Finance by December 1, 2003, a report detailing projected expenditures in the Medical Assistance program, federal funding available to the state and recommendations for reductions to the Medical Assistance program if expenditures are projected to outpace revenues. These sections also create session law requiring the Department of Health and Family Services to submit a proposal to the Legislature to fund expanded services or increase rates for home- and community-based waiver services, programs to reduce the use of nursing homes, increased rates for noninstitutional providers, and expansion of Family Care or additional services under the Community Support program, if there are sufficient federal Medical Assistance program revenues available.

I am vetoing these sections because they are unnecessary. I strongly support the concept of expanding the availability of community-based care, but the expenditure reporting requirement is unneeded. Under current law, the Department of Health and Family Services has the authority to reallocate Medical Assistance resources and could, if funding is available, create new slots administratively. I also object to this provision because it imposes an unnecessary and burdensome reporting requirement and interferes with agency discretion regarding the submittal of proposals to the Legislature.

8. Graduate Medical Education

Sections 286 [as it relates to s. 20.435 (4) (b)] and 9124 (12q)

These provisions, compared to my original budget, partially restore funding for supplemental payments to hospitals for graduate medical education and specify that, of

the GPR funding allocated for these payments, \$2,000,000 per year shall be expended on indirect graduate medical education.

I am partially vetoing section 286 [as it relates to s. 20.435 (4) (b)] because the Medical Assistance program cannot afford this level of payment. I am lining out the s. 20.435 (4) (b) appropriation and writing in a smaller amount that deletes \$3,033,700 in fiscal year 2003-04. I am also requesting the Department of Administration secretary not to allot these funds. With this veto I am reflecting my intent to eliminate all but \$1,000,000 GPR in fiscal year 2003-04 funding for graduate medical education, while maintaining the fiscal year 2004-05 funding level of \$4,037,900. I am also vetoing section 9124 (12q) because limited resources should be focused on direct medical education. The state cannot afford the level of payment included in the Legislature's budget due to the failure of the Legislature to transfer funding from the Patients Compensation Fund, leaving a deficit in excess of \$200 million in the Medical Assistance program.

I support reviewing the funding level for these payments in the 2005-07 biennium. Our teaching hospitals play an important role in preparing and training Wisconsin's future physicians, and I am committed to maintaining this support now and in the future.

9. Nursing Home Bed Assessment

Sections 286 [as it relates to s. 20.435 (4) (b)], 1333d, 9124 (11k), 9124 (11p) and 9424 (7)

These sections make three changes to my proposal to provide a 3.3 percent rate increase for nursing home providers under the Medical Assistance program through increasing the assessment on nursing home beds from \$32 per occupied bed per month to \$116 per licensed bed per month. First, the sections provide for a 3.2 percent rate increase by appropriating \$2,729,500 GPR in fiscal year 2003-04 and \$5,229,700 GPR in fiscal year 2004-05, supplementing revenue generated from the Legislature's assessment level of \$75 per licensed bed per month. Second, the provision alters the formula for nursing home reimbursement under Medical Assistance by specifying that the same proportionate share of funding allocated for direct care services in fiscal year 2002-03 will be maintained in all future fiscal year nursing home allocations. Third, the sections require the Department of Health and Family Services to submit a waiver to exempt facilities with a high proportion of private-pay residents from the assessment, as well as to report to the Joint Committee on Finance on the feasibility of exempting all private-pay beds from the bed assessment.

I am lining out the appropriation under s. 20.435 (4) (b) and am writing in a smaller amount that deletes \$2,729,500 GPR in fiscal year 2003-04 and \$5,229,700 GPR in fiscal year 2004-05 because I object to using GPR funds to pay for rate increases to nursing homes, when the Legislature deleted funding for rate increases to community-based, long-term care providers. In my budget proposal, I identified a mechanism to provide the rate increase for nursing homes by leveraging additional federal dollars through the \$116 per bed assessment instead of using GPR funds. While I support a rate increase for nursing homes, the deficit in the Medical Assistance program included in the budget passed by the Legislature makes this rate increase unaffordable. By lining out the appropriation under s. 20.435 (4) (b) and writing in a

smaller amount, I am vetoing the additional GPR in the bill that was added by the Legislature. I am also requesting the Department of Administration secretary not to allot these funds. This veto will effectively reduce the rate increase for nursing homes to an estimated 2.6 percent per year.

I am also vetoing section 1333d because it constrains the Department of Health and Family Services' authority to administer reimbursement for nursing homes through earmarked allocations of Medical Assistance resources. The department currently uses a formula that allocates nursing home funding between six cost centers. This section arbitrarily freezes the proportion of nursing home funding that would be used for the direct care cost center at the level provided in fiscal year 2002-03, which fails to recognize that in future years, a different allocation of resources may be needed to address changing conditions in the nursing home marketplace.

Finally, I am vetoing sections 9124 (11k) and 9124 (11p) and partially vetoing section 9424 (7) because waivers and proposals to exempt private-pay beds and facilities with high proportions of private-pay beds from the bed assessment would by definition reduce the amount of revenue that would be collected through the bed assessment. These provisions provide no mechanism to offset the lost revenue. If implemented, these sections would either require the department to reduce funding for all other nursing homes or to fund nursing homes at the same level, thus creating a larger deficit in the Medical Assistance program.

10. Nursing Home Bed Assessment Credit

Sections 286 [as it relates to s. 20.835 (2) (e)], 666m, 1580r, 1580s, 1580w, 9345 (4f) and 9445 (3f)

These provisions create a sum sufficient appropriation to provide a refundable income tax credit for nursing home residents who pay an assessment levied by the Department of Health and Family Services on licensed nursing home beds that generates revenue for the Medical Assistance program. The tax credit would be in an amount up to \$43 for each month the assessment is paid by the individual, which is equal to the new \$75 assessment on licensed nursing home beds less the existing \$32 assessment.

I am partially vetoing section 286 to delete the appropriation under s. 20.835 (2) (e) and am vetoing sections 666m, 1580r, 1580s, 1580w, 9345 (4f) and 9445 (3f) because this tax credit is likely in violation of federal Medicaid regulations. States may implement assessments on providers as a financing mechanism for Medical Assistance programs, but federal rules require that the assessment be uniform, broad based and that it not contain provisions that hold the payers of the assessment harmless. The federal rule under 42 CFR 433.68 (f) indicates that provider assessments violate the hold harmless provision if ". . . the tax provides, directly or indirectly, for any payment, offset, or waiver that guarantees to hold taxpayers harmless for all or a portion of the tax." A tax credit which reduces the impact of the assessment on an individual clearly could be challenged on this premise. I also object to spending additional GPR given the state's fiscal condition.

11. Prescription Drug Reimbursement Rates

Section 286 [as it relates to s. 20.435 (4) (b), (bc) and (bv)]

This provision partially restores funding for reimbursement to pharmacies for prescription drugs purchased under the Medical Assistance, BadgerCare and SeniorCare programs. This additional funding provides for a reimbursement rate for brand name drugs at the average wholesale price (AWP) minus 12 percent. I originally recommended a rate of AWP minus 15 percent as a form of cost containment in these programs and as a measure to avoid large across-the-board cuts in provider rates and participant eligibility.

I am partially vetoing this provision because I object to the limited increase in the average wholesale price discounted reimbursement rate, which the Medical Assistance program cannot afford. By lining out the Department of Health and Family Services appropriation under s. 20.435 (4) (b) and writing in a smaller amount to delete \$2,244,200 GPR in fiscal year 2004-05, I am reducing Medical Assistance funding related to this provision. By lining out the appropriation under s. 20.435 (4) (bc) and writing in a lower amount to delete \$64,300 GPR in fiscal year 2004-05, I am reducing funding for the BadgerCare program related to this provision. By lining out the appropriation under s. 20.435 (4) (bv) and writing in a lower amount to delete \$735,700 GPR in fiscal year 2004-05, I am reducing funding for the SeniorCare program related to this provision. These reductions will produce total savings across the Medical Assistance, BadgerCare and SeniorCare programs of \$3,044,200 GPR in fiscal year 2004-05 and reflect my intent to partially veto this provision to establish a reimbursement rate of AWP-13 percent in fiscal year 2004-05. Furthermore, I am requesting the Department of Administration secretary not to allot these funds.

