

STATE OF WISCONSIN

BUDGET IN BRIEF

JIM DOYLE, GOVERNOR



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DIVISION OF
EXECUTIVE BUDGET AND FINANCE
DEPARTMENT OF ADMINISTRATION

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Summary of Governor's Budget Initiatives

I. SUMMARY OF GOVERNOR'S BUDGET INITIATIVES

A. EDUCATION, WORKFORCE AND LOCAL GOVERNMENT



Elementary and Secondary Education

- Provide a \$235 million biennial increase in equalization aid and a \$100 million increase to the school levy tax credit applicable to fiscal year 2008-09 to maintain the state's commitment to fund two-thirds of school costs.
- Provide a total of \$115 million in categorical aid to schools over the biennium.
- Provide additional funding for the Student Achievement Guarantee in Education (SAGE) program, which lowers class size in kindergarten through third grade, to increase the number of participating schools and meet the statutory commitment, approved under 2005 Wisconsin Act 125, that raises the per pupil reimbursement amount from \$2,000 to \$2,250 beginning in the 2007-08 school year.
- Provide a \$53.6 million increase in special education aid to raise the state's share of special education costs from 28.6 percent to 29 percent.
- Provide \$15 million over the biennium in a new categorical aid program that will fund research-based efforts to improve achievement of all students in the Milwaukee Public Schools.
- Assist Milwaukee property taxpayers by providing 100 percent state funding to cover the costs of additional students in the Milwaukee private school choice program.
- Provide funding to improve the delivery of science, technology, engineering and mathematics (STEM) instruction in high schools.
- Require students to complete three years of math and science to graduate from high school.
- Provide \$3 million in fiscal year 2008-09 to assist school districts with the initial costs of starting up 4-year-old kindergarten programs and to encourage collaboration between public schools and other early childhood education providers.
- Increase the state reimbursement rate for school transportation costs related to students traveling more than 12 miles.
- Provide additional funding for the state to maintain its current share of support for bilingual-bicultural education services.
- To address the concerns of declining enrollment districts, modify the revenue limit calculation to increase the hold harmless provision for declining enrollment districts from 75 percent to 100 percent and to ensure that total district revenues, controlled by the revenue limit, will not decline below the revenue limit allowed in the prior year.

- Encourage more school districts to implement school breakfast programs and improve Wisconsin's last place state ranking in school breakfast participation by tripling total funding for the program and providing a 50 percent increase in the state's reimbursement rate for school breakfasts.
- Modify school district revenue limits to create a school safety exemption which authorizes school districts to employ school safety officers and purchase school safety equipment.
- Modify school district revenue limits to exempt costs related to providing mentors for new teachers as required by the Department of Public Instruction's licensing rules.
- To improve equity in school spending, increase the per student low revenue ceiling, below which school districts are exempt from revenue limits, from \$8,400 per student to \$8,700 in fiscal year 2007-08 and to \$9,000 in fiscal year 2008-09.
- To increase student proficiency in languages other than English, provide funding to support the introduction and expansion of world language instruction in the elementary grades, and teacher exchange programs with other countries.
- Expand the grant program for teachers who receive certification from the National Board for Professional Teaching Standards to include teachers who receive master teacher licenses under the state's new licensure rules. Provide an additional \$2,500 annual salary supplement to master or national board-certified teachers who teach in a school where more than 60 percent of the students are eligible to receive a free or reduced price lunch.
- Repeal the qualified economic offer (QEO) to provide more flexibility for teachers and school boards to work together to find better ways to link teacher compensation with effective teaching, address escalating health insurance costs, and create equity between teachers and other public employees in bargaining. In addition, increase the allowable length of teacher contracts to three years, as is already permitted for other municipal employees.
- Increase funding for the precollege scholarship program.
- Provide \$2.4 million over the biennium to maintain state aid for public libraries at 8.1 percent and continue the current level of services provided by Wisconsin's four statewide specialized libraries.
- Treat public school support staff like teachers for purposes of determining years of service under the Wisconsin Retirement System eligibility.

Higher Education

- To ensure that every student, regardless of ability to pay, who maintains a B average throughout high school, is a good citizen and commits to taking a college preparatory curriculum has the opportunity to pursue higher education in Wisconsin, establish the Wisconsin Covenant, which will guarantee that all qualified students have the financial resources necessary to attend the University of Wisconsin, a Wisconsin Technical College or a Wisconsin private college or university.

- Provide an additional \$44 million in funding over the biennium for higher education financial aid programs for University of Wisconsin System, technical and private college students, including a 24 percent biennial increase in aid to University of Wisconsin System students.
- To help meet the demands of both Wisconsin citizens for greater access to University of Wisconsin campuses and Wisconsin employers for a more highly skilled work force, provide \$21 million GPR in fiscal year 2008-09 to fund the University of Wisconsin Growth Agenda, comprised of campus-based and systemwide initiatives to grow enrollment, improve services to students and increase cutting edge research.
- To ensure that a University of Wisconsin education is an attainable goal for all Wisconsin families, increase the maximum tuition tax deduction from \$4,536 to \$6,000 per claimant, an increase of 32 percent, and expand eligible deductible expenses from tuition only to tuition and fees.
- Keep tuition at the University of Wisconsin campuses near the bottom in the Big 10 and other peer groups.
- In an effort to ensure that the University of Wisconsin has the necessary resources to retain top faculty, provide \$10 million to the University of Wisconsin to assist campuses in maintaining competitive salaries for high demand faculty.
- Provide \$400,000 for the biennium to support the islet transplantation program in the University of Wisconsin School of Medicine and Public Health.
- Provide \$2.5 million in fiscal year 2008-09 to support translational research activities in the area of neuroscience at the Medical College of Wisconsin.

Workforce Development

- Double the funding for youth apprenticeship grants, which provide high skills training and meaningful work experience to high school juniors and seniors in 21 occupational areas.
- Increase funding for vocational rehabilitation services to ensure that Wisconsin citizens with disabilities receive the services and training necessary to become and remain productive workers.
- Give Wisconsin workers and manufacturers a competitive edge by increasing funding for the Wisconsin Technical College System Workforce Advancement Training Grants from \$2 million to \$8 million.

Property Tax Relief

- Create a new \$100 million state property tax credit to pay school property taxes on the first \$5,545 of the value of Wisconsin homes and businesses.
- Cap county and municipal levy increases at the greater of four percent or the gain in value from net new construction, and extend county and municipal levy limits for an additional two years.
- Implement a multiyear effort to restore the cuts in shared revenue made in the 2001-03 biennium by increasing county and municipal shared revenues by \$15 million in fiscal year 2008-09. This will mark the first increase in shared revenue in five years.

- Assist low- and moderate-income families and Wisconsin seniors by indexing the homestead tax credit for inflation.
- Create a new county aid fund with the state's proceeds from the real estate transfer fee. This new fund will be dedicated to support county shared revenue and increases in youth aids to counties and additional state support for county court expenses.
- Increase the lottery credit by \$5 million in fiscal year 2007-08 and \$10 million in fiscal year 2008-09 through increased sales efficiency.
- Improve the accuracy of statewide property assessments by improving the technology of the state's equalization assessment system.

Milwaukee County Investments

- Assist Milwaukee County with its financial challenges by authorizing the issuance of appropriation bonds, on a one-time basis and within certain guidelines, to pay for the county's unfunded prior service liability for its employee retirement system. As a further safeguard of the county's finances, ensure that members of the county's Pension Study Commission are adequately qualified and that the two public members have at least ten years of financial experience.
- Increase funding for the Circuit Court Services Support Program by \$19 million SEG statewide during the 2007-09 biennium. Milwaukee County's share of this increase is about \$3.5 million.
- Require a court interpreter in all cases and regardless of indigence, and provide \$531,500 GPR statewide for these services over the 2007-09 biennium. Milwaukee County's share is approximately \$180,700.
- Address county court work load related to the requirement that judges review the petitions of nonviolent offenders who are seeking release from incarceration or extended supervision after serving 75 percent of their sentence for a Class F to I felony by creating an Earned Release Review Commission charged with review of these petitions.
- Increase statewide funding to counties for Youth Aids by \$27.7 million over the biennium. Milwaukee County's share of this increase is approximately \$12.7 million over the biennium.
- Increase shared revenue for counties by \$2.7 million over the biennium. Milwaukee County's share of this increase is approximately \$1 million.

Other Milwaukee Proposals

- Provide a new nonproperty tax local revenue option to the city of Milwaukee in support of infrastructure development by expanding eligibility for the Premier Resort Area Tax to first-class cities that establish a tourism district of no more than four square miles.
- Provide \$15 million over the biennium in a new categorical aid program that will fund research-based efforts to improve achievement of all students in the Milwaukee Public Schools.

- Assist Milwaukee property taxpayers by providing 100 percent state funding to cover the costs of additional students in the Milwaukee private school choice program.
- Provide \$500,000 over the biennium to the Boys and Girls Clubs of Greater Milwaukee to expand sites and implement early literacy programs.
- As part of the University of Wisconsin's Growth Agenda, provide up to \$10 million to the University of Wisconsin–Milwaukee to support a major expansion of its undergraduate and graduate student research activities, medical imaging research and to enhance the campus' ability to attract outside gifts and grants.
- Earmark \$200,000 from the Growth Agenda to assist in planning a School of Public Health at the University of Wisconsin-Milwaukee if approved by the Board of Regents.
- Provide \$2.5 million to the University of Wisconsin to help support the Biomedical Technology Alliance to facilitate southeastern Wisconsin's regional strengths in biomedical engineering, medical imaging, medical informatics, bioinformatics and technologies to accelerate drug development.
- Provide \$2.5 million to the Medical College of Wisconsin to support its translational research facility that will build on its efforts in the research of Alzheimer's, Parkinson's and other neurological diseases.
- Create an exemption to school district revenue limits for school districts to hire school security officers in cooperation with local law enforcement agencies and to purchase school safety equipment.
- Provide \$100,000 annually to Milwaukee Public Schools to reduce the fees charged to low-income students for driver education.
- Increase support for organizations operating homeless shelters by providing additional housing assistance of \$2 million over the biennium. Provide revenues from a portion of the real estate transfer fee to create a segregated affordable housing trust fund. Organizations in Milwaukee providing homeless and transitional housing services will be eligible to compete for these funds.
- Provide over \$4 million GPR over the biennium to address crime in Milwaukee. Funding will support additional police officers for the city of Milwaukee, and increased resources to ensure appropriate sentencing, treatment and rehabilitation of offenders.
- Allow first-class cities to extend by 12 months a tax incremental financing district after all costs have been paid. Up to 75 percent of the increments earned during the 12-month extension may be used to support affordable housing.
- Enhance and accelerate economic development by granting the Redevelopment Authority of the City of Milwaukee special inspection rights to enter spot-blighted parcels of land.
- Provide \$17 million in bonding revenues to match federal funding for the removal of contaminated sediments in two Milwaukee tributaries of Lake Michigan, the Kinnickinnic River and the Milwaukee River/Estabrook Park.

- Fund a minority business development specialist through the Wisconsin Entrepreneurs Network to provide technical assistance to minority entrepreneurs in Milwaukee.
- Increase shared revenues to municipalities by \$12.3 million in calendar year 2008 with the city of Milwaukee expected to receive approximately \$4 million.
- Provide \$600,000 over the biennium to organizations that support mental health and drug and alcohol abuse treatment for women and children and aid youth in making the transition from foster care to independent living.

B. ECONOMIC DEVELOPMENT AND TRANSPORTATION



- Invest a total of over \$4.6 billion on Wisconsin's transportation system through a \$405 million (8.7 percent) increase in funding over the biennium.
- Preserve and continue to grow Wisconsin's vital transportation infrastructure to meet the needs of Wisconsin's residents, businesses, industries and visitors in the next biennium and beyond by increasing vehicle registration fees and assessing oil companies for a portion of their excess profits.
- Provide an additional \$61.3 million over the biennium for the State Highway Rehabilitation Program to meet increased costs and maintain pavement quality levels.
- Provide \$66.3 million over the biennium for the State Highway Maintenance Program to meet increased costs and provide safe driving conditions on state highways.
- Increase funding by \$13.5 million over the biennium for the Major Highway Program to meet increased costs of currently enumerated projects.
- Provide \$241.8 million to begin construction on the I-94 corridor between Wisconsin's border with Illinois and the Mitchell Interchange in Milwaukee and \$24 million for preliminary engineering for the reconstruction of the Zoo Interchange.
- Support commuter rail development efforts by providing \$1 million for preliminary engineering on the Kenosha-Racine-Milwaukee rail project.
- Support economic development and job creation and retention by investing in a variety of modes of transportation and increasing funding to harbors, railroads and transit.
- Increase state funding to \$80 million to leverage federal passenger rail system development funding that would improve transportation options between major urban areas in southern and eastern Wisconsin.
- Support the development of alternative energy and fuel sources and discourage the landfilling of out-of-state waste in Wisconsin by establishing a Wisconsin Energy Independence renewable fuel and energy grant and loan program funded at \$15 million annually through a doubling of the recycling tipping fee. The program will provide grants totaling \$5 million to position Wisconsin to be home to the nation's first cellulosic ethanol production facility.

- Encourage increased use of renewable fuel by providing \$1 million annually in tax credits to assist businesses to meet the costs of installing renewable fuel pumps and related infrastructure.
- Encourage increased support for Wisconsin's emerging biotechnology companies and other entrepreneurs with an additional \$5 million of angel and early stage seed investment tax credits annually.
- Create a Wisconsin Venture Center to accelerate emerging industries in Wisconsin by linking entrepreneurs with willing capital investors.
- Give Wisconsin workers and manufacturers a competitive edge by providing an additional \$6 million over the biennium for Workforce Advancement Training Grants.
- Assist manufacturers to produce more goods of higher quality with less effort, space, capital and time by establishing a \$1.5 million Get LEAN manufacturing initiative.
- Create a dairy manufacturing facility investment credit in an amount equal to ten percent of the amount invested in modernization or expansion of a dairy manufacturing facility during the tax year. The credit will be available for tax years beginning January 1, 2007, and ending December 31, 2014, and have a maximum total of \$200,000 per claimant over the life of the credit.

C. ENVIRONMENTAL AND NATURAL RESOURCES MANAGEMENT



- Ensure the continuation of Wisconsin's legacy of natural resource preservation and expand outdoor recreational opportunities through reauthorization of the Warren Knowles-Gaylord Nelson Stewardship 2000 Program and increase funding for the program to \$105 million annually from fiscal year 2010-11 to fiscal year 2019-20. The increase in funding is necessary to simply maintain the program's current purchasing power.
- Protect our lakes and rivers and improve water quality in Wisconsin by providing an additional \$37 million over the biennium, including \$12 million to fund nutrient management, to reduce nonpoint source water pollution through increased nutrient management planning and other pollution abatement practices.
- Ensure continued support for environmental management and nonpoint source water pollution abatement activities by increasing the environmental repair tipping fee and supplemental title transfer fee, and by repealing the sunset of the vehicle environmental impact fee.
- Provide \$17 million in bonding revenues to match federal funding for the removal of contaminated sediments in two tributaries of Lake Michigan.
- Establish a grant program funded with \$1 million annually to assist businesses with recycling efforts.
- Encourage cleanup of sites with petroleum contamination by allowing the Department of Commerce to make payments directly to contractors and prevent contamination by removing abandoned underground storage tanks before leaks occur.

- As part of the Managed Forest Law Program, create a \$1.8 million grant program to maintain the amount of land to which the public has access for recreation and enjoyment.
- Provide an additional \$431,000 over the biennium to increase education on aquatic invasive species control and enforcement of aquatic invasive species regulations.
- Protect Wisconsin's important forest resources, including timberlands and urban forests, by providing funding to map Wisconsin ash trees, monitor for invasive forest pests and partner with local groups on invasive plant control projects.
- Strengthen emergency forest fire response by providing \$1.7 million over the biennium to support and train additional firefighters and purchase fire fighting communications equipment.

D. HEALTH AND HUMAN SERVICES



Health Care Coverage Expansions

- Expand BadgerCare Plus to provide coverage for all Wisconsin residents with incomes at or below 200 percent of the federal poverty level.
- Expand health care coverage for families, caretaker relatives and pregnant women starting January 2008, through innovative new programs that allow families to access a standard plan on a sliding fee scale basis.
- Expand coverage for childless adults, with incomes at or below 200 percent of the federal poverty level, starting in January 2009. These adults will be eligible for a benchmark plan primary health care package with additional services available for populations with special health care needs.
- Extend Medicaid coverage to youths aging out of the foster care system up to age 21.
- Establish the Healthy Wisconsin Authority charged with creating a statewide reinsurance program with special emphasis on exploring catastrophic coverage, tribal health insurance needs and systemic health coverage reform.
- Expand the family planning waiver to provide coverage to women and men with incomes up to 200 percent of the federal poverty level.
- Improve services to Wisconsin seniors and disabled by expanding the Family Care program statewide and providing additional long-term care ombudsman services.
- Expand the insurance subsidy program for low-income HIV/AIDS patients to allow uninsured, unemployed HIV/AIDS patients participating in the state's AIDS drug assistance program to be eligible for insurance subsidy coverage.
- Increase group insurance minimum coverage levels for mental health and substance abuse services.

- Preserve eligibility standards for SeniorCare, with no changes in copayments, deductibles or enrollment fees, to ensure the availability of affordable, comprehensive drug coverage for low-income seniors.
- Provide additional support to the Board on Aging and Long-Term Care's Medigap Helpline, which assists seniors and their families with issues related to long-term care insurance and Medicare.
- Continue the E-Health Care Quality and Patient Safety Board, provide \$20 million over the biennium for the development of E-Health incentives and \$10 million in tax credits for health care providers to adopt new technology.

Health Care Revenue Sustainability

- Create a new health care quality trust fund that will support health care expenses in Medicaid and related programs, help pay the Medicaid cost of tobacco-related illnesses, fund the eligibility expansion for childless adults and provide increases in reimbursement rates to health care providers participating in the Medicaid program.
- Deposit all proceeds from the increase in the cigarette tax into the health care quality trust fund to offset the cost of tobacco-related illnesses.
- Make good on the commitment to finance the state's permanent endowment fund and use the investment earnings to triple funding for tobacco control activities to \$30 million annually and offset health care costs in Medicaid related to smoking. The principal will not be spent, but will continue to be held in the permanent endowment to ensure a stable funding source for smoking cessation and smoking-related health care costs well into the future.
- Increase reimbursement rates for noninstitutional providers participating in the Medicaid program by one percent in fiscal year 2007-08 and an additional two percent in fiscal year 2008-09.
- Increase nursing home provider rates by two percent in each fiscal year.
- Transfer \$175 million from the injured patients and families compensation fund in order to maintain the Medicaid program while major reforms of the program are pursued, increase provider reimbursement rates and to implement E-Health initiatives.

Children and Families

- To comprehensively and effectively address the challenges faced by families due to economic circumstances, substance abuse, illness and other disadvantages, consolidate programs serving children and families, including statewide and Milwaukee child welfare activities, child care, child support and Wisconsin Works (W-2), in a new Department of Children and Families to be implemented beginning July 1, 2008.
- Provide \$2.8 million to develop and implement a child care quality rating system to give families the tools to evaluate the quality of child care providers.
- Increase the educational attainment of child care workers by providing \$2.4 million to assist in obtaining early childhood education degrees and to increase the salaries of workers successfully completing their degrees.

- Provide a \$100,000 biennial increase to support activities of Boys and Girls Clubs throughout Wisconsin and another \$500,000 specifically targeted to the Boys and Girls Clubs of Greater Milwaukee to expand sites and implement early literacy programs.
- Provide \$1.5 million over the biennium to maintain support for the Educare Center of Milwaukee.
- Provide \$7.8 million to extend the length of time that parents of infants may stay home with their newborn children from 12 to 26 weeks.
- Provide \$1.4 million in cash assistance to unmarried, pregnant women with no other custodial children and who are participating in the Wisconsin Works (W-2) program, are in the third trimester of a medically verified, at-risk pregnancy and are unable to work.
- Provide \$9.3 million to meet increased demand for emergency assistance payments to low-income individuals and families affected by fire, flood, natural disaster, energy crisis, homelessness or impending homelessness.
- Direct the Department of Workforce Development to implement a Real Work Real Pay pilot project, under which 500 Wisconsin Works (W-2) participants would be enrolled in an enhanced version of the existing W-2 Trial Jobs employment position.
- Establish a Family Foundations universal home visiting program for first-time parents and expanding the targeted home visiting program for first-time parents eligible for Medical Assistance.
- Provide \$500,000 for planning activities to assess the ability of managed care organizations to provide full-risk managed care to disabled child Medicaid recipients leading to the development of a children's managed long-term care system, similar to the Family Care program for adults.
- Require group insurance plans to provide coverage for autism spectrum disorder services.
- Provide funding to increase foster care rates by five percent in fiscal year 2007-08 and an additional five percent in fiscal year 2008-09.
- Increase fees for obtaining copies of vital records in support of system enhancements required under federal homeland security mandates and to increase funding for the Children's Trust Fund, for domestic abuse prevention and for social services for vulnerable children and families.

Other Health and Family Services Items

- Implement major reforms in the Medicaid quality assurance program to ensure the integrity of eligibility standards and payments made on behalf of Medicaid beneficiaries.
- Institute additional efficiencies in Medicaid relating to the use of home care, personal care and private duty nursing services.
- Improve information technology systems at the Office of the Commissioner of Insurance dedicated to agent licensing, and operation of the injured patients and families compensation fund.

- Provide additional staff for the 100-bed expansion at the Sand Ridge Secure Treatment Facility for sexually violent persons associated population increases due to new legislation aimed at increasing public safety.
- Provide funding and legal authority to treat mentally ill inmates to competency in county jails.

E. JUSTICE



- Create a Bureau of Criminal Justice Research in the Office of Justice Assistance with 8.0 FTE GPR positions to expand statistical analysis efforts in support of cost-effective criminal sentencing, incarceration and offender rehabilitation programs.
- Complete the task of truth-in-sentencing by creating an 11-member Truth-in-Sentencing Phase II Council and direct it to propose legislation for sentencing guidelines by January 1, 2008.
- Create an Earned Release Review Commission to manage the process of returning to the community, or releasing from community supervision, nonviolent offenders that have served 75 percent of their sentence for a Class F to I felony. This will free up time that county courts currently spend managing this process.
- Provide \$10.4 million GPR and 122.25 FTE GPR positions for the implementation of 2005 Wisconsin Act 431, pertaining to global positioning tracking of serious child sex offenders.
- Increase staffing for the Internet Crimes Against Children Task Force by 3.0 FTE GPR positions and \$350,000 GPR annually.
- Provide 15.0 FTE GPR positions, \$2.9 million GPR and \$845,000 PR to address the backlog of processing DNA evidence at the state crime labs.
- Increase state funding to counties for Youth Aids by \$27 million over the biennium.
- Provide over \$4 million GPR over the biennium to address crime in Milwaukee. Funding will allow for additional police officers for the city of Milwaukee, and increased resources for better sentencing, treatment and rehabilitation of offenders.
- Increase county victim witness funding by \$3 million over the biennium and increase compensation payments by \$780,000 biennially through redirection of monies currently deposited in the general fund and additional federal matching dollars.
- Increase payments to counties by \$19 million to support Circuit Court operations.
- Fully fund the state public defender private bar appropriation by reducing the use of private attorneys.
- Provide funding for civil legal services to indigent persons to help on targeted issues, including guardian ad litem and obtaining child support.

- Provide \$3.4 million GPR and 33.25 FTE GPR positions for the Taycheedah Correctional Institution to improve medical and mental health treatment.
- Create a criminal justice program support fund by increasing and combining the current penalty surcharge and handgun hotline fees into one fund to ensure adequate program revenue funding for important criminal justice programs.
- Provide \$452,400 GPR and 5.0 FTE GPR positions in fiscal year 2008-09 to staff the Wisconsin Statewide Intelligence Center to coordinate interagency intelligence efforts and enable information sharing throughout the state to protect our citizens and critical infrastructure.

F. GOVERNMENT OPERATIONS AND EFFICIENCY



- Double the statutory minimum balance from the current \$65 million to \$130 million in fiscal years 2007-08 through 2010-11 and to two percent of general program revenue appropriations beginning in fiscal year 2011-12. After a \$40 million balance in the 2003-05 budget, this significant increase reflects the strong foundation set in the Governor's first two budgets.
- Slash advanced commitments by over \$800 million to their lowest level in at least 12 years.
- Lapse \$40 million in each year from major state agencies to account for ongoing savings from state administrative efficiency efforts.
- Initiate efficiency reviews in certain agencies to improve and streamline business processes in conjunction with work force planning efforts.
- Deposit an estimated \$30 million in net proceeds from the sale of state-owned buildings and land into the general fund.
- Establish the appropriation structure and direct agency base funding for the implementation of the state's Integrated Business Information System.
- Consolidate attorneys and support staff of most executive branch agencies in order to improve the provision of legal services, including contract negotiations, in state government.
- Provide 3.0 FTE PR positions to the State Historical Society to assist agency information and records planning efforts.
- Reform the Department of Regulation and Licensing fee structure by streamlining executive and legislative review of biennial fee changes and putting in place fees that are more aligned to the work effort required for regulating specific professions.
- Provide 30.0 FTE positions and \$2,533,700 PR for direct care needs at the Veterans Home at King.
- Provide \$100,000 PR in each year to conduct a market study that will help assess how best the veterans nursing homes may adapt to meet their clients' needs.
- Authorize \$28,500 GPR in each year for Military Funeral Honors stipends.

- Provide \$125,000 GPR in each year for funds to continue Mission Welcome Home outreach and for assistance to returning veterans suffering from post-traumatic stress disorder.
- Provide \$104,300 GPR in fiscal year 2007-08 and \$208,700 GPR in fiscal year 2008-09 for nursing home care aids to indigent veterans.
- Provide \$25,000 GPR in each year for grants to the Center for Veterans Issues to offer outreach services to homeless veterans in the Milwaukee area.
- Increase grants by \$34,900 SEG for County Veterans Service Offices in Jackson, Taylor, Calumet, Polk, Dunn, Monroe and Sheboygan counties.
- Increase outreach grant funding in the American Indian Veterans Program by \$22,000 PR in each year.
- Provide \$223,800 GPR in fiscal year 2007-08 and \$235,800 GPR in fiscal year 2008-09 for staff and improvements at the Wisconsin Veterans Museum.
- Reduce the minimum age for eligibility in the Wisconsin GI Bill program from 18 to 17 years and eliminate the full-time student participation requirement in the Wisconsin GI Bill for otherwise eligible dependent children of Wisconsin veterans.
- Increase by \$50 million the bond limit of the veterans self-amortizing mortgage loan program.
- Create an appropriation for the public financing of campaigns in support of a new Government Accountability Board and implementation of a bipartisan ethics reform initiative.
- Approve \$450,000 GPR in each year for support of the Campaign Finance System database conversion.
- Provide \$924,700 GPR in fiscal year 2007-08 and \$1,027,200 GPR in fiscal year 2008-09 to support hosting services of the Statewide Voter Registration System.
- Increase staff and funding in the Department of Employee Trust Funds by 9.5 FTE SEG positions for critical customer retirement services and 9.0 FTE SEG permanent and project positions for core processes reengineering.
- Provide funding of \$425,000 SEG annually for value-based health care purchasing initiatives in the Department of Employee Trust Funds.
- Improve University of Wisconsin faculty and staff and state government employee recruitment and retention by including domestic partners for purposes of group health insurance coverage and allowing health insurance coverage for all new employees after two months of employment.

G. REVENUE AND GENERAL FUND TAXES



- Fund over \$600 million in tax reductions enacted in previous biennia that take effect in this budget, including full exemption of Social Security income (\$145.6 million), full implementation of the single sales factor apportionment in the corporate income tax (\$41 million) and the school levy tax credit (\$248 million).
- Increase the cigarette tax by \$1.25 to \$2.02 per pack and increase the tobacco products tax by 40.6 percentage points to 65 percent of average wholesale price, increasing state revenue by \$275.7 million in fiscal year 2007-08 and \$270.5 million in fiscal year 2008-09. Revenues will be deposited in a new health care quality trust fund to support the cost of smoking-related illnesses and expand antismoking and cessation efforts.
- Increase the real estate transfer fee to 0.6 percent and change the state share from 80 percent to 90 percent of proceeds, increasing state revenue by \$64.6 million in fiscal year 2007-08 and \$77.5 million in fiscal year 2008-09. Dedicate all of the state's proceeds from the real estate transfer fee to a county aid fund. The real estate transfer fee has not been increased in over 20 years and will still be below the national average.
- Provide an income tax deduction for health insurance premiums paid by employees who pay part of their premiums. This deduction will be phased-in over four years beginning in tax year 2008, reducing income taxes by \$11.8 million in fiscal year 2008-09.
- Provide an income tax deduction for those who claim the federal household and dependent care tax credit. This deduction will be phased-in over four years beginning in tax year 2008, providing \$3.9 million in tax relief in fiscal year 2008-09.
- Increase the college tuition deduction to \$6,000 and expand it to include the cost of academic fees, providing \$2.4 million in tax relief in fiscal year 2007-08 and \$1.6 million in fiscal year 2008-09.
- Exempt purchases of machinery and equipment used in the biotechnology industry from the sales tax, providing \$2.5 million in tax relief each year.
- Level the playing field for small and large retail businesses by extending the sales tax to include digital personal property if the tangible personal property is also taxed, generating \$2.6 million in fiscal year 2007-08 and \$3.7 million in fiscal year 2008-09.
- Create a \$10 million annual income and franchise tax credit for health care providers' purchases of information technology hardware and software beginning in 2009, providing tax relief of \$4.5 million in fiscal year 2008-09.
- Adopt a Mainstreet Equity Act by implementing the provisions of the national streamlined sales and use tax product. Voluntary compliance will generate \$1.3 million in fiscal year 2007-08 and by \$3.5 million in fiscal year 2008-09.
- Increase the efficiency of tax collections through increased electronic filing of sales tax returns and increasing Department of Revenue based collection efforts, generating \$8.8 million per year.

- Update Wisconsin tax code to recent changes in the federal Internal Revenue Code, reducing tax collections by \$0.6 million in fiscal year 2007-08 and \$1.1 million in fiscal year 2008-09.

**Development of
the 2007-09 Budget**

II. DEVELOPMENT OF THE 2007-09 BUDGET

A. OVERVIEW

Governor Doyle's 2007-09 budget is the third in a multibiennia effort to restore fiscal responsibility to the state's finances. Having inherited the largest budget deficit in the state's history, Governor Doyle took the difficult steps necessary to put Wisconsin's fiscal house in order and cut state agency spending by \$700 million by making government run more efficiently. While many states raised taxes in the midst of one of the worst budget crises since the Second World War, Wisconsin balanced its budget without raising taxes. In fact, almost \$700 million in targeted tax cuts and credits have been enacted in order to grow Wisconsin's economy and dramatically reduce taxes on Wisconsin's seniors.

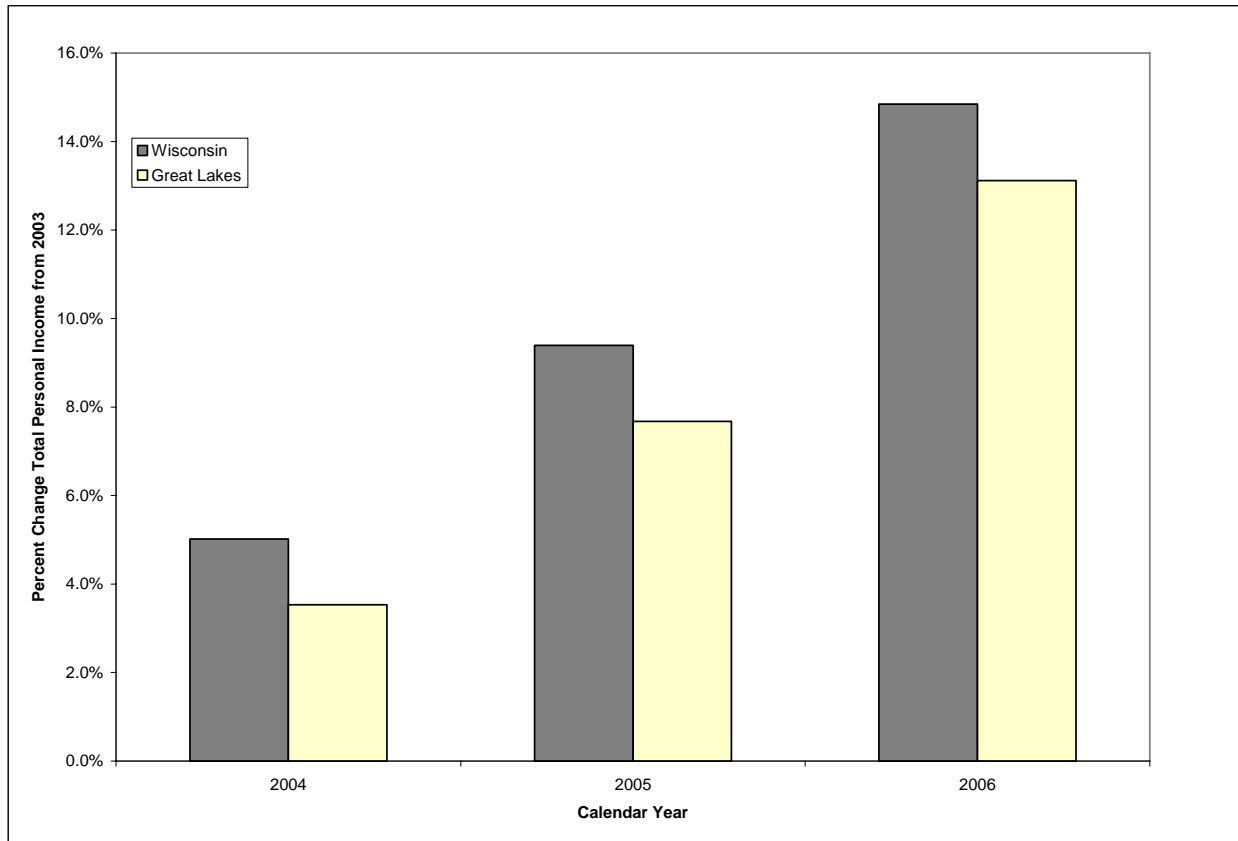
By reducing the size of Wisconsin state government, cutting state taxes and the local government property tax burden, improving Wisconsin's regulatory climate and environment, and protecting education and health care – the Governor's first two budgets set a foundation for a stronger Wisconsin. The 2007-09 budget builds on those prudent decisions by strengthening Wisconsin's fiscal house – reducing advanced commitments by over \$850 million and doubling the state's ending balance.