These savings will be set aside in the general fund balance, to be requested in the event that actual state tax revenues or federal Medicaid revenues fall short of the Legislature's estimates. This veto would not have been necessary if the Legislature had included my recommendations to use a surplus in the Patients Compensation Fund and more of the federal fiscal relief funding to support health care services for the elderly, disabled and low-income families under these programs.

12. Prescription Drugs – Prior Authorization Advisory Committee

Sections 286 [as it relates to s. 20.435 (4) (b)], 1392p, 1392q, 1392r, 1392j, 1392s, 1392t, 1393 [as it relates to s. 49.45 (49m) (cg) and (cr)], 9124 (8w) and 9424 (8w)

These sections prohibit the department from requiring prior authorization for mental health drugs other than certain antidepressants, and delay the implementation of prior authorization for selective serotonin reuptake inhibitors (SSRIs) until March 15, 2004. To reflect the increased cost to the Medical Assistance program of delaying implementation, the Legislature increased funding by \$2,000,000 GPR in fiscal year 2003-04. The provisions also establish numerous requirements on the structure and operations of a committee which advises the Department of Health and Family Services on decisions regarding the use of prior authorization for prescription drugs in the Medical Assistance program. The sections further add requirements as to the committee's

membership, specify a meeting schedule, establish new reporting requirements and direct the committee to advise the department on the creation of a preferred drug list.

I am vetoing sections 1392p, 1392q, 1392r, 1392rj, 1392s, 1392t, 9124 (8w) and 9424 (8w) and am partially vetoing section 1393 as it relates to s. 49.45 (49m) (cg) because I object to this broad expansion of legislative oversight, which does not belong in a budget bill, and to the unnecessary reporting requirements it creates. I am also partially vetoing section 286 [as it relates to s. 20.435 (4) (b)] and partially vetoing section 1393 [as it relates to s. 49.45 (49m) (cr)] because I object to the statutory mandates that will restrict the well thought-out and reasonable use of prior authorization for mental health drugs. I am lining out the appropriation under s. 20.435 (4) (b) and writing in a smaller amount that deletes \$2,000,000 in fiscal year 2003-04. I am also requesting the Department of Administration secretary not to allot these funds.

I understand and appreciate the intent of the Legislature in making these changes. We all share the goal of making sure that people with mental illness get the medications they need. However, I believe that taken together, the legislative changes are unnecessary permanent statutory restrictions that may limit the potential to achieve our mutual goals of assuring the practice of sound medicine while saving money.

Prior authorization is a vital tool in our efforts to control the skyrocketing costs of prescription drugs in the Medical Assistance program. I am committed to implementing prior authorization in a way that will ensure that people with mental illness receive the medications they need. I am confident that the Department of Health and Family Services secretary will implement the prior authorization of mental health drugs in a sound fashion, taking the time needed to carefully consider the decisions and meaningfully include consumers in the process.

With respect to mental health drugs, the department is currently moving forward with a prior authorization policy solely for SSRIs. There are no plans to extend prior authorization to other mental health drugs. However, a permanent statutory prohibition on considering prior authorization for other medications ignores the potential changes in the marketplace for medications including future advancement in drug therapies and the availability of therapeutically equivalent and more cost-effective medications in the future.

With this veto I am reflecting my intent to eliminate funding added to delay the implementation of prior authorization for antidepressants until March 15, 2004, as well as the policy provisions on the structure and membership of the prior authorization advisory committee. The state needs to be positioned to take advantage of savings as soon as sound prior authorization policy can be established.

13. Mental Health Medication Review Committee

Section 1392u

This section requires the Department of Health and Family Services secretary to create a new Mental Health Medication Review Committee to advise the department on the implementation of prior authorization for antidepressant drugs, specifically selective serotonin reuptake inhibitors (SSRIs), as well as any other proposals to use prior

authorization for prescription drugs for the treatment of individuals with mental illness. The secretary would be required to ensure that at least 50 percent of the committee's membership consists of advocates and consumers.

I am vetoing this section because I object to this additional restriction on the secretary's authority to administer the Medical Assistance program. Current law concerning a prescription drug prior authorization advisory committee does not need to be revised in order for the secretary to create a special mental health medication review committee that includes effective consumer and advocate participation.

14. SeniorCare – Copayments for Brand Name Prescription Drugs

Sections 1446g and 9424 (11g)

These sections increase from \$15 to \$20 per prescription the copayment for brand name drugs charged to all participants in the SeniorCare program.

I am vetoing these sections because I object to this additional change to the SeniorCare program, and this legislative proposal adds yet another reduction in benefits for Wisconsin's low-income seniors. The SeniorCare program has been crucial in controlling the skyrocketing costs of prescription drugs for more than 91,000 seniors enrolled in the program. Based on current caseload projections, this veto will increase costs in the SeniorCare program above currently appropriated amounts. I am, consequently, requesting the Department of Health and Family Services secretary to develop a plan to address this concern by July 1, 2004.

15. SeniorCare – Long-Term Care Insurance and Spend-Down Requirements

Sections 1438h, 1445h, 1446h and 9324 (13d)

This provision permits individuals enrolled in SeniorCare who have "spend-down" requirements to apply the cost of long-term care insurance premiums to their spend-down amount. Currently, individuals are eligible for SeniorCare if their income is below 240 percent of the federal poverty line, and those with incomes between 160 percent and 240 percent of poverty face a deductible requirement before being eligible for full SeniorCare benefits. If individuals or couples have income over 240 percent of the federal poverty line, they may be eligible for SeniorCare benefits if they meet an additional deductible requirement equal to the difference between their annual income and the income eligibility threshold at 240 percent of the poverty level. State law specifies that only prescription drug expenses may be applied to this spend-down requirement.

I am vetoing this provision because I object to using a prescription drug benefit program as an incentive for the purchase of long-term care insurance. The intent in creating deductible requirements in SeniorCare was to allow individuals with higher levels of income who also have high drug costs to benefit from the program. It is unclear to me why long-term care insurance costs merit special exception from this intent and not other expenses, such as premiums for health insurance or for supplemental prescription drug insurance. This provision could increase costs in the SeniorCare program and benefits

only higher income individuals. This new policy represents a significant change in the nature of the program and should be thoroughly analyzed and discussed through separate legislation.

This veto will maintain the current program structure of allowing only prescription drug costs to apply to the spend-down requirement.

16. Managed Care for Recipients of Supplemental Security Income

Section 1312n

This section requires the Department of Health and Family Services to submit proposed contracts with managed care organizations, which provide services under Medical Assistance to recipients of supplemental security income (SSI), to the appropriate legislative standing committees for review. It also requires the department work with advocacy organizations and managed care organizations to determine the service needs of SSI recipients.

I am vetoing this section because legislative review is unnecessary and the department is already engaged in the critical task of working with interested parties. No other contracts with Medical Assistance providers are subject to legislative review, and I see no reason why such a requirement should be created for these specific managed care contracts. While I support the goal of having the department work with managed care organizations and advocacy groups, I object to legislative mandates directing an agency to conduct tasks already being performed.

17. Drug Savings and Funding for Health Maintenance Organizations

Section 9124 (7c)

This section requires the Department of Health and Family Services to develop a plan to provide increases in capitation rates paid to managed care organizations serving Medical Assistance and BadgerCare recipients, using any unanticipated savings in prescription drug expenditures in these programs. This plan would be subject to review and approval by both the Department of Administration secretary and the Joint Committee on Finance under 14-day passive review.

I am vetoing this section because it restricts the department's administrative authority to reallocate resources within the Medical Assistance and BadgerCare programs for such needs. If there are additional savings in either prescription drug expenditures or other Medical Assistance budget items, the department needs the authority to best decide how to allocate these resources, taking into consideration the entire context of the Medical Assistance budget.

18. Supplemental Nursing Home Payment Pilot Demonstration

Section 9124 (13k)

This section requires the Department of Health and Family Services to earmark \$405,500 GPR in each year of the biennium from the Medical Assistance benefits appropriation for Milwaukee County to support a two-year demonstration project involving a facility with between 80 and 90 beds and with a population of residents of which 90 percent are Medical Assistance recipients. It is expected that the only facility meeting these requirements is the Kilbourn Care Center in Milwaukee.

I am vetoing this section because this pilot project has not been subject to the normal review of the Legislature nor been adequately justified. Earmarking these funds for this one facility would either mean that all other nursing homes throughout the state would receive less funding or the deficit in the Medical Assistance program would increase.

19. Food Stamp Retailer Transaction Fee

Sections 286 [as it relates to s. 20.435 (4) (bm)] and 1450m

These sections restore funding for a \$0.08 fee paid to grocers by the food stamp program for every electronic benefit transfer (EBT) transaction processed on grocers' own point-of-sale terminals. These sections also amend current law to make this fee, which was originally established to aid in the transition of a coupon-based food stamp system to an electronic benefits system, permanent.

I am partially vetoing section 286 [as it relates to s. 20.435 (4) (bm)] and am vetoing section 1450m because I object to the continuation of this fee, which was originally authorized to temporarily reward grocers who use their own point-of-sale terminals (as opposed to terminals purchased and maintained by the state) to process EBT benefits. By lining out the appropriation under s. 20.435 (4) (bm) and writing in a smaller amount that deletes \$250,000 GPR per fiscal year, I am vetoing the part of the bill that funds this provision. I am also requesting the Department of Administration secretary not to allot these funds.

Only seven other states pay such a transaction fee and, of the seven, Wisconsin's fee is the highest. Grocers incur transaction costs with every sale, regardless of whether the purchase is made using cash, credit cards or checks. Grocers do not get reimbursed for these transaction costs which, with the exception of cash, are more expensive than processing an EBT transaction. While I support efforts to ensure grocers offer access to EBT-based food stamps, I feel the benefits grocers receive from this fee are small compared to the over \$200 million paid annually to grocers for the actual cost of food purchased through food stamps.

This veto maintains the Department of Health and Family Services' ability to eliminate the fee administratively, and will delete funding for this subsidy.

20. Hospital Data Collection

Sections 2092c, 2092e, 2092f, 2092i, 2092j, 2093bg, 2093bh, 2094c, 2094d, 2094e, 2094f, 2094g, 2094L, 2094x, 2095re, 2095rn and 9124 (10k)

These sections require that the Department of Administration enter into a contract with the Wisconsin Hospital Association to collect health care information from hospitals and ambulatory surgery centers.

I am partially vetoing this provision because I object to the composition of the oversight board, the time frame for the data transfer, the ability of the Wisconsin Hospital Association to approve requests to waive the data requirements and certain limitations placed on the Department of Health and Family Services relating to data collection analysis and distribution. The result of these vetoes will be provisions that more closely resemble the compromise agreement reached by the Department of Health and Family Services and the Wisconsin Hospital Association. That agreement was designed to make the contract process more workable and ensure full public access to timely, quality data.

Since the language was introduced by the Joint Committee on Finance, the department, which currently collects such data, has been negotiating with the Wisconsin Hospital Association to make the proposal more workable. For example, it was agreed to use the existing Board on Health Care Information as the oversight body rather than creating a new board as required in the bill. The Department of Health and Family Services and the Wisconsin Hospital Association also agreed to move the start date back six months. However, the compromise package did not get incorporated into the budget. The effect of this veto will be to have the Department of Administration contract with the Wisconsin Hospital Association for the collection of health care data. The timeframe for the transfer is improved and the Department of Health and Family Services will continue to provide some oversight of the data. The veto will also provide more flexibility in the types of data collected and allow the Department of Health and Family Services to continue sharing data with other state agencies.

21. Chronic Disease Program

Sections 1424, 1425, 1426, 1429, 1430, 1433 and 9324 (2)

These sections require that people with renal disease or adult cystic fibrosis apply to all other existing governmental health care programs, specified by the Department of Health and Family Services by rule, before they can apply for assistance under the chronic disease program, but it exempts people with hemophilia from this application requirement.

I am partially vetoing these sections to eliminate this exemption because it is too broad. In order to maximize the use of scarce GPR funding, it is essential to require that the maximum possible number of participants apply to programs partially funded by federal funds and to have those participants use those federally funded programs if found to be eligible.

Section 1426 requires the Department of Health and Family Services to pay claims in this program at the lower of the Medicare or Medical Assistance rate. I am partially vetoing this section because it would be a very expensive undertaking to completely redo the claims processing system used by the fiscal agent and there is no estimate of potential savings associated with this action.

22. Tobacco Control Advisory Committee

Sections 2459x and 9124 (5x)

These sections require the Department of Health and Family Services to establish a tobacco control advisory committee, which would essentially recreate a Tobacco Control Board, with duties similar to that board, within the department. These sections also require external, independent evaluations of the success of tobacco control projects.

I am vetoing these sections because they are unnecessary. Public health staff, through their current tobacco prevention and control efforts, are already consulting with an extensive network of people and agencies to assist the department in its future efforts to control the use of tobacco. In addition, the department is already committed to using both internal and external evaluations, using existing resources, to evaluate the effectiveness of these projects.

23. Health Insurance Risk Sharing Plan

Section 9124 (10h)

This section requires the Department of Health and Family Services to prepare a request for proposal for bids to become the fiscal agent for the Health Insurance Risk Sharing Plan. It further specifies that the proposal should be ready to issue six months after the effective date of passage of the biennial budget and that the proposal be reviewed by the Joint Committee on Finance subject to the 14-day passive approval process.

I am vetoing this section because I object to the requirements it imposes on the department. These requirements are burdensome and unnecessary. The budget bill includes a provision allowing the department to prepare a request for proposal for bids to be the fiscal agent for the Health Insurance Risk Sharing Plan. Based on this provision, I request the Department of Health and Family Services secretary to prepare a request for proposal.

24. Multiple Sclerosis Screening

Section 2455r

This section requires that the Well-Woman Program earmark \$60,000 GPR annually of its current appropriation for multiple sclerosis screening.

I am partially vetoing this section because the earmark is arbitrary and could reduce the Department of Health Family Services' ability to fund other needed services, such as

breast and cervical cancer screening. This veto will remove the reference to "each fiscal year" and delete the word "screening" so that the department can use the \$60,000 as needed to cover the actual annual costs of providing referrals to appropriate health care providers and for multiple sclerosis education. My intent is to give the department the flexibility to determine the level of spending needed in each fiscal year until a total of \$60,000 has been expended for these services. If the level of multiple sclerosis spending over the biennium is insufficient to fully expend the \$60,000 earmark, the commitment will carry forward into future fiscal years until it is fulfilled.