The Wisconsin economy continues to expand. While overall job growth grew at a modest 0.7 percent over the past year, government employment in Wisconsin declined more than three percent between December 2005 and December 2006. Only a handful of states have a declining government sector. Wisconsin had the biggest drop in the nation. This reduction highlights more robust growth in the state's private sector employment.

Wisconsin's private employment growth tied Illinois to lead the Great Lakes region with a 1.3 percent growth between December 2005 and December 2006. Among the region's 63 metropolitan areas, Wisconsin had the two fastest growing job markets (Madison and Eau Claire), three of the top five (including Oshkosh) and four of the top ten (including Milwaukee).

Personal income growth in Wisconsin outpaces the Great Lakes region as a whole. Since 2003, Wisconsin's personal income has increased 14.8 percent compared to 13.1 percent for the region.

CHART 1: WISCONSIN OUTPACES REGION IN PERSONAL INCOME GROWTH



The Governor's 2007-09 budget funds over \$600 million in tax reductions from his first two budgets and proposes another \$400 million in new tax cuts and credits over the next four years. The already enacted and proposed tax reductions total over \$1.7 billion by 2011. The Governor's Grow Wisconsin initiative is expanded in this budget through a doubling of funding and streamlining of programs in the Wisconsin development fund. This increase is focused on rapid expansion of the state's bioindustry-based economy and added incentives for angel, early stage and venture capital investment.

A strong and diverse Wisconsin economy boosts family income. Prudent investments and cost-effective government hold the line on Wisconsin's tax burden. The Governor successfully held property taxes to their lowest level in years through maintaining two-thirds funding of schools and enacting the toughest limits on local property taxes in state history. Since 2003, the state tax burden has been among the lowest levels in over 35 years.

Critical to the success of Wisconsin's economy is affordable and accessible health care. The Governor's first two budgets protected key health care programs and set the stage for health care reform. The 2007-09 budget will ensure that over 98 percent of Wisconsin citizens have access to affordable quality health care. Most importantly, all children will have access to health care.

The Governor's 2007-09 proposed budget is focused on affordability and opportunity for middle-class families. Our quality of life and future economic security and growth demand that Wisconsin families have affordable health care and access to education. This is accomplished through the following actions:

- Increase health care access and quality. The budget includes a new tax deduction for private employee health insurance premium costs. Health care programs are expanded to cover more families, childless adults, seniors and the disabled through the BadgerCare Plus and Family Care programs. In addition, grants and tax credits are provided to enhance patient safety through electronic medical records management systems.
- Reduce smoking. The budget dedicates a \$1.25 increase in the cigarette tax toward reducing the incidence of smoking among Wisconsin teens and to pay for tobacco-related health care costs in the Medicaid program. The budget fulfills the commitment to deposit funds in the permanent endowment in support of a threefold increase in Wisconsin's antismoking efforts.
- Support our children. A major funding increase for the Student Achievement Guarantee in Education (SAGE) program, large increases in funding for special and bilingual education aid and school breakfasts, and a major new program focused on closing the achievement gap in Milwaukee Public Schools are included in the budget. A commitment is made to protect the state's child care programs from dramatic funding reductions as much as possible.
- Invest in the University of Wisconsin. Access to higher education is the key to Wisconsin's economic future. The Governor's budget provides over \$225 million in state tax dollars to fund the University of Wisconsin Growth Agenda and provide for additional student financial aid. The Wisconsin Covenant is set forth in this budget – ensuring that students who get good grades, stay focused on school and take a rigorous curriculum will receive the financial assistance necessary to attend college. The college tuition tax deduction is expanded by 32 percent to assist families with meeting the cost of higher education.
- Limit residential property taxes. The budget continues a two-year limit on local property taxes while understanding the need for local communities to grow their economies and focuses new property tax credit dollars on reducing the residential property tax burden.
- Increase state aid. General and categorical school aids are increased to maintain the commitment to fund two-thirds of school costs. Youth Aids, court support, and shared revenues to municipalities and counties are increased for the first time in over five years.
- Help schools and local governments address costs. Incentives are provided to local governments to hold down growth in property taxes below allowable limits. The qualified economic offer law is repealed and schools are authorized to invest in school safety and teacher mentoring efforts so that school boards, administrators and teachers have the tools necessary to ensure a cost-effective, safe and productive school environment.
- Streamline state government. Programs that assist children and families are being consolidated to eliminate red tape and ensure the highest quality services to our neediest families. Expansion of health care programs to the uninsured is being supported through more efficient delivery systems and managed care. Further state operations reductions will be achieved through reengineering accounting, financial and human resources activities in conjunction with implementation of new information technology systems and work force planning.

B. REVENUE AND EXPENDITURE OUTLOOK

Wisconsin's economy is expected to continue to perform well over the next two years. The results of the gains in the state's economy are reflected in the revenue estimates for the 2007-09 biennium prepared by the Legislative Fiscal Bureau. They project a healthy growth in state revenues of \$398 million in fiscal year 2007-08 (3.2 percent) and another \$458 million in fiscal year 2008-09 (3.5 percent). Leading this

growth is a steady rise in individual income tax revenue, produced by growing employment and rising wages. The revenue estimates assume a 4.5 percent growth in individual income tax receipts in fiscal year 2007-08 and 5.2 percent in fiscal year 2008-09, following a 5.5 percent gain this year.

While growth in total personal income usually means higher disposable income, and a commensurate increase in sales tax revenue, the Legislative Fiscal Bureau assumes a much slower rate of growth in sales taxes than in income. Sales tax growth will be a modest 2.4 percent in fiscal year 2007-08 and 3.9 percent in fiscal year 2008-09.

The overall growth in revenue collections reflects tax cuts adopted in prior years. During this biennium, the transition to single sales factor apportionment of corporate income will be completed. Further, Social Security income will become completely exempt from individual income taxes.

The Department of Administration and Department of Revenue will continue to closely monitor general fund tax collections over the next few months as the Legislature deliberates on the Governor's budget.

Development of the Governor's budget from an expenditure perspective was challenging due to the long-term effort necessary to reverse the excessive spending of the 1990s. Balancing the previous two budgets without tax increases while preserving the state's priorities of education, health care and the economy demanded difficult decisions. The 2007-09 budget builds on the efforts made in the last two budgets by funding targeted tax reductions from the last two biennia, including dramatic reductions in the growth of residential property taxes and making significant investments in support of Wisconsin families.

C. GOALS – WHERE WE WANT TO GO

The overall fiscal goals of the Governor's 2007-09 budget are as follows:

1. Balance the budget without general tax increases.
2. Dramatically reduce the state's advanced budget commitments and the use of one-time funding measures.
3. Double the state's required general fund ending balance.
4. Continue to streamline government services and improve cost-effectiveness.

In addition, the Governor has several important policy goals that guided decisions throughout the development of the 2007-09 budget:

1. Increase access to affordable, high-quality health care and reduce the number of Wisconsin families without health insurance.
2. Dramatically reduce tobacco use in Wisconsin and address tobacco-related health care costs.
3. Strengthen K-12 schools in Wisconsin through funding two-thirds of school costs, including increases for the Student Achievement Guarantee in Education (SAGE) small class size program, special and bilingual education, and school breakfasts.
4. Provide local school districts and teachers with the tools to ensure a safe school environment and improve compensation and reduce health insurance costs by repealing the qualified economic offer requirement and allowing additional expenditures for school safety and teacher quality improvement efforts.
5. Ensure all children can succeed by streamlining services for children and families and protecting the state's child care subsidy program from deep funding cuts and investing in child welfare and foster care programs, quality ratings of child care centers and additional 4-year-old kindergarten programs.

6. Invest in Wisconsin's economic future through additional state support to the University of Wisconsin, modest tuition increases, significant increases in student financial aid, and guaranteeing access to higher education for Wisconsin's children through startup of the Wisconsin Covenant.
7. Address the unique needs of Wisconsin's largest city through investments in the achievement of Milwaukee Public School students, offsetting the cost to city of Milwaukee residents of additional students in the Milwaukee Parental Choice Program, additional state support for public safety-related efforts and expanded economic development and financial management tools for the city and county of Milwaukee.
8. Continue to build economic development momentum by providing new revenues in support of transportation infrastructure investments, tax credits for early stage and angel investments, venture capital networks, significant expansions in job training and youth apprenticeships, and large investments in renewable fuels and biobased industry expansion efforts.
9. Expand state aid to municipalities and counties, continue reasonable and effective limits on local property taxes and provide incentives for further limiting growth in local government property tax levies.
10. Protect Wisconsin citizens, children and families and ensure the most effective use of public tax dollars in support of public safety, criminal justice and correctional programs.

D. BALANCING THE BUDGET

Major Budget Pressures

Major budget pressures the Governor faced in balancing the budget include:

First, advanced commitments from the 2005-07 biennium totaling approximately \$625 million in fiscal year 2007-08. Over one-third of this amount, \$240 million is related to funding tax cuts and credits. Another significant commitment is \$300 million biennially in one-time items from fiscal year 2006-07 that must be addressed.

Second, cost pressures in the state's correctional system have increased. In addition to the \$255 million requested by the Department of Corrections in its original request, another \$158 million in cost pressures were identified related to health care services and potential population growth. Ensuring a cost-effective criminal justice system that protects Wisconsin citizens and breaks the costly cycle of crime is one of the key elements of the Governor's budget.

Third, the Temporary Assistance for Needy Families (TANF) block grant, which funds the Wisconsin Works (W-2) and Wisconsin Shares child care subsidy programs, has a structural deficit of \$170 million. This shortfall is due to the decreasing share of child care costs covered by the federal government and increased participation in the child care subsidy program.

Fourth, debt service costs have increased due to issuance of previously authorized, but unissued debt. Debt service costs, once incurred, must be funded. Authorization of new debt should be done in a prudent manner.

Fifth, in each budget the state must include funding for the costs of any new positions, new programs, fringe benefit increases or pay increases begun in the last budget, but not fully implemented or not funded on a full-year basis. These so-called standard budget adjustments are made to ensure that new budget authority recognizes existing payrolls. Standard budget adjustments are taken for granted by agencies because they are viewed as "housekeeping" items. In reality, they are a significant cost that must be met in putting a budget together.

Finally, each budget faces the pressure of funding new settlements that will be reached under collective bargaining agreements with various state employee unions and a companion pay package for nonrepresented employees. This major pressure also includes funding anticipated future cost increases for health care, as well as fully funding the cost of health insurance premium increases which already occurred with 2006 coverage.

Balancing the Budget

Restoring fiscal responsibility to the state budget is a multiyear effort. In the last two budgets and again in this budget, the Governor is not proposing any increases in general state taxes. Targeted excise tax increases are proposed to fund tobacco-related Medicaid costs, reduce the incidence of smoking and to support current and expanded local government aid programs. The advanced commitments included in this budget for the 2009-11 biennium are reduced by more than 50 percent compared with the 2005-07 budget and are at their lowest level since the mid-1990s. This dramatic reduction sets the stage for continued strengthening of the state's fiscal condition and is achieved at the same time priorities are met in health care, education, economic development, local government services and property tax relief. It took decades to create the structural weaknesses in the budget. It will require continued prudent budgeting to reverse those years of excessive spending.

With our priorities in mind, the Governor's budget is balanced by continuing to drive efficiency into state government and secure a commensurate reduction in state operations spending. One-time measures are at the lowest level in several years and are used in a targeted manner to minimize the impact on the structural deficit. Borrowing is minimized.

CHART 2: DRAMATIC REDUCTION IN ADVANCED COMMITMENTS

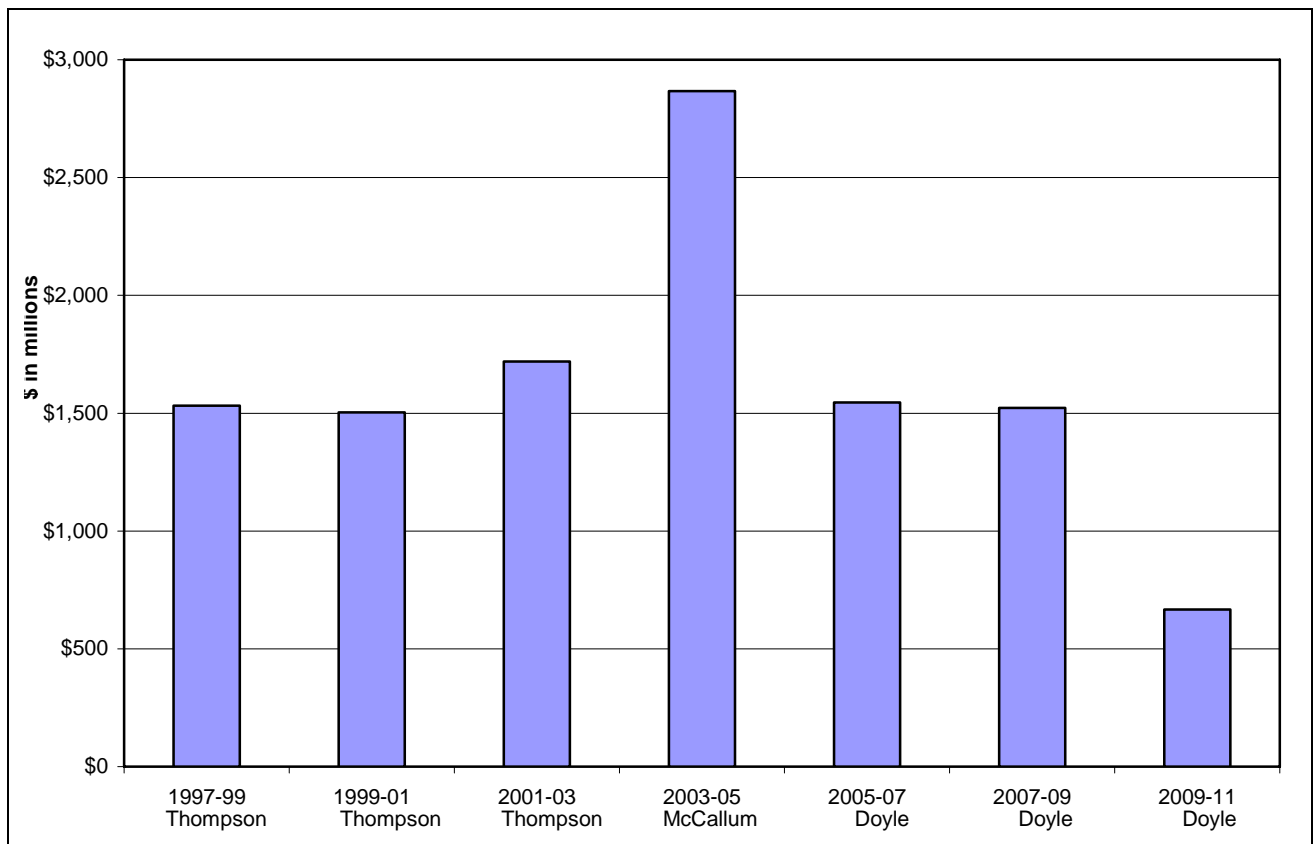


TABLE 1: BALANCING THE BUDGET
(\$ in millions)

FY09 Ending Balance – November 20, 2006 Report (Agency Requests)	-\$1,630
Legislative Fiscal Bureau Reestimates – January 30, 2007 Memo	-24
Legislative Fiscal Bureau – FY07 Shortfalls	-100
Current 2007-09 Budget Gap	<u>-\$1,754</u>
Governor Doyle's Plan for Affordability and Fiscal Responsibility	
FY07 Budget Adjustment Legislation	\$69
Set Statutory Balance at \$130 million	-65
Tax Cuts and Credits	-52
GPR for Earned Income Tax Credit / Funding for Child Care Subsidy Program	-55
State Government Operations Efficiencies	80
Pupil Transportation from Transportation Fund	56
Medical Assistance Provider Rate Increases	-23
Medical Assistance Reestimates and Efficiencies	218
Shift of Funding Related to Tobacco-Related Medicaid Costs, Transfers and Assessments (funded from tobacco tax increase, interest earnings from permanent endowment fund, hospital assessment and transfer from injured patients and families compensation fund)	753
Shift of Costs Related to County Aid Programs (funded from real estate transfer fee)	221
Net Reductions from Agency Requests and Other Reestimates	437
Permanent Program Shifts from GPR to the Transportation Fund	105
Asset Sales	30
Transfers from the Recycling and Petroleum Inspection Funds	37
Revenue Enhancements/Mainstreet Equity Act	39
Debt Service Reestimates	-71
Fuel and Utility Reestimates	<u>-23</u>
TOTAL	\$1,756
FY09 Net Ending Balance	\$2

The following actions are proposed to balance the budget:

1. Cut the cost of state agency administrative operations by \$80 million through use of new management strategies in conjunction with implementation of new financial and human resources information technology systems. These savings are in addition to reducing agency budget requests and making other reestimates, including debt service and fuel and utilities, totaling \$343 million.

2. Reduce costs in the state's Medicaid program by \$218 million. In addition, deposit \$546 million in proceeds from a \$1.25 per pack increase in tobacco taxes, \$418 million from an assessment on hospitals, \$175 million from excess revenue in the injured patients and families compensation fund and \$50 million annually in interest earnings from the state permanent endowment fund in a new health care quality trust fund. Reduce Medical Assistance GPR costs associated with tobacco-related illnesses by \$733 million and replace \$20 million GPR for antismoking programs. Revenues in the new fund will also be used to increase payments to hospitals by \$296 million, make \$20 million in grants for electronic medical records development, support \$60 million in tobacco control activities and invest \$6 million of new funding and \$10 million of existing state and local resources to leverage \$23 million in federal Medicaid funding to expand health care to childless adults.
3. Create a new county aid fund supported by the real estate transfer fee. The fee will be increased by three mills and total proceeds to the new fund are estimated at \$266 million over the biennium. These revenues will support county shared revenue, expanded Youth Aids funding to counties and increased funding for county Circuit Court support costs. County shared revenue will continue to be augmented by \$135 million GPR over the biennium.
4. Shift \$161 million GPR for certain transportation-related programs, including pupil transportation and debt service on general obligation bonds issued for transportation projects, to the transportation fund.
5. Transfer excess balances of \$37 million in the recycling and petroleum inspection funds to the general fund and sell \$30 million in low-priority state facilities.
6. Increase general fund revenues by \$39 million over the biennium by implementing enhanced collections measures, ensuring tax equity for businesses related to the sale of digital products and adopting the Mainstreet Equity Act.
7. Increase the statutory balance from \$65 million to \$130 million annually through fiscal year 2010-11 and set the balance at two percent of gross appropriations and compensation reserves starting in fiscal year 2011-12. Doubling the statutory balance will strengthen Wisconsin's fiscal condition and reflects the strong foundation cast by the prudent budget decisions made by the Governor in the previous two budgets.

State Budget Overview

III. STATE BUDGET OVERVIEW

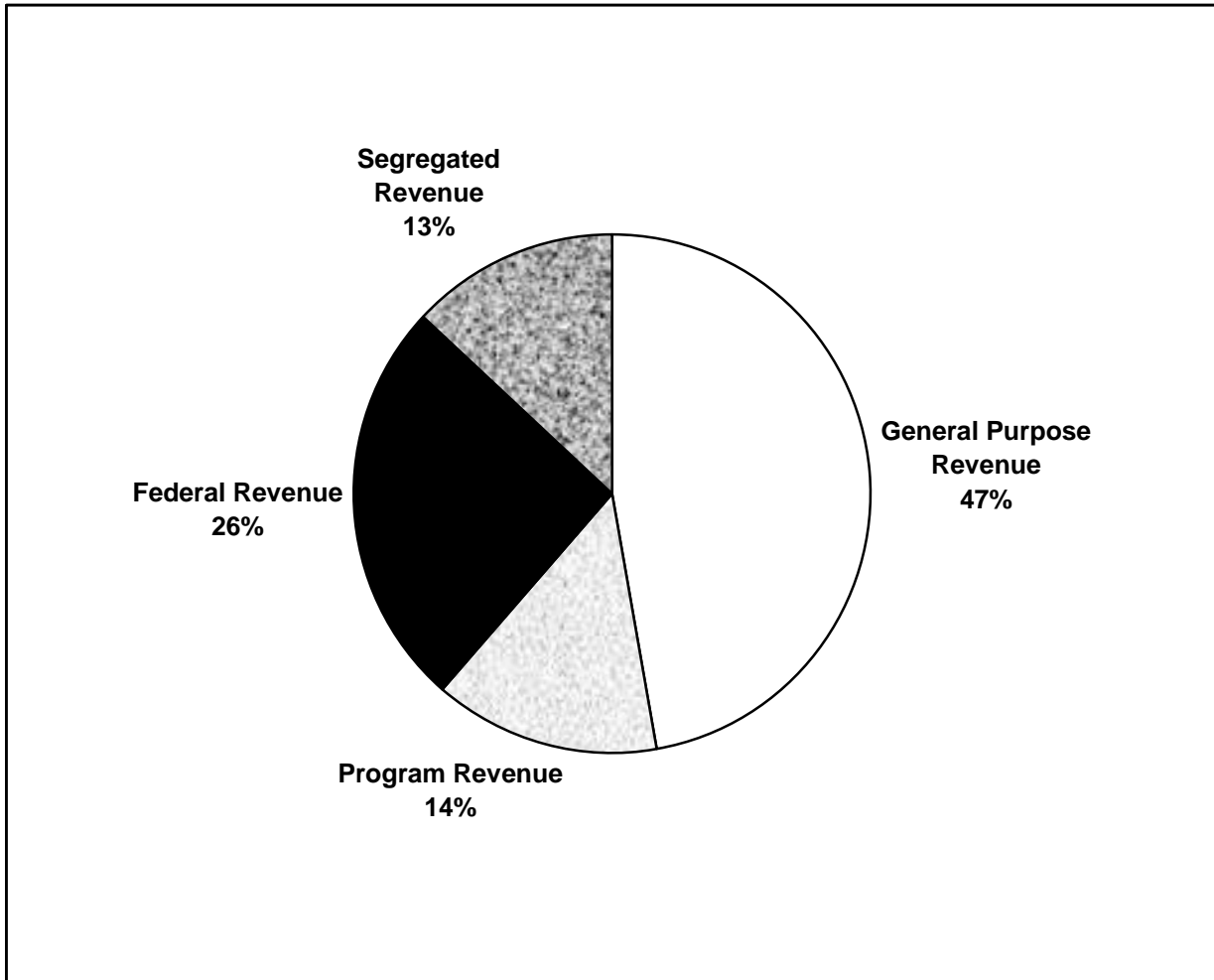
A. PRESENTATION OF THE GOVERNOR'S 2007-09 BUDGET

The Governor's proposed budget for the 2007-09 biennium is presented in its customary components. The operating budget for all agencies and their programs is submitted to the Legislature in the budget bill, the Executive Budget Book and this Budget in Brief. The capital budget will be submitted as a budget amendment, after the State Building Commission has approved a recommended building program for the 2007-09 biennium.

B. EXPENDITURES

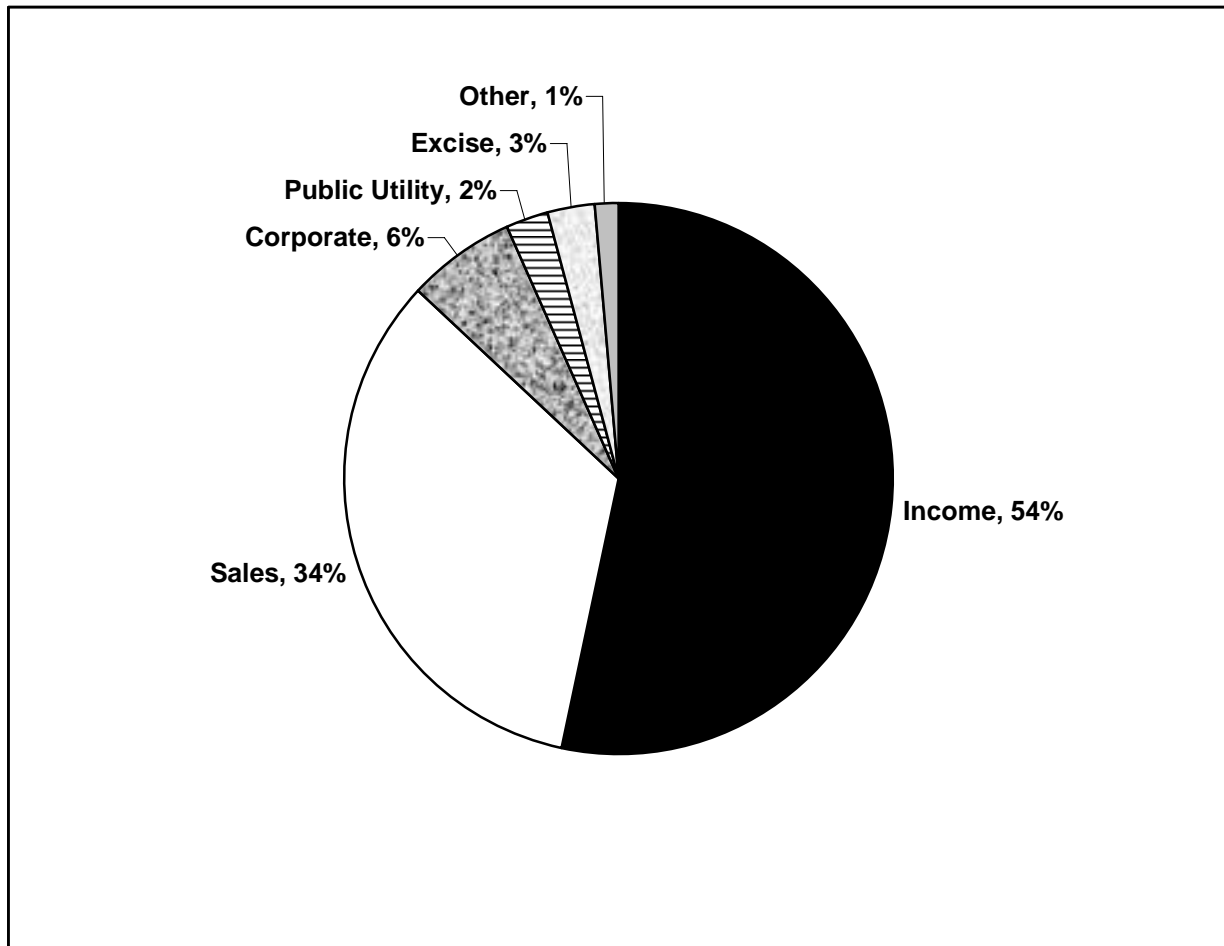
The Governor recommends an operating budget of \$28.420 billion in fiscal year 2007-08 and \$29.307 billion in fiscal year 2008-09. These figures include all four major funding sources and all state agencies and programs (see Chart 3). On an annual basis the Governor's all funds budget for fiscal year 2007-08 represents an increase of \$1,579 million (5.9 percent) over the fiscal year 2006-07 adjusted base, and the budget for fiscal year 2008-09 represents an increase of \$888 million (3.1 percent) over fiscal year 2007-08. A third of the fiscal year 2007-08 increase is related to funding advanced commitments associated with property tax credits and to leverage additional federal Medicaid funding through increased assessments and rate payments to hospitals. Much of the fiscal year 2008-09 increase is associated with additional federal Medicaid funding and increased investments in schools, the University of Wisconsin System and transportation infrastructure.

CHART 3: FISCAL YEAR 2008-09 BUDGET BY FUND SOURCE



The largest portion of the state budget is funded from general purpose revenue (GPR), which includes the individual income tax, the state sales tax, the corporate income tax and various other taxes (see Chart 4).

CHART 4: FISCAL YEAR 2008-09 GPR TAX REVENUE BY TYPE



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

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

Segregated revenues (SEG-O) include revenues from such sources as the motor fuel tax, hunting and fishing license fees, and lottery ticket sales. These revenues are deposited in segregated funds such as the transportation fund, the conservation fund and the lottery fund, which are credited with any interest they earn. Segregated revenues can only be used for specific purposes and are not general revenues of the state, but segregated revenue fund balances have historically been lapsed to the general fund. Three new segregated funds are created in the budget for health care, state aid programs to counties and affordable housing.

The Governor recommends a GPR budget of \$13.442 billion in fiscal year 2007-08 and \$13.8 billion in fiscal year 2008-09. On an annual basis the Governor's GPR budget for fiscal year 2007-08 is a spending increase of \$111.3 million (0.8 percent) over the fiscal year 2006-07 base, and for fiscal year

2008-09 is a spending increase of \$358 million (2.7 percent) over fiscal year 2007-08. Much of the increase over the biennium reflects financing advanced commitments from the 2005-07 biennium and increasing funding for school aids, the University of Wisconsin, student financial aid, and the Department of Corrections. The relatively small funding increase in fiscal year 2007-08 reflects financing tobacco-related health care costs from an increase in tobacco taxes and shifting a portion of county shared revenue to a new county aid fund supported with the current and increased real estate transfer fee revenues.

TABLE 2: LARGEST BIENNIAL GPR INCREASES OVER BASE
(\$ in millions)

Public Instruction / School Aids	\$328
Corrections	288
University of Wisconsin/Higher Educational Aids Board	227
Shared Revenue and Tax Relief	217
Medicaid / BadgerCare / SeniorCare Reestimates	195
Earned Income Tax Credit / TANF – Child Care Subsidy	55
Family Care Expansion / Supplemental Security Income	33
Minnesota/Illinois Tax Reciprocity Reestimates	29
Justice/Courts/Public Defender	28
Debt Service and Utilities Reestimates (Except University of Wisconsin, Department of Corrections and Department of Public Instruction)	13
Transfer of Medicaid Costs ¹	-854
All Other Changes	<u>21</u>
TOTAL	\$580

¹Includes transfers of Medicaid costs associated with tobacco-related illnesses to new health care quality trust fund supported by targeted revenue increases.

General program revenue spending remains moderate over the 2007-09 biennium. A cigarette tax increase of \$1.25 has been deposited in a new health care quality trust fund to finance antismoking and cessation efforts as well as to offset the costs in the Medicaid program associated with tobacco-related illnesses. In addition, the real estate transfer fee has been moved from the general fund to a new county aid fund to support county shared revenue and increased funding for Youth Aids to counties and state payments to counties for court costs.

CHART 5: GPR STATE SPENDING REMAINS MODERATE

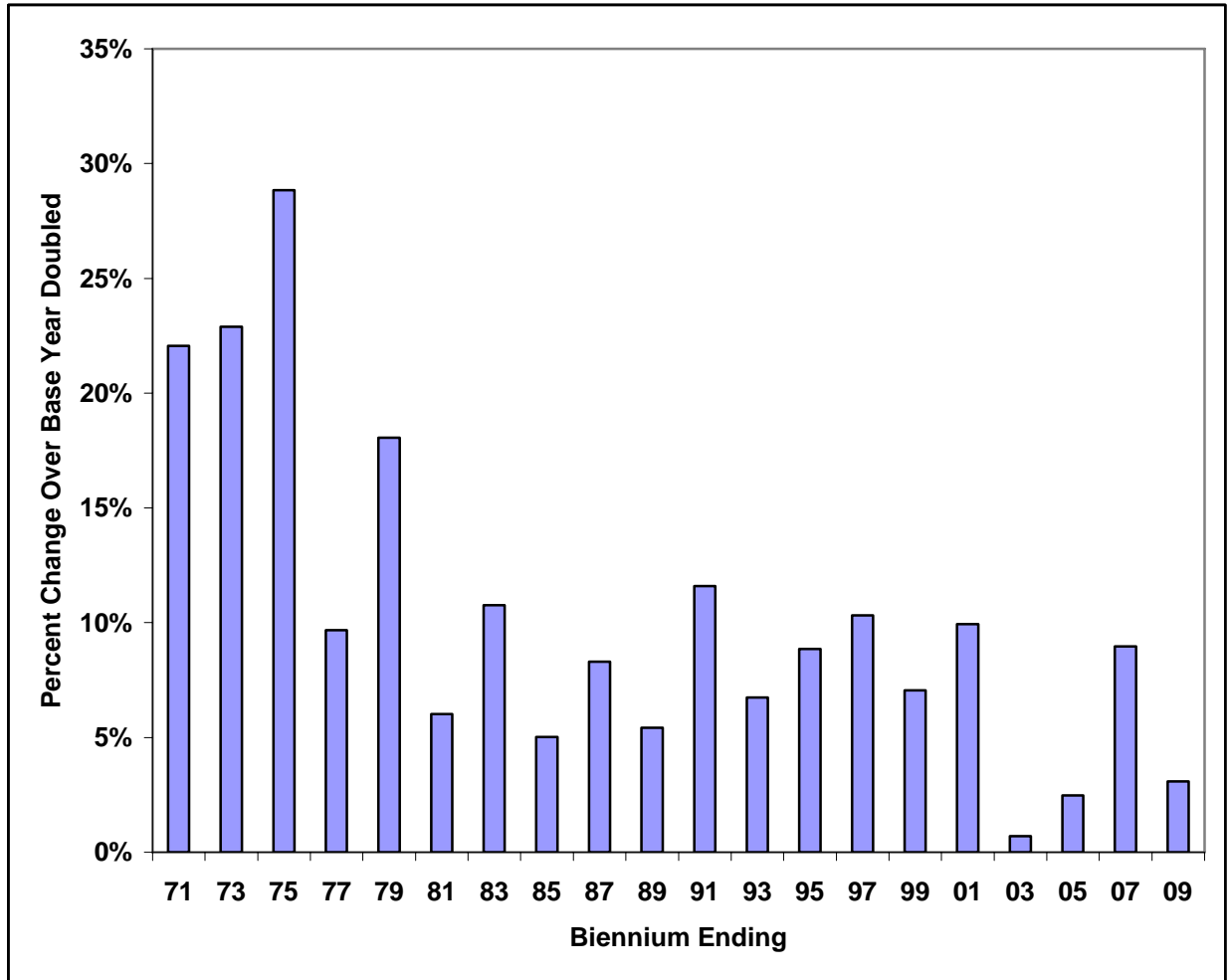
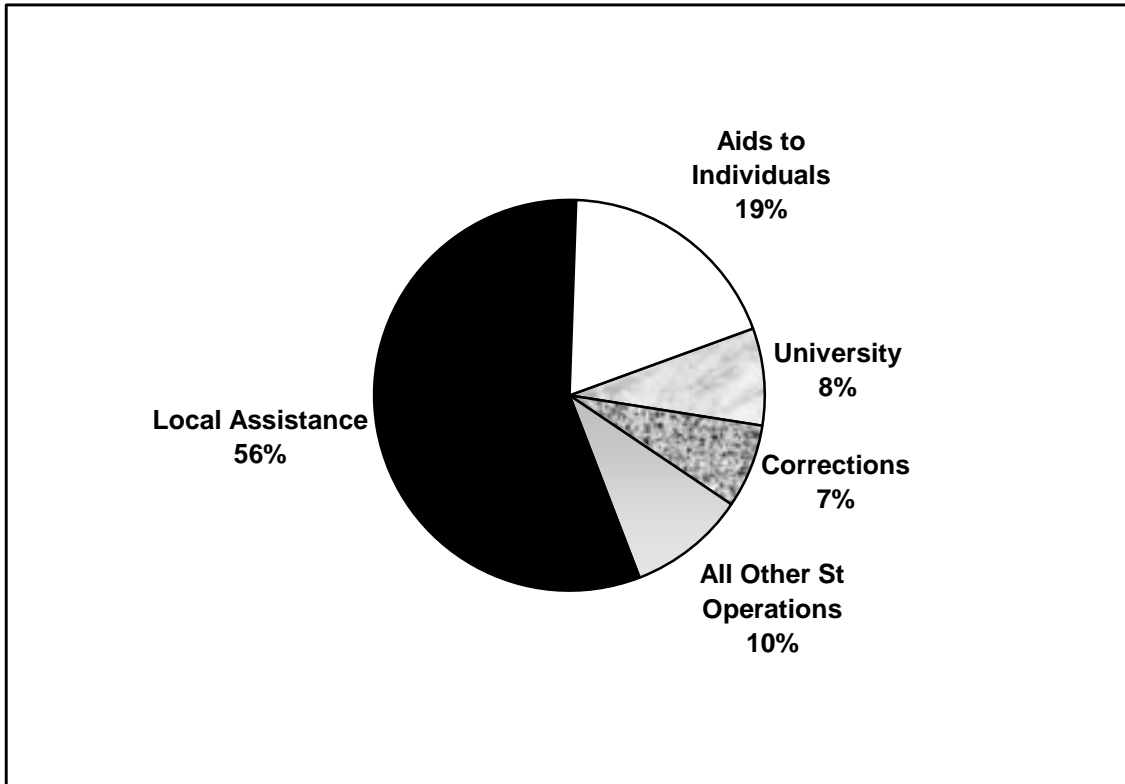


TABLE 3: TEN LARGEST GENERAL PURPOSE REVENUE PROGRAMS

	<u>FY09 Budgeted</u>	<u>Percent of Total</u>	<u>Cumulative Percent</u>
General and Categorical School Aids	\$5,483.3	39.7%	39.7%
Medical Assistance and Related Programs	1,574.4	11.4%	51.1%
University of Wisconsin	998.1	7.2%	58.4%
Shared Revenue and Tax Relief	916.2	6.6%	65.0%
Corrections	873.3	6.3%	71.3%
State Property Tax Credits	593.1	4.3%	75.6%
Debt Service	525.7	3.8%	79.4%
Community and Social Service Aids	244.5	1.8%	81.2%
Wisconsin Works and Economic Support	150.3	1.1%	82.3%
Wisconsin Technical College System Aids	<u>135.7</u>	<u>1.0%</u>	<u>83.3%</u>
Top Ten Program Total	\$11,494.6	83.3%	83.3%
Debt Service for Pension Obligation Bonds	200.6	1.5%	84.7%
All Other Programs	<u>2,105.2</u>	15.3%	100.0%
GPR Total	\$13,800.4		

CHART 6: FISCAL YEAR 2008-09 BUDGET ALLOCATION BY PURPOSE



C. POSITIONS

The Governor's budget recommendations include authorization for 68,085 full-time equivalent (FTE) state positions from all fund sources by the end of the next biennium (fiscal year 2008-09). This represents an increase of 791 (1.2 percent) compared with the fiscal year 2006-07 adjusted base of 67,294. From GPR funds the budget provides 35,031 FTE positions, an increase of 544 (1.6 percent) from the fiscal year 2006-07 adjusted base of 34,487.