25. Northern Wisconsin Center

Sections 1490c and 1496c

These sections prohibit the Northern Wisconsin Center for the Developmentally Disabled from transferring residents and staff to other centers on an involuntary basis. I am vetoing section 1490c and partially vetoing section 1496c because they limit the center's flexibility in best meeting resident treatment needs and in best allocating staff to meet workload demands. Current law already provides adequate protection because residents may only be transferred to another center with the permission of the legally responsible county, or by court order. Transfers are done in consultation with residents' guardians, and are based on the best interests of the residents. The Department of Health and Family Services also requires flexibility to deploy positions to areas of need, consistent with current bargaining agreements. I am vetoing these sections to retain this flexibility and to ensure that individuals with developmental disabilities are placed in appropriate facilities.

26. Daily Rate for Community Placements

Section 1320

This section identifies the daily placement rate for people moved from the centers for the developmentally disabled to placements in the community. The rate would increase from \$225 per day to \$325 per day beginning in fiscal year 2004-05. I am partially vetoing this section so that the new rate takes effect in fiscal year 2003-04 because the higher rate enables individuals to be placed in the community where they can be served well and in a cost-effective manner.

27. Bureau of Quality Assurance Surveyors

Section 1466d

This section requires that the bureau responsible for surveying community facilities, such as nursing homes, reduce the number of staff at the same percentage as the decrease in the number of facilities.

I am vetoing this section because it may result in less oversight of community facilities. Staffing demands may not decrease proportionately with the decrease in the nursing

home population due to increased intensity of care required for the population that remains in such facilities.

28. Income Augmentation Plan

Sections 1154e, 1157b, 9224 (2c) and 9424 (10c)

These sections delete the authority of the Department of Health and Family Services to propose the use of income augmentation funds for purposes other than supporting costs exclusively related to augmenting federal income, or other uses provided for by law or in budget determinations, effective July 1, 2005. In addition, these sections would require the department to lapse all future income augmentation revenue received during the 2003-05 biennium that is not budgeted or lapsed elsewhere in this budget.

I am partially vetoing sections 1154e, 9224 (2c) and 9424 (10c) and vetoing section 1157b because the Joint Committee on Finance plan review process in current law provides for sufficient legislative oversight of proposals for the use of income augmentation revenue for purposes other than those specified in statute. In addition, I am vetoing these provisions because they unduly limit the department's ability to respond to unforeseen needs and effectively manage programs. The effect of these vetoes will be to maintain current law, giving the Department of Health and Family Services the authority to propose the use of income augmentation revenue for purposes other than those specified in statute.

Under current law the Department of Health and Family Services is required to submit a plan for the proposed use of income augmentation funds for purposes other than those specified in statute to the Department of Administration secretary. If the secretary approves the plan, it is submitted to the Joint Committee on Finance for review. The Department of Health and Family Services may then implement the plan only if approved by the Joint Committee on Finance.

29. Wisconsin Statewide Automated Child Welfare Information System (WiSACWIS)

Sections 448t, 1104m and 9324 (15x)

These sections require counties to support 50 percent of the nonfederal portion of the ongoing costs of the Wisconsin Statewide Automated Child Welfare Information System (WiSACWIS). This would result in an increased cost to counties of approximately \$268,700 annually.

I am vetoing these sections because I object to the unfunded mandate they impose on county governments, which have previously agreed in good faith to support 33 percent, not 50 percent, of the nonfederal, ongoing costs of WiSACWIS. Furthermore, the increased county costs may slow implementation of WiSACWIS, a situation that could force the state to return federal matching funds and pay noncompliance penalties.

JUSTICE

30. Consumer Protection Assessments

Sections 286 [as it relates to s. 20.115 (1) (km)], 287p and 1817d

These provisions create a new appropriation and require the Department of Administration secretary to transfer an amount equal to the unassessed consumer protection assessment from the Department of Justice's GPR state operations appropriations to the Department of Agriculture, Trade and Consumer Protection's PR consumer protection, assessments appropriation. This transfer is to occur whenever a court fails to impose a consumer protection assessment as required under current law.

I am vetoing these provisions to return to current law because the required transfer arbitrarily and unfairly penalizes the Department of Justice. District attorneys have significant discretion to prosecute statutory, rule and ordinance violations under Chapter 98 (Weights and Measures) and Chapter 100 (Marketing; Trade Practices), in collaboration with the Department of Justice. Most importantly, current law requires a Wisconsin court to impose a consumer protection assessment and credits the assessment amount to the Department of Agriculture, Trade and Consumer Protection's appropriation. I urge the Chief Justice, as the administrative head of the state judicial system, to ensure that Wisconsin courts impose this assessment. The action or inaction of district attorneys and courts with regard to these assessments should not be the basis for reducing funding for the law enforcement efforts of the Department of Justice.

31. Criminal History Searches; Fingerprint Identification Appropriation

Sections 286 [as it relates to s. 20.455 (2) (gm)] and 556r

This provision converts the Department of Justice's criminal history searches and fingerprint identification appropriation from a continuing to an annual appropriation.

I am vetoing this provision because it unduly restricts the department's ability to maintain and increase fund balances in future years. The department should have the flexibility to monitor these fund balances, to plan for the long-term needs of the Crime Information Bureau and, thereby, avoid requesting supplementation from the Joint Committee on Finance appropriations.

32. Department of Justice Required Lapses

Section 9232 (2r)

Section 9232 (2r) requires the Department of Administration secretary to lapse \$1,567,000 PR-O in fiscal year 2003-04 and \$1,208,000 PR-O in fiscal year 2004-05 from the Department of Justice's crime laboratories and drug law enforcement assessment appropriation under s. 20.455 (2) (Lm).

I am vetoing this section because I object to imposing this excessive lapse requirement on the Department of Justice. Lapsing the amount required by the Legislature from the

crime laboratories and drug law enforcement assessment appropriation could force the department to close the Wausau Crime Laboratory, and drastically reduce funding for the two remaining labs. The effect of my veto will be to allow the Department of Justice to retain this fee revenue, which will ensure that the department has the resources needed to continue providing the services local law enforcement agencies depend upon to solve cases and apprehend offenders.

OFFICE OF JUSTICE ASSISTANCE

33. Federal Homeland Security Funding

Sections 286 [as it relates to s. 20.465 (3) (mg)], 562m, 2111g and 2111j

Sections 286 [as it relates to s. 20.465 (3) (mg)], 562m and 2111j create a federal continuing appropriation under the Department of Military Affairs' emergency management services program and establish oversight responsibility for the receipt and expenditure of funds for homeland security programs to be administered by the department. Section 2111g requires the department's Division of Emergency Management to apply for contracts, and receive and expend federal funds related to homeland security. The section enumerates, as a statutory duty of the Adjutant General, the administration of federal homeland security funds and also requires the Adjutant General to notify the Joint Committee on Finance of proposed expenditures.

I am vetoing these provisions because I have designated the Office of Justice Assistance as the state-administering agency for federal homeland security-related grant programs. By deleting these provisions, the office remains the designated agency to administer the federal homeland security funds. The office is better equipped to oversee homeland security grants because it is experienced in administering a variety of federal and state, criminal justice, and law enforcement grant programs.

The office will closely coordinate homeland security programs with the Department of Military Affairs' Division of Emergency Management. The office will focus on grants administration while the Department of Military Affairs will focus on carrying out emergency management duties of the Adjutant General and administering state and local government responses to natural and man-made disasters, including the threat of chemical and biological weapons of mass destruction. The Adjutant General continues to be the principal assistant to the Governor for emergency management activities.

PUBLIC DEFENDER BOARD

34. Base Budget Reductions

Section 9140 (1z)

This section directs the State Public Defender to report monthly to the Joint Committee on Finance regarding the expenses, obligations and current balance in the private bar and investigator reimbursement appropriation.

I am vetoing this section to remove this requirement because it is excessive. Existing statutory requirements are adequate in the direction they give the State Public Defender to provide quarterly reports to the Department of Administration and the Joint Committee on Finance. Under s. 977.085, the State Public Defender reports every quarter on private bar and staff case loads, reimbursement and recoupment revenue, current fiscal year and projected expenditures, and plans to improve reimbursement and recoupment procedures. The State Public Defender also periodically addresses projections that indicate that appropriation moneys will be expended prior to the end of the current fiscal year. Any necessary changes to the State Public Defenders' GPR expenditure authority can be approved by the Joint Committee on Finance under the s. 13.10 process.

D. STATE GOVERNMENT OPERATIONS

BUDGET MANAGEMENT AND COMPENSATION RESERVES

1. Discretionary Compensation Adjustment Reductions

Section 9160 (2f)

This provision creates a requirement that the Department of Administration secretary determine the annualized value of the discretionary compensation adjustments, including the associated fringe benefits costs, awarded in fiscal year 2001-02 to nonrepresented classified employees and reduce each associated appropriation by an amount equal to 27 percent of the determined annualized amount.

I object to and am partially vetoing this provision because the required method of apportioning the reduction does not offer the appropriate level of flexibility required in the current fiscal environment. Every appropriation that had such adjustments would have to be reduced under this provision. This is unnecessary, since other appropriations may be used to meet the reduction and lapse requirements. As implemented by the Department of Administration, the effect of this partial veto will be to require the same annual lapse and transfer amounts to the general fund as were intended in the budget bill: \$520,000 GPR-lapse, \$130,900 FED-lapse, \$400,000 PR-lapse, \$80,000 SEG-lapse and \$480,000 in GPR departmental revenues. Through this veto, the Department of Administration secretary may apportion these reductions in alternate ways.

ADMINISTRATION

2. Attorney Positions

Section 9101 (9x)

This provision requires the Department of Administration secretary to ensure that on January 2, 2004, not less than 31.0 FTE vacant and, if necessary, filled attorney positions are eliminated from state agencies.

I am partially vetoing this provision to remove the exclusive focus on attorney positions because it is too limiting. I am also partially vetoing this provision to direct the position reductions on vacant positions because I object to unnecessarily eliminating filled positions. As a result of this veto, the reduction in 31.0 FTE positions can be made from any vacant position identified by the secretary.

While my veto removes the focus of this reduction on attorney positions, I remain concerned about the numbers and organization of attorneys in the state work force. My consolidation proposal, which was rejected by the Legislature, would have streamlined the provision of legal services by transferring attorneys in executive branch agencies to the Department of Administration. This proposal would have resulted in a leaner and more efficient legal services organization. Attorney positions will be among the first that the Department of Administration secretary examines when implementing the 31.0 FTE

position reduction by the prescribed deadline. However, I want to be able to make reductions that deliver the greatest efficiencies. In order to preserve this option, I exercise my partial veto authority.

3. State Agency Appropriation Lapses to the General Fund

Section 9260 (1)

This provision presents the amounts of program revenue cash balances that are directed to be lapsed to the general fund by certain state agencies. These lapses include a requirement for the Department of Commerce to lapse an amount equal to \$2,400,000 over the biennium from repayments of Recycling Market Development Board loans or certain financial assistance appropriations to the general fund. The provision also includes a means for the Department of Commerce to propose alternate lapse plans to the secretary of the Department of Administration, who may approve or modify the alternate plans and submit those plans to the Joint Committee on Finance for 14-day passive approval.

I am partially vetoing this provision to give agencies greater flexibility in proposing and implementing alternate lapse plans. I object to the limitations placed on state agencies by the Legislature in implementing the many reductions and lapses in this budget. The effect of my veto will remove the Joint Committee on Finance from the review process, so that the Department of Administration may give final approval to alternate lapse allocation plans. As this veto removes the requirement relating to the Recycling Market Development Board loan repayments, I am also requesting that the Department of Commerce ensure that the maximum amount of loan repayments are collected to offset any potential fiscal effect of this veto.

4. Local Revenue Sharing Board

Sections 286 [as it relates to s. 20.505 (8) (k)], 615m, 615r and 1531m

This provision requires the creation of a four-member board in each city and county in which a gaming facility is located. Each board would be required to: (1) determine annually the costs of each political subdivision for providing public safety (fire, police and emergency medical) services to casinos and certify the total amounts to the Department of Administration; (2) create a methodology for each political subdivision to determine casino-related public safety costs; (3) enter into a cooperative agreement with public safety entities to determine an apportionment formula for distributing payments of tribal gaming revenues; and (4) set up an account at a local financial institution for the deposit of all tribal gaming revenues received from the state or tribes.

Additionally, the provision creates a new program revenue sum sufficient appropriation from tribal gaming receipts under the Department of Administration, capped at \$225,300 annually, to pay local boards the amounts of public safety services costs certified to the department, but only if these costs are not payable directly to local governments pursuant to tribal compacts.

The provision further exempts first-class cities or counties with a population of at least 500,000 from these requirements.

I am vetoing this provision in its entirety because it creates a new, and unnecessary, layer of government to deal with matters that existing governmental structures and processes can already address. In addition, this provision offers questionable relief to local units of government and would likely prove to be insufficient to accomplish the intent of the language. The fiscal effect of this veto is to increase GPR-earned by \$225,300 in fiscal year 2003-04 and \$225,300 in fiscal year 2004-05.

5. Interest Component in Risk Management General Fund Supplements

Section 222m

This section requires the Department of Administration to lapse to the general fund from available program revenue balances of the State Risk Management Program equal to any payments that may need to be made, plus interest, from the GPR sum sufficient risk management appropriation.

I am partially vetoing this section to remove the interest component of the repayment requirement because it is unnecessary. Lapses from program revenue balances equal to the payments will be sufficient to ensure the general fund is adequately reimbursed.

6. Public Benefits: Limitation on the Public Service Commission

Section 2317m

This section would prohibit the Public Service Commission from requiring: (a) utilities to perform additional energy conservation or efficiency programs or (b) ratepayers to pay additional funds due to transfers from the public benefits fund.

I am vetoing this section because it may have the effect of restricting the commission in carrying out its overall energy conservation program responsibilities. The commission is required to seek additional energy conservation or efficiency programs as part of approving utility projects. Because Wisconsin is experiencing a construction period for electrical generating facilities, the Public Service Commission needs all available tools to ensure that projects meet the public interest.

7. Required Report on Gaming Expenditures

Section 9101 (12d)

This provision requires the Department of Administration, no later than September 1, 2004, to submit a report to the Joint Committee on Finance regarding supplies and services expenditures incurred relating to the expanded responsibilities of the Office of Indian Gaming.

I am vetoing this provision because it is unnecessary. This information is available at any time.

8. State Government Management Systems and Web Site

Sections 215m, 230d, 230h, 230p, 230t, 9101 (4k), 9101 (14p) and 9401 (2k)

These provisions direct the Department of Administration secretary to solicit sealed proposals for developing several statewide Web-based information systems and to submit reports on these to legislative standing committees by July 1, 2004; require state agencies to submit to the department, for its approval, expenditure estimates for the costs of all printed publications that are not required by state constitution or law; and subject the development and maintenance of geographic information systems to approval by the Land Information Board. A related provision authorizes the department to implement an enterprisewide reporting, data warehousing and data analysis system.

I object to this requirement because its cumbersome nature will actually make state government less efficient. The requirements to pursue enterprise level Internet-based systems are well meaning and consistent with the department's goals in implementing state government technology. However, the complexity of the task and the magnitude of effort necessary to comply with the provisions within the arbitrary timeframe allotted are beyond the capacity available to the department and state agencies to accomplish in a manner that produces a less costly and more efficient system.

The requirement to individually review and approve agencies' printed publications not required by law is also inefficient, and I object to it. Finally, I object to the Land Information Board approval requirements as nonfiscal policy included in the budget. I am, therefore, vetoing all of these provisions. I am not vetoing a related provision concerning an enterprisewide reporting, data warehousing and data analysis system. This provision will enable the department to develop a more cost-effective information system.