As demonstrated in Table 4, the increase in positions is focused in several agencies and is needed to meet new federal or state requirements, support state infrastructure, meet demands at the state's institutions or increasing caseloads, and restore power plant operator positions that were eliminated in the 2005-07 budget by the previous Legislature.

TABLE 4: FISCAL YEAR 2008-09 FTE INCREASES OVER BASE

	<u>FTE</u>
Power Plant Operator Positions (six agencies)	270.92
Corrections	207.53
Sand Ridge Secure Treatment Center (DHFS)	91.10
University of Wisconsin Hospital and Clinics Board	91.03
Transportation	34.45
Veterans Affairs	30.20
Justice	21.00
Employee Trust Funds	15.00
Other	<u>29.77</u>
TOTAL	791.00

The power plant operator positions perform a critical function for state government services and should not have been eliminated in the first place. The Governor vetoed a provision in the last budget to privatize state heating plant activities and has never reflected these positions in the count of position reductions. Restoration of these positions has also been included in fiscal year 2006-07 budget adjustment legislation.

The fiscal year 2006-07 adjusted base also reflects an increase of 1,162 positions compared to fiscal year 2006-07 levels approved in 2005 Wisconsin Act 25 due to positions added by the University of Wisconsin Hospital and Clinics Authority and University of Wisconsin System. These two agencies have authority to create positions without approval of the legislative or executive branches.

Taken together, the final fiscal year 2008-09 FTE position levels will have increased compared to total FTE positions approved in 2005 Wisconsin Act 25, by 1,953. Of these, 511 are funded without tax or fee revenue.

TABLE 5: STATE FTE POSITIONS (FY07-FY09)

	<u>FY07 Base</u>	<u>Change from Act 25</u>	<u>FY09 Budget</u>	<u>Total Change to Base</u>	<u>Total Change to Act 25</u>
UW Hospital	2,371	0	2,462	91	91
UW Grants/FED	11,741	420	11,741	0	420
State Positions	<u>53,182</u>	<u>742</u>	<u>53,882</u>	<u>700</u>	<u>1,442</u>
Total Change	67,294	1,162	68,085	791	1,953

By fiscal year 2008-09, the state will have 2,674 fewer state positions funded with tax and fee revenue (see Table 6) since Governor Doyle took office. This is 1,171 positions higher than after the Governor's 2005-07 budget.

TABLE 6: STATE FTE POSITIONS (FY03-FY09)

	<u>FY03</u>	<u>Act 25 FY07*</u>	<u>Change</u>	<u>FY09*</u>	<u>Change to FY03</u>	<u>Percent Change</u>
University of Wisconsin – Gifts, Grants, Federal	9,649	11,321	1,672	11,741	2,092	21.7%
University of Wisconsin Hospital and Clinics Authority	1,887	2,371	484	2,462	575	30.5%
State Positions	<u>56,556</u>	<u>52,711</u>	<u>-3,845</u>	<u>53,882</u>	<u>-2,674</u>	<u>-5.1%</u>
Total State	68,092	66,403	-1,689	68,085	-7	-0.0%

*Includes restoration of power plant positions.

There are several reasons for the increase in positions. First, both the federal government and the Legislature have passed various pieces of legislation that dictate the addition of state positions. As one example, the requirement to implement global positioning system (GPS) tracking for certain sex offenders requires an additional 122 FTE positions. In another example, the federal government is requiring all states to replace driver's licenses in order to comply with new requirements aimed at improving national security.

Second, populations at the state's institutions continue to grow. Over the last three budgets, over 1,000 FTE positions will have been added to the institutions of the Department of Corrections, Department of Health and Family Services and Department of Veterans Affairs for both the safety of our citizens and to care for our most vulnerable citizens. Adequately staffing these institutions is a high priority, but requiring offsetting position reductions in the rest of state government is not sustainable over a long period.

Finally, much of the position increase comes from two agencies that have independent position creation authority, the University of Wisconsin Hospitals and Clinics Authority and the University of Wisconsin System. The hospital is a quasi-public authority that is free to create positions without legislative or executive oversight in order to compete in the health care market. The University of Wisconsin System has authority to create positions in response to receiving additional gift and grant funding, which will help

grow Wisconsin's economy. Because auxiliary enterprises and research activities of the University of Wisconsin draw hundreds of millions of federal and private research dollars to the state, neither these positions nor those of the hospital have been reflected in the state position count.

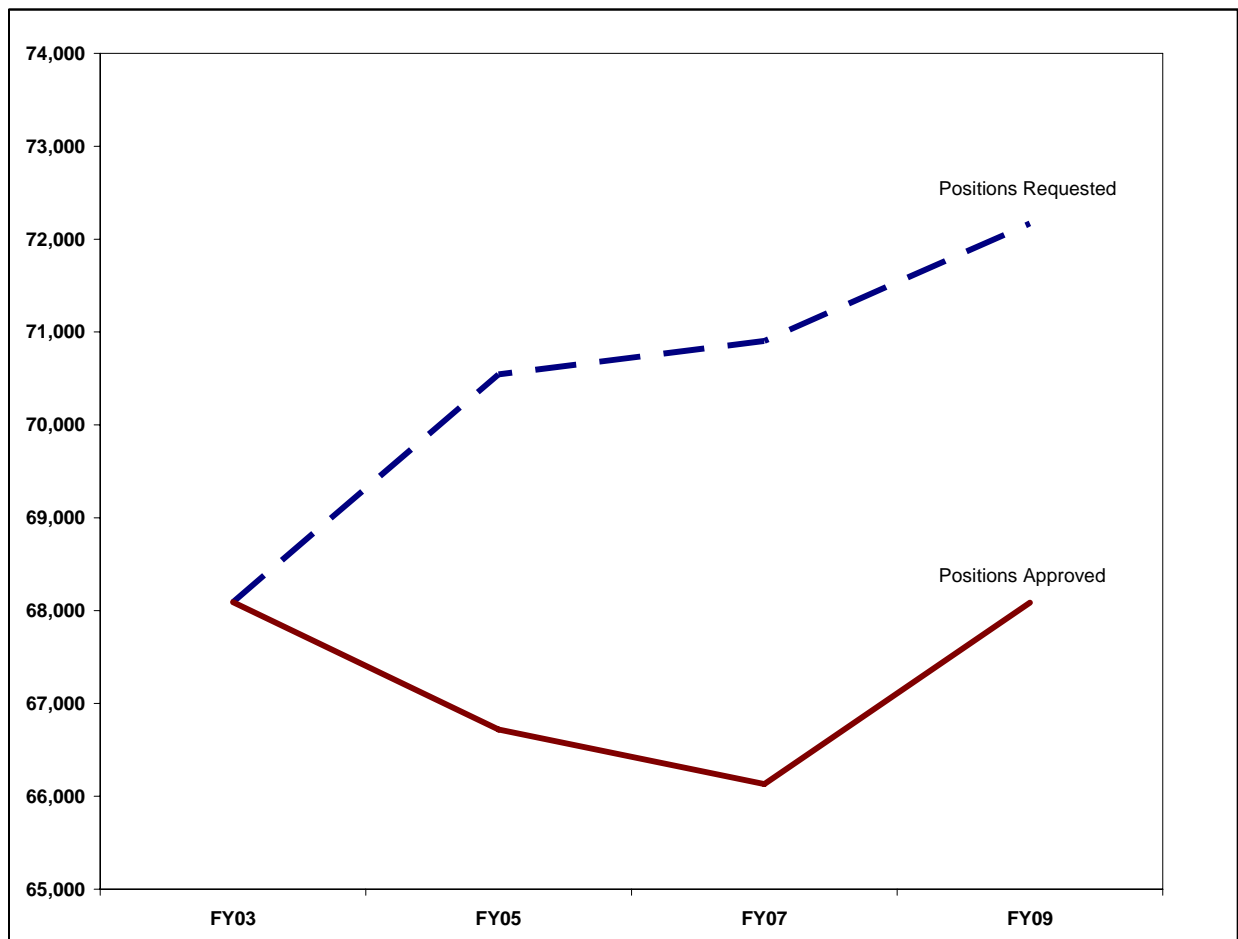
Table 7 depicts a more realistic tally of the position reductions that have been made in the rest of state government in order to offset the increases related to the programs discussed above. As shown below, over 4,700 positions will have been cut through fiscal year 2008-09 when the positions that have been added at state institutions, the University of Wisconsin, and to fulfill state and federal mandates, and the need to maintain public safety and state infrastructure have been taken into account. In addition, the majority of the remaining positions reflected in this budget are federally funded.

TABLE 7: STATE FTE POSITION REDUCTIONS

	Change from Prior Biennium			<u>Total</u>
	<u>FY05 Budget</u>	<u>FY07 Budget</u>	<u>FY09 Budget</u>	
State FTE Position Reductions	-2,886	-1,975	94	-4,767
Offsetting Position Increases				
New Positions for Institutions	594	151	326	1,071
UW Tuition and Fee-Funded Positions			534	534
Power Plant Positions			271	271
GPS Tracking of Sex Offender Positions			122	122
Federal REAL ID Mandate Positions			28	28
Transportation Infrastructure			25	25
Grain Inspection Positions			21	21
Justice Initiatives			<u>21</u>	<u>21</u>
Net Change	-2,292	-1,824	1,442	-2,674

In this budget, as in past budgets, the Governor is committed to making state government more efficient and effective. As shown in Chart 7, while positions have been added in past budgets and will have to be added in this budget to meet new requirements and program demands, it is still clear that the size of state government is smaller under Governor Doyle than it would otherwise have been had no reductions been made to positions requested by agencies. In this budget alone, the Governor cut 442 FTE positions requested by state agencies.

CHART 7: GROWTH AVOIDED IN POSITION COUNT



Difficult choices have been and will continue to be made as the administration manages two challenges facing state government operations: a \$40 million annual state operations reduction and the work force planning that will be required to address the expected retirements of up to 20 percent of classified state workers over the next five years. These two challenges will force state government to become more efficient and effective and may result in additional position reductions. The secretary of the Department of Administration will lead an effort with key state agencies that will combine reviews of business processes with work force planning and the implementation of new administrative information technology systems. All of which will result in reduced administrative costs and a smaller, but more productive state work force.

D. BUDGET BALANCE

The Governor's proposed budget as presented under the state's customary budget accounting practices is balanced in both fiscal years of the next biennium (see Table 8). As part of the Governor's continuing efforts to strengthen the state's financial condition, the statutory balance is increased by 100 percent from \$65 million to \$130 million annually. In another step in his long-term plan toward restoring fiscal responsibility to Wisconsin finances, the Governor proposes, as part of budget adjustment legislation for fiscal year 2006-07, to increase the statutory balance in that fiscal year from \$65 million to \$75 million.

**TABLE 8: GENERAL FUND CONDITION UNDER GOVERNOR'S BUDGET
AND FISCAL YEAR 2006-07 BUDGET ADJUSTMENT LEGISLATION**
(\$ in millions)

	2007-09 Governor's Budget			2009-11 Estimates	
	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
OPENING BALANCE, JULY 1	\$49.2	\$80.1	\$131.0	\$132.1	\$139.0
REVENUES AND TRANSFERS					
Taxes	12,542.6	12,883.3	13,309.5	13,936.9	14,562.3
Departmental Revenues					
Tribal Gaming Revenues	75.6	47.2	51.1	51.1	51.1
Other	<u>532.5</u>	<u>416.0</u>	<u>394.7</u>	<u>394.7</u>	<u>394.7</u>
Total Available	\$13,199.9	\$13,426.7	\$13,886.3	\$14,514.8	\$15,147.1
APPROPRIATIONS, TRANSFERS AND RESERVES					
Gross Appropriations	\$13,203.6	\$13,442.1	\$13,800.4	\$14,526.7	\$14,850.8
Compensation Reserves	178.3	67.8	172.5	67.8	172.5
Transfer to MA Trust Fund	25.4	0.0	0.0	0.0	0.0
Less Estimated Lapses	<u>-287.6</u>	<u>-214.2</u>	<u>-218.8</u>	<u>-218.8</u>	<u>-218.8</u>
Total Expenditures	\$13,119.7	\$13,295.7	\$13,754.2	\$14,375.8	\$14,804.6
BALANCES					
Gross Balance	\$80.1	\$131.0	\$132.1	\$139.0	\$342.5
Less Required Statutory Balance	<u>-75.0</u>	<u>-130.0</u>	<u>-130.0</u>	<u>-130.0</u>	<u>-130.0</u>
Net Balance, June 30	\$5.1	\$1.0	\$2.1	\$9.0	\$212.5
Structural Balance	\$30.9	\$50.9	\$1.1	\$6.9	\$203.5

Detail may not add due to rounding.

The estimated four-year fund condition statement is also balanced and shows a significant surplus by fiscal year 2010-11. These estimates assume that revenues will grow at the same pace as projected growth in personal income (5.1 percent annually). Expenditures in major GPR programs are increased at the average rate of change over the past few years or assumed to increase based on incorporating compensation reserves into gross appropriations for subsequent fiscal years. Finally, prospective tax cuts and commitments to additional expenditures made in this biennium for the next are also addressed in the estimates. These tax reductions total over \$1.7 billion during the four years from fiscal year 2007-08 through fiscal year 2010-11 (see Table 9).

TABLE 9: PROSPECTIVE TAX REDUCTIONS

(Table Corrected 02-13-07)

(\$ in millions)

	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
From Prior Biennia (Change to FY07)				
BUSINESS TAX RELIEF				
2003 Act 37: Single Factor (Sales) Apportionment	-\$16.0	-\$25.0	-\$25.0	-\$25.0
2003 Act 99: Fuel and Electricity Exemption and Credits	-3.0	-5.0	-5.0	-5.0
2003 Act 267: Income Credits for Fuel and Electricity	-5.9	-6.4	-6.4	-6.4
2005 Act 77: Health Insurance Risk Sharing Authority	-10.0	-5.0	0.0	0.0
2005 Act 361: Rural Enterprise Development Zones	-1.5	-6.0	-6.0	-6.0
2005 Act 366: Sales Tax Exemption Farming Personal Property	-6.2	-6.2	-6.2	-6.2
2005 Act 479: Credit for Internet Broadband Equipment	-7.5	0.0	0.0	0.0
2005 Act 452: Credit for Research Facilities	-2.8	-2.8	-2.8	-2.8
2005 Act 487: Airport Development Zones	-0.7	-1.5	-1.5	-1.5
PROPERTY TAX RELIEF				
2005 Act 25: Increase in School Levy Tax Credit	-123.8	-123.8	-123.8	-123.8
INDIVIDUAL TAX RELIEF				
2005 Act 25: Social Security Benefits Exclusion	-45.9	-99.7	-99.7	-99.7
2005 Act 25: Deduction for Health Insurance Premiums	-5.8	-11.7	-19.5	-19.5
ESTATE TAX RELIEF				
2001 Act 16: Fully Federalize Estate Tax	<u>0.0</u>	<u>-83.4</u>	<u>-108.4</u>	<u>?</u>
Total from Prior Biennia	-\$229.1	-\$376.5	-\$404.3	-\$295.9
Governor's Recommendations (Change to Current Law)				
INDIVIDUAL TAX RELIEF				
Health Insurance Premium Deduction	\$0.0	-\$11.8	-\$31.9	-\$62.0
Child and Dependent Care Deduction	0.0	-3.9	-7.8	-11.8
Increase Angel Investors Credit	-1.4	-2.5	-2.5	-2.3
Homestead Credit Indexing	-4.0	-8.0	-12.0	-16.0
Increase College Tuition Deduction	-2.4	-1.6	-0.8	-0.1
BUSINESS TAX RELIEF				
Credit for Medical Records Technology Investment	0.0	-4.5	-10.0	-10.0
Sales Tax Exemption for Biotechnology Equipment	-2.5	-2.5	-2.5	-2.5
Increase Early Stage Seed Investment Credit	-1.4	-2.5	-2.5	-2.5
Dairy Manufacturing Investment Credit	-0.3	-0.4	-0.4	-0.4
Expand Printing Materials Sales Tax Exemption	0.0	-0.6	-2.5	-2.5
Ethanol and Biodiesel Fuel Pump Credit	-0.0	-1.0	-1.0	-1.0
PROPERTY TAX RELIEF				
School Levy Tax Credit – Exempt first \$5,545 from taxes	<u>0.0</u>	<u>0.0</u>	<u>-100.0</u>	<u>-100.0</u>
Total Governor's Recommendations	-\$12.0	-\$39.3	-\$173.9	-\$211.1
Four Year Tax Reductions	-\$241.1	-\$415.8	-\$578.2	-\$507.0
Cumulative Reductions	-\$241.1	-\$656.9	-\$1,235.1	-\$1,742.1

State statute also requires showing the impact of the Governor's budget on the state's budget balance under generally accepted accounting principles (GAAP). These principles require that revenues and expenditures be accounted for when they occur.

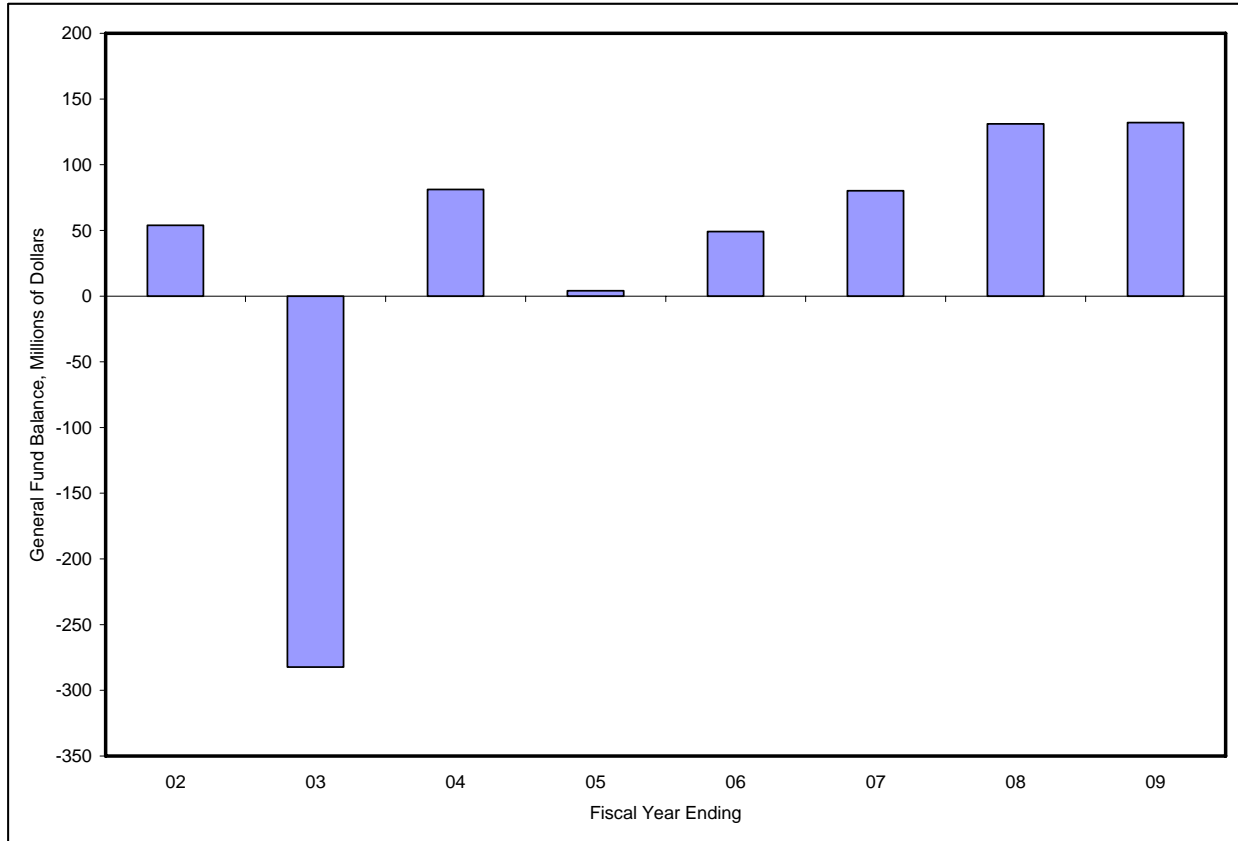
**TABLE 10: ESTIMATED GENERAL FUND CONDITION SUMMARY
ACCORDING TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(\$ in millions)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Opening Balance	-\$2,150.5	-\$2,288.1	-\$2,192.5
Revenue			
Estimated Taxes	\$12,542.6	\$12,883.3	\$13,309.5
Departmental Revenues and Transfers	532.5	416.0	394.7
Tribal Gaming Revenue	<u>75.6</u>	<u>47.2</u>	<u>51.1</u>
Total Revenue	\$13,150.7	\$13,346.5	\$13,755.3
Total Available	\$11,000.2	\$11,058.4	\$11,562.8
Less Total Appropriations (Net)	<u>13,119.7</u>	<u>13,295.7</u>	<u>13,754.2</u>
Balance Before Change in Adjustments to GAAP	-\$2,119.5	-\$2,237.3	-\$2,191.4
Net Contribution to Balance Adjustments in GAAP (change from prior year)			
Net Activity from Other Funds		98.1	-97.9
County and Municipal Aids	-119.8	-7.3	-89.8
Accrue/Defer Tax Revenues	<u>-48.8</u>	<u>-46.0</u>	<u>-56.8</u>
Estimated Closing Balance	-\$2,288.1	-\$2,192.5	-\$2,435.9

Wisconsin has a deficit under generally accepted accounting principles due to the state's long-term and significant commitment to stabilize and equalize local property taxes. Payments for shared revenue and local property tax relief are paid during the local government fiscal year, but are delayed in the state budget to the state's subsequent fiscal year. While this mismatch is a major contributor to the state's deficit under generally accepted accounting principles, the delay has been in place for decades in order that local government budgets, and associated local levies, remain stable. In this budget, the Governor strengthens the commitment to property taxpayers, local governments and school districts by focusing new state direct tax credit funding on residential property owners, continuing levy limits for two more years, increasing county and municipal shared revenue and targeted aid to counties and maintaining the state's commitment to pay two-thirds of local school costs.

The Governor's 2007-09 budget continues to implement his long-term plan to strengthen the state's finances. Building on his prudent decision to address the worst deficit in state history without raising taxes, this budget significantly increases the state's reserves, avoids large-scale one-time transfers and dramatically reduces advanced commitments. These actions are fiscally responsible and expand the budget surpluses over a four-year period.

CHART 8: DRAMATIC IMPROVEMENT IN BUDGET BALANCES



E. DEBT MANAGEMENT

State debt management is necessary to ensure that long-term capital needs can be met at an affordable level. State debt management is geared to maintaining GPR debt service at no more than four percent of GPR, with a target GPR debt service between three and four percent of GPR. This standard is a self-imposed limitation consistent with sound debt management to ensure that debt service does not consume an increasing share of the state's budget. This policy provides a yardstick against which requests for new bonding authority are considered. The debt management policies reflected in the budget are based on three important assumptions.

First, new bonding authorizations proposed in this budget are relatively modest compared to the recent biennia. Given previously authorized bonds not yet issued and the bond authorizations, GPR-supported debt service as a percentage of GPR is projected to rise slightly above four percent. However, this budget proposes a change to debt service appropriations by shifting the debt service cost of highway rehabilitation projects back to the transportation fund, keeping GPR debt service below the four percent level. Specific bonding recommendations for the building program will be included in the capital budget bill to be submitted early this spring.

Second, previously authorized but unissued debt will push debt service costs higher for the biennium, which will be offset in large part by old debt being retired. Currently authorized but unissued general obligation bonding authority for GPR-supported programs amounts to \$1.24 billion. This authorized unissued bond authority includes large amounts for bonds that are multiyear authorizations that require issuance over several years. The absolute cost of new debt service during the past two years continues to be ameliorated by historic low interest rates. Economic projections at this time point to modest increases in interest rates, but remaining near historic low levels of the past four years.

Third, the state's market access and bond ratings will not continue to deteriorate. Earlier in this decade the state suffered bond rating downgrades and was under negative outlook for a further downgrade. That situation has changed to the extent that the state is no longer under any negative outlooks and, in fact, has a positive outlook for a rating upgrade from one rating agency. Wisconsin's bonds continue to be well received by the investment community. This status can be maintained only by carefully limiting the uses and amounts of new debt authorizations, by active management of the timing and structure of new bond issues, but most importantly, resolving Wisconsin's basic structural financial problems.

The basic concerns of the bond rating agencies and credit analysts regarding Wisconsin continue to be the state's inadequate budget reserves, large generally accepted accounting principles deficit and continued projection of a structural deficit. The Governor's budget takes several significant steps toward addressing these basic concerns, including a 100 percent increase in the required ending balance and a more than 50 percent reduction in advanced commitments compared with the prior biennium. The four-year budget outlook is positive for Wisconsin. The fiscal policy directions embodied in the Governor's budget enhance Wisconsin's bond rating prospects.

This budget also provides authority for the Building Commission to utilize interest rate exchange agreements in conjunction with its issuance of the state's general obligation bonds and revenue bonds. Fundamental changes in the market over the past five years because of increased recognition of the imbedded option values in bonds sold by the state mean that the state must increasingly turn to variable rate bonds to avoid excessive option value loss. The increased use of variable rate bonds must be accompanied by flexible tools to hedge the associated risks of variable rate bonds. While this is true for all of the state's general obligation and revenue bond issuances, it is particularly true for revitalizing Wisconsin's Veterans Home Loan Program, given recent moves by Congress to broaden the eligibility for such loans. The program is no longer limited to Vietnam-era veterans, but has now been expanded to Wisconsin's large number of recent active duty men and women. Wisconsin is in the minority of bond issuers, including most other states as well as Wisconsin's own bond issuing authorities, that do not authorize the use of interest rate exchange agreements as a part of the process of debt management.

F. CASH MANAGEMENT

While the 2007-09 budget is balanced as required by state law, severe cash shortfalls will occur at various times during the year. They arise from the difference between the "statutory/budgetary basis" on which the budget is built and the "cash basis" on which the state must pay its bills. There are significant differences in the timing of receipts and payments, particular on dates of major state aid payments.

These cash shortfalls are accommodated through short-term borrowing. Most often, this borrowing occurs automatically by using the balances of other state funds. In many years operating notes have been issued if there is a significant need for cash or if the operating notes are cheaper than using the cash of other state funds.

In recent years the cost advantages of using operating notes have diminished. So no operating notes were issued during the 2005-07 biennium.

The recent rise in short-term interest rates have again made operating notes the lowest cost means of acquiring operating cash. The 2007-09 budget assumes the state will issue \$600 million in operating notes in each year.

Major Budget Initiatives

IV. MAJOR BUDGET INITIATIVES

A. EDUCATION, WORKFORCE AND LOCAL GOVERNMENT

Achieving Excellence in Our Public Schools

The 2005-07 biennial budget passed by the previous Legislature would have had severe consequences for Wisconsin's public school system. A \$380 million reduction to the amount of school aid combined with the most severe school revenue constraints in the state's history would have resulted in the potential loss of over 4,000 teachers, increases in class size, reductions in course offerings and the eventual dissolution of some school districts in Wisconsin's most sparsely populated areas. These reductions would have come at a time when the state's economic survival increasingly depends on having a highly educated work force.

Fortunately, through the use of the partial veto authority granted by the Wisconsin Constitution, Governor Doyle was able to reverse these irresponsible initiatives and restore both state funding to maintain the two-thirds commitment made a decade ago and rational revenue limits that would at least allow school districts to increase expenditures by inflationary amounts. Most significantly, this was achieved with the lowest two-year property tax increase since the state first committed to two-thirds funding in 1996.

CHART 9: 2005-07 SCHOOL AIDS AND CREDITS INCREASE BIGGEST SINCE 1995-97

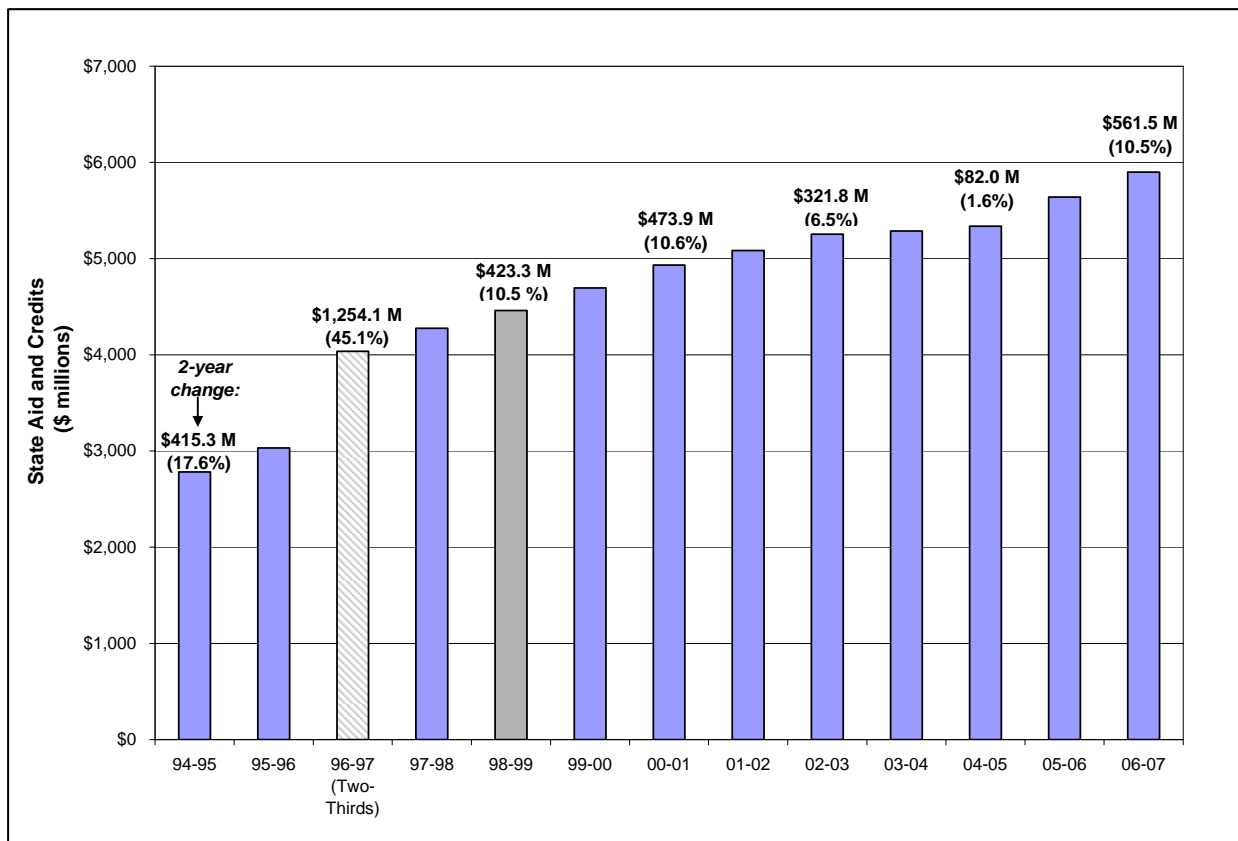
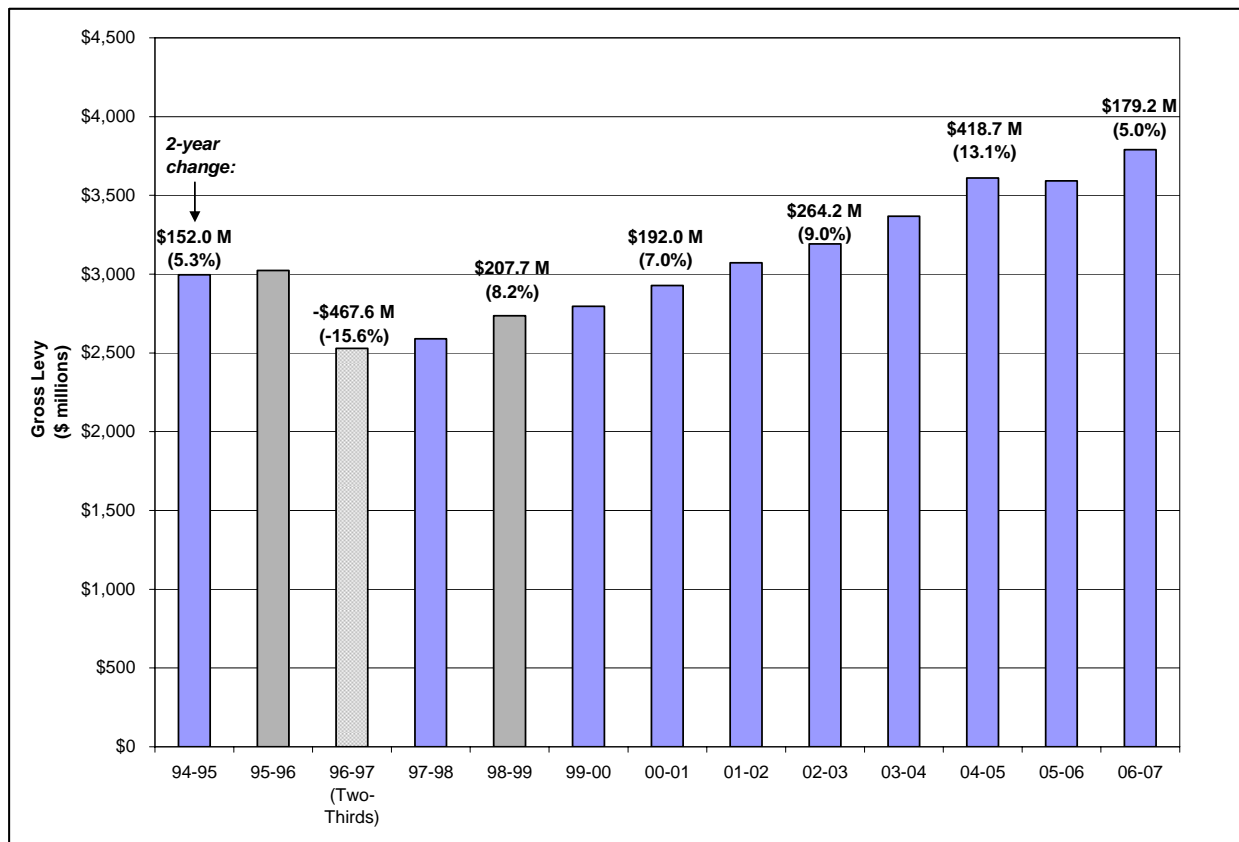


CHART 10: 2005-07 SCHOOL LEVY INCREASE SMALLEST SINCE 1995-97



Significant investments in Wisconsin public schools are the cornerstone of a continuing ability to meet economic challenges and maintain a high quality of life. This was never more evident than in the November elections when taxpayers passed referenda to exceed school district revenue caps by \$340 million to address operational needs and to build, repair and remodel Wisconsin schools.

By making investments like these a priority, Wisconsin continues to be among the nation's leaders in student performance on the ACT college entrance examination, consistently ranks high on other national measures of student achievement and is considered to have one of the nation's most equitable school financing systems. *Education Week's 2007 Quality Counts* recently ranked Wisconsin eighth nationally on its "Chance for Success" measure, referring to the opportunities Wisconsin's public education system provides for success in later life.

However, success in Wisconsin's public education system has not been achieved by everyone. The *Quality Counts* report also ranks Wisconsin 46th nationally on the disparity in student achievement between low-income (eligible for free or reduced-price lunch) and non-low-income students, even though it places Wisconsin 10th overall on measures of student achievement. If Wisconsin's economy is to remain competitive, we must do a better job in educating the 30 percent of Wisconsin's school children who are from low-income families.

To ensure that Wisconsin's public education system adds value and provides opportunity to all its students, the Governor proposes the following initiatives:

- Invest \$15 million GPR in a new categorical aid program to begin to address the student achievement gap between Milwaukee and the rest of the state. Nowhere is Wisconsin's challenge with the student achievement gap more apparent and serious than in Milwaukee's public schools. With almost

75 percent of its students eligible for free or reduced-price lunch and a high school graduation rate of only 61 percent compared to a state average of 92 percent, both Milwaukee's and the state's future is tied to significantly improving the performance of Milwaukee's school children.

Recent work on school adequacy by University of Wisconsin-Madison professor Dr. Allan Odden concludes that, in addition to small class sizes in the early grades, one-on-one tutoring with licensed teachers and full-time teacher coaches to provide on-site training and feedback to instructional staff can make significant improvement in student achievement. The Governor's program, while not explicitly tied to these strategies alone, will require the Milwaukee Public Schools to submit a research-based spending plan to the secretary of the Department of Administration for approval. To further ensure that these funds are spent on activities that are directly linked to improving achievement, the Governor is directing the department to seek input from the Department of Public Instruction, the Wisconsin Center for Educational Research at the University of Wisconsin-Madison and the major statewide educational organizations representing teachers, administrators and school boards as part of its review process.

- Provide a \$20.8 million GPR biennial increase to meet the commitment the Governor and Legislature made in 2005 Wisconsin Act 125 to increase the per pupil reimbursement level for the Student Achievement Guarantee In Education (SAGE) program, which lowers class size in kindergarten through third grade, to \$2,250 beginning in the 2007-08 school year. In addition provide \$540,000 beginning in fiscal year 2008-09 to expand the program to an additional five schools. In the 2006-07 school year, the SAGE program served almost 93,000 pupils, 40 percent of the total number of pupils enrolled statewide in eligible grades. Until the passage of Act 125, per pupil funding for SAGE had not increased since the program was created in fiscal year 1996-97. This has made it increasingly difficult for many schools to maintain the program. Since the 2000-01 school year, 96 schools have dropped the program, some citing increasing costs as a reason. Research has consistently demonstrated that academic achievement is higher in small classes, especially in the lower grades. Fully supporting the SAGE program continues to be a wise investment.
- Provide \$3 million GPR in fiscal year 2008-09 to assist school districts with the initial costs of starting 4-year-old kindergarten (4K) programs and to encourage collaboration between public schools and other early childhood education providers. Despite strong research support for the value of high quality early childhood education on student learning in later grades, 40 percent of Wisconsin's school districts have yet to offer 4K programs to their families. This includes districts with high percentages of low-income students. While low-income status does not necessarily lead to difficulties in school, many low-income families face economic challenges in providing learning enrichment activities for their preschool-age children.
- Provide \$500,000 GPR beginning in fiscal year 2008-09 to support world language instruction in the elementary grades. The United States continues to lag other nations in teaching students other languages. Research also shows that students learn other languages more easily in elementary school than in high school. This program will provide school districts interested in developing these programs with start-up funds to hire teachers, for professional development and for curriculum materials. The Governor also recommends providing funding to support teacher exchange programs with China, Japan and France.
- Require all students to take three years of mathematics and science to graduate from high school. Math and science are essential ingredients to prepare students academically, to open new doors of possibility, and to attract and prepare students in science, technology and engineering. These fields that are vital to entrepreneurship, innovation and to the creation of good jobs in Wisconsin.
- Consistent with increased math and science requirements, provide \$109,500 GPR to improve the delivery of science, technology, engineering and mathematics (STEM) instruction in high schools. The focus of this funding will be to provide seed grants to school districts to implement innovative approaches in STEM instruction, especially for underrepresented students, and to expand professional development opportunities for STEM teachers.

- Encourage more school districts to implement school breakfast programs and improve Wisconsin's last place state ranking in school breakfast participation by providing a 50 percent increase the state's reimbursement rate for school breakfasts. Good nutrition contributes to effective learning. While Wisconsin's participation in the national school lunch program compares favorably with comparable states, only 26 percent of those students are served by the breakfast program, 60 percent of the national average.

Responsible School Financing

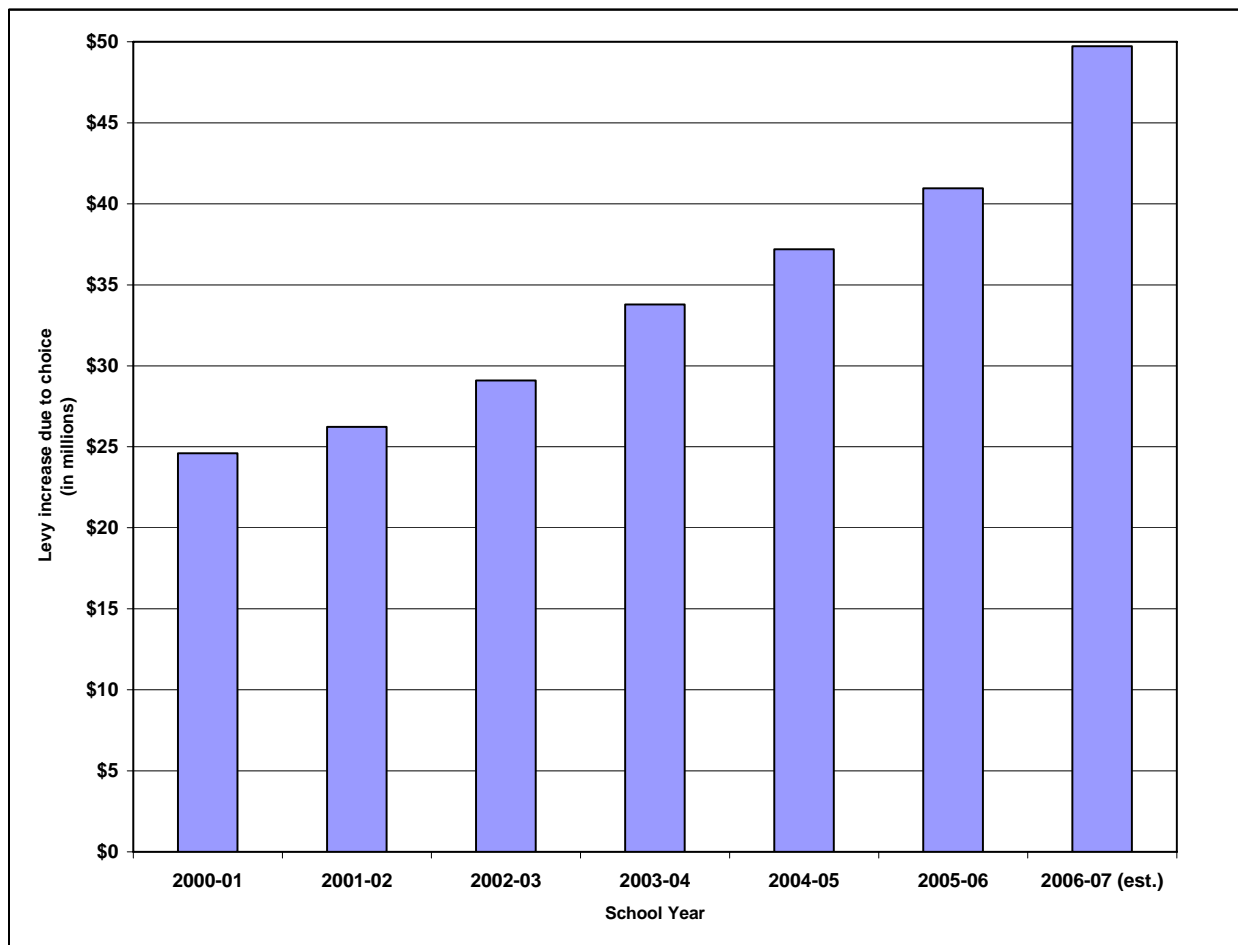
The Governor will continue to provide adequate base support for public schools that enables the state to maintain high-quality educational programs for all school districts, while easing the impact of school costs on property taxpayers. To protect property taxpayers, the Governor's policies recognize the importance of maintaining the state's two-thirds share of school costs. The Governor recognizes the unique challenges that revenue limits and pupil transportation costs pose to rural and declining enrollment districts. The Governor also believes that school districts should not be forced to choose between spending on academic programs and ensuring that their schools are safe and secure. Finally, the Governor's budget proposal addresses the unfair burden placed on Milwaukee's taxpayers by the expansion of the parental choice program approved under 2005 Wisconsin Act 125.

To ensure adequate funding of Wisconsin's schools the Governor proposes the following:

- Increase general equalization aid by \$235 million GPR over the biennium. In combination with the \$100 million GPR allocated to the new first dollar credit component of the school levy tax credit and increases to categorical aids, total funding to support Wisconsin's public schools will increase by \$451 million over the biennium. This will maintain the state's commitment to fund two-thirds of school costs and provide property tax relief to Wisconsin's taxpayers.
- Authorize school districts to exceed existing revenue limits to improve school safety and security. Specifically, the Governor recommends that school districts be allowed to spend up to \$25,000 annually above the revenue limit for each 500 high school students, with a minimum level of \$25,000 per district, to purchase school security equipment or to enter into cooperative agreements with local law enforcement agencies that provide an equal dollar match to hire school security officers.
- To maintain equity in school spending, increase the per student low revenue ceiling, below which school districts are exempt from revenue limits, from \$8,400 per pupil to \$8,700 in fiscal year 2007-08 and to \$9,000 in fiscal year 2008-09. The current ceiling equals approximately 93 percent of state average per pupil revenue. This provides a solid foundation funding level for districts that choose to take advantage of it. The increased limit is expected to benefit approximately 100 districts.
- Increase funding for special education by \$53.6 million GPR. The federal government has continued to fail to live up to its commitment to provide 40 percent of the funding for special education, despite the fact that virtually all of the requirements for special education services are mandated by the federal government. Special education students should not be denied the same opportunity to learn to their full potential that is afforded to other students. The Governor's proposal will increase the state's share of special education costs from 28.6 percent to 29 percent, relieving some of the pressure on the rest of the educational system.
- Provide additional funding for the state to maintain its current share of funding for bilingual-bicultural education aid. Nationally, English language learners have twice the dropout rate of English-speaking students. Until the Governor's 2005-07 budget, funding for bilingual-bicultural aid had not increased since fiscal year 1993-94, despite an increase in the number of bilingual students from under 17,000 in the 1993-94 school year to an estimated 43,300 in the 2006-07 school year. Without a funding increase in the 2007-09 biennium, the state's share of bilingual costs will drop from 12 percent to 10 percent by fiscal year 2008-09. This increase will maintain the state's share at 12 percent.

- To address the concerns of declining enrollment and rural districts, modify the revenue limit calculation to increase the hold harmless provision for declining enrollment districts from 75 percent to 100 percent and to ensure that total district revenues, controlled by the revenue limit, will not decline below the revenue limit amount they received in the prior year. In addition, increase the annual state reimbursement for pupils who are transported more than 12 miles to school from \$180 to \$220 per pupil.
- Protect Milwaukee property taxpayers by providing funding to fully cover the costs of additional private school choice students above 15,000. Under the current requirement that Milwaukee taxpayers pay 45 percent of the cost of choice students attending private schools, each 1,000 additional students in the program raises Milwaukee's property tax bill by \$3 million. With an estimated 18,000 choice students in the 2007-08 school year and 19,000 in 2008-09, the Governor's proposal will save Milwaukee property taxpayers approximately \$21 million over the biennium compared to the current funding formula.

CHART 11: CHOICE PROGRAM COST TO MILWAUKEE TAXPAYERS HAS MORE THAN DOUBLED SINCE 2000



Teacher Excellence

The key to raising student achievement occurs in the classroom. Reforms that do not impact what happens between teachers and their students once the bell rings will have little, if any, impact on what students learn and are able to do. Without encouraging and valuing excellence in our teachers, we devalue Wisconsin's children.

Teaching is hard work. While all students can learn, not all are willing learners. Teachers are at the heart of creating willing and lifelong learners. The recent revision of teacher licensure requirements was an important step in recognizing the importance of connecting teacher training and professional development more directly to imparting the skills necessary to improve student achievement.

Impediments still remain to ensuring that public school teachers continue to meet the needs of Wisconsin's students. Wisconsin's method for compensating teachers continues to treat teachers as part of the problem, not part of the solution. It continues to preserve the status quo rather than encourage innovation. The state's revenue limits do not recognize the value of mentoring new teachers as a way to improve quality and decrease turnover. The state also provides no incentives to encourage our best teachers to teach our most challenging students.

To begin to address these impediments, the Governor proposes the following:

- Repeal the qualified economic offer (QEO) to provide more flexibility for teachers and school boards to find better ways to link teacher compensation with effective instructional strategies, to address escalating health insurance costs, and to create equity between teachers and other public employees in bargaining. It is clear that, in addition to unfairly singling out teachers among all public employees for compensation limits, the QEO law is not working to address two critical issues in our public school system: encouraging school boards and teachers to bargain contracts that emphasize acquiring and demonstrating the skills needed to improve student learning, and addressing eroding teacher salaries. In 2004, the bipartisan Governor's Task Force on Educational Excellence recognized that the QEO law limits the interest of school boards and teacher collective bargaining units to consider compensation structures that promote student learning more effectively than years of teaching and academic credits earned. The Department of Public Instruction's new teacher licensure rules also recognize that acquiring the skills and knowledge that lead to effective instruction is more important than simply counting years of experience and college credits earned.

However, while teaching skill is central to the state's new teacher licensure rules, the current QEO law is heavily biased towards maintaining the status quo, since implementing a QEO requires maintaining the existing salary grid structure and fringe benefit package. The QEO law also requires that resources be distributed in a way that favors fringe benefits over salaries. As a result, Wisconsin's average teacher salaries have dropped from 14th in the 1989-90 school year to 27th in the 2003-04 school year, according to the American Federation of Teachers. Of even greater concern is that this same study reports that Wisconsin now has the lowest starting teacher salary in the nation.

Conversely, census data report that Wisconsin consistently ranks in the top five nationally in fringe benefits paid to instructional staff. This high ranking is largely the result of the high cost of health insurance. This imbalance may prove to be a serious impediment to recruiting new teachers for whom higher salaries may take precedence over broad health care coverage. With revenue limits in place, eliminating the QEO law should not impact the state's taxpayers and will encourage teachers and school boards to explore other compensation models.

Provide 2.0 FTE positions and \$232,800 GPR annually to the Wisconsin Employment Relations Commission to address the increased work load that restoring true collective bargaining for teachers is likely to create. The commission provides mediation and arbitration services for public sector collective bargaining statewide. A good collective bargaining system requires the availability of these services to help resolve bargaining impasses and disputes promptly. Providing the commission with

additional resources to accomplish this goal for school boards and teachers is important to an effective collective bargaining system.

- Allow school districts to spend above the existing revenue limits for the costs of implementing Wisconsin's new teacher licensure rules as they relate to requiring experienced teacher mentors for all new teachers and implementing compensation structures that recognize the knowledge and skill requirements of the new licensing system rather than the longevity and college credits-based system prevalent in most. The new rules recognize the challenges faced by new teachers and the fact that over 25 percent of new Wisconsin teachers leave the profession within five years, according to surveys conducted by the Department of Public Instruction. The rules also recognize that the skills and knowledge acquired by teachers are as, if not more, important than years of service.
- Expand the grant program for teachers who receive certification from the National Board for Professional Teaching Standards (NBPTS) to include teachers who receive master teacher licenses under the state's new licensure rules. Wisconsin's new teacher licensure rules create a master teacher licensure category for which teachers must meet standards that equal or surpass those required for national board certification. It is reasonable to expand the \$2,500 annual grants given to NBPTS-certified teachers to include Wisconsin master teachers as well.

It also makes sense to encourage our best teachers to teach in the highest need districts. The Governor further recommends that NBPTS-certified and master teachers who teach in schools where over 60 percent of the students are low-income receive additional \$2,500 annual grants, for a total of \$5,000 per teacher.

Higher Education

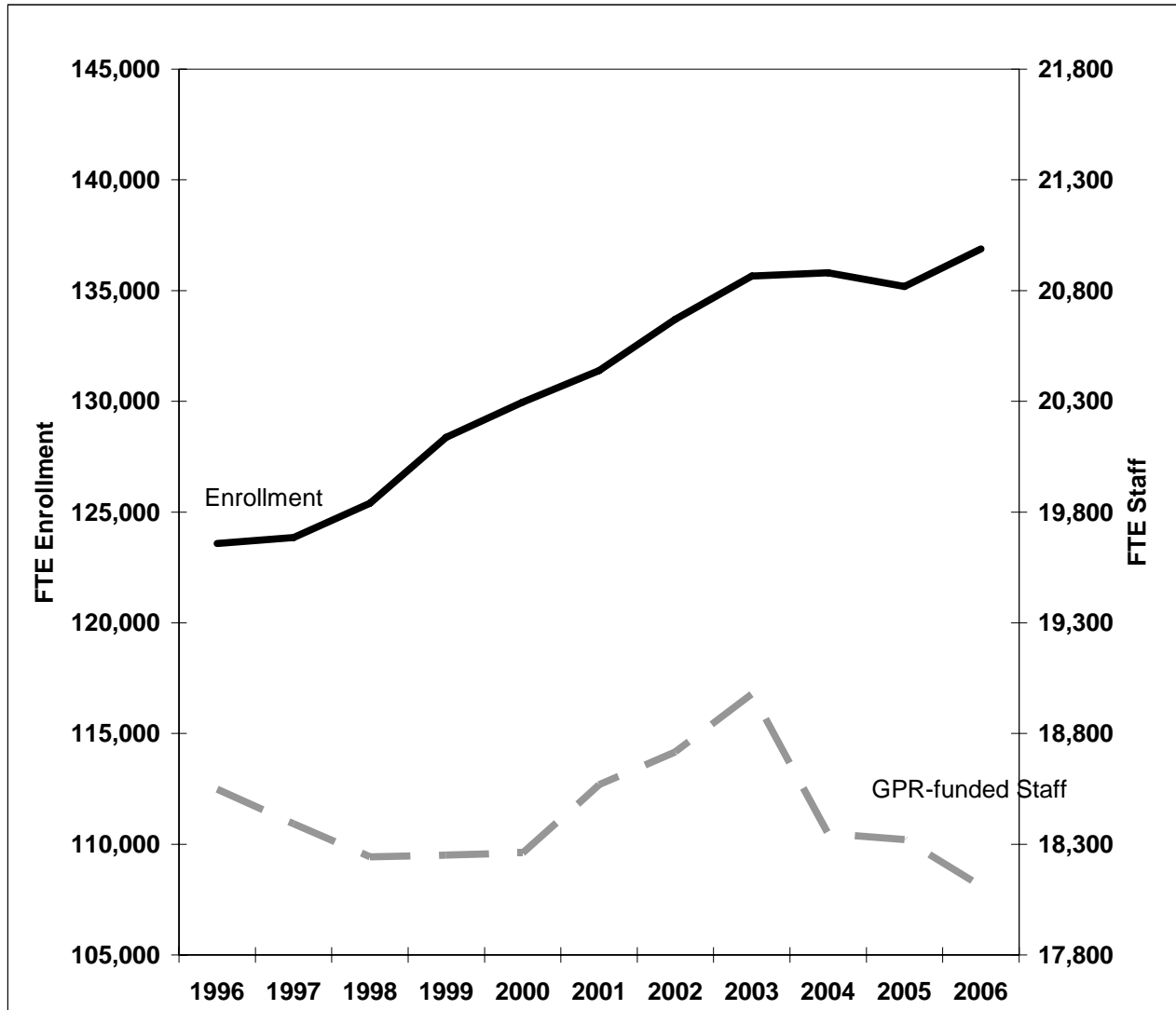
Wisconsin's higher education system is second to none. With the 26-campus University of Wisconsin System, the 16-campus Technical College System, and 20 private four-year colleges and universities, opportunities for Wisconsin citizens to continue their educations beyond high school abound. The University of Wisconsin-Madison is consistently ranked among the top research universities in the world. A recent study by the National Center on Higher Education Management Systems ranked Wisconsin among the top five states for having the most productive public baccalaureate and master's institutions relative to its resources.

Unfortunately, not everyone is able to take advantage of these opportunities. Despite the strong reputation of our higher education system, Wisconsin continues to lag the national average in adults with college degrees and the proportion of lower-income students entering the University of Wisconsin System has declined in recent years.

Increasing the number of students who attend higher education institutions and complete degrees is important not only for the future economic success of Wisconsin's citizens, but it is also critical for the future economic success of the state. Analysis shows that there is a direct correlation between the strength of a state's economy and the number of adults who have college degrees. A 2003 study by the federal Census Bureau concluded that ". . . a key variable for . . . economic growth, both within cities and within countries, is the educational attainment of the labor force." A 2004 statistical analysis by Harvard University found that, ". . . over the 1990s, educational levels were the single biggest driver of economic growth. In particular, the percentage of adults with college degrees proved to be highly positive and significant for population, income, and wage growth, both at the city and at the MSA (metropolitan statistical area) level."

Wisconsin's future will increasingly depend on its ability to grow a work force that is educated beyond the high school level. While the massive deficit the Governor inherited in his first budget required difficult decisions, his long-term strategy has been focused on investing in the University of Wisconsin System, dramatically increasing student financial aid to ensure access and opportunity, and calling on the University of Wisconsin System to become more efficient by reducing administrative overhead. As Chart 12 demonstrates, the system is beginning to heed that call.

CHART 12: UW EDUCATING MORE STUDENTS WITH GREATER EFFICIENCY



In his 2005-07 budget, the Governor proposed a \$50 million investment in the University of Wisconsin System. Unfortunately, the previous Legislature went in the opposite direction by cutting funding to the system by almost \$25 million. Wisconsin can no longer afford to gamble that decreasing support for public higher education will neither impact the economy nor deny citizens access to higher education. It is time to reinvest in our colleges and universities and make it easier for Wisconsin residents to take advantage of the programs they offer. To make good on this commitment, the Governor proposes the following new or expanded initiatives:

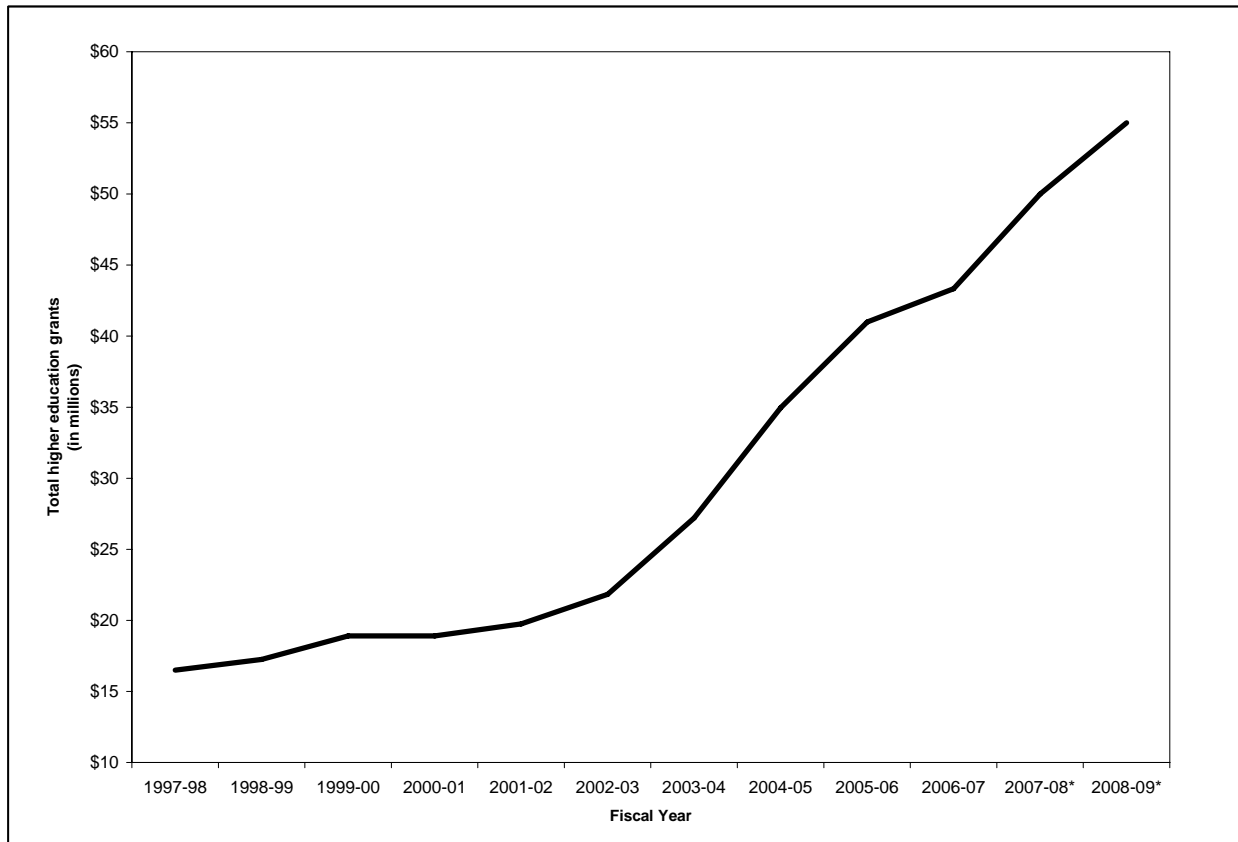
- Establish the Wisconsin Covenant Scholars program. This major new initiative will guarantee that students who maintain a B average, take the courses needed to succeed in college, and are good citizens by staying out of trouble and contributing to their communities will not be denied access to the University of Wisconsin, Wisconsin's technical colleges or participating private colleges. In the spring of 2007, Wisconsin's eighth graders will be given the opportunity to sign the Covenant. If they meet the criteria, they will have the distinction of being Wisconsin's first class of Covenant Scholars when they graduate high school in 2011.

While the first class of Wisconsin Covenant scholars will not enter college until 2011, the Governor recommends a number of steps in this budget to establish a strong base for the program. These steps include:

- Creating a Wisconsin Covenant Office in the Department of Administration beginning in 2007 to develop Covenant program policies and procedures, implement a strong outreach program with Wisconsin's secondary schools and students, and coordinate Covenant activities between the Department of Public Instruction, University of Wisconsin System, Wisconsin Technical College System, and Wisconsin's private colleges and universities.
- Increasing funding for Wisconsin Higher Education Grants for University of Wisconsin students by \$8.7 million above the amount required by statute in order to freeze tuition for grant recipients over the next two years.
- Increasing funding for the precollege scholarship program by \$108,900 annually. This program provides need-based financial assistance allowing middle and high school students to attend college and university sponsored programs designed specifically to provide students an early introduction to postsecondary opportunities.
- Providing \$250,000 GPR annually for a new Character Education grant program, which will provide funding to train teachers and administrators on strategies for incorporating the qualities for being a good citizen into the curriculum.
- Provide \$21 million GPR in fiscal year 2008-09 to fund a Growth Agenda for University of Wisconsin System campuses. The Growth Agenda will enable all system campuses to expand programs that are important to Wisconsin's economy, increase research efforts, better serve students and increase the percentage of students who graduate. The individual campus initiatives to be funded include:
 - Milwaukee – Support a major expansion of undergraduate and graduate student research activities, including medical imaging research; enhance the campus' ability to attract outside gifts and grants; and provide funding to begin development of a school of public health if approved by the Board of Regents.
 - Green Bay – Increase enrollment by 195 students with a focus on students of color and first generation college students, and increase access to high-demand programs in business, education and biology.
 - La Crosse – Increase financial aid and access for low-income students, increase diversity, increase degrees awarded and improve retention through an entirely self-funded tuition-based effort.
 - Oshkosh – Develop new programs that address the needs of technical college graduates, and expand programs in the biological and medical sciences as well as teacher education and business.
 - Parkside – Support programs that improve student retention, including expanded advising, creation of learning communities and improved orientation for transfer and nontraditional students.
 - Platteville – Increase engineering degree options in collaboration with the two-year campuses at Rock County (mechanical engineering) and Fox Valley (electrical engineering).
 - River Falls – Develop a coordinated, integrated and comprehensive first-year experience for new students to help improve retention rates.
 - Stevens Point – Implement a new major in health science that will prepare graduates for careers in industries including pharmaceuticals, health care administration and health insurance.

- Superior – Enhance programming in the liberal arts, including community-based learning, global awareness and writing across the curriculum.
 - Whitewater – Implement initiatives to increase access and retention of multicultural, disadvantaged and disabled students, including expanded recruitment, intensive support for these students and smaller class sizes.
 - Eau Claire and Stout – Develop the Chippewa Valley NanoSTEM (science, technology, engineering and mathematics) initiative to expand programming in nanotechnology, biotechnology, polymer engineering, and computer and electrical engineering.
 - Colleges and Extension – Identify, recruit and better serve adult learners and expand their opportunities to earn associate and baccalaureate degrees through redesigning courses.
 - Systemwide Initiatives – The Growth Agenda also includes funding to expand efforts in nursing and teacher education, applied research, math placement testing and credit transfer.
- Provide \$44 million GPR in additional financial aid for University of Wisconsin, technical college and private college students to help offset tuition increases. While University of Wisconsin students have faced significant tuition increases in recent years, tuition still remains low compared to its peers. University of Wisconsin-Madison, for example, remains next to the lowest tuition in the Big 10. In addition, financial aid for system students has more than doubled since Governor Doyle took office, which has eased the burden on the neediest students. To help keep the tuition increases to lower income students modest, the Governor proposes the following biennial increases:
 - \$26.4 million for Wisconsin Higher Education Grants (WHEG) for University of Wisconsin students. This will increase the biennial amounts appropriated from \$84.3 million in 2005-07 to \$105 million in 2007-09, an increase of 24 percent. This includes \$8.5 million above the statutorily required increase as a down payment on the Wisconsin Covenant initiative intended to freeze "out of pocket" tuition costs for grant recipients over next two school years.
 - \$2.1 million to the Lawton Undergraduate and Advanced Opportunity (graduate student) Grant programs.
 - a five percent increase in WHEG funding for Wisconsin technical college students.
 - a five percent increase in tuition grant for Wisconsin private college students.
 - \$12 million to offset the costs of any increase in full and part-time students attending the University of Wisconsin or Wisconsin technical colleges under the veterans' tuition remission program above the number receiving remissions in academic year 2006-07.