9. Computer Services Rate Setting by Rule

Section 778 [as it relates to promulgation of service rate methodology by rule]

This provision requires the Department of Administration to follow the administrative rule procedure to set and promulgate methodologies and fees for computer services to agencies. I object to this requirement because it is burdensome and inefficient. I am, therefore, partially vetoing this provision to preserve the current methodology.

10. Transfer or Lapse of Information Technology Funds

Section 9160 (2x)

This provision requires the Department of Administration secretary to transfer or lapse to the general fund \$20,000,000 in each fiscal year of the 2003-05 biennium from appropriations, other than sum sufficient, in executive branch agencies. The amounts

must be taken from budget allocations for information technology projects that would have begun in the fiscal biennium.

I object to this provision because it is both unfair and unworkable. Information technology projects in agencies are a principal means by which expected efficiencies in state government will be realized to help agencies carry on under significant state operations reductions. Agencies that are investing significant base resources in projects to improve efficiency of service delivery would be penalized the most.

I am partially vetoing this provision to accomplish the following: (a) broaden the application to all state agencies and all appropriations; (b) make the lapses or transfers an aggregate \$40,000,000 biennial obligation, rather than \$20,000,000 each fiscal year; and (c) delete all association with information technology projects. The effect of my partial veto will enable the Department of Administration secretary to allocate the required lapses or transfers on a more equitable basis across all sectors of state government operations. In making this apportionment the secretary will, to the full extent possible, take into account economies that have been realized or can be realized through information technology improvements.

11. Required Report on Space Occupancy

Sections 9101 (11q) and 9130 (1q)

These provisions create a requirement that the Department of Administration review the occupancy of all state-owned and leased space, develop a plan for greater centralization of the offices into state-owned office buildings and submit the plan to the co-chairs of the Joint Committee on Finance by January 1, 2004. This report must be submitted prior to the release of funds budgeted in the committee's supplemental appropriation under s. 20.865 (4) (a).

I am vetoing these provisions because they are unnecessary. The Department of Administration and state agency personnel already are reviewing all space-related aspects of agency budgets. This planning process is dynamic and ongoing. A required point-in-time report of this nature is unneeded. The effect of this partial veto will be to leave the funding level unchanged, but remove the reporting requirement.

12. Tax Appeals Commissioner Hiring Freeze

Section 9145 (1f)

This provision prohibits the Governor from appointing a tax appeals commissioner until after June 30, 2005.

I am vetoing this position freeze because it is an unnecessary infringement on the authority of the executive branch to administer this program.

13. Waste Facility Siting Board Transfer

Sections 92x, 286 [as it relates to s. 20.370 (2) (ei)], 402p, 587p, 2475g and 9101 (8c)

This provision transfers the oversight and appropriation of the Waste Facility Siting Board from the Department of Administration to the Department of Natural Resources and restores the executive director position, with funding. My budget recommendation was to delete staff and associated funding for the board, leaving \$32,300 PR annually to meet the incidental costs of board members.

I object to the restoration of the director position because I do not believe the work load justifies it. I also object to the board's transfer to the Department of Natural Resources, because the board is better situated under the Department of Administration where it can continue to serve as a neutral arbiter of waste facility siting decisions.

I am vetoing the transfer of the board's appropriation from the Department of Administration to the Department of Natural Resources. The effect of the veto is to delete the funding and executive director position for the board and to retain the board under the Department of Administration. While it would have been my preference to retain some amount of funding for board member expenses, this was not possible. I request the Department of Administration secretary to examine funding options from existing resources for these costs.

BUILDING PROGRAM

14. Hmong Cultural Center

Sections 26m, 285ag [as it relates to the Hmong Cultural Center], 286 [as it relates to s. 20.867 (3) (bn)], 680, 687p, 690q, 9106 (1) (hm) and 9106 (7k)

These provisions enumerate a Hmong Cultural Center in the city of Milwaukee, located at the corner of National Avenue and 16th Street, and provide \$3,000,000 in general fund supported borrowing.

The Building Commission in June of 2001 developed requirements regarding the use of state Building Commission bonding authority for local units of government and private institutions. These requirements set specific guidelines on the use of state borrowing for local government and private projects. The guidelines specify that: (1) the project be in the public interest; (2) it have a statewide basis justifying the benefit of the project; (3) local or other financing alternatives be considered first; (4) it must be submitted and reviewed following the same procedures used for agency requests for funding through the capital budget; (5) the requestor must provide evidence that the purpose and use of the project allows for the use of tax-exempt bonding; (6) the requestor and the Department of Administration consider appropriate language to protect the state's interest in the project if the property is not used for the purposes originally approved by the Building Commission; (7) the commission can modify its original approval provided the proposed change is in the public interest and provided the change is approved by the state's bond counsel; and (8) the requestor agrees to provide a 50 percent or greater match for the project before initial review by the commission and the commission may

require appropriate guarantees for this match. Projects that meet the requirements then go through the process of being approved and enumerated by the Building Commission. I am vetoing these provisions because this project does not meet these requirements. I also object to the last minute introduction of these provisions in a late-night budget amendment.

While I am vetoing these provisions, I remain committed to assisting the Hmong community work through the Building Commission processes rather than last minute budget amendments.

EMPLOYEE TRUST FUNDS

15. Municipal Employer-Initiated Change in Health Care Plan Provider

Sections 1966, 1985m, 1985n, 2642m, 9317 (2) and 9317 (3q)

These provisions modify the Municipal Employment Relations Act relating to selection of group health insurance benefits provided by municipal employers. Specifically, a local government employer is authorized to unilaterally change its employee health care coverage plan to the public employer group health insurance plan offered by the Department of Employee Trust Funds or to a plan that is substantially similar to that plan. Moreover, such changes are declared to be nonviolations of collective bargaining agreements and municipal employers are prohibited from bargaining collectively with respect to the employer's selection of a health care coverage plan if the plan selected is the department plan or one substantially similar to it.

I am vetoing these provisions in their entirety because I object to this unilateral change. While I believe that the department's local government health insurance plan has much to offer municipal employers, I do not believe that forcing this plan onto employees is the correct approach. A healthy collective bargaining process that produces agreement on employee health insurance as part of an overall settlement is a far better path to take to achieve the cost savings that all parties seek in health care coverage.

16. Part-Time Employee Health Insurance

Sections 1009 [as it relates to part-time employee health insurance], 1991m and 9301 (1f)

These provisions modify the cost sharing formula for employees working between 50 percent and 75 percent of a full-time equivalent position to require these employees, like those now working less than 50 percent, to pay one-half of health insurance premiums. The provisions also make health insurance premium cost-sharing between the employer and this expanded group of part-time employees a prohibited subject of future collective bargaining and unalterable in future compensation plans for nonrepresented employees.

I object to the significant burden these additional costs would place on part-time employees, more than 80 percent of whom are women, many of whom are working at lower wage scales and in critical job classifications already facing serious shortfalls,

such as the health care professions. The effect of the formula change would be to force many out of their jobs.

I also object to making the employee contributions to health insurance costs a prohibited subject of collective bargaining. Wages, benefits and working conditions have long been the core subjects of collective bargaining for public employees in Wisconsin. Employee contributions toward health insurance premiums fall squarely within these core subjects. There is no need for the Legislature to abrogate the rights of part-time employees to negotiate this significant change to their benefits. I agree that the costs of state employee health insurance need to be controlled, and that part of the solution is asking state employees to contribute a fair share of the costs. However, I strongly believe that the amount of those contributions should be negotiated at the bargaining table, through a dialogue with the employee unions. This principle should apply to part-time employees (however defined) as firmly as it applies to full-time employees.