CHART 13: GOVERNOR'S BUDGET RECOMMENDS ANOTHER SIGNIFICANT INCREASE IN FINANCIAL AID FOR UNIVERSITY OF WISCONSIN STUDENTS



*Governor's Recommendation

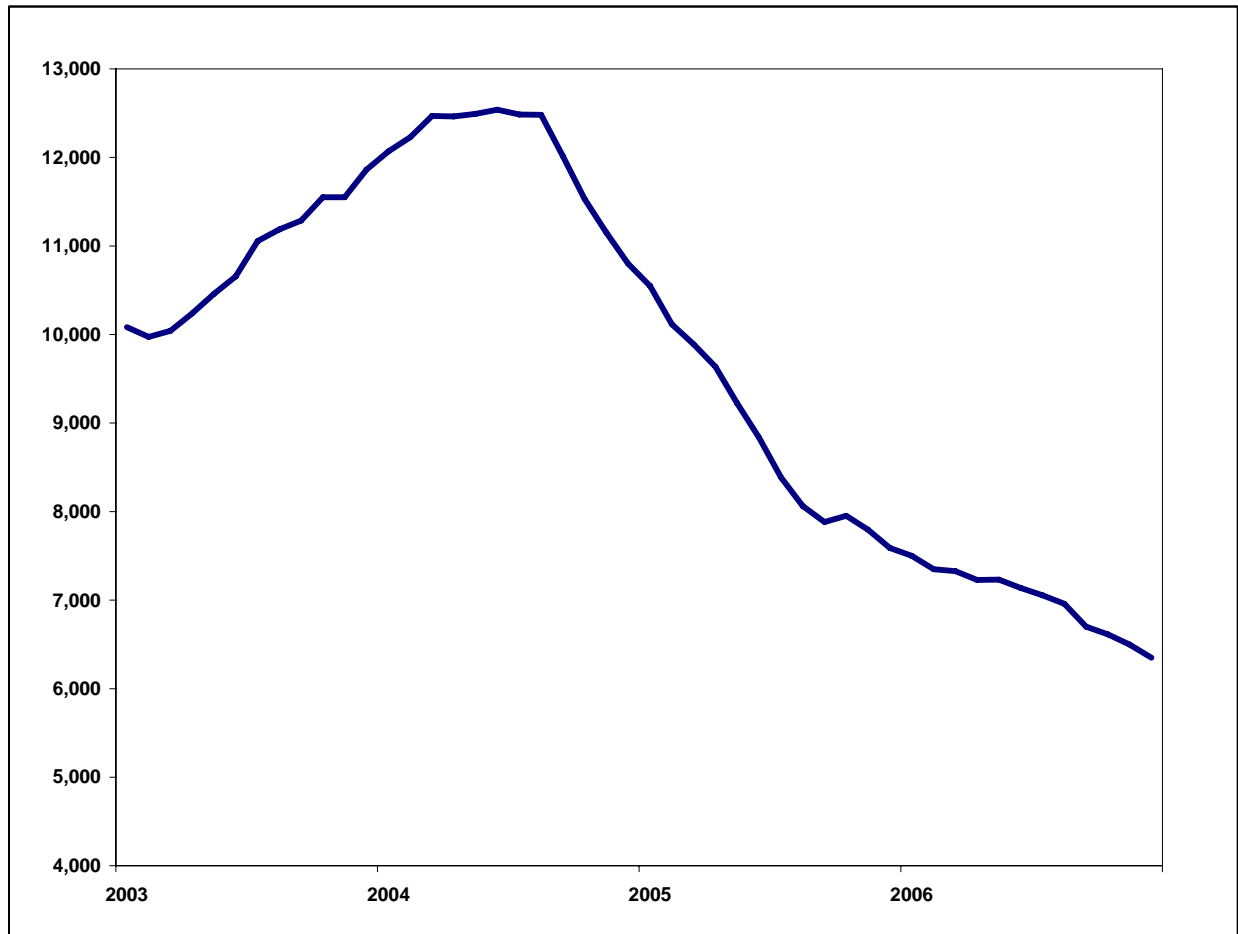
- Provide \$10 million in GPR and tuition over the biennium to help University of Wisconsin campuses provide competitive compensation to faculty in high-demand areas. University of Wisconsin-Madison reports that its ability to retain faculty who receive offers from other campuses has decreased from 80 percent retention to 57 percent retention over the past five years. Of greatest concern is that many of these offers are made to newly tenured faculty who are entering their peak years for research productivity and the ability to attract outside gift and grant funding. Highly productive faculty at the comprehensive and two-year college campuses are also not immune from these offers.

To maintain a world-class faculty, the state needs to recognize the market in which these faculty work. However, the University of Wisconsin System also needs to recognize that these limited resources must be targeted to those areas where competition for faculty is most intense. Therefore, the Governor is requiring that the Board of Regents submit a plan for the distribution of these funds to the secretary of the Department of Administration for approval.

Child Care and Wisconsin Works

Wisconsin has been considered a leader in efforts to reform the welfare system and connect cash assistance recipients to the work force. Since the Wisconsin Works (W-2) program was implemented in 1997, the cash assistance caseload has decreased from over 35,000 to less than 6,400. The program continues to be successful in moving families off cash assistance. Since June 2004, the number of families receiving cash assistance under W-2 has decreased from over 12,500 to below 6,400, the lowest in the history of the program.

CHART 14: W-2 CASH ASSISTANCE AT ALL-TIME LOW



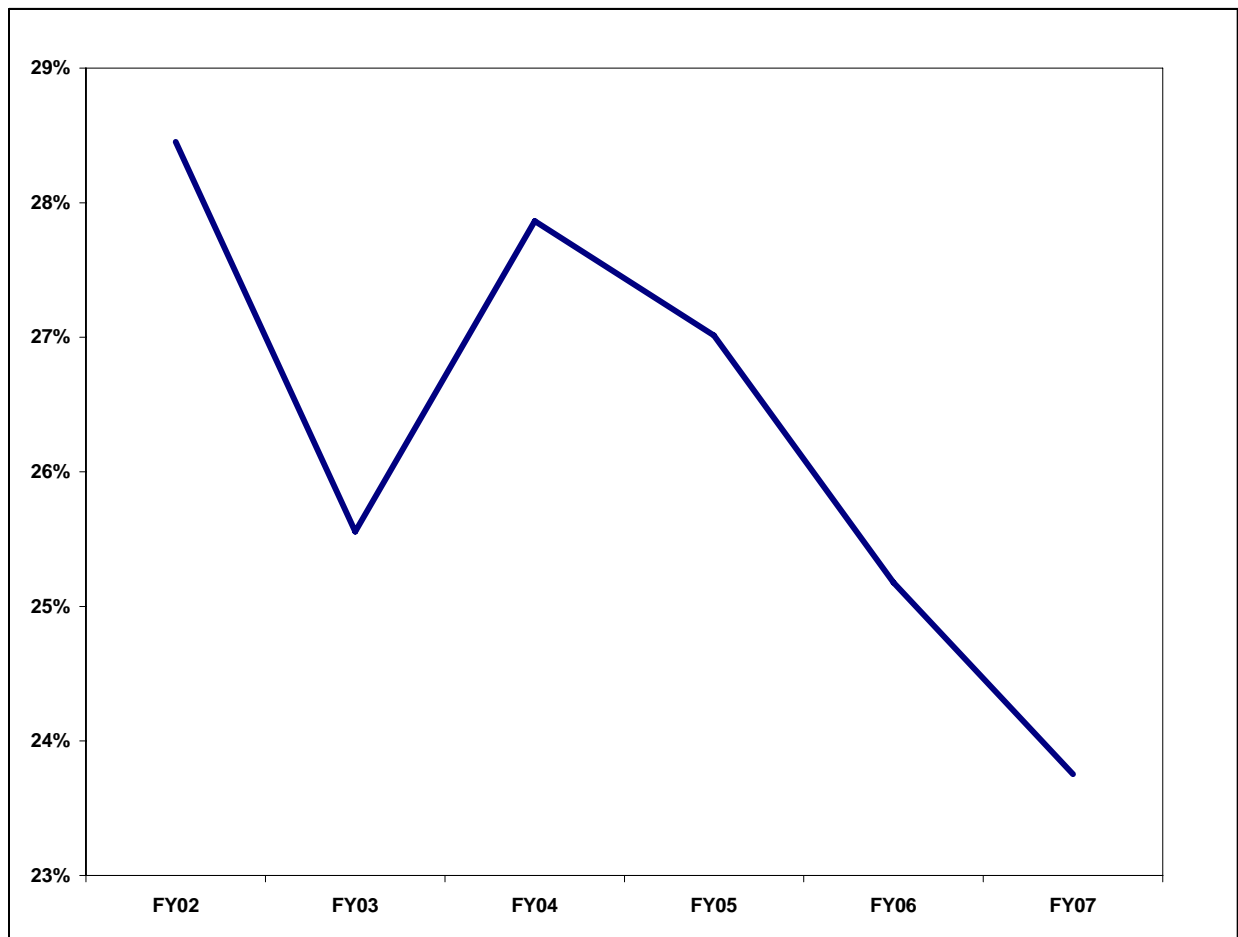
The major key to the successful transition of families from welfare-to-work has been the availability of child care subsidies through the Wisconsin Shares program. In fact, Wisconsin Shares child care subsidies are the largest single expenditure in the Temporary Assistance for Needy Families (TANF) program, which also funds W-2, accounting for over 50 percent of total spending. While the W-2 program provided \$50 million in cash assistance to W-2 participants in 2006, child care subsidies accounted for \$315 million in expenditures.

Child care spending continues to increase. As the W-2 cash assistance caseload dropped from 12,500 to 6,400, the number of children receiving subsidized child care increased from 52,400 to 56,400. Department of Workforce Development has been successful in reducing the average monthly subsidy per child by improving its administration of the program, but these cost saving measures have been overwhelmed by growth in program participation. Analysis by the Department of Administration concludes that Wisconsin ranks second nationally in child care subsidy spending per capita and leads the nation in child care spending as a percent of our gross state product. Wisconsin has also been among the nation's leaders in the rates it pays for child care, and, unlike many states, has never had a waiting list.

Another significant pressure is the biennial \$34 million structural deficit that already exists in the TANF program. This deficit is the result of declining balances from prior biennia and the federal government's decision to end the TANF high performance bonus, which the previous Legislature assumed would bring \$10 million to the state over the 2005-07 biennium.

Lastly, overall federal funding has been stagnant. Despite recently imposing program changes to increase work requirements expected of cash assistance recipients, the federal government has done little to back up these mandates with the funding states need to provide adequate work supports for W-2 participants. Federal allocations to Wisconsin under the TANF and child care development fund (CCDF) programs have remained essentially flat since TANF was implemented in 1996. Furthermore, the CCDF provided only \$82 million of the \$326 million spent by Wisconsin Shares on child care subsidies and administration in 2006.

CHART 15: FEDERAL CHILD CARE FUNDING – A DECLINING SHARE OF CHILD CARE COSTS



As a result, the state faces substantial current and future deficits in the TANF program. The shortfall for fiscal year 2006-07 could be as large as \$46 million. In addition to the child care deficit, it is necessary to address a projected shortfall in the emergency assistance program, which provides stopgap support to individuals and families facing impending homelessness. The Governor is also proposing a number of other programmatic changes that are necessary to support Wisconsin's families. The cumulative deficit deriving from these items is expected to be approximately \$134 million for the 2007-09 biennium, bringing the three-year shortfall to \$180 million. The Governor will address the \$46 million shortfall in fiscal year 2006-07 through budget adjustment legislation that will combine a \$30 million increase in GPR support with the implementation of cost containment measures by the Department of Workforce Development. To resolve the ongoing \$134 million structural deficit in the program, the Governor recommends adding \$55 million in GPR support in the 2007-09 biennium, bringing total GPR support over the three-year period to \$85 million. However, a shortfall of that magnitude cannot be addressed without making some changes to Wisconsin Shares and other TANF-funded programs.

To address the projected 2007-09 deficit, the Governor proposes an approach under which the state, providers and child care recipients will share in addressing the shortfall. Specifically, the Governor proposes the following:

- Reduce the use of TANF funding to pay the refundable portion of the earned income tax credit (EITC) by \$54.8 million over the biennium. Replacing TANF funding of EITC with GPR will avoid even more significant cuts to Wisconsin Shares, which would put the child care needs of Wisconsin's lowest income workers at serious risk. The TANF program currently provides \$110.4 million to EITC biennially. Replacing approximately half of the TANF subsidy with GPR will leave EITC unaffected and fully funded.
- Implement an attendance-based reimbursement system that addresses concerns that actual utilization of child care slots is significantly lower than the number of days for which families enrolled, without penalizing families or providers for unanticipated missed hours or days. The Governor's proposal is to reimburse providers on the basis of actual hours used in a week, when the hours used falls below 50 percent of the enrolled hours. This will reduce expenditures by an estimated \$40.8 million for the biennium. Without the additional GPR recommended by the Governor, the state would need to withhold reimbursement from providers for any missed hours.
- Freeze provider rates at current levels. The Department of Workforce Development has implemented a rate freeze to help address the fiscal year 2006-07 deficit, which was already factored into the 2007-09 shortfall calculation. Without the additional GPR recommended by the Governor, an eight percent rate cut would be required.
- Reduce the estimate of the average monthly W-2 cash assistance caseload for the 2007-09 biennium from the 7,200 used by the Department of Workforce Development preparing its budget request to 6,500. The December 2006 actual cash assistance caseload was 6,349 with an average for all of 2006 of 6,997, so maintaining an average of 6,500 over the next two years is a reasonable estimate of caseload for the biennium. This will save an estimated \$9.8 million for the biennium. Without the additional GPR recommended by the Governor, the state would need to reduce the W-2 caseload by 50 percent, to 3,250.
- Reduce the income threshold for initial eligibility from 185 percent of the federal poverty level to 175 percent. For a family of four, income eligibility would be reduced from \$38,200 to \$36,100 per year. In addition, reduce the income level ceiling to remain eligible from 200 percent of poverty to 190 percent for new applicants (from \$41,300 to \$39,200 for a family of four). This will reduce costs by \$6.6 million over the biennium. It is important to note that individuals currently receiving child care will retain eligibility until they reach the current law eligibility ceiling of 200 percent of poverty. Without the additional GPR recommended by the Governor, the eligibility threshold would need to be reduced from the 175 percent recommended by the Governor to an estimated 135 percent.
- Require a ten percent increase in the child care subsidy copayment paid by participants. For a family of four with an income equal to the federal poverty level, the monthly copay increase would equal approximately \$10. This would reduce costs by approximately \$9.2 million over the biennium. If the Governor did not recommend increasing GPR funding of EITC by \$55 million, the copay would need to increase another 60 percent to address the shortfall.
- Provide the Department of Workforce Development with the authority, if necessary, to implement a waiting list. According to a national survey, 18 states had waiting lists in 2006. The department would use the waiting list only if the other measures plus the TANF funding transferred from EITC failed to balance the TANF budget. W-2 participants who apply for child care subsidies will not be placed on a waiting list.

The combination of increasing GPR support for EITC and these shared cost containment measures are estimated to generate an estimated \$121 million without imposition of a waiting list, close to the estimated deficit.

As noted above, the Governor also believes that other changes are needed in the TANF program to help build stronger families and increase the prospects that families involved in TANF-funded programs can raise healthy and successful children. To address these goals, the Governor proposes the following:

- Provide \$2.8 million to support developing and implementing a child care quality rating system. The rating system will evaluate providers on staff credentials, the learning environment and professional practices. The final ratings will provide families with tools to evaluate the quality of child care providers and providers with the feedback they need to build successful programs.
- Provide \$2.4 million to subsidize the educational costs for child care workers to obtain early childhood education degrees and to increase the salaries of workers who successfully complete their degrees. The TEACH and REWARDS programs have been successful at encouraging child care staff to upgrade their skills and assisting providers in hiring more highly qualified staff.
- Provide a \$100,000 biennial increase to support activities of Boys and Girls Clubs throughout Wisconsin and another \$500,000 specifically targeted to the Boys and Girls Clubs of Greater Milwaukee to expand sites and implement early literacy programs.
- Provide \$1.5 million over the biennium to the Educare Center of Milwaukee to support high quality early childhood education that emphasizes school readiness and enhances parent-child relationships.
- Provide \$7.8 million to extend the length of time that parents of infants may stay home with their newborn children from 12 to 26 weeks. Providing parents, the vast majority of whom are single, additional time to adjust to their newborn children helps lay the foundation to build strong and connected families.
- Provide \$1.4 million to extend cash assistance to unmarried, pregnant women with no other custodial children and who are participating in the Wisconsin Works (W-2) program, are in the third trimester of a medically verified, at-risk pregnancy and are unable to work.
- Provide \$9.3 million to meet increased demand for emergency assistance payments, which provide assistance to needy persons in cases of fire, flood, natural disaster, energy crisis, homelessness or impending homelessness.
- Direct the Department of Workforce Development to implement a Real Work Real Pay pilot project, under which 500 Wisconsin Works (W-2) participants will be enrolled in an enhanced version of the existing W-2 Trial Jobs employment program. Real Work Real Pay will create an additional means of helping low-income adults secure permanent unsubsidized employment in the private sector and increase their earnings. Real Work Real Pay placements more closely reflect regular, unsubsidized jobs than any other W-2 cash assistance program. Participants in a Real Work Real Pay placement will also be eligible to receive federal and state earned income tax credits, thereby increasing their ability to support their family.

Child Support

Another example of the federal government's disinvestment in programs that benefit children and families is child support. The child support program ensures that noncustodial parents meet their obligation to financially support their children. Operation of the program is a shared state and county responsibility. Beginning in October 2007, the federal government will terminate the 66 percent match it provides on federal incentive dollars received by states and counties for the effectiveness of their child support enforcement efforts. Wisconsin has consistently been a top performer in collecting child support. The federal government's decision will cost Wisconsin an estimated \$49 million over the biennium. In addition, greater parity in state performance is expected to cost Wisconsin another \$5.8 million in lower incentive payments, resulting in a total estimated loss of federal funding for child support of about \$55 million.

To address this reduction in federal support, the Governor proposes the following:

- Increase GPR funding of the child support program by \$8.4 million over the biennium. This will draw additional federal matching funds of \$16 million.
- Require the Department of Workforce Development to implement additional administrative efficiencies that will save \$4.2 million over the biennium.
- Increase the annual fee charged to noncustodial parents participating in the child support program from \$35 to \$65 and implement a federally-mandated annual fee of \$25 on custodial parents, increasing revenues by \$9.7 million.

These changes will offset the federal disinvestment by an estimated \$38 million. The counties are also responding to the disinvestment by undertaking their own program reforms and cost containment strategies, which will be instrumental in offsetting this loss. Cooperation by counties, along with continued efforts by the state to seek cost savings, will be necessary to address any remaining gap.

Other Initiatives

- Provide \$1.5 million GPR over the biennium for vocational rehabilitation services to ensure that Wisconsin's citizens with disabilities receive the services and training necessary to become and remain productive workers.
- Provide \$1.9 million SEG from the universal service fund to maintain the state's share of public library system costs at 8.1 percent.
- Provide \$477,600 GPR to fully fund the state's contracts with four special purpose resource libraries that provide specialized materials to borrowers throughout the state that are not available in public libraries. These contracts are with the Milwaukee Public Library, Wisconsin Library Services, Wisconsin Regional Library for the Blind and Physically Handicapped, and Cooperative Children's Book Center.
- Expand the definition of full-time employment that applies to school district teachers, librarians and administrators under the Wisconsin Retirement System to include education support personnel.

Property Tax Relief

Property taxes continue to be on the minds of all Wisconsin citizens. Therefore, it is incumbent upon the state to partner with local governments to ensure the state provides its fair share of the costs of delivering vital local services, such as police and fire protection. In 2005-07, the Governor approached this challenge with a system of reasonable statutory controls on property tax increases for municipalities and counties, increased support of schools and increases in direct property tax credits.

This approach worked. The typical tax bill increased only one percent in 2005 and by only a few dollars in 2006.

This biennium the Governor recommends continuing this proven approach. He extends this approach by targeting tax relief through a more equalized distribution formula.

The Governor proposes providing a package of increased local assistance and levy controls that will hold property tax increases for the average homeowner below inflation in each of the next two years. The elements of the package include the following:

- Increase shared revenue by \$15 million in fiscal year 2008-09. This is the first increase in five years and is the initial step in a multiyear effort to restore the cuts made in the 2001-03 biennium.

- Extend county and municipal levy limits for an additional two years. The extension would allow levies to increase by the greater of four percent or the value of net new construction. There are also a series of technical changes made to make the levy limit more workable.
- Create a "first dollar" credit for the December 2008 levy. This would provide a credit equal to the school taxes on the first \$5,545 of value of improvements per parcel.
- Create a levy restraint and bonus program effective with the 2008 levy. Municipalities and counties that hold their 2007 levy increases at or below 85 percent of the levy limit will be eligible for incentive and bonus payments paid in July 2009 (fiscal year 2009-10). The levy restraint incentive payment is similar to the current expenditure restraint program, but focuses on the levy increase rather than general fund spending. It is determined by each municipality's percentage of all qualifying levies over five mills. A municipality that levies below the 85 percent threshold will be eligible for an additional bonus payment based on the municipality's share of all unused levy authority below the 85 percent threshold of all qualifying municipalities.

The levy restraint incentive program will be funded with \$58.1 million GPR transferred from the repealed expenditure restraint program and the bonus payment will be funded with \$5 million in new GPR, both beginning in calendar year 2009 (fiscal year 2009-10). An additional \$25 million annually is provided, beginning in calendar year 2009, to support a levy restraint and bonus payment program for counties.

The net impact of the Governor's property tax relief package is displayed in Table 11 and Chart 16.

**TABLE 11: PROPERTY TAXES ON A TYPICAL HOME
CURRENT LAW VERSUS GOVERNOR'S RECOMMENDATIONS**

	Current Law			Governor's Recommendation			Savings
	<u>Tax Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>	<u>Tax Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>	
December 2007	\$2,861	\$126	4.6%	\$2,810	\$75	2.7%	\$51
December 2008	\$2,988	\$127	4.4%	\$2,836	\$26	0.9%	\$152
Governor's property tax initiatives – savings on average value home							\$203

CHART 16: INCREASE IN TYPICAL TAX BILL BELOW SIX YEAR AVERAGE AND FURTHER REDUCED BY NEW "FIRST DOLLAR" CREDIT FOR HOMEOWNER RELIEF



Milwaukee Initiatives

The Governor recognizes that Wisconsin's ability to thrive depends on the future of our state's largest metropolitan area. Wisconsin needs a strong and growing Milwaukee. It is the center of the state's culture and commerce, and the hub of the state's economy.

However, Milwaukee faces unique and serious challenges that must be addressed. Milwaukee County government is confronting a growing and serious imbalance in its long-term financial outlook. The graduation rate for Milwaukee Public School (MPS) students is 61 percent, far below the statewide average of 92 percent. Additionally, the dropout rate for MPS students is approximately five times the statewide average. Over seven percent of the Milwaukee metro area population is unemployed. Over one-third of the children in the city of Milwaukee are in poverty and almost three-quarters of the state's W-2 cash assistance population reside in Milwaukee County. While Milwaukee County represents 17 percent of the state juvenile population, it represents 50 percent of statewide secure juvenile correctional placements.

To address these challenges, the Governor recommends a comprehensive strategy to help the Milwaukee metro area to succeed and thrive. The Governor's budget includes a special focus on the

financial issues confronting Milwaukee County and provides investments in Milwaukee targeted at improving the education of its youth, curbing violent crime, creating jobs and building infrastructure.

In response to Milwaukee County government's growing financial challenges, the Governor created a high-level task force to examine the county's financial condition. Key recommendations of the task force are addressed in the Governor's budget and include:

- Allow Milwaukee County to issue appropriation bonds, on a one-time basis and within certain guidelines, to pay for the county's unfunded prior service liability for its employee retirement system, which is estimated to be \$455 million. This change is an important first step toward ensuring that Milwaukee County is on a path to financial solvency.
- To ensure that members of the county's Pension Study Commission are adequately qualified, require that public members have at least ten years of financial experience.
- Increase funding for Circuit Court services statewide by \$19 million SEG over the biennium; Milwaukee County's share of this increase is about \$3.5 million.
- Require and fund court interpreters in all cases and regardless of indigence. Milwaukee would receive about one-third of the total increase in statewide funding.
- Increase statewide funding to counties for Youth Aids; Milwaukee County would receive almost one half of this increase, approximately \$12.7 million over the biennium.
- Increase shared revenue statewide over the biennium. Milwaukee County's share of this increase is approximately \$1 million over the biennium and the city of Milwaukee would receive approximately \$4 million.

By creating a Division of Milwaukee Child Welfare within the new Department of Children and Families, the Governor builds on prior initiatives to focus attention and resources on the needs of Milwaukee children. The budget invests \$2.8 million annually to support the training, retention and professional development of critical front-line child welfare workers in Milwaukee and provides \$250,000 annually to expand the work of Milwaukee-based Meta House for alcohol and other drug abuse treatment services designed specifically for women. The Governor's budget also provides for a Medicaid expansion whereby current Milwaukee General Assistance Medical Program patients will now be eligible for Medicaid.

The success of all students in the Milwaukee Public Schools is of great importance to the Governor and to the entire state. That is why the Governor's budget increases School Choice funding and creates a new categorical aid program, providing \$15 million over the biennium to fund research-based initiatives to improve student outcomes and narrow the student achievement gap for Milwaukee students and the rest of the state. The Governor's budget also provides \$500,000 over the biennium to the Boys and Girls Clubs of Greater Milwaukee to expand sites and implement early literacy programs and \$50,000 biennially for foster care youth independence efforts.

To ensure that students have a safe environment to learn, the Governor proposes the creation of an exemption to school district revenue limits so that school districts can hire school security officers in cooperation with local law enforcement agencies and purchase school safety equipment. Recognizing the importance of and relationship between a driver's license and the ability to find and keep a job, the Governor recommends providing \$100,000 to Milwaukee Public Schools to reduce the fees charged to low-income students for driver education. Additionally, the Governor's budget recommends \$1 million over the biennium to fund summer youth employment programs in Milwaukee.

The Governor's budget supports a major expansion of University of Wisconsin-Milwaukee's undergraduate and graduate student research activities and medical imaging research, enhancing the campus' ability to attract outside gifts and grants. In addition, \$200,000 is earmarked to study the implementation of a new school of public health, contingent on approval of the University of Wisconsin Board of Regents.

To ensure that law enforcement officers have the necessary resources to address crime in Milwaukee, the Governor's budget provides over \$4 million GPR during the biennium. Funding will allow for additional police officers for the city of Milwaukee, and increased resources for better sentencing, treatment, diversion and rehabilitation of offenders. In an effort to reduce recidivism, the Governor recommends funding to provide offenders with transitional jobs.

The Governor recognizes that Milwaukee's transportation infrastructure is critical to its economic vitality. The Governor's budget positions Wisconsin to compete for federal funding by providing an additional \$32 million in bonding revenue to support the development of a passenger rail system that would improve transportation options between major urban areas in southern and eastern Wisconsin including routes between Milwaukee and Madison, Milwaukee and Green Bay, and Milwaukee and Waukesha County. Strong support for the Kenosha-Racine-Milwaukee commuter rail line is continued with \$1 million provided for preliminary engineering work. The Governor's budget further recommends \$241.8 million to begin construction on the I-94 North-South corridor between Wisconsin's border with Illinois and the Mitchell Interchange in Milwaukee and \$24 million for preliminary engineering for the reconstruction of the Zoo Interchange.

The Governor's budget supports Milwaukee's economic infrastructure by providing \$2.5 million over the biennium for the Biomedical Technology Alliance, facilitating southeast Wisconsin's regional strengths in biomedical engineering, medical imaging, medical informatics, bioinformatics and technologies to accelerate drug development. Additionally, \$2.5 million is provided to the Medical College of Wisconsin to expand its research efforts in developing new neuroimaging techniques related to detecting early risk factors for diseases such as Alzheimer's. The budget also provides the Wisconsin Entrepreneurs Network with funds to hire a minority business development specialist to provide technical assistance to minority entrepreneurs in Milwaukee.

B. ECONOMIC DEVELOPMENT AND TRANSPORTATION

The Governor recognizes that the efficient and safe movement of people and goods across the state is essential to economic development and the well-being of Wisconsin's citizens, businesses and visitors. The Governor's budget aims to preserve and improve Wisconsin's transportation infrastructure by ensuring that existing highway system rehabilitation and maintenance needs are funded as well as ensuring a wide range of transportation choices are available through support of freight and passenger rail and harbors.

In particular, funding is budgeted to continue designing and begin reconstruction of the Interstate 94 North-South corridor between the Illinois border and the Mitchell Interchange, and preliminary engineering of the Zoo Interchange. With the completion of the Marquette Interchange scheduled for 2008, the North-South corridor and Zoo Interchange projects will continue the upgrade of the major transportation arteries of southeastern Wisconsin, ensuring the continued improvement of the economic condition of the entire state by connecting people and goods traveling from Illinois to residents, businesses and tourism opportunities throughout the state.

The Governor's budget further recommends that funding be budgeted to rehabilitate and maintain the state's highway system. Recent years have seen significant inflationary increases in construction costs. The Governor's budget includes increased rehabilitation funding to allow the Department of Transportation to keep pace with projected costs to resurface and replace pavement on highways where pavement quality has eroded, ensure that highway bridges are safe and increase capacity on heavily used ramps. Additional funding will also provide safe driving conditions by ensuring state highways are plowed in the winter and pavement integrity is maintained throughout the year.

Transportation options will be available for Wisconsin's residents, businesses and industry through preservation and improvement of the state's rail system and harbors. The Governor recommends increasing support to ensure freight rail lines remain in an operational condition and continue to connect Wisconsin's industries with suppliers and markets. The Governor also recommends continued support of passenger and commuter rail, including increasing capacity on the existing Hiawatha Amtrak line and

continued preliminary engineering for expansion of the Metra rail system to Kenosha, Racine and Milwaukee. In addition, the Governor's budget provides funding to improve Wisconsin's ability to compete for federal funds to develop a passenger rail system to increase transportation options across southern and eastern Wisconsin. Harbor improvements will also improve the transportation of cargo and passengers, connecting Wisconsin to the world.

The Governor's budget recommends that additional revenues be generated through a \$20 increase in the automobile registration fee and various adjustments to the light truck registration fees to support highway needs and other transportation costs. Despite the increase, Wisconsin's automobile registration fee will continue to be the lowest in the Midwest. The Governor also recommends assessing oil companies for 2.5 percent of their earnings on sales of motor fuel in Wisconsin. Based on case law and federal regulatory guidance, companies will be prohibited from passing this assessment on to consumers, ensuring that Wisconsin's residents benefit from the excess profits of these companies. Reflecting the state's commitment to moving toward energy independence, ethanol and biodiesel producers will not be subject to the assessment.

Federal REAL ID Act of 2005

Wisconsin sets a high priority on protecting its citizens and visitors. The Governor's budget includes funding, positions and statutory modifications believed to be necessary to comply with the unfunded requirements in the federal REAL ID Act of 2005. Unfortunately, while the federal government has not yet promulgated compliance guidelines, it has not provided appropriate extensions in the deadlines for compliance. The act sets minimum security standards for driver's licenses and identification cards, and requires the state Department of Transportation to verify identity information provided by applicants for driver's licenses through an on-line vital records database for birth and death records as well as verifying residency. The department is also required to retain electronic copies of all identification information provided by applicants in a searchable format. If Wisconsin is not in compliance with the act, Wisconsin residents may not be able to use their driver's licenses or identification cards as proof of identity for federal programs such as Social Security and passports, to board an airplane or to enter a federal building.

However, compliance with the REAL ID Act requirements also mandates that states change their methods of issuing driver's licenses and identification cards, including using special cardstock that will not allow for new licenses and cards to be issued at the counter. The verification process will take longer and actual production of driver's licenses and identification cards will need to be done in a central location and mailed to individuals. The Governor also recognizes that these new requirements may raise concerns regarding privacy protection. The Governor's budget provides additional funding and 28.5 FTE SEG positions to ensure visitors to Division of Motor Vehicles service centers do not have increased wait times, that driver's license and identification card applications are processed as efficiently and accurately as possible, and that identity information is protected. The costs associated with these federal requirements will be financed by revenues from a \$10 federal security verification mandate fee on each transaction in which a new driver's license or identification card is issued.

Energy Independence and Economic Development

Wisconsin is well situated to be the national leader in the development and commercialization of renewable energy and fuel technologies. The state's strong agriculture and forestry industries generate ample sustainable resources, both virgin and "waste" material, that can be converted into renewable energy and fuel for Wisconsin's businesses, homes and vehicles. The Governor's budget dedicates over \$40 million to grow Wisconsin's biobased and renewable economies and move the state, its residents, businesses and industries away from reliance on unsustainable energy sources from the Mideast and toward renewable energy sources produced in the Midwest.

The Governor's budget includes the establishment of the Wisconsin Energy Independence Grant and Loan Program. The program will provide \$30 million in grants and loans for companies and researchers to develop new technologies to increase renewable energy, speeding the commercialization of these innovations and leading the way to energy independence. The grant program will include a set-aside of \$5 million to position Wisconsin to become home to the first cellulosic ethanol plant in the nation which

will produce ethanol from cellulose, or woody forest and timber materials. The current biennium's \$1 million biogrant program has been successful in generating investment in this sector. Based on the results from the biogrant program, the Governor's proposal is expected to leverage up to \$300 million in private investment.

The Energy Independence Grant and Loan Program will be funded by a doubling of the recycling tipping fee assessed on waste dumped in a landfill. The technology supported through this new program will generate income and jobs from a resource generally considered to be "waste" and prevent that waste material from being dumped in a landfill.

The Governor's budget also includes an income tax credit to assist in the creation of 400 new renewable fuel pumps. Up to \$1 million annually in tax credits will be available to gas stations and private fleet operators who install E-85 and biodiesel tanks and pumps. The credit will equal 25 percent of the cost to retrofit or install a new pump, up to a maximum of \$5,000 per pump.

Startup companies looking to develop and market renewable energy and commercial applications of biomedical and stem cell research will receive additional support through an increase in angel and early stage seed investment tax credits. The tax credits provide an incentive for investment in entrepreneurial companies, and the Governor recommends increasing the available tax credits in each type by \$2.5 million per year, for a total of an additional \$10 million in tax credits over the biennium.

Entrepreneurial companies will also receive assistance in obtaining capital from the Wisconsin Venture Center, which will be organized by the Department of Commerce. The Venture Center will help prepare entrepreneurial companies to receive capital investment and provide research and analysis services to portfolio companies looking to invest in entrepreneurial endeavors. The Venture Center will be led by a board consisting of the secretaries of the Department of Commerce and Department of Financial Institutions, and representatives of research institutions, entrepreneurs, high-technology businesses, venture capital industry, investment banks, business development community and professionals that serve startup companies.

A recent Legislative Audit Bureau report highlighted the current diversity of economic development programs in state government and the potential lack of coordination. Almost two years before this report was released, the Governor recognized the need for improvements in economic development programs by recommending the Wisconsin Development Fund's programs be streamlined and consolidated. The previous Legislature chose not to adopt these reforms.

The Governor again recommends these reforms and proposes a dramatic expansion in the size of the Wisconsin development fund. The Governor's recommendations will allow the state the flexibility to effectively assist manufacturers, businesses and workers to develop and implement new technologies and processes that were not envisioned when the fund was created. In addition, funding is provided to the Department of Commerce in support of regional economic development and job growth and retention efforts.

TABLE 12: INCREASE IN WISCONSIN DEVELOPMENT FUND

	<u>FY08</u>	<u>FY09</u>
Base Funding (GPR and Repayments)	\$11,148,400	\$11,148,400
Energy Grants and Loans	15,000,000	15,000,000
Increase from Securities Agents Fee	<u>1,250,000</u>	<u>2,000,000</u>
TOTAL	\$27,398,400	\$28,148,400
Less Commitments		
Existing Ongoing Commitments	700,000	700,000
LEAN Manufacturing*	1,500,000	0
WEN Minority Business Specialist	100,000	100,000
Cellulosic Ethanol*	<u>5,000,000</u>	<u>0</u>
TOTAL UNCOMMITTED	\$20,098,400	\$27,348,400

**One-time amount, may be spread across fiscal years.*

Jobs for the Future

The Governor's Jobs for the Future initiative will prepare Wisconsin's youth and workers for the high-technology jobs that new renewable energy and other entrepreneurial companies will create.

- As part of the Governor's Jobs for the Future initiative, double the annual funding for youth apprenticeship grants, which provide high skills training and meaningful work experience to high school juniors and seniors in 21 occupational areas.
- As part of Wisconsin's Jobs for the Future initiative, give Wisconsin workers and manufacturers a competitive edge by providing an additional \$6 million over the biennium to the Wisconsin Technical College System for Workforce Advancement Training Grants.
- Manufacturers will also benefit under the Jobs for the Future initiative by receiving assistance to adopt lean manufacturing techniques. The \$1.5 million Get LEAN manufacturing initiative will help manufacturers produce more goods of higher quality with less effort, space, capital and time. Local economic development corporations, technical colleges, Northwest Wisconsin Manufacturing Outreach Center and Wisconsin Manufacturing Extension Partnership will have the opportunity to join together to compete for this funding, which will also help Wisconsin manufacturing extension programs to leverage additional federal funding.

Department of Transportation Initiatives

- Increase transportation fund revenues by \$440 million through a \$20 increase in automobile and light truck registration fees and a new assessment on oil companies.
- Increase funding for the General Transportation Aid, Local Road Improvement and Transit Aid programs by two percent in each year to maintain local transportation systems.
- Provide an additional \$18,055,600 in fiscal year 2007-08 and \$43,252,400 in fiscal year 2008-09 to fund inflation increases in the State Highway Rehabilitation Program.
- Increase funding by \$4,475,300 in fiscal year 2007-08 and \$9,017,800 in fiscal year 2008-09 to reflect inflation in the Major Highway Program.

- Provide \$241.8 million over the biennium to support engineering and begin reconstruction of the Interstate 94 North-South corridor. The corridor will serve generations of Wisconsin residents and visitors, and because of its long-term projected life, 36.7 percent or \$90.2 million of the project is funded with 20-year transportation fund SEG-supported general obligation bonds. This is the same percentage of bonding at which the Marquette Interchange project was funded.
- Provide \$24 million and 25.0 FTE positions over the biennium for preliminary engineering of the reconstruction of the Zoo Interchange.
- Provide \$98.8 million over the biennium to address rehabilitation needs to the southeast Wisconsin freeways, other than the Interstate 94 North-South corridor or Zoo Interchange.
- Provide an additional \$66.3 million over the biennium for the state highway maintenance program to cover inflation increases and county service contract costs.
- Provide \$12.7 million of bonding authority over the biennium for harbor projects.
- Fund Wisconsin's portion of Amtrak service from Milwaukee to Chicago and provide \$1 million over the biennium to add a rail car to increase capacity. In addition, provide \$1 million in fiscal year 2007-08 for final engineering of the proposed Metra commuter rail system.
- Increase bonding authority for the Freight Rail Preservation Program by \$22 million, which is \$10 million more than the previous biennium.
- Provide \$2.7 million in fiscal year 2008-09 for grants to local governments for bike and pedestrian projects. In addition, provide \$8,613,100 to administer the Safe Routes to School program which awards grants to create safe walking and bicycling routes to school for children in kindergarten to eighth grade.
- Invest in schools and ensure property tax relief by using transportation revenues to fund \$56 million in pupil transportation aids, \$34 million in transportation-related environmental and public safety costs, and \$70 million in debt service on general obligation bonds issued for transportation projects in previous biennia.

Economic Development Initiatives

- Provide \$30 million over the biennium for the Energy Independence Grant and Loan Program to increase the use of renewable energy and fuel technology.
- Target \$5 million from the Energy Independence Grant and Loan Program for grants to develop the nation's first cellulosic ethanol plant.
- Increase angel and early stage seed investment tax credit awards by \$5 million annually to support high-technology and biotechnology startup companies.
- Increase the distribution and availability of E-85 and biodiesel fuel through an annual allocation of \$1 million in tax credits for gas stations and private fleet operators who install E-85 and biodiesel tanks and pumps.
- Provide \$2 million over the biennium to contract with nonprofit organizations that assist businesses to reduce and recycle solid waste through direct business recycling projects, best practices exchanges, and research and development to address environmental or market issues with specific technologies.
- Create the Wisconsin Venture Center to connect entrepreneurs with investors accelerating the development and growth of biotechnology and health care technology businesses.

- Improve skilled employment opportunities for high school students by doubling funding for the Youth Apprenticeship Program.
- Provide \$2.5 million over the biennium to the Biomedical Technology Alliance. The alliance was established in 2004 to facilitate southeast Wisconsin's regional strengths in biomedical engineering, medical imaging, medical informatics, bioinformatics and technologies to accelerate drug development. Members of the alliance include University of Wisconsin-Milwaukee, University of Wisconsin-Parkside, Marquette University, Medical College of Wisconsin and Milwaukee School of Engineering.
- Provide \$2.5 million in fiscal year 2008-09 to the Medical College of Wisconsin to support translational research activities. These resources will assist the Medical College in its efforts to accelerate developing the results of basic science and laboratory research into new clinical applications that benefit patients.
- Provide \$400,000 over the biennium to support the Islet Transplantation program within the University of Wisconsin School of Medicine and Public Health. Islet transplantation holds the promise of providing an alternative to daily insulin shots as a treatment for Type 1, or juvenile, diabetes.
- Create a dairy manufacturing facility investment credit in an amount equal to ten percent of the amount invested in modernization or expansion of a dairy manufacturing facility during the tax year. The credit will be available for tax years beginning January 1, 2007, and ending December 31, 2014, and have a maximum total of \$200,000 per claimant over the life of the credit.
- Increase support for organizations operating homeless shelters and providing transitional housing assistance by \$2 million over the biennium. Provide revenues from a portion of the real estate transfer fee to create a segregated affordable housing trust fund.

C. ENVIRONMENTAL AND NATURAL RESOURCES MANAGEMENT

Stewardship Reauthorization

Wisconsin has always had a strong tradition of conservation and outdoor recreation, whether hunting, fishing, hiking, protecting threatened plants and animals, or enjoying a ride on a recreational vehicle. Since the days of Gaylord Nelson's administration, more than a million acres of pristine Wisconsin lands have been permanently set aside – forever protected so that our great hunting, fishing and conservation traditions will always be safe. The Warren Knowles-Gaylord Nelson Stewardship Program has ensured that future generations will have opportunities to pursue recreation and to visit and learn from unique ecosystems.

The Governor's budget includes reauthorization of the Stewardship Program for an additional ten years to continue the state's commitment to land preservation and acquisition, property development for recreation and local assistance to allow communities to meet their particular recreation and open space needs. Property values throughout the state have increased as more and more people discover the opportunities Wisconsin has to offer. Fragmentation of large holdings has also threatened to restrict the public's access to land for hunting and other recreational pursuits. To maintain the state's ability to protect Wisconsin's outdoor heritage and ensure that public hunting lands are maintained as well as to provide places for all of Wisconsin's residents and visitors to enjoy, the Governor's budget sets the new funding level for the Stewardship Program at \$105 million per year from fiscal year 2010-11 to fiscal year 2019-20.

The reauthorized Stewardship Program will also continue the state's commitment to partnering with nonprofit conservation organizations and local governments to maximize protection of natural areas and open space for all to enjoy. The Governor's budget allocates \$14.5 million annually from the new program for grants to nonprofit conservation organizations for land acquisition and up to \$14 million annually for local assistance. For unique properties that require quick action to protect against being lost

forever to development, the Natural Resources Board will also be able to provide a grant to a nonprofit conservation organization for up to 75 percent of the acquisition costs, rather than the current 50 percent match.

In addition to the Stewardship Program reauthorization, the Governor's budget includes the following recommendations to increase protection and enjoyment of and access to the state's abundant natural resources.

- As part of the Managed Forest Law Program, create a grant program funded at \$1.8 million over the biennium for grants to acquire lands and easements to increase public access to forested lands when land enrolled in the program is closed to public access.
- Provide \$215,500 in each year to educate the public and increase enforcement of invasive aquatic species laws. In addition, expand eligibility for cost-sharing grants for control of aquatic invasive species to include qualified lake associations and nonprofit conservation organizations, and increase the state's share of a project's costs from 50 percent to 75 percent.
- Improve the state's ability to prevent and combat potential infestations of forest and other terrestrial invasive species by providing \$260,000 over the biennium for increased monitoring and mapping of the state's ash tree resource, education and control efforts on state-owned lands, and cost-share grants to local invasive plant management groups.
- Increase funding to support forest fire response efforts by \$736,200 in fiscal year 2007-08 and \$982,300 in fiscal year 2008-09 for additional LTE firefighters, training, equipment and fire tower inspection and maintenance.
- Improve the state's award-winning park system for residents and tourists by providing \$634,300 in fiscal year 2007-08 and \$771,400 and 3.0 FTE positions in fiscal year 2008-09 to support operations of Milwaukee Lakeshore State Park, new campgrounds at Harrington Beach and Kohler-Andrae State Parks, and new facilities; expand electrical service to new and existing campsites; and improve communications in and to state parks and southern forests.

Fish and Wildlife

- Increase funding for conservation law enforcement by \$1.9 million over the biennium to cover overtime costs and replace obsolete communications equipment. Also, allow wardens to issue citations in an automated format.
- Provide 1.0 FTE three-year project position and associated funding to support Wisconsin's participation in a multistate wildlife violator compact.
- Establish a permit requirement for harvesting of shovelnose sturgeon and their roe, or caviar. The permit requirement will allow the Department of Natural Resources to work with neighboring states to manage the sturgeon population and keep it at sustainable levels.

Water Quality Initiatives

- Provide \$25 million in general obligation bonding authority to continue funding for urban and rural nonpoint source pollution cleanup and prevention projects, and implementation of county land and water resource management plans.
- Provide \$12 million SEG over the biennium to increase cost-share grants to landowners for nutrient management planning and other best management practices to prevent nonpoint source water pollution. In addition, stabilize funding and increase support for nonpoint source water pollution abatement activities through a \$2 increase in the supplemental title transfer fee and a 75-cent increase in the environmental repair tipping fee.

- Create a manure management advisory system as recommended by the Manure Management Task Force to assist farmers and manure applicators in identifying the least risky fields and times to apply manure.
- Provide \$17 million in general obligation bonding authority to leverage \$31 million in federal funds for contaminated sediment removal from the Great Lakes and tributary rivers.

Environmental Repair and Remediation

- Stabilize funding for environmental programs, including the cleanup and redevelopment of contaminated properties, by repealing the sunset of the vehicle environmental impact fee and increasing the environmental repair tipping fee by 35 cents per ton of waste.
- Provide \$3 million in SEG-supported general obligation bonding authority to fund investigations and cleanup activities at contaminated sites with no viable responsible party.
- Continue funding remediation of properties contaminated by dry cleaning solvents by increasing dry cleaner fees from 1.8 percent of dry cleaning gross receipts to 2.8 percent of those receipts.

Office of the Public Intervenor

- Restore the Office of the Public Intervenor within the Department of Justice. Restoring the public intervenor office will enhance our natural resources by lobbying government agencies and legislators directly to ensure public rights are addressed as part of environmental protection legislation and policies by acting as a check and balance over state agencies.

D. HEALTH AND HUMAN SERVICES

Health Care Coverage Expansions

The rising price of health care is one of the great challenges of our time. Too many of our citizens simply cannot afford quality care, living in fear that one illness or accident could devastate them – physically, emotionally and financially. This is not only an economic crisis, it is a human crisis demanding immediate action. The initiatives described below will extend access to health care coverage to 98 percent of Wisconsin citizens and reduce health care costs for Wisconsin families by \$500 per year.

- Expand Family Care and strengthening other health care programs for vulnerable populations.
- Improve patient safety and the transparency of health care cost and quality data by providing grants and tax credits for technology investments, expanding the use of electronic medical records, and developing the exchange of medical records.
- Reduce the costs of health care premiums for families and businesses.
- Create the Healthy Wisconsin Authority to develop a purchasing pool to help businesses afford catastrophic health coverage for employees.
- Ensure the financial stability of the Medicaid program into the future.
- Enhance coordination and delivery of vital social service functions to Wisconsin's children and families.

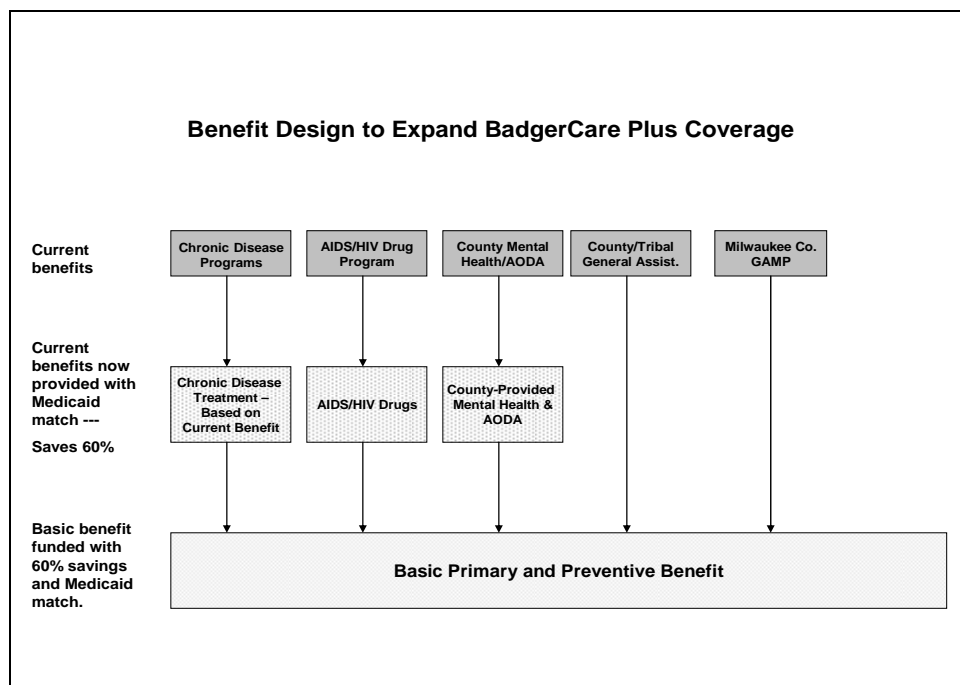
BadgerCare Plus Coverage Expansions

Every Wisconsin resident whose family income is at or below 200 percent of the federal poverty level will have access to health care. Families, caretaker relatives, parents whose children are temporarily placed into foster care, and youths aging out of foster care will now be eligible for BadgerCare coverage. Children and pregnant women with family incomes between 200 percent and 300 percent of poverty will be eligible for coverage under a new BadgerCare Plus benchmark health plan. For families with incomes over 300 percent of poverty, parents will be able to buy their children BadgerCare Plus benchmark health plan coverage at cost to ensure that every child in Wisconsin has access to affordable, comprehensive health care.

The BadgerCare Plus expansion for families and children will be cost neutral due to savings achieved from expansions in recipients enrolled in managed care and administrative savings derived from dramatic simplification of the eligibility determination process. These savings will allow the state to expand coverage and also make investments in critical elements of the program, including: improving dental access, providing incentive payments to HMOs, making grants to community organizations for outreach and enrollment assistance, and increasing the number of nurses staffing Milwaukee Public Schools.

BadgerCare Plus will also extend health care access to childless adults whose family incomes are at or below 200 percent of poverty. As a first step toward this expansion, starting January 2008, Medicaid family planning and reproductive health services will be extended to cover both men and women under age 45 with family incomes at or below 200 percent of poverty. The expansion to comprehensive health care coverage will begin in January 2009, pending federal approval.

CHART 17: GOVERNOR'S HEALTH CARE REFORM – COVERAGE EXPANSION



For the first time all low-income adults will have access to a basic primary health care package with additional services available for populations with special health care needs. Many of these adults have never been eligible for Medicaid or BadgerCare coverage because of federal program restrictions limiting eligibility for adults to parents, the disabled or the elderly. We have created a patchwork of health care programs in attempts to compensate for the inability of low-income childless adults to access comprehensive health care. General Assistance Medical Programs, the Chronic Disease program, the Well Woman program, HIV/AIDS drug coverage, the family planning program and county mental health and substance abuse programs all attempt to fill the void caused by the federal decision denying childless adult access for Medicaid and BadgerCare coverage. The BadgerCare Plus expansion will replace this patchwork of programs with a comprehensive primary health care package, while retaining specialized services offered by the existing programs.

Long-Term Care Expansions

The Governor's budget will continue to reform the long-term care system through a proposal to expand the Family Care program statewide over five years. Currently, the Family Care benefit exists in five counties. The Governor envisions a time when an elderly or disabled individual in need of long-term care services will be able to access either the Family Care benefit in every Wisconsin county.

To make this goal a reality, various counties and nonprofit groups formed planning consortia in the winter of 2006 to develop plans for the expansion of Family Care/Partnership. The Governor's budget supports this expansion by including new funding for Aging and Disability Resource Centers, which are the "front door" into the Family Care system and for the provision of the actual Family Care managed long-term care benefit.

In recognition of the vital role nursing homes play in caring for high-acuity individuals in need of nursing home services, the Governor's budget also includes a two percent rate increase in each fiscal year for the homes. The rate increase would consist of a two percent increase derived from an increase in the nursing home bed assessment.

Finally, the Governor's budget contains significant new staffing increases at the Board on Aging and Long-Term Care. The Governor understands that there needs to be strong advocacy for consumers as the long-term care system continues to reorganize itself to best assist those in need of care. By providing additional staff to the board, the Governor believes that patient care will be maintained as Family Care/Partnership expands and the nursing home industry continues to reposition itself within the long-term care system.

SeniorCare

Wisconsin has the best senior prescription drug benefit program in the country, and this budget fully funds the SeniorCare program, with no changes to eligibility or to participant cost-sharing. The 2007-09 budget recommendation assumes that most recipients will choose to stay in SeniorCare. Additional funds are recommended to address the continued growth in drug prices and drug utilization. The budget assumes that the federal government will renew and maintain funding provided through a Medicaid waiver originally approved in September 2002.

Broad Based Health Care Reform

While the state coverage expansions detailed in the previous sections will assist many low-income families and individuals, state government must also work with the private sector and other stakeholders to promote health care access and coverage for all. The budget increases requirements for health insurers in the group market to offer enhanced benefit levels for mental health and substance abuse services and to provide coverage of services related to autism spectrum disorders.

Health care costs for employer-sponsored coverage are increasing by approximately ten percent per year. Therefore, the budget will allow anyone paying a portion of their health care premiums with post-tax dollars to claim a deduction for these payments.

Last summer the Governor created the Healthy Wisconsin Council charged with reducing the number of uninsured and the costs of premiums. The council recently completed its work and made the following recommendations:

- Create a Healthy Wisconsin Authority to develop a reinsurance plan for small businesses and health care purchasing cooperatives designed to reduce premiums and the number of uninsured.
- Endorse the BadgerCare Plus proposal to ensure that all Wisconsin children have access to health care.
- Expand Medicaid to cover childless adults under 200 percent of the poverty level.
- Increase the cigarette tax to provide a subsidy to lower insurance premiums and to increase Medicaid reimbursement rates for providers.
- Endorse comprehensive health care reform to provide broader coverage while lowering health care costs.

The Governor recommends creating the Healthy Wisconsin Authority to carry out the recommendations developed by the council. The authority board will include health care providers, insurers, public members, legislators and the Commissioner of Insurance as an ex officio member. The authority will be charged with developing and implementing a reinsurance program for small businesses and possibly for additional groups. The authority may also explore options for catastrophic health insurance and ways to broadly reform the state's health care system.

Background on Financing for Medicaid and BadgerCare Programs

Medicaid is a federal entitlement program in which the federal government sets general requirements and shares the cost of the program with the states. Wisconsin's Medicaid program is one of the most comprehensive in the nation. BadgerCare provides health services for children and families whose income exceeds Medicaid limits, covering families up to 185 percent of the federal poverty rate. Wisconsin contributes approximately 42 percent of the overall costs of the Medicaid program and 29 percent of BadgerCare. The Medicaid appropriation is one of the largest GPR expenditures in the state budget at over \$1.4 billion.

Medicaid Financial Sustainability

The Department of Health and Family Services requested additional GPR resources of \$131 million in fiscal year 2007-08 and \$314 million in fiscal year 2008-09, the vast majority for Medicaid. Most of this request is due to increases in the cost of medical services which often rise much faster than general inflation. In order for the budget to balance, this request needed to be reduced and new dedicated funding streams identified to stem the increasing pressure that health care costs place on other already stressed sectors of the state budget. This fiscal relief was achieved through the following steps.

Federal Revenue Enhancements

The Governor recommends simplifying the Wisconsin Medicaid Cost Reporting Program, which generates federal claims based on actual county expenditures for human services activities. This program has been approved by the federal government and will be modified to reduce administrative complexity while allowing counties to retain all federal funding claimed for county-funded Medicaid services. In addition, the reporting of common carrier transportation services will be improved to allow the state to claim an additional 8 percent to 21 percent federal reimbursement of costs.

Another opportunity, which has been successful in other states, is to claim Medicaid funding for state operated physician practice groups. When implemented, this project will generate approximately \$15 million in additional federal revenue each fiscal year.

Creation of the Health Care Quality Trust Fund

The health care quality trust fund will consist of dedicated revenues from the increase in tobacco taxes, funds from the hospital assessment, interest earnings from the permanent endowment fund, and a one-time transfer of funding from the injured patients and families compensation fund. These revenues will be used exclusively as segregated funding to ensure the stability and viability of Wisconsin's health care programs and tobacco control activities.

TABLE 13: HEALTH CARE QUALITY FUND CONDITION STATEMENT

	<u>FY08</u>	<u>FY09</u>
REVENUES		
Balance from prior year		\$97,300,000
Injured Patients & Families Fund Transfer	\$175,000,000	0
Tobacco Tax Increase	275,700,000	270,500,000
Tobacco Permanent Endowment Transfer	50,000,000	50,000,000
Hospital Assessment	<u>205,532,800</u>	<u>212,726,500</u>
TOTAL	\$706,232,800	\$630,526,500
EXPENDITURES		
Healthy Wisconsin Authority Admin	\$500,000	\$500,000
Childless Adult Expansion	0	6,153,700
Hospital Assessment MA funding	59,409,700	63,250,200
Hospital Rate Increase	146,123,100	149,476,300
Tobacco Control Activities	30,000,000	30,000,000
E-Health	10,000,000	10,000,000
MA Funding Stabilization	<u>362,900,000</u>	<u>370,902,800</u>
TOTAL	\$608,932,800	\$630,283,000
Fund Balance	\$97,300,000	\$243,500

Tobacco Control and Tobacco Taxes

We must continue the battle to protect our kids from the scourge of tobacco and offset the Medicaid costs incurred from smoking-related illnesses. The budget increases the tax on cigarette by \$1.25 per pack, with comparable increases for other tobacco products, with the goal that this price increase will lead to a substantial decline in the number of smokers in Wisconsin. All revenues generated from these tax increases will be dedicated to supporting the \$480 million in Medicaid costs related to smoking that are incurred each year. It is appropriate to fund part of the Medicaid program from tobacco products since many of the program's costs are directly or indirectly caused by the ravages of smoking. But, the benefits to the state are far greater than just supporting the cost of treating tobacco-related illnesses in the Medicaid program; these tax increases will discourage teens and adults from smoking in the first place and help with the state's ongoing cessation efforts. Because of the increases, over 84,000 kids will not become smokers and over 42,000 adults who are currently smokers will quit.

Permanent Endowment Fund

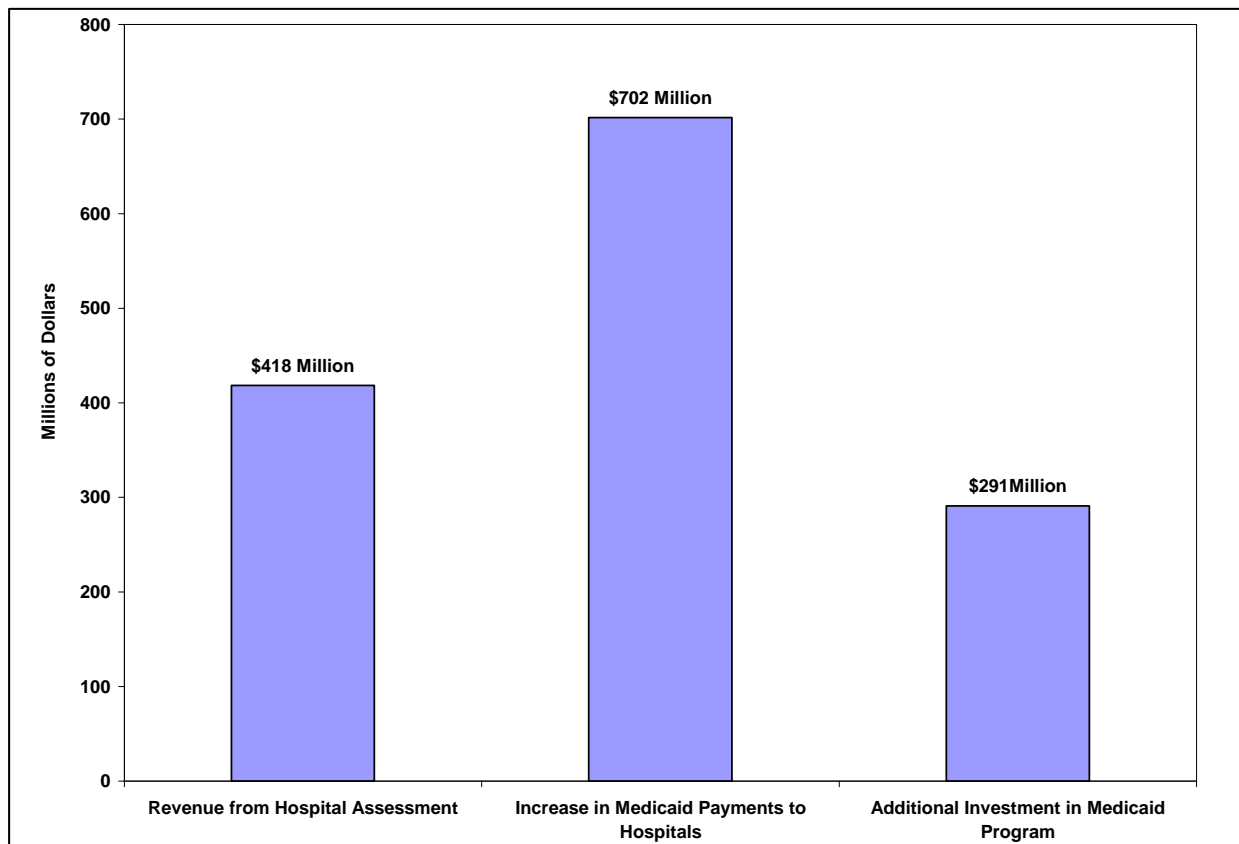
In 2001, the state created the permanent endowment fund. The fund is designed to consist of the proceeds from the sale of the state's payments under the Master Tobacco Settlement Agreement. Fiscal pressures at the time led the Legislature to unwisely divert the tobacco funds to assist in balancing the state's budget. The Governor plans to restore the original intent of the fund by refinancing the state's tobacco bonds and placing the proceeds into the permanent endowment fund. The refinancing is

projected to provide approximately \$650 million for the permanent endowment fund generating interest of approximately \$50 million per fiscal year. This interest income will be annually transferred to the health care quality trust fund, with \$30 million earmarked for tobacco control activities and \$20 million used for Medicaid costs associated with smoking. The estimated \$650 million permanent endowment fund will not be spent but must be protected to ensure a stable funding source for future health care costs.

Hospital Rate Increases and Assessments

To bring additional revenues into the program and to substantially increase provider reimbursement rates, the Governor recommends implementing a new, one percent assessment on the gross revenues of Wisconsin hospitals. Assessment revenues will be deposited in the health care quality trust fund where they will be used to support payments to Medicaid and BadgerCare providers. In total, hospitals will receive about \$140 million more each year than they pay in assessments. Most of the assessment revenues will be used to increase hospital reimbursement payments. On average, the net increase hospitals receive will be 84 percent of their costs for the provision of care to Medicaid and BadgerCare recipients. Because the reimbursement is paid based on the treatment of Medicaid patients, hospitals that serve more of Wisconsin's poor will receive higher average increases than hospitals with relatively small Medicaid patient caseloads. The assessment will be effective July 1, 2007.

CHART 18: ASSESSMENT NETS HOSPITALS OVER \$290 MILLION

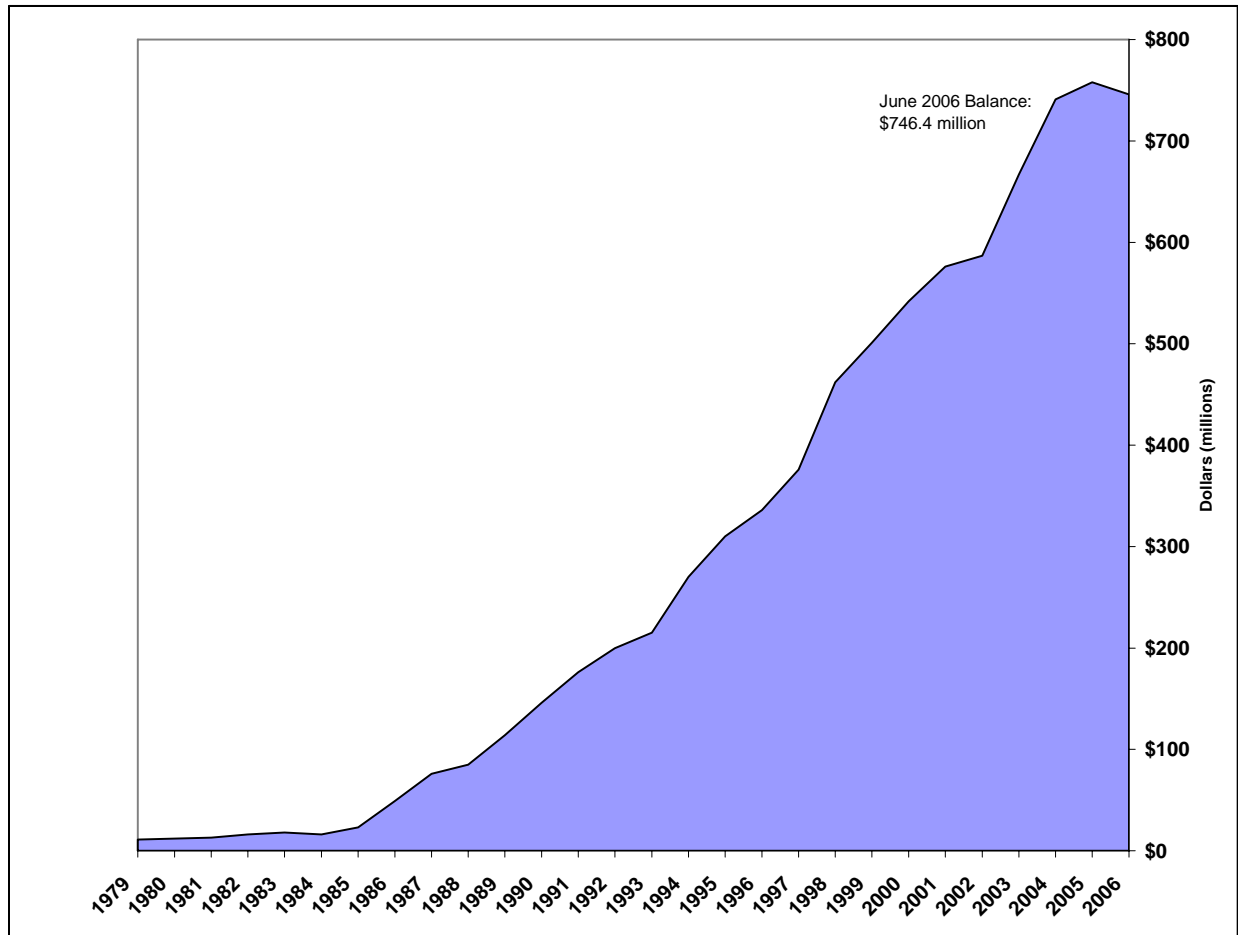


Injured Patients and Families Compensation Fund

The injured patients and families compensation fund currently has a balance of over \$740 million and has been growing every year. This sizeable balance far exceeds – in light of Wisconsin's tough medical malpractice laws – the potential future expenditures of the fund. The fund, which collects approximately

\$24 million from providers in annual fees and had \$18 million in investment earnings last year, has paid out an average of only \$23 million in claims annually.

CHART 19: INJURED PATIENTS AND FAMILIES COMPENSATION FUND



The fund was established to help limit the increasing health care costs and preserve the availability of health care in Wisconsin. Independent analysis of the fund reserves indicate that the liabilities have been overestimated and that revenues can be transferred without effecting the financial stability and long-term viability of the fund. Without this revenue transfer, this budget would be required to cut reimbursement to Medicaid providers at unprecedented levels and reform would be impossible.

By keeping Medicaid in a strong fiscal position, the state can then continue to provide access to health care to low-income persons and help maintain the overall availability of health care providers, one of the twin purposes that led to the creation of the fund. By forestalling a steep reduction in Medicaid rates, the state also prevents a cost-shifting increase in health care costs to non-Medicaid employers and insurers, which supports the other underlying purpose of injured patients and families compensation fund.