I am partially vetoing these provisions to allow part-time employees' share of health insurance premiums to be the subject of collective bargaining and the compensation plans. I am also vetoing, as unnecessary, the language that excludes the University of Wisconsin Hospitals and Clinics Authority from the provision affecting the employer's contribution toward health insurance for part-time employees.

Although my veto leaves in place the revised threshold of 1,566 hours annually for employees to receive benefits of a full-time equivalent position, the effect of this partial veto will be that the proportion of health insurance costs paid by each employee group will be determined through the collective bargaining process and by the compensation plans for nonrepresented state employees, the University of Wisconsin System, and nonrepresented University of Wisconsin Hospital and Clinics Authority employees. The statutory formula will remain in place only as a fallback if the bargaining process or compensation plan process fails to obtain agreement on the employee and employer contributions to health insurance premiums.

The Office of State Employment Relations will negotiate in good faith with the state employee unions to arrive at a mutually acceptable allocation of the costs of health insurance between the employer and employees. The director of the office will propose a cost-sharing arrangement for full-time and part-time employees that will be fair to all employees and that will help rein in the spiraling costs of employee health insurance.

My veto leaves in place the mechanism created in Senate Bill 44 for lapsing funds from agency budgets to offset the estimated costs of the health insurance formula change. I am requesting the Department of Administration secretary to recover from agency budgets the respective amounts that would have been lapsed under the terms of these provisions before partial veto.

17. Pharmacy Purchasing Pool

Section 1026r

This provision requires the Group Insurance Board to establish a pharmacy benefits purchasing pool beginning on January 1, 2005. I am partially vetoing this provision to remove the restriction that this prescription drug purchasing pool, which can lower drug

costs for individuals by hundreds of dollars per year, be made available only to employers. I object to restricting individuals from the lower costs of a pharmacy purchasing pool. While the provision extends the definition of employer to "a person doing business or operating an organization" and then further includes "a self-employed individual," the language still denies thousands of Wisconsinites, including the unemployed and employed persons whose employers choose not to participate, from joining the pool and benefiting from its capacity to lower drug costs. In many cases, these individuals face high prescription drug costs. There is no reason for excluding them. My partial veto allows every Wisconsin resident to join this cost-saving pool.

I am also vetoing the restriction imposed by the bill that requires that the Group Insurance Board submit its conditions for allowing eligible parties to join the pool, i.e., its implementation plan, to the Joint Committee on Finance for a 14-day passive review prior to taking effect. I believe that the Group Insurance Board's implementation plan should be allowed to take effect as soon as the board is ready to proceed.

Finally, I am vetoing the requirement that the board begin implementation of a purchasing pool on January 1, 2005. I object that the board has to wait this long to begin offering savings on a voluntary basis to organizations and individuals if it is possible to do so before this date. I encourage the Group Insurance Board to develop and expand this program as soon as is feasible.

18. Private Employer Health Care Program

Sections 9130 (1c) and 9133 (4c)

These provisions require the Senate Majority Leader and the Speaker of the Assembly to create a task force to study the private employer health care coverage program and provide funding reserved for the Department of Employee Trust Funds in the supplemental appropriation under s. 20.865 (4) (a). The task force is to present recommended statutory language changes no later than January 4, 2004.

I am partially vetoing these provisions to delete the task force and to strike out the requirement that the reserved funding may be used only to fund requests presented by the department. I object to limiting the debate on private employer health care to the Legislature and limiting access to the funding to one agency. The \$105,500 GPR in fiscal year 2003-04 and \$210,900 GPR in fiscal year 2004-05 are left in place, reserved for funding the operating costs of implementing private employer health care coverage.

Solutions to small employer health care coverage problems remain a challenge that will only be resolved by a full partnership between the Governor and the Legislature, with the involvement of employers and insurance providers. A legislatively-appointed task force given six months to complete the task is not the medium for this cooperative effort. I removed the restriction on release of the funds, consistent with a Department of Employee Trust Funds' request, because I view it as too restrictive.

OFFICE OF STATE EMPLOYMENT RELATIONS

19. Appropriation Conversion

Sections 286 [as it relates to s. 20.545 (1) (k)] and 626a

These provisions change the appropriation for funds received from other state agencies from a continuing to an annual appropriation. The primary use of this appropriation is for the development, implementation and maintenance of the statewide on-line human resources recruitment and testing system.

I object to the reduced flexibility this change would impose. I am partially vetoing these provisions to maintain this appropriation as a continuing appropriation.

20. Appointment of the Director

Section 97d [as it relates to the appointment of the director]

This provision creates a requirement that the Governor's nominee for the position of director of the Office of State Employment Relations be confirmed by the Senate.

I am partially vetoing this provision to remove the requirement that this appointment be subject to Senate confirmation. This would cause unnecessary delay in formalizing the appointment of the state's chief human resources officer.

21. Creation of Statutory Divisions

Sections 97d [as it relates to s. 15.105 (29) (b) 2. and 3.] and 2390d

These provisions create three statutory divisions in the Office of State Employment Relations: a Division of Merit Recruitment and Selection, a Division of Compensation and Labor Relations, and a Division of Affirmative Action.

I am vetoing the provisions that create the Division of Compensation and Labor Relations and the Division of Affirmative Action as statutory divisions. I acknowledge and support the important work conducted in these areas, but I do not want to unnecessarily restrict the organizational flexibility of the office. The effect of this partial veto will be to maintain the Division of Merit Recruitment and Selection as a statutory division while leaving the office discretion regarding the organization of the remaining two divisions.

22. Lapse of Employee Development and Training Services Revenue

Section 9218 (2d)

This provision requires the Office of State Employment Relations to lapse \$175,000 from the employee development and training services program revenue appropriation to the general fund.

I am partially vetoing this provision because the funding supports the agency's successful Labor Management Cooperation project which coordinates training, workshops and forums focused on improved labor-management relations. The lapse would also create an unnecessary burden on the Office of State Employment Relations by reducing the resources available for these statewide employee training and development initiatives. The effect of this partial veto will be to maintain the current cash balance associated with this appropriation.

LEGISLATURE

23. Legislative Reference Bureau Assistance in Obtaining Federal Grants

Section 40m

This section assigns an employee of the Legislative Reference Bureau to work with state agencies and the federal government in an attempt to increase the amount of federal funds received by the state.

I am vetoing this section because it is unnecessary. The Legislature may assign work load to its staff as it sees fit. This assignment does not need to be done by a statutory provision.

PROGRAM SUPPLEMENTS

24. Joint Committee on Finance Emergency Supplemental Appropriation

Section 286 [as it relates to s. 20.865 (4) (a)]

This provision allocates funding for the supplemental appropriation of the Joint Committee on Finance. Included in this appropriation is \$352,200 GPR in each fiscal year that was added to the budget by the Legislature for unforeseen emergencies.

I find this amount to be excessive. By lining out the committee's s. 20.865 (4) (a) appropriation and writing in a smaller amount that deletes \$252,200 in each fiscal year, I am partially vetoing section 286 [as it relates to s. 20.865 (4) (a)]. I am also requesting the Department of Administration secretary not to allot these funds. This partial veto leaves \$100,000 GPR in each fiscal year for unforeseen emergencies.

SECRETARY OF STATE

25. Deputy Secretary of State

Sections 53m, 734e, 735e, 2398r and 9146 (1x)

These sections eliminate the position of deputy secretary of state.

I am vetoing these sections in order to retain statutory authority and position authorization for the deputy secretary of state. I object to the removal of this position

because I believe constitutional officers should be able to have deputies. This position is eligible to perform all of the duties of the Secretary of State, except membership on the Board of Commissioners of Public Lands, and is a sworn public officer as prescribed by Article IV, Section 28, of the Wisconsin Constitution.