Medicaid Reform and Federal Mandates

Fundamental, structural reform of the Medicaid and BadgerCare programs will begin during this biennium, but such reforms will not change behaviors and produce savings overnight. Consequently, the Governor's budget relies on new state revenue sources detailed above. Diversifying the funding for Medicaid will improve the stability of the program and help to bridge the gap to a reformed Medicaid with streamlined eligibility determination processes and enhanced abilities to purchase for value.

Reform efforts, however, are constricted by federal mandates and associated cost increases for these mandates. The mandates often place unfunded administrative burdens on states and limit states' flexibility to reform and improve processes. For example, the federal Center for Medicare and Medicaid Services (CMS) has recently questioned cost reporting and financing mechanisms, which have long-standing approval and use. Congress intervened in the last session to prevent CMS from dramatically altering states' ability to impose provider assessments. Recent mandates that have been enacted range from extra Medicaid eligibility determination documentation directives to requirements for updating the state's vital records systems as they relate to the REAL ID Act.

The additional funding from the health care quality trust fund will enable the Medicaid program to provide rate increases for both hospitals and noninstitutional providers. Without the over \$600 million per year in revenues from the health care quality trust fund, across-the-board rate reductions to providers would be required at a scale never before seen in the program. Such massive reductions would certainly force many providers to leave the program, thus undermining Wisconsin's crucial health care safety net. As has been demonstrated numerous times before, reducing Medicaid payments to providers or even limiting benefits or eligibility in the program only succeeds in increasing the level of uncompensated care in the state. These costs are then passed on to persons with private insurance and even more directly to persons without insurance who pay their health costs directly out of their own pockets. Such policies only exacerbate the problem of rising health care costs and eventually lead to greater rates of uninsured and even more uncompensated care.

Specific cost-effectiveness measures for this biennium include:

- Implementing required federal changes limiting asset transfers in order to qualify for Medicaid coverage.
- Creating new risk-based managed care models for community long-term care services, including options to manage both long-term care and acute care services, and explore regional networks.
- Contracting with a pharmacy benefit manager to improve prescription drug administration.
- Conducting tape matches of recipients eligible for both Medicaid and Medicare to ensure payments are appropriately split between the two programs.
- Investigating ways to do value-based purchasing, by linking payments to quality measures and adjusting Medicaid provider rates to reflect the adoption of medical technology and promotion of quality care and patient safety.
- Promoting recipient involvement in managing care with the potential to provide incentives and supports to promote healthier lifestyles.
- Improving links to employer health insurance coverage for working families receiving BadgerCare and/or Medicaid coverage.
- Implementing the model language False Claims Act, allowing the state to retain an extra ten percent of any Medicaid related recoveries.
- Streamlining income maintenance functions and encouraging use of the on-line application process.
- Consolidating the administration of the Food Stamp Employment and Training program.
- Improving third-party liability coordination and increasing the collection of casualty insurance recoveries.

E-Health Improving Health Care Quality and Patient Safety

The need to improve the health care system transcends the Medicaid program. Medical costs are increasing far faster than families' ability to pay for them. The Governor's E-Health Care Quality and Patient Safety Board recently issued its proposed action plan, highlighting both the need for and the promise of implementing electronic medical record systems and the health information exchange systems. These systems are necessary to ensure that providers and patients have access to the records they need to promote health and avoid errors. A number of studies point to wide variations in patient care and possible harm caused by unavailable, incomplete or inaccurate records. The Institute of Medicine's *Crossing the Chasm* reports that as many of 98,000 patients die each year due to medical errors. Improving the use of medical information systems technology has been demonstrated to save money and more importantly improve patient care.

Multiple studies, highlighted by the Institute of Medicine reports, point out that somewhere between 30 percent to 45 percent of care is inappropriate or unnecessary, costing between \$300 billion to \$500 billion per year nationally. While the causes of this wasteful, inappropriate spending are varied, the solution for many parts of this problem can be addressed through improvements and adoption of information technology to inform clinical decision making, interconnect health care providers, provide patient access to records and information, and measure quality and performance. Improving the delivery of health care and the administration of it will yield benefits for everyone by reducing costs, improving care and saving patients' lives.

The Governor's E-Health Care Quality and Patient Safety Board at the Department of Health and Family Services has spent the last year studying ways to promote the adoption of medical technology information systems to reduce medical errors, enhance our ability to measure quality health care outcomes and improve patient safety. The Governor's budget enhances the board direction and mission by codifying the board's existence as an advisor to the Department of Health and Family Services secretary and charges the board with completing its five-year action plan. The board is composed of health care leaders, including providers, information systems experts and patient advocates and has evaluated information technology improvements and plans.

The board will advise the department secretary on spending \$20 million from the health care quality trust fund for information technology projects, including such activities as: creating integrated data repositories, automating patient records and developing clinical decision making systems. Health care providers seeking financing through the Wisconsin Health and Educational Facilities Authority will have to demonstrate to the board that they are making progress in improving their medical information systems technology. In addition, starting in tax year 2009, up to \$10 million annually will be available in tax credits for providers that make investments in E-Health technology.

Health Insurance Risk Sharing Plan (HIRSP) Expansions and Improvements

The Health Insurance Risk-Sharing Plan (HIRSP) provides major medical health insurance coverage to Wisconsin residents who are either unable to find adequate health insurance coverage in the private market due to their medical conditions or have lost their employer-sponsored group health insurance. The Governor's budget repeals statutory provisions requiring HIRSP to have payment rates based on Medicaid (MA). Instead, the HIRSP Board, can set the drug reimbursement rates for HIRSP lower than MA by reducing the reimbursement rate and dispensing fee that will result in savings. It also makes people eligible for premium and deductible subsidies for all three plans offered by HIRSP rather than only two under current law. Finally, it modifies provisions requiring that all HIRSP providers be MA certified which, with the HIRSP Board's approval, will allow the use of a pharmacy network that is not MA certified but offers lower costs which will result in cost savings to the policyholder, insurers and providers. The authority is charged with designing a new health insurance program for individuals eligible for the federal health care tax credit program.

This budget also includes a provision to create a three-year pilot program for unemployed, uninsured people with HIV or AIDS, who currently receive their drugs from the AIDS Drug Assistance Program, to purchase insurance coverage under HIRSP. This will result in savings to the AIDS drug program and, as a result, an additional \$1 million GPR can be transferred to AIDS services organizations.

Vital Records Automation

The REAL ID Act of 2005 sets federal minimum security standards for driver's licenses and requires each state Governor, by May 2008, to certify that the state's vital records system meets all of the new federal requirements. The REAL ID Act will require the Department of Transportation to verify information provided by applicants for driver's licenses, a requirement that will necessitate the creation of an on-line vital records database for birth and death records. Because these records are to be used to verify applicants' eligibility for federal programs like Social Security, the on-line records must go back to at least 1935. Beginning with records starting in 1935, paper birth and death records must become immediately available for verification. If Wisconsin is not in compliance with the REAL ID Act, Wisconsin drivers may not be able to use their driver's licenses for proof of identity for federal programs including Social Security and passports. The Governor's budget includes funding, positions and statutory modifications for the Department of Transportation that are necessary to comply with the requirements in the REAL ID Act.

The federal Intelligence Reform Act of 2004 requires each state to create a centralized database of birth and death records which will provide issuance of birth records from a single data file source, in which continual matching of birth and death records will occur and decedents' birth records will be marked "deceased" for fraud and identity theft prevention. Individuals applying for any program which requires a birth certificate will be required to obtain the birth certificate from this centralized database.

These federal mandates will require Wisconsin to completely convert the existing paper-based system to an electronic one within the next two years at a total estimated cost of \$24 million. In order to provide the funding needed to support this project, it is necessary to impose a federal security surcharge on all vital records. The increase in fee revenue for vital records will be shared with counties, who also issue vital records and must update their systems. This surcharge will allow both the state and local registrars to automate their records to meet the requirements of the federal acts and help to prevent identity theft and protect privacy.

The fee increases proposed are shown in Table 14. Several criteria guided the selection of the amounts recommended. First, the fees should be comparable to rates in other states. Wisconsin is among the lowest in the nation in terms of fees charged for vital records. Other states, such as Michigan, have raised fees across the board to support the automation of its vital records. Second, the fee level should be sufficient to support the cost of contracting for development of the new operating system and the data entry of vital records dating back to 1935. These costs are spread out over a number of years by master leasing the automation costs. Third, the fee increase should be sufficient to provide an additional \$3 from each birth certificate issued to the Child Abuse and Neglect Prevention Board for its prevention projects. The board currently receives \$7 out of the current \$12 fee; the proposed increase would transfer \$10 to the board. Fourth, the fee level should generate enough revenue to fund other important programs such as domestic abuse prevention and other programs described below. Finally, the fee level chosen should not generate excessive program revenue balances.

TABLE 14: FEES FOR OBTAINING VITAL RECORDS

Record	Current Fee	Proposed Fee
Birth	\$12.00	\$20.00
Death, Marriage, Divorce	\$7.00	\$20.00
Additional Copy Fee	\$3.00	\$20.00
Verification of Certificate	\$7.00	\$10.00
Expedited Service	\$10.00	\$20.00
Delayed Birth Registration	\$25.00	\$50.00
Birth Record Amendments	\$20.00	\$40.00
Voluntary Paternity Record	\$10.00	\$20.00

Revenue generated by the federal security surcharge will also fund critically needed services for women and young people who face challenges as they strive for independence, safety and economic security.

The surcharge will provide:

- \$250,000 annually to expand the work of Milwaukee-based Meta House for alcohol and other drug abuse treatment services designed specifically for women.
- \$1 million over the biennium for Dane County's innovative early childhood initiative that provides a combination of home visiting, and employment preparation and support services to low-income families.
- \$950,000 million annually to Wisconsin's domestic abuse providers to ensure that critical shelter services are available to women and children.
- \$50,000 annually to the Milwaukee-based Foster Youth Independence Center to provide life skills training and independent living services to young people aging out of foster care.
- \$500,000 over the biennium for the Boys and Girls Clubs of Greater Milwaukee to expand sites and implement early literacy programs.
- \$500,000 annually for the Milwaukee summer youth employment program.

Improved Coordination of Services for Children and Families

The creation of the Department of Children and Families marks the first time in state history that a cabinet level agency is focused exclusively on the needs of families and children. The Governor is committed to delivering family-centered services to the state's most vulnerable children and families in a way that is easy to navigate, efficient and cost-effective. The structure of the department acknowledges the fact that many families are touched by the child care, child welfare and welfare systems simultaneously, and that these systems need to be better integrated to improve outcomes for children and to move families toward economic independence.

The Department of Children and Families will include Temporary Assistance for Needy Families (TANF), child care and child support programs currently administered by the Department of Workforce Development, and child welfare, child care regulation, emergency food assistance and home visiting programs currently administered by the Department of Health and Family Services. Integrating these programs in one focused department will create better communication between program areas and will allow for better coordinated case management.

The new department, effective July 1, 2008, will have five divisions: State Child Welfare, Milwaukee Child Welfare, Wisconsin Works, Workforce Supports and Administrative Services.

In addition to the creation of the Department of Children and Families, the Governor's budget takes a series of other bold steps to ensure children in Wisconsin grow up safe, healthy and successful, including:

- Investing \$2.2 million over the biennium to increase reimbursement rates for foster parents by five percent in 2008 and an additional five percent in 2009.
- Providing \$2.9 million over the biennium to extend health care coverage under BadgerCare Plus for young people "aging out" of foster care at age 18 to ensure they receive continuous coverage as they complete the difficult transition to independent adult life.
- Investing \$2.8 million annually to support the training, retention and professional development of critical front-line child welfare workers in Milwaukee to ensure the state's most vulnerable children have the opportunity to move quickly into safe, permanent and loving homes.

- Creating the authority for the state to expend up to \$500,000 over the biennium to support unusually high cost foster care placements of Indian children ordered by tribal courts.
- Establishing a Family Foundations universal home visiting program for first-time parents and expanding the targeted home visiting program for first-time parents eligible for Medical Assistance with \$642,400 in funding over the biennium.
- Investing \$1 million over the biennium in Dane County's innovative early childhood initiative that provides a combination of home visiting, and employment preparation and support services to low-income families.

E. JUSTICE

There are two emerging trends in criminal justice reform: providing better information to ensure effective and efficient programs and emphasizing programs that provide employment and social support mechanisms to reduce recidivism. On the former point, the Governor's budget creates a Bureau of Criminal Justice Research in the Office of Justice Assistance to provide the definitive resource for information on criminal justice for state policymakers. Texas recently created a similar organization. Further, the Governor's budget provides vital resources to begin in Milwaukee County the Assess Inform and Measure (AIM) program. This effort is similar to the experience in Missouri, which saw a reduction in prison intake after providing better information to judges prior to sentencing.

On the latter point, the Governor's budget provides \$1 million GPR for Project New Hope, a successful jobs program for offenders returning to the community and \$750,000 GPR for the Treatment Alternatives and Diversion program. Both of these investments are targeted to Milwaukee.

The Governor's recommendations relating to justice and public safety are further highlighted by putting in motion efforts to address unfinished issues relating to truth-in-sentencing legislation over the past several years. Truth-in-sentencing has been successful in ensuring that those convicted and their victims know that a sentence is certain and will be carried out.

However, the last piece of the process was to enact sentencing guidelines. To date, the Legislature has failed to act on this important element of sentencing reform which has led to dramatic increases in the state's correctional costs. Adult prison costs have increased 83 percent since fiscal year 1997-98. The Governor's budget creates a Truth-in-Sentencing Phase II Commission to complete the final piece of the truth-in-sentencing law by quickly developing and forwarding recommendations to establish firm and clear sentencing guidelines.

The fundamental goal of maintaining public safety is served by several initiatives in the Governor's budget relating to better enforcement including: providing \$11.5 million and 122.0 FTE positions to the Department of Corrections to implement the use of global positioning technology to track sex offenders as called for in 2005 Wisconsin Act 431; provide the Department of Justice with 15.0 FTE GPR positions and over \$3.7 million over the biennium to reduce the backlog of cases awaiting DNA testing in the State Crime Labs; provide the Department of Justice additional resources to better investigate Internet crimes against children and ensure sufficient ongoing funding for several state criminal justice programs by combining the revenue from the handgun hotline and the penalty surcharge to create a new criminal justice program support fund.

The Governor's budget addresses the issue of crime in Milwaukee by providing continued funding to provide more police officers on the beat. Further, Milwaukee County will receive additional resources to gather more complete information in support of more accurate charging and sentencing of, as well as resources to find jobs for those leaving the correctional system and returning to the community. These efforts will work to increase public safety by ending the cycle of crime that is plaguing our largest urban center.

The Governor's budget proposes an Earned Release Review Commission to manage the process of returning to the community, or releasing from community supervision, those individuals convicted of nonviolent offenses who have served their time and have demonstrated significant progress in rehabilitation. This new commission will free up time that the courts currently spend on this matter. The individuals will need to meet the same criteria for release as they do under the current system.

Wisconsin's court system is one of the best in the nation, and we will continue to provide that quality through several of the Governor's budget recommendations. Counties will receive \$19 million in funding to support Circuit Court operations. The budget increases the funding to provide county services for the victims of crime by nearly \$3 million over the biennium and fully funds the State Public Defender budget to ensure not only constitutional due process, but also that counties are not forced to cover that cost.

Other Criminal Justice and Department of Corrections Initiatives

- Provide \$1 million GPR in fiscal year 2008-09 to fund civil indigent legal services related to assisting Wisconsin Works (W-2) participants with medical claims, developing discharge plans for mentally ill inmates, coordinating insurance benefits for medical assistance recipients, providing ancillary services to juvenile offenders, serving as a guardian ad litem in cases with the Department of Children and Families' Division of Milwaukee Child Welfare, and obtaining and enforcing child support, including legal services related to domestic abuse.
- Increase funding by \$233,500 GPR in fiscal year 2007-08 and \$298,000 GPR in fiscal year 2008-09 for reimbursement to counties for interpreters to provide this important service for court clients in all cases and regardless of indigence. Increased funding will improve efficiency and ensure fairness for all users of the court system.
- Provide \$49,500 GPR in fiscal year 2007-08 and \$73,000 GPR in fiscal year 2008-09 and 1.0 FTE position in each year to enable the Director of State Courts Office to conduct audits of the financial reports received from the counties. Also, amend the statutes to allow the office to set a standard chart of accounts to improve consistency and accuracy of the information received to help the office discern the actual costs of the Circuit Court system.
- Increase funding by \$63,100 PR in fiscal year 2007-08 and \$67,200 PR in fiscal year 2008-09 and 1.0 FTE position in each year to expand the collections and verification unit in the Office of the State Public Defender. Additional staff will enable the office to pilot programs aimed at increasing client collections from clients deemed able to pay and will also allow the office to maintain careful verification of potential clients for financial eligibility.
- Provide \$46,000 GPR in fiscal year 2007-08 and \$58,500 GPR in fiscal year 2008-09 and 1.0 FTE position in each year to coordinate critical planning issues for the state court system. The position will work with judges and staff around the state on issues such as self-represented litigants, alcohol and other drug problems among defendants, courthouse safety and alternatives to incarceration.
- Address the decrease in the juvenile institution population and an increase in the costs of operating juvenile institutions by increasing the Youth Aids daily rate from \$209 in fiscal year 2006-07, to \$269 in fiscal year 2007-08 and \$279 in fiscal year 2008-09. In response to these increasing rates, the Governor is increasing Youth Aids to counties by \$10 million GPR and \$17.7 million SEG over the biennium.

F. GOVERNMENT OPERATIONS AND EFFICIENCY

Building on the efforts of the past several years, with agencies working toward continuous process improvement, the Governor's budget recommends that executive agencies lapse \$40 million annually to the general fund. This recommendation recognizes agencies' ongoing efforts to streamline processes and improve operations. The secretary of the Department of Administration will lead an effort to combine reviews of business processes with work force planning and the implementation of new administrative systems. All of which will result in reduced administrative costs and a smaller state work force.

The 2007-09 budget also provides the internal funding mechanism needed to support the development and implementation of the state Integrated Business Information System. The Integrated Business Information System, will be a five-year project to replace almost 100 distinct administrative systems currently in operation in the agencies with one integrated system.

Most states that have implemented an enterprise resource planning system have established separate funds for the project. The Governor's budget recommendation initiates the strategy that the development, implementation and operation of the system will be funded through agencies' base budgets. As much of the project costs as possible will be financed through the state's existing Master Lease program, which will allow the development and implementation costs to be spread out over seven years. The Governor's direction in using base funding illustrates confidence in both the benefits of the system and the ability of executive agency management to take on this responsibility.

The increased use of information technology in the day-to-day operation of state agencies increases our reliance on electronic records. The Governor's budget includes resources for the State Historical Society to work with agencies to better plan on how to manage the growing use of electronically stored and processed information and records. By better managing the state's electronic records, agencies will gain a better understanding of how to manage their information.

Asset Sales

The Governor continues to believe that it is important for state government to retain only those assets that are necessary to perform its functions in the most cost-effective manner possible.

Continuing efforts begun last biennium, the Governor is directing the secretary of the Department of Administration to identify and sell at least \$30 million in assets. The net proceeds of these sales will be deposited in the general fund.

As was the case last biennium, potential assets to be sold will include state-owned buildings and the surrounding land but will not include any land, such as state parks, under the jurisdiction of the Department of Natural Resources. In addition, while the University of Wisconsin System is encouraged to conduct a similar review of assets for potential sale, any proceeds resulting from such a sale are not included in this initiative and would be available for reinvestment by the system.

Attorney Consolidation

In the Attorney Consolidation Initiative, the Governor recommends streamlining the provision of legal services of most executive branch agencies by transferring attorneys and legal support staff to a new division within the Department of Administration on July 1, 2008. This new division will act as the state's "law firm" with subject-specific teams that will leverage the expertise and program knowledge of current staff and yet allow management flexibility to distribute work load more evenly. This structure will allow attorneys to maintain current agency specific expertise while creating opportunities to broaden their expertise in other areas, promoting cross-training, and improving consistency and legal work.

In addition, there will be one specialty unit that will focus on contracts and one unit that will focus on the administrative rules process. The contract unit will work with the State Bureau of Procurement and state agencies to standardize and tighten contract language, and to improve the contracting process by negotiating contracts more aggressively with a focus on accountability as well as the bottom line. The

administrative rules unit will include administrative rules coordinators as well as attorneys. While the bulk of policy work needed to construct a rule will continue to be done in agencies, this unit will use its expertise to translate agencies' policy goals into the more technical language and format required under the administrative rule process.

Another part of the initiative builds on a previous consolidation by transferring all attorneys that act as administrative law judges or hearing officers, except for those at the Department of Workforce Development, to the Department of Administration.

Once transferred to the Department of Administration, the attorneys will be given agency assignments based on need and work load. Agencies will be charged for these services based on these assignments. The impact on agencies is shown in Table 15.

TABLE 15: ATTORNEY CONSOLIDATION INITIATIVE

<u>Agency</u>	<u>A</u> <u>(FTE)</u>	<u>B¹</u> <u>(FTE)</u>	<u>C</u> <u>(FTE)</u>	<u>D</u> <u>(FTE)</u>	<u>Total</u> <u>(FTE)</u>
Administration	4.00	5.00	1.00	0.00	6.00
Aging and Long-Term Care	1.00	1.00	0.00	0.00	1.00
Agriculture, Trade and Consumer Protection	7.50	7.50	1.00	0.00	8.50
Children and Families ²	4.30	4.30	1.00	0.00	5.30
Commerce	3.00	3.00	1.00	0.00	4.00
Corrections	7.80	7.80	1.00	0.00	8.80
Employee Relations	2.00	1.00	0.00	1.00	2.00
Employee Trust Funds	2.00	1.00	0.00	1.00	2.00
Financial Institutions	6.00	6.00	1.00	0.00	7.00
Health and Family Services	19.50	19.50	1.00	0.00	20.50
Insurance	6.00	6.00	1.00	0.00	7.00
Military Affairs	1.00	0.00	0.00	1.00	1.00
Natural Resources	17.50	17.50	1.00	0.00	18.50
Public Instruction	3.00	2.00	0.00	1.00	3.00
Regulation and Licensing	30.00	30.00	1.00	0.00	31.00
Revenue	16.75	16.75	1.00	0.00	17.75
Transportation	11.00	11.00	1.00	0.00	12.00
Veterans Affairs	3.00	2.00	0.00	1.00	3.00
Workforce Development ³	<u>1.55</u>	<u>1.55</u>	<u>1.00</u>	<u>0.00</u>	<u>2.55</u>
Subtotal	146.90	142.90	13.00	5.00	160.90
Total fiscal year 2007-08 FTE		142.90	13.00	5.00	160.90
Fiscal year 2008-09 FTE Reduction		<u>-14.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-14.00</u>
Total fiscal year 2008-09 FTE		128.90	13.00	5.00	146.90
Net Reduction (Current FTE vs. fiscal year 2008-09 FTE)					0.00

A Agency as of July 1, 2008

B Transfer to new Department of Administration division¹

C New unclassified general counsel

D Classified lead attorney

¹1.0 FTE administrator position included under the Department of Administration.

²On July 1, 2008, 2.85 FTE and 1.45 FTE positions will transfer to the new Department of Children and Families from the Department of Health and Family Services and Department of Workforce Development, respectively.

³The Department of Workforce Development retains additional legal resources.

As illustrated in Table 15, 18 agencies will each retain 1.0 FTE attorney position as a general or lead counsel. An unclassified attorney position is created in 13 of the agencies for this purpose. In addition, 1.0 FTE position is created to act as division administrator of the new Division of Legal Services. As a result of this reorganization, a corresponding number of attorney positions at the Department of Administration will be reduced by 14.0 FTE positions in fiscal year 2008-09.

Domestic Partner Health Insurance

The Governor recommends extending group health insurance benefits to the domestic partners of all state employees and University of Wisconsin faculty and staff. Hardworking and talented individuals in state employment contribute quality public services in the workplace and live in committed but unmarried relationships. The absence of health care coverage for partners of prospective and existing employees has resulted in loss of talented employees. In particular, in the highly competitive market for top-notch faculty, the University of Wisconsin-Madison faces a significant hurdle in being the only Big 10 campus that cannot offer health care coverage to domestic partners.

Many Wisconsin employers, including SC Johnson, Miller Brewing, Oscar Mayer, Lands' End and American Family Insurance provide domestic partner health care coverage. They do it because it helps them recruit and retain employees who will add value to their businesses. Including this benefit will help ensure that state government agencies and the University of Wisconsin System can continue to attract the best and brightest into public service.

Waiting Period for Health Insurance Contribution

The Governor recommends reducing the effective date of employer-required health insurance contributions from the first day of the seventh month to the first day of the third month of employment for eligible state employees. The current waiting period of six months is excessively long compared to waiting periods in other similarly-sized employers. It has resulted in the loss of talented prospective employees who are unwilling or unable to pay 100 percent of health insurance premiums when they enter state employment. It places significant out-of-pocket financial burdens on new employees who do elect for first-day coverage and pay the full premiums. At worst, those new employees unable to pay the full premium costs go uninsured. Reducing the waiting period for employer-required health insurance to two months will help state government agencies, including the University of Wisconsin System, recruit and retain a quality work force.

Collective Bargaining for Faculty and Academic Staff

The Governor's budget extends collective bargaining rights to the faculty and academic staff of the University of Wisconsin System. Currently, classified employees of the University of Wisconsin System, as well as classified and certain unclassified employees at state agencies, have collective bargaining rights. In addition, the faculty and staff of the Wisconsin Technical College System have the right to organize and bargain collectively.

The Governor's proposal would permit the faculty and academic staff to choose whether to organize and bargain collectively on wages, benefits and conditions of employment, if they so desire, extending to them the same choice that was made available to other state employees over 35 years ago. The proposal preserves the shared governance process of the University of Wisconsin System.

Currently 29 other states, including all of the states that border Wisconsin, extend collective bargaining rights to faculty and professional staff employed at two-year and four-year higher education institutions. In total, nationwide, approximately 250,000 faculty and professional staff, employed on more than 1,100 campuses, are members of collective bargaining units.

Government Accountability Board

The Governor recognizes and applauds legislative leaders for reaching agreement on the bipartisan Ethics Reform Bill, providing for the merger of the Elections Board and Ethics Board and the creation of a new Government Accountability Board. While the budget does not incorporate the provisions of this bill, the Governor anticipates that legislative deliberations will consolidate in the new board the statutory and appropriation revisions of the reform bill and the 2007-09 budget recommendations proposed for the Ethics Board and Elections Board. These recommendations include \$2 million GPR and \$3 million FED for continued operation of the state voter registration system and new GPR appropriation language in anticipation of adoption of campaign finance reform legislation by the Legislature.

Veterans Issues

The Governor recommends increasing funding and position authority at the Veterans Home at King to ensure adequate direct care staffing levels, and to provide inflationary increases for food, insurance and pharmacy costs. In addition, because the current and future needs for nursing home services for veterans require additional analysis, funding has been included for both a marketing study that will help assess how best the veterans nursing homes may adapt to meet their clients' needs and a capital projects study for the possible development and design of new veterans nursing care facilities and cemeteries.

The Governor has included numerous other changes that recognize the unique contributions that Wisconsin's veterans have made including funding for Mission Welcome Home outreach and for assistance to returning veterans suffering from post-traumatic stress disorder, Military Funeral Honors stipends, retraining grants, grants to the Center for Veterans Issues to offer outreach services to homeless veterans in the Milwaukee area, nursing home care aids to indigent veterans, grants for County Veterans Service Offices in Jackson, Taylor, Calumet, Polk, Dunn, Monroe and Sheboygan counties, outreach grant funding in the American Indian Veterans Program, and staff and improvements at the Wisconsin Veterans Museum.

The Governor has also recommended several statutory language changes including the reduction of the minimum age for eligibility in the Wisconsin GI Bill program from 18 to 17 years, the elimination of the full-time student participation requirement in the Wisconsin GI Bill for otherwise eligible dependent children of Wisconsin veterans, authorization of a sales and use tax exemption for tangible personal property and taxable services that are sold by a home exchange service owned by the Department of Veterans Affairs, and an exemption from property taxes for certain real property owned by a veterans' service organization. Veterans' service organizations would also be exempt from the income tax and franchise tax.

Finally, the Governor proposes to increase the bond limit of the veterans self-amortizing mortgage loan program by \$50 million and rebuild the veterans mortgage loan program by authorizing the use of interest rate exchange agreements in the state bond program.

G. REVENUE AND GENERAL FUND TAXES

Significant Tax Changes

Table 16 summarizes the impact of tax changes made in this budget.

TABLE 16: TAX CHANGES
(Table Corrected 02-13-07)

	<u>FY08</u>	<u>FY09</u>
Health Insurance Premium Deduction	\$0	-\$11,800,000
Child and Dependent Care Deduction	0	-3,900,000
Increase College Tuition Deduction	-2,400,000	-1,600,000
Increase Angel Investors Credit	-1,400,000	-2,500,000
Internal Revenue Code Updates	-500,000	-3,200,000
Adopt Mainstreet Equity Act	1,300,000	3,500,000
Sales Tax Exemption for Biotechnology Equipment	-2,500,000	-2,500,000
Extend Sales Tax to Digital Personal Property	2,600,000	3,500,000
Expand Sales Tax Exemption on Printing Materials	0	-600,000
Credit for Medical Records Technology Investments	0	-4,500,000
Increase Early Stage Seed Investment Credit	-1,400,000	-2,500,000
Ethanol and Biodiesel Fuel Pump Credit	0	-1,000,000
Dairy Manufacturing Facility Investment Tax Credit	-300,000	-400,000
Initiative to Encourage Tax Fairness	<u>9,400,000</u>	<u>800,000</u>
GPR Total Tax Changes	\$4,800,000	-\$26,700,000
Cigarette Tax Increase	\$257,500,000	\$249,000,000
Tobacco Products Tax Increase	18,200,000	21,500,000
Real Estate Transfer Fee Increase	64,500,000	77,700,000
Oil Company Assessment	<u>114,840,900</u>	<u>157,281,800</u>
SEG Total Tax Changes	\$455,040,900	\$505,481,800
NET TOTAL ALL FUNDS	\$459,840,900	\$478,781,800

The Governor recommends adjusting the income tax code for working families to make health care, child care and education more affordable.

1. Universal deduction for employee paid health insurance. This deduction is now available for the self-employed and those whose employers do not pay for health insurance. The extension will cover employees that contribute to the cost of employer-provided health insurance. The deduction will be first effective in 2008 and phased-in over four years. The provision will reduce income taxes by \$11.8 million in fiscal year 2008-09.
2. Deduction for the costs of providing child or dependent care. The allowable deduction will match federal standards. First effective in 2008, this will reduce income taxes by \$3.9 million.
3. Increasing the college tuition deduction to \$6,000 per year. The deduction will also be extended to include academic fees. This will reduce income taxes by \$2.4 million in fiscal year 2007-08 and by \$1.6 million in fiscal year 2008-09.

The Governor also recommends several tax changes to foster economic development.

1. Biotechnology Equipment Sales Tax Exemption. Exempting purchases of machinery and equipment in the biotechnology industry will reduce sales taxes by \$2.5 million each year.
2. Angel Investor and Early Stage Seed Tax Credits. This will expand the existing angel investor and early stage seed tax credits. These will reduce general fund taxes by \$1.4 million for each credit in fiscal year 2007-08 and by \$2.5 million for each credit in fiscal year 2008-09.

3. Dairy Manufacturing Facility Investment Tax Credit. This will provide an investment credit in an amount equal to ten percent of the amount invested in modernization or expansion of a dairy manufacturing facility during the tax year. This will reduce general fund taxes by \$300,000 in fiscal year 2007-08 and \$400,000 in fiscal year 2008-09.

The Governor recommends implementing the provisions of the Mainstreet Equity Act. The act adopts standards from the national Streamlined Sales and Use Tax Project to simplify sales and use tax provisions among state and local governments. The provisions of the project that standardize those items subject to the state sales tax would modestly reduce sales tax collections. These reductions would be more than offset by increased voluntary compliance. The net result is an increase in sales tax collections of \$1.3 million in fiscal year 2007-08 and \$3.5 million in fiscal year 2008-09.

In order to provide tax equity for retail businesses in the sale of digital personal property, the Governor also recommends digital personal property delivered through download be subject to the tax. This would increase tax revenue by \$2.6 million in fiscal year 2007-08 and \$3.7 million in fiscal year 2008-09.

The Governor also recommends updating Wisconsin Statutes to conform with changes made to the federal Internal Revenue Code, except in those cases where the fiscal impact is significant. The net impact of these changes are revenue reductions of \$0.5 million in fiscal year 2007-08 and \$3.2 million in fiscal year 2008-09.

To cover the cost of smoking-related illnesses, the Governor also recommends increasing the cigarette tax to \$2.02 per pack and increasing the tobacco products tax to 65.6 percent of wholesale price. The increase in the revenue about the current law estimates would not be a general fund tax but would be reserved for the health care quality trust fund. The expected increase in these segregated revenues would be \$257.5 million in fiscal year 2007-08 and \$249 million in fiscal year 2008-09 for cigarettes and \$18.2 million in fiscal year 2007-08 and \$21.5 million in fiscal year 2008-09.

The Governor also recommends increasing the real estate transfer fee from \$0.30 per \$100 of value to \$0.60 per \$100 of value. The current state-county split would be changed from 80 percent state and 20 percent county to 90 percent state and 10 percent county. All of the state's proceeds from the real estate transfer fee would be removed from the general fund and set aside in a county aid fund. That fund will partially fund county shared revenues and support increases in aids for courts and Youth Aids. The fund would also transfer \$4 million annually to a new affordable housing trust fund.

Department of Revenue

The Department of Revenue continues to focus improvement on its core mission – to collect taxes. The following provisions will help the department improve the collection of tax debt.

- Extraordinary delinquent tax collection will return to the Department of Revenue from private collectors. The overall increase in collection effectiveness will generate \$6.1 million annually.
- To foster use of technology, allow the Department of Revenue to charge a fee for a paper return for certain sales tax filers. This will generate \$2.75 million annually.
- Develop a new Integrated Property Assessment system to replace the existing antiquated and obsolete property tax equalization computer systems.

To improve lottery efficiencies and increase lottery sales, the Governor recommends increasing the lottery's information budget and implementing a push distribution system for instant ticket sales. Both steps are expected to increase lottery sales, by \$15 million in fiscal year 2007-08 and by \$30 million in fiscal year 2008-09. The increase in sales will increase the lottery credit by \$5 million in fiscal year 2007-08 and by \$10 million in fiscal year 2008-09.

**Economic
Assumptions and
Revenue Estimates**

V. ECONOMIC ASSUMPTIONS AND REVENUE ESTIMATES

NATIONAL ECONOMY

The Legislative Fiscal Bureau's 2007-09 revenue estimates are based on the January 2007 national economic forecast from Global Insight, Inc. Global Insight forecasts that the pace of the economy will moderate in 2007 because of the slowdown in housing and the related slowing of purchases of consumer durables. In 2008 and 2009, the economy resumes growing at its long-term trend rate.