VETERANS AFFAIRS

26. Veterans Tuition and Fee Reimbursement Schedule

Sections 1089g, 1092q, 1092r and 9358 (1f)

Current law provides participants in the Veterans Tuition and Fee Reimbursement Grant Program and Part-Time Study Grant Program a reimbursement rate of an amount not to exceed 85 percent of tuition and fees at Wisconsin four-year institutions and technical colleges. As a special benefit, disabled veterans participating in either program are eligible for an amount not to exceed 100 percent reimbursement of tuition and fees.

These provisions modify the Tuition and Fee Reimbursement Grant Program and Part-Time Study Grant Program to exclude fees and, instead, provide 100 percent tuition only to all veterans and reduce the 100 percent tuition plus fees benefit for disabled veterans. Section 1089g allows both nondisabled and disabled veterans who participated in the Veterans Tuition and Fee Reimbursement Program on a full-time basis before the effective date of the bill to receive an amount not to exceed 85 percent tuition plus fees, 100 percent tuition only or 100 percent tuition plus fees, whichever is greater (which always will be 100 percent of tuition plus fees). Section 1092q allows nondisabled veterans who participated in the Part-Time Study Grant Program before the effective date of the bill to receive an amount not to exceed 85 percent tuition plus fees or 100 percent tuition only, whichever is greater. The bill does not effectively provide a similar eligibility standard for disabled veterans who participated in the Part-Time Study Grant Program prior to the effective date of the bill. While this group of disabled veterans currently receives a rate of 100 percent tuition plus fees in the Part-Time Study Grant Program under current law, this group of disabled veterans would in the future receive the same lower reimbursement as new disabled enrollees – 100 percent of tuition only.

I strongly object to the changes in the reimbursement rate for a number of reasons. These changes will introduce unjustified inequities within the program between former veterans and future veterans. For example, veterans of Operation Desert Storm who are currently enrolled in the full-time program would be eligible to receive 100 percent tuition plus fees. However, veterans returning from Operation Iraqi Freedom would receive only 100 percent reimbursement of tuition. As a result, some of the men and women returning from service in Iraq would receive a lower level of reimbursement. Every veteran should be entitled to the same education benefits, whether they are from the current generation or past generations.

I also object to the use of 100 percent of tuition only as the standard for reimbursing veterans for educational expenses. Compared to the current standard of 85 percent of tuition and fees, the 100 percent of tuition-only standard would penalize some veterans who attend technical schools that rely less on tuition and more on fees.

Finally, I object to the reduction in the benefit for disabled veterans who enroll in the full-time program in the future, as well as the immediate repeal of the special benefit for both current and future disabled veterans who participate in the Part-Time Study Grant Program. This provision unfairly penalizes Wisconsin's disabled veterans and I am using my veto authority to remove it.

To restore a tuition reimbursement schedule that appropriately reflects the sacrifices of our fighting men and women, I am partially vetoing these provisions in a way that will place all veterans, past and future, disabled or not, on the same reimbursement schedule – 100 percent of tuition and fees for both the full tuition and part-time study grant programs. While it was not my original intent to increase reimbursement levels in this budget, I have little alternative but to exercise this partial veto in order to treat current and future veterans fairly and restore the special disabled veterans benefit eliminated by the Legislature.

This change in reimbursement levels may have a fiscal effect on the appropriations funding these benefits. I request the Department of Veterans Affairs secretary to evaluate these impacts and submit a request to the Legislature for supplemental funding as needed.

E. TAX AND FINANCE

REVENUE

1. Cigarette and Tobacco Excise Tax Refunds

Section 2057m

This provision reduces the rate of refunds to the tribes related to excise taxes on cigarettes sold to non-Native Americans from 70 percent to 30 percent.

I am vetoing this provision because it is an irresponsible action by the Legislature which may result in the loss of millions of dollars in revenue to the general fund. This provision would immediately abrogate a long-standing contract with Wisconsin's Native American tribes concerning the effective retail enforcement of the sale of tobacco products and cigarettes.

Before 1983, there was no agreement between the state and the Native American tribes regarding the collection of state excise taxes on cigarettes and tobacco products. Sales of these products were completely unregulated, creating serious enforcement and public health concerns.

The 1983-85 biennial budget created the refund provision to respond to these issues. The refund provision was enacted to encourage Native American retailers to sell only stamped cigarettes. In 1983, the cigarette tax was converted from an occupational tax to an excise tax to allow the state to impose the tax on sales of cigarettes made by Native Americans to non-Native Americans on reservations. The state then entered agreements with Native American tribes through which Native American retailers purchase and sell only stamped (taxed) cigarettes. The state then provides a refund to the tribes of 70 percent of the tax paid on sales to non-Native Americans and 100 percent of the tax paid on sales to Native Americans (federal law prohibits states from imposing a cigarette tax on sales by Native Americans to Native Americans on reservations). The net annual revenue to the state under these contracts is approximately \$18 million annually.

The Legislature's proposed abrogation of these contracts would result in serious financial and public health related consequences for the state. Without the contracts, the tribes could return to selling cigarettes and tobacco products without excise tax stamps affixed to the packages. The Department of Revenue would be forced to collect these revenues from each individual purchaser. Tracking every individual and collecting the legislatively mandated cigarette tax would be an enforcement nightmare. As a result, the short-term savings of \$6 million estimated by the Legislature could become an on-going \$18 million revenue loss to the state.

The Legislature's proposal also opens up the possibility of broader gray market sales or competitive tribal smoke shops. Not only does this undermine free market principles, it also creates an opportunity for unregulated sales of cigarettes to minors and young adults. This attempt to save a few million dollars could result in a public health disaster, reversing all of the recent gains in tobacco control efforts.

According to the Attorney General, the absence of enforcement brought on by this proposal would also open the state to the possibility of lawsuits from holders of tobacco bonds issued to securitize the state's share of the Master Settlement Agreement with the tobacco manufacturers. The Master Settlement Agreement requires that states maintain rigid enforcement mechanisms regarding the sale of cigarettes and tobacco products. The revenue estimates included in the agreement are predicated on certain assumptions that are tied to these enforcement measures. Reduced or nonexistent enforcement that would result from the abrogation of the excise tax agreement with the tribes would upset those assumptions and trigger immediate and massive lawsuits against the state for breach of contract.

This proposal puts Wisconsin at extreme risk. This is not the way to balance our budget. It's this type of short-sighted policy making that created the \$3.2 billion deficit in the first place.

2. Bad Debt Deductions Against Cigarette and Tobacco Products Taxes

Sections 2057v, 2058f and 9445 (1b)

These provisions allow cigarette and tobacco product wholesalers to claim as a deduction against excise taxes an amount equal to the taxes portion of a bad debt deducted under federal tax law.

I am vetoing these provisions because the proposed language draft is sufficiently flawed as to be unworkable. The proposal cannot be applied consistently. The tobacco products tax statute is specific to distributors, while the cigarette tax may include permittees other than distributors. The proposal lacks definitions that cannot be addressed by supplemental rules. Finally, it would be necessary to add personal liability to the cigarette and tobacco products tax statutes to allow the Department of Revenue to assess the debtor for the taxes owed to the state.

The proposal is better considered as separate legislation rather than in the budget.

3. Joint Committee on Finance Approval of Lottery Privatization

Sections 2630g, 2630h and 2631

These provisions require that privatization of the lottery can proceed only if the Joint Committee on Finance approves the contracts acting under s. 13.10.

I am vetoing these provisions since such detailed contract review is an unwarranted intrusion into the daily management of a state agency. They are also completely unnecessary. Section 565.25 (1m) of the statutes already provides standards for any potential private contract the lottery would consider. The statutes also specify requirements for contractor financial responsibility and prohibit conflicts of interest. Moreover, any contract for privatizing the lottery would have to address transition to operation of the lottery by a private entity.