- Real Growth. Real Gross Domestic Product (GDP) will increase by 2.3 percent in 2007, by 3.2 percent in 2008 and by 3.4 percent in 2009.
- Employment. Employment gains will continue, initially at a slower pace in 2007 but improving in 2008 and 2009. Total employment will increase by 1 percent in 2007, 1.3 percent in 2008 and 1.6 percent in 2009.
- Inflation. Inflation is expected to moderate during the 2007-09 biennium. After running over 3 percent in 2006, the inflation rate will drop to around 2 percent for the biennium, 1.8 percent in 2007, to 2.1 percent in 2008 and to 1.9 percent in 2009.
- Profits. After double-digit growth in the past two years, profit growth will slow down in 2007 and 2008 (up 2.1 percent and 4.5 percent, respectively) before flattening in 2009.
- Incomes. Moderate employment growth will restrain income gains in 2007, up 5.1 percent. Personal income will improve in 2008 (up 5.5 percent) and 2009 (up 6.2 percent).
- Retail Sales. Retail sales will be below income growth in 2007 as the housing sector rebalances and as consumers rebalance income, savings and spending. Retail sales are expected to increase 3.2 percent in 2007. Retail sales will remain below income growth in 2008 and 2009, increasing 4.4 percent in 2008 and 5 percent in 2009.

TABLE 17: SUMMARY OF THE NATIONAL ECONOMIC OUTLOOK

Economic Indicators	Actual			Forecast	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross Domestic Product					
Nominal GDP	6.3	6.3	4.4	5.2	5.5
Real GDP	3.2	3.3	2.3	3.2	3.4
Prices and Wages					
GDP Deflator	3.0	2.9	2.0	1.9	2.0
Consumer Price Index	3.4	3.2	1.8	2.1	1.9
Compensation Per Hour	3.1	2.9	3.1	3.1	3.4
Production and Other Measures					
Total Nonfarm Employment	1.5	1.4	1.0	1.3	1.6
Industrial Production	3.2	4.1	1.8	2.1	2.7
Housing Starts (Millions)	2.073	1.809	1.505	1.606	1.710
Light Vehicle Sales (Millions)	17.0	16.5	16.3	16.6	16.7
Retail Sales	7.2	6.4	3.2	4.4	5.0
Profits and Income					
Corporate Profits Before Tax	32.7	17.9	2.1	4.5	0.0
Personal Income	5.2	6.4	5.1	5.5	6.2

All numbers are annual percent change except as noted.

WISCONSIN ECONOMY

In 2006, Wisconsin's economy nearly matched the rest of the country. Wisconsin's unemployment rate averaged 4.7 percent compared to a national average of 4.6 percent. Wisconsin matched the national gain in employment gains, up one percent. Wisconsin's income growth (up 5.4 percent) trailed national personal income growth rate (up 6.4 percent).

TABLE 18: SUMMARY OF THE WISCONSIN ECONOMIC OUTLOOK

Economic Indicators	Actual			Forecast	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Nonfarm Employment (in thousands)	2,840.9	2,868.0	2,885.7	2,917.7	2,951.6
Percent Change	1.2	1.0	0.6	1.1	1.2
Unemployment Rate – Percent of Labor Force	4.7	4.7	5.0	5.0	4.9
Personal Income Percent Change	4.2	5.4	4.8	4.7	5.1

For the coming biennium, Wisconsin will slightly trail the rest of the country.

- **Employment.** The state's overall employment growth should slightly slower than national employment growth. In 2007, total nonfarm employment will improve by 0.6 percent. In 2008 and 2009, employment growth will be 1.1 percent and 1.2 percent, respectively. The state's unemployment rate will be nearly the same as the nation's, 5 percent versus 4.9 percent in 2007 and 2008.

- Income. Wisconsin's personal income growth will be slightly lower national averages. Wisconsin's total personal income should increase by 4.8 percent in 2007, 4.7 percent in 2008 and 5.1 percent in 2009. This compares to national income growth estimates of 5 percent in 2007, 6.5 percent in 2008 and 5.6 percent in 2009.

REVENUE ESTIMATES

The Legislative Fiscal Bureau estimates that current law general fund taxes will increase by 4.3 percent in fiscal year 2006-07, 3.2 percent in fiscal year 2007-08 and 3.5 percent in fiscal year 2008-09. See Table 19.

TABLE 19: GENERAL PURPOSE REVENUE ESTIMATES
(\$ in millions)

<u>Current Law Estimates</u>	<u>Actual FY06</u>	<u>Estimate FY07</u>	<u>Estimate FY08</u>	<u>Estimate FY09</u>
Individual Income	\$6,144.3	\$6,480.0	\$6,770.0	\$7,125.0
General Sales and Use	4,127.6	4,210.0	4,310.0	4,480.0
Corporation Franchise and Income	780.3	880.0	880.0	860.0
Public Utility	275.1	282.7	297.2	314.4
Excise				
Cigarette	301.5	303.0	304.0	305.0
Liquor and Wine	41.0	42.0	42.5	43.0
Tobacco Products	16.4	17.5	18.4	19.3
Beer	9.8	9.4	9.4	9.4
Insurance Companies	134.7	138.0	141.0	144.0
Estate	108.6	100.0	95.0	25.0
Miscellaneous	<u>90.8</u>	<u>80.0</u>	<u>73.0</u>	<u>73.0</u>
Total GPR Taxes	\$12,030.1	\$12,542.6	\$12,940.5	\$13,398.1
Change Over Prior Year				
Amount		\$512.5	\$397.9	\$457.6
Percent		4.3%	3.2%	3.5%

Detail may not add precisely to total due to rounding.

The Governor recommends several initiatives to rebalance the tax code. These are described earlier in this book under general fund tax changes and are summarized in Table 20. The principal tax changes for individual income tax are an expansion of the tuition deduction, expanding the health insurance deduction to cover employee share of health insurance premiums, and allowing a deduction for child care expenses. The principal sales tax changes are conforming to the streamlined sales tax agreement, exemption purchases of equipment for biotechnology companies and extending the sales tax to digital property. The principal corporate tax changes include expansion of the angel and early stage seed tax credits, credits for medical information technology investments, a dairy facility modernization credit and efforts to ensure tax fairness. In addition, the Governor recommends initiatives to increase collection efficiency and conforming to the recent changes in the federal tax code.

**TABLE 20: GENERAL PURPOSE REVENUE ESTIMATES
UNDER GOVERNOR'S RECOMMENDATIONS**
(\$ in millions)

<u>Current Law Estimates</u>	Actual <u>FY06</u>	Estimate <u>FY07</u>	Estimate <u>FY08</u>	Estimate <u>FY09</u>
Individual Income	\$6,144.3	\$6,480.0	\$6,765.7	\$7,102.0
General Sales and Use	4,127.6	4,210.0	4,311.4	4,484.1
Corporation Franchise and Income	780.3	880.0	887.7	852.3
Public Utility	275.1	282.7	297.2	314.4
Excise				
Cigarette	301.5	303.0	304.0	305.0
Liquor and Wine	41.0	42.0	42.5	43.0
Tobacco Products	16.4	17.5	18.4	19.3
Beer	9.8	9.4	9.4	9.4
Insurance Companies	134.7	138.0	141.0	144.0
Estate	108.6	100.0	95.0	25.0
Miscellaneous	<u>90.8</u>	<u>80.0</u>	<u>11.0</u>	<u>11.0</u>
Total GPR Taxes	\$12,030.1	\$12,542.6	\$12,883.3	\$13,309.5
Change Over Prior Year				
Amount		\$512.5	\$340.7	\$426.2
Percent		4.3%	2.7%	3.3%

Detail may not add precisely to total due to rounding.

The Governor also recommends that two traditional general fund revenue sources be converted to segregated funds. First, the real estate transfer fee would be dedicated to a county aid fund and increased to 0.6 percent per \$100 of value of a real estate transaction. Second, the cigarette tax would increase by \$1.25 and the tobacco products by an additional 45 percent. The proceeds from these increases would be placed in the health care quality trust fund.

Reference Section

VI. REFERENCE SECTION

GLOSSARY OF TERMS AND ABBREVIATIONS

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

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

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

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

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

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

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

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

Fiscal Year (FY): The year between July 1 and the following June 30 which corresponds to the state's budget and accounting period. A fiscal year is usually expressed as FY08 for fiscal year 2007-08, for example.

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

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

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

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

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

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

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

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

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

Program Goal: A broadly based statement of anticipated results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

UNCLASSIFIED POSITIONS: PERMANENT POSITIONS WHICH ARE NOT FILLED THROUGH THE CIVIL SERVICE AND WHICH HAVE NO CIVIL SERVICE PROTECT

Appendices

APPENDIX 1
Summary of All Funds Appropriations
Governor's Recommendations – FY08

	<u>FY07 Base</u>	<u>FY08 Recommended</u>	<u>Change From Base (Amt)</u>	<u>Change Percent</u>
Administration, Dept.	765,743,600	772,477,000	6,733,400	0.9
Aging and Long-Term Care, Board	2,009,800	2,377,100	367,300	18.3
Agriculture, Trade, and Consumer Prot., Dept.	78,045,700	94,528,600	16,482,900	21.1
Arts Board	3,586,400	3,629,800	43,400	1.2
Building Commission	34,843,800	40,238,400	5,394,600	15.5
Child Abuse and Neglect Prevention Board	2,969,400	3,580,200	610,800	20.6
Children and Families, Dept.	0	0	0	0.0
Circuit Courts	83,578,700	97,896,000	14,317,300	17.1
Commerce, Dept.	203,826,000	206,509,400	2,683,400	1.3
Corrections, Dept.	1,071,160,700	1,227,485,400	156,324,700	14.6
Court of Appeals	8,817,100	9,527,000	709,900	8.1
District Attorneys	43,047,400	45,895,800	2,848,400	6.6
Educational Communications Board	17,745,900	18,095,900	350,000	2.0
Elections Board	1,973,000	4,438,900	2,465,900	125.0
Employee Trust Funds, Dept.	23,346,200	29,619,600	6,273,400	26.9
Employment Relations Commission	2,993,100	3,145,700	152,600	5.1
Environmental Improvement Program	52,046,200	50,892,800	-1,153,400	-2.2
Ethics Board	695,500	744,500	49,000	7.0
Financial Institutions, Dept.	16,700,300	16,963,700	263,400	1.6
Fox River Navigational System Authority	126,700	126,700	0	0.0
Governor's Office	3,866,600	4,403,100	536,500	13.9
Health and Family Services, Dept.	6,675,403,200	7,251,563,500	576,160,300	8.6
Healthy Wisconsin Authority	0	500,000	500,000	0.0
Higher Educational Aids Board	102,145,400	119,883,700	17,738,300	17.4
Historical Society	19,430,600	21,883,200	2,452,600	12.6
Insurance, Commissioner	106,338,900	104,146,600	-2,192,300	-2.1
Investment Board	22,474,700	22,474,700	0	0.0
Judicial Commission	244,600	250,900	6,300	2.6
Justice, Dept.	81,920,900	88,668,700	6,747,800	8.2
Legislature	68,787,500	70,998,000	2,210,500	3.2
Lieutenant Governor	402,700	408,200	5,500	1.4
Lower WI State Riverway Board	170,500	186,900	16,400	9.6
Medical College of Wisconsin	7,736,400	7,650,800	-85,600	-1.1
Military Affairs, Dept.	75,976,000	76,292,700	316,700	0.4
Miscellaneous Appropriations	141,979,000	173,543,200	31,564,200	22.2
Natural Resources, Dept.	539,239,000	565,633,000	26,394,000	4.9
Office of State Employment Relations	5,940,800	6,359,100	418,300	7.0
Program Supplements	29,621,300	9,788,500	-19,832,800	-67.0
Public Defender Board	77,342,500	79,962,900	2,620,400	3.4
Public Instruction, Dept.	6,118,361,700	6,296,412,400	178,050,700	2.9
Public Lands	1,461,500	1,657,100	195,600	13.4
Public Service Commission	26,421,700	27,412,100	990,400	3.7
Regulation and Licensing, Dept.	11,793,000	12,628,800	835,800	7.1
Revenue, Dept.	165,518,100	178,622,200	13,104,100	7.9
Secretary of State	797,700	763,400	-34,300	-4.3
Shared Revenue and Tax Relief	1,814,069,200	2,018,215,500	204,146,300	11.3
State Fair Park Board	19,460,100	20,271,500	811,400	4.2
Supreme Court	26,715,400	29,371,600	2,656,200	9.9
Technical College System	181,721,900	184,449,600	2,727,700	1.5
Tourism, Dept.	15,894,900	16,018,000	123,100	0.8
Transportation, Dept.	2,466,284,800	2,628,779,800	162,495,000	6.6
Treasurer, State	2,496,400	2,728,300	231,900	9.3
UW Hospitals & Clinics Board	117,918,000	143,850,500	25,932,500	22.0
UW System	4,322,900,800	4,475,016,200	152,115,400	3.5
Veterans Affairs, Dept.	131,755,300	147,615,000	15,859,700	12.0
WHEDA	0	0	0	0.0
Wisconsin Artistic Endowment Foundation	0	0	0	0.0
Workforce Development, Dept.	<u>1,045,133,600</u>	<u>1,003,023,100</u>	<u>-42,110,500</u>	<u>-4.0</u>
TOTALS	26,840,980,200	28,419,605,300	1,578,625,100	5.9

APPENDIX 2
Summary of All Funds Appropriations
Governor's Recommendations – FY09

	<u>FY08</u> <u>Recommended</u>	<u>FY09</u> <u>Recommended</u>	<u>Change From</u> <u>FY08 (Amt)</u>	<u>Change</u> <u>Percent</u>
Administration, Dept.	772,477,000	806,601,300	34,124,300	4.4
Aging and Long-Term Care, Board	2,377,100	2,435,100	58,000	2.4
Agriculture, Trade, and Consumer Prot., Dept.	94,528,600	97,872,800	3,344,200	3.5
Arts Board	3,629,800	3,629,800	0	0.0
Building Commission	40,238,400	56,772,800	16,534,400	41.1
Child Abuse and Neglect Prevention Board	3,580,200	3,692,600	112,400	3.1
Children and Families, Dept.	0	1,113,300,300	1,113,300,300	0.0
Circuit Courts	97,896,000	98,870,000	974,000	1.0
Commerce, Dept.	206,509,400	207,181,300	671,900	0.3
Corrections, Dept.	1,227,485,400	1,236,479,100	8,993,700	0.7
Court of Appeals	9,527,000	9,527,000	0	0.0
District Attorneys	45,895,800	45,845,800	-50,000	-0.1
Educational Communications Board	18,095,900	18,229,800	133,900	0.7
Elections Board	4,438,900	4,445,800	6,900	0.2
Employee Trust Funds, Dept.	29,619,600	25,193,800	-4,425,800	-14.9
Employment Relations Commission	3,145,700	3,418,400	272,700	8.7
Environmental Improvement Program	50,892,800	55,690,500	4,797,700	9.4
Ethics Board	744,500	744,500	0	0.0
Financial Institutions, Dept.	16,963,700	16,976,100	12,400	0.1
Fox River Navigational System Authority	126,700	126,700	0	0.0
Governor's Office	4,403,100	4,403,100	0	0.0
Health and Family Services, Dept.	7,251,563,500	7,258,425,600	6,862,100	0.1
Healthy Wisconsin Authority	500,000	500,000	0	0.0
Higher Educational Aids Board	119,883,700	127,495,800	7,612,100	6.3
Historical Society	21,883,200	22,791,600	908,400	4.2
Insurance, Commissioner	104,146,600	103,796,700	-349,900	-0.3
Investment Board	22,474,700	22,474,700	0	0.0
Judicial Commission	250,900	250,900	0	0.0
Justice, Dept.	88,668,700	89,854,600	1,185,900	1.3
Legislature	70,998,000	71,030,300	32,300	0.0
Lieutenant Governor	408,200	408,200	0	0.0
Lower WI State Riverway Board	186,900	186,900	0	0.0
Medical College of Wisconsin	7,650,800	10,363,300	2,712,500	35.5
Military Affairs, Dept.	76,292,700	76,518,000	225,300	0.3
Miscellaneous Appropriations	173,543,200	180,455,300	6,912,100	4.0
Natural Resources, Dept.	565,633,000	572,796,700	7,163,700	1.3
Office of State Employment Relations	6,359,100	6,376,300	17,200	0.3
Program Supplements	9,788,500	10,260,200	471,700	4.8
Public Defender Board	79,962,900	80,313,300	350,400	0.4
Public Instruction, Dept.	6,296,412,400	6,424,109,900	127,697,500	2.0
Public Lands	1,657,100	1,657,100	0	0.0
Public Service Commission	27,412,100	27,412,100	0	0.0
Regulation and Licensing, Dept.	12,628,800	12,628,800	0	0.0
Revenue, Dept.	178,622,200	179,543,100	920,900	0.5
Secretary of State	763,400	763,400	0	0.0
Shared Revenue and Tax Relief	2,018,215,500	2,043,290,600	25,075,100	1.2
State Fair Park Board	20,271,500	20,646,400	374,900	1.8
Supreme Court	29,371,600	29,397,600	26,000	0.1
Technical College System	184,449,600	186,449,600	2,000,000	1.1
Tourism, Dept.	16,018,000	16,023,400	5,400	0.0
Transportation, Dept.	2,628,779,800	2,719,121,000	90,341,200	3.4
Treasurer, State	2,728,300	2,729,900	1,600	0.1
UW Hospitals & Clinics Board	143,850,500	143,850,500	0	0.0
UW System	4,475,016,200	4,577,217,100	102,200,900	2.3
Veterans Affairs, Dept.	147,615,000	147,858,900	243,900	0.2
WHEDA	0	0	0	0.0
Wisconsin Artistic Endowment Foundation	0	0	0	0.0
Workforce Development, Dept.	1,003,023,100	328,727,300	-674,295,800	-67.2
TOTALS	28,419,605,300	29,307,161,700	887,556,400	3.1

APPENDIX 3
Summary of GPR Appropriations
Governor's Recommendations – FY08

	<u>FY07 Base</u>	<u>FY08 Recommended</u>	<u>Change From Base (Amt)</u>	<u>Change Percent</u>
Administration, Dept.	210,529,100	210,671,500	142,400	0.1
Aging and Long-Term Care, Board	900,100	1,034,700	134,600	15.0
Agriculture, Trade, and Consumer Prot., Dept.	27,854,200	29,582,900	1,728,700	6.2
Arts Board	2,431,800	2,470,200	38,400	1.6
Building Commission	33,819,600	39,214,200	5,394,600	16.0
Child Abuse and Neglect Prevention Board	340,000	340,000	0	0.0
Children and Families, Dept.	0	0	0	0.0
Circuit Courts	83,578,700	88,793,000	5,214,300	6.2
Commerce, Dept.	22,544,300	22,805,700	261,400	1.2
Corrections, Dept.	936,399,400	1,078,312,500	141,913,100	15.2
Court of Appeals	8,817,100	9,527,000	709,900	8.1
District Attorneys	41,212,300	42,610,200	1,397,900	3.4
Educational Communications Board	7,718,000	8,001,400	283,400	3.7
Elections Board	960,600	1,975,800	1,015,200	105.7
Employee Trust Funds, Dept.	1,832,600	1,565,300	-267,300	-14.6
Employment Relations Commission	2,440,100	2,587,600	147,500	6.0
Environmental Improvement Program	46,046,200	44,892,800	-1,153,400	-2.5
Ethics Board	286,000	318,300	32,300	11.3
Financial Institutions, Dept.	0	0	0	0.0
Fox River Navigational System Authority	0	0	0	0.0
Governor's Office	3,866,600	4,403,100	536,500	13.9
Health and Family Services, Dept.	2,713,210,500	2,334,521,500	-378,689,000	-14.0
Healthy Wisconsin Authority	0	0	0	0.0
Higher Educational Aids Board	99,244,900	117,336,600	18,091,700	18.2
Historical Society	12,009,400	13,956,900	1,947,500	16.2
Insurance, Commissioner	0	0	0	0.0
Investment Board	0	0	0	0.0
Judicial Commission	244,600	250,900	6,300	2.6
Justice, Dept.	34,775,000	38,025,700	3,250,700	9.3
Legislature	66,968,500	69,051,200	2,082,700	3.1
Lieutenant Governor	402,700	408,200	5,500	1.4
Lower WI State Riverway Board	0	0	0	0.0
Medical College of Wisconsin	7,486,400	7,400,800	-85,600	-1.1
Military Affairs, Dept.	20,565,200	19,656,500	-908,700	-4.4
Miscellaneous Appropriations	114,283,300	128,120,100	13,836,800	12.1
Natural Resources, Dept.	148,786,200	152,148,300	3,362,100	2.3
Office of State Employment Relations	4,921,200	5,238,000	316,800	6.4
Program Supplements	28,806,000	8,973,200	-19,832,800	-68.8
Public Defender Board	76,016,800	78,562,100	2,545,300	3.3
Public Instruction, Dept.	5,436,775,900	5,541,456,200	104,680,300	1.9
Public Lands	0	0	0	0.0
Public Service Commission	0	0	0	0.0
Regulation and Licensing, Dept.	0	0	0	0.0
Revenue, Dept.	83,706,000	90,487,500	6,781,500	8.1
Secretary of State	0	0	0	0.0
Shared Revenue and Tax Relief	1,615,503,600	1,740,556,900	125,053,300	7.7
State Fair Park Board	2,463,800	2,492,200	28,400	1.2
Supreme Court	12,708,500	13,963,200	1,254,700	9.9
Technical College System	140,905,800	142,652,900	1,747,100	1.2
Tourism, Dept.	3,409,300	3,588,600	179,300	5.3
Transportation, Dept.	68,659,900	58,890,700	-9,769,200	-14.2
Treasurer, State	0	0	0	0.0
UW Hospitals & Clinics Board	0	0	0	0.0
UW System	1,027,067,700	1,101,189,800	74,122,100	7.2
Veterans Affairs, Dept.	2,107,200	2,634,600	527,400	25.0
WHEDA	0	0	0	0.0
Wisconsin Artistic Endowment Foundation	0	0	0	0.0
Workforce Development, Dept.	<u>178,436,900</u>	<u>181,452,600</u>	<u>3,015,700</u>	<u>1.7</u>
TOTALS	13,331,042,000	13,442,121,400	111,079,400	0.8

APPENDIX 4
Summary of GPR Appropriations
Governor's Recommendations – FY09

	<u>FY08</u> <u>Recommended</u>	<u>FY09</u> <u>Recommended</u>	<u>Change From</u> <u>FY08 (Amt)</u>	<u>Change</u> <u>Percent</u>
Administration, Dept.	210,671,500	222,360,600	11,689,100	5.5
Aging and Long-Term Care, Board	1,034,700	1,071,900	37,200	3.6
Agriculture, Trade, and Consumer Prot., Dept.	29,582,900	31,196,900	1,614,000	5.5
Arts Board	2,470,200	2,470,200	0	0.0
Building Commission	39,214,200	55,748,600	16,534,400	42.2
Child Abuse and Neglect Prevention Board	340,000	340,000	0	0.0
Children and Families, Dept.	0	313,349,700	313,349,700	0.0
Circuit Courts	88,793,000	88,857,500	64,500	0.1
Commerce, Dept.	22,805,700	23,470,700	665,000	2.9
Corrections, Dept.	1,078,312,500	1,082,768,900	4,456,400	0.4
Court of Appeals	9,527,000	9,527,000	0	0.0
District Attorneys	42,610,200	42,610,200	0	0.0
Educational Communications Board	8,001,400	8,135,100	133,700	1.7
Elections Board	1,975,800	2,080,400	104,600	5.3
Employee Trust Funds, Dept.	1,565,300	1,331,500	-233,800	-14.9
Employment Relations Commission	2,587,600	2,820,400	232,800	9.0
Environmental Improvement Program	44,892,800	49,690,500	4,797,700	10.7
Ethics Board	318,300	318,300	0	0.0
Financial Institutions, Dept.	0	0	0	0.0
Fox River Navigational System Authority	0	0	0	0.0
Governor's Office	4,403,100	4,403,100	0	0.0
Health and Family Services, Dept.	2,334,521,500	2,305,225,700	-29,295,800	-1.3
Healthy Wisconsin Authority	0	0	0	0.0
Higher Educational Aids Board	117,336,600	124,948,700	7,612,100	6.5
Historical Society	13,956,900	14,742,900	786,000	5.6
Insurance, Commissioner	0	0	0	0.0
Investment Board	0	0	0	0.0
Judicial Commission	250,900	250,900	0	0.0
Justice, Dept.	38,025,700	39,352,300	1,326,600	3.5
Legislature	69,051,200	69,070,600	19,400	0.0
Lieutenant Governor	408,200	408,200	0	0.0
Lower WI State Riverway Board	0	0	0	0.0
Medical College of Wisconsin	7,400,800	10,113,300	2,712,500	36.7
Military Affairs, Dept.	19,656,500	19,881,800	225,300	1.1
Miscellaneous Appropriations	128,120,100	133,680,000	5,559,900	4.3
Natural Resources, Dept.	152,148,300	157,671,800	5,523,500	3.6
Office of State Employment Relations	5,238,000	5,238,000	0	0.0
Program Supplements	8,973,200	9,444,900	471,700	5.3
Public Defender Board	78,562,100	78,901,300	339,200	0.4
Public Instruction, Dept.	5,541,456,200	5,660,891,700	119,435,500	2.2
Public Lands	0	0	0	0.0
Public Service Commission	0	0	0	0.0
Regulation and Licensing, Dept.	0	0	0	0.0
Revenue, Dept.	90,487,500	90,472,100	-15,400	0.0
Secretary of State	0	0	0	0.0
Shared Revenue and Tax Relief	1,740,556,900	1,762,436,500	21,879,600	1.3
State Fair Park Board	2,492,200	2,460,900	-31,300	-1.3
Supreme Court	13,963,200	13,989,200	26,000	0.2
Technical College System	142,652,900	144,652,900	2,000,000	1.4
Tourism, Dept.	3,588,600	3,594,000	5,400	0.2
Transportation, Dept.	58,890,700	47,114,400	-11,776,300	-20.0
Treasurer, State	0	0	0	0.0
UW Hospitals & Clinics Board	0	0	0	0.0
UW System	1,101,189,800	1,135,615,800	34,426,000	3.1
Veterans Affairs, Dept.	2,634,600	2,760,300	125,700	4.8
WHEDA	0	0	0	0.0
Wisconsin Artistic Endowment Foundation	0	0	0	0.0
Workforce Development, Dept.	<u>181,452,600</u>	<u>24,940,600</u>	<u>-156,512,000</u>	<u>-86.3</u>
TOTALS	13,442,121,400	13,800,410,300	358,288,900	2.7

APPENDIX 5
Summary of All Funds Positions
Governor's Recommendations – FY08

	<u>FY07 Base</u>	<u>FY08 Recommended</u>	<u>Change From Base (FTE)</u>
Administration, Dept.	1,009.43	1,030.46	21.0
Aging and Long-Term Care, Board	28.00	34.00	6.0
Agriculture, Trade, and Consumer Prot., Dept.	572.37	572.37	0.0
Arts Board	10.00	10.00	0.0
Building Commission	0.00	0.00	0.0
Child Abuse and Neglect Prevention Board	8.00	7.00	-1.0
Children and Families, Dept.	0.00	0.00	0.0
Circuit Courts	511.00	511.00	0.0
Commerce, Dept.	397.65	391.65	-6.0
Corrections, Dept.	10,124.44	10,307.27	182.8
Court of Appeals	75.50	75.50	0.0
District Attorneys	420.15	416.65	-3.5
Educational Communications Board	62.18	62.18	0.0
Elections Board	16.00	12.00	-4.0
Employee Trust Funds, Dept.	196.60	207.10	10.5
Employment Relations Commission	23.50	24.00	0.5
Environmental Improvement Program	0.00	0.00	0.0
Ethics Board	5.75	5.75	0.0
Financial Institutions, Dept.	139.04	139.04	0.0
Fox River Navigational System Authority	0.00	0.00	0.0
Governor's Office	37.25	41.25	4.0
Health and Family Services, Dept.	5,771.45	5,883.31	111.9
Healthy Wisconsin Authority	0.00	0.00	0.0
Higher Educational Aids Board	11.86	10.50	-1.4
Historical Society	140.04	142.54	2.5
Insurance, Commissioner	132.00	133.00	1.0
Investment Board	104.50	104.50	0.0
Judicial Commission	2.00	2.00	0.0
Justice, Dept.	540.99	556.99	16.0
Legislature	787.97	787.97	0.0
Lieutenant Governor	4.00	4.00	0.0
Lower WI State Riverway Board	2.00	2.00	0.0
Medical College of Wisconsin	0.00	0.00	0.0
Military Affairs, Dept.	377.91	378.91	1.0
Miscellaneous Appropriations	0.00	0.00	0.0
Natural Resources, Dept.	2,717.18	2,714.28	-2.9
Office of State Employment Relations	54.50	55.50	1.0
Program Supplements	0.00	0.00	0.0
Public Defender Board	522.45	523.45	1.0
Public Instruction, Dept.	615.01	630.01	15.0
Public Lands	7.50	7.50	0.0
Public Service Commission	158.00	162.00	4.0
Regulation and Licensing, Dept.	112.32	114.32	2.0
Revenue, Dept.	1,108.78	1,120.58	11.8
Secretary of State	8.50	7.50	-1.0
Shared Revenue and Tax Relief	0.00	0.00	0.0
State Fair Park Board	28.40	29.40	1.0
Supreme Court	216.75	219.75	3.0
Technical College System	81.30	81.30	0.0
Tourism, Dept.	42.40	41.40	-1.0
Transportation, Dept.	3,425.93	3,471.38	45.4
Treasurer, State	10.70	14.70	4.0
UW Hospitals & Clinics Board	2,371.46	2,462.49	91.0
UW System	31,305.80	31,456.22	150.4
Veterans Affairs, Dept.	1,093.40	1,131.60	38.2
WHEDA	0.00	0.00	0.0
Wisconsin Artistic Endowment Foundation	0.00	0.00	0.0
Workforce Development, Dept.	<u>1,902.15</u>	<u>1,887.94</u>	<u>-14.2</u>
TOTALS	67,294.11	67,984.26	690.1

APPENDIX 6
Summary of All Funds Positions
Governor's Recommendations – FY09

	<u>FY08</u> <u>Recommended</u>	<u>FY09</u> <u>Recommended</u>	<u>Change From</u> <u>FY08 (FTE)</u>
Administration, Dept.	1,030.46	1,152.36	121.9
Aging and Long-Term Care, Board	34.00	33.00	-1.0
Agriculture, Trade, and Consumer Prot., Dept.	572.37	565.87	-6.5
Arts Board	10.00	10.00	0.0
Building Commission	0.00	0.00	0.0
Child Abuse and Neglect Prevention Board	7.00	7.00	0.0
Children and Families, Dept.	0.00	532.02	532.0
Circuit Courts	511.00	511.00	0.0
Commerce, Dept.	391.65	389.65	-2.0
Corrections, Dept.	10,307.27	10,376.22	69.0
Court of Appeals	75.50	75.50	0.0
District Attorneys	416.65	416.65	0.0
Educational Communications Board	62.18	62.18	0.0
Elections Board	12.00	11.00	-1.0
Employee Trust Funds, Dept.	207.10	211.60	4.5
Employment Relations Commission	24.00	26.00	2.0
Environmental Improvement Program	0.00	0.00	0.0
Ethics Board	5.75	5.75	0.0
Financial Institutions, Dept.	139.04	134.04	-5.0
Fox River Navigational System Authority	0.00	0.00	0.0
Governor's Office	41.25	41.25	0.0
Health and Family Services, Dept.	5,883.31	5,518.03	-365.3
Healthy Wisconsin Authority	0.00	0.00	0.0
Higher Educational Aids Board	10.50	10.50	0.0
Historical Society	142.54	142.54	0.0
Insurance, Commissioner	133.00	128.00	-5.0
Investment Board	104.50	104.50	0.0
Judicial Commission	2.00	2.00	0.0
Justice, Dept.	556.99	561.99	5.0
Legislature	787.97	787.97	0.0
Lieutenant Governor	4.00	4.00	0.0
Lower WI State Riverway Board	2.00	2.00	0.0
Medical College of Wisconsin	0.00	0.00	0.0
Military Affairs, Dept.	378.91	378.91	0.0
Miscellaneous Appropriations	0.00	0.00	0.0
Natural Resources, Dept.	2,714.28	2,697.28	-17.0
Office of State Employment Relations	55.50	54.50	-1.0
Program Supplements	0.00	0.00	0.0
Public Defender Board	523.45	523.45	0.0
Public Instruction, Dept.	630.01	628.01	-2.0
Public Lands	7.50	7.50	0.0
Public Service Commission	162.00	162.00	0.0
Regulation and Licensing, Dept.	114.32	85.32	-29.0
Revenue, Dept.	1,120.58	1,102.58	-18.0
Secretary of State	7.50	7.50	0.0
Shared Revenue and Tax Relief	0.00	0.00	0.0
State Fair Park Board	29.40	29.40	0.0
Supreme Court	219.75	219.75	0.0
Technical College System	81.30	81.30	0.0
Tourism, Dept.	41.40	41.40	0.0
Transportation, Dept.	3,471.38	3,460.38	-11.0
Treasurer, State	14.70	14.70	0.0
UW Hospitals & Clinics Board	2,462.49	2,462.49	0.0
UW System	31,456.22	31,456.22	0.0
Veterans Affairs, Dept.	1,131.60	1,129.60	-2.0
WHEDA	0.00	0.00	0.0
Wisconsin Artistic Endowment Foundation	0.00	0.00	0.0
Workforce Development, Dept.	<u>1,887.94</u>	<u>1,720.09</u>	<u>-167.9</u>
TOTALS	67,984.26	68,085.00	100.7

APPENDIX 7
Summary of GPR Positions
Governor's Recommendations – FY08

	<u>FY07 Base</u>	<u>FY08 Recommended</u>	<u>Change From Base (FTE)</u>
Administration, Dept.	93.86	101.39	7.5
Aging and Long-Term Care, Board	12.53	15.53	3.0
Agriculture, Trade, and Consumer Prot., Dept.	219.90	219.90	0.0
Arts Board	4.00	4.00	0.0
Building Commission	0.00	0.00	0.0
Child Abuse and Neglect Prevention Board	0.00	0.00	0.0
Children and Families, Dept.	0.00	0.00	0.0
Circuit Courts	511.00	511.00	0.0
Commerce, Dept.	61.80	63.80	2.0
Corrections, Dept.	9,229.37	9,422.87	193.5
Court of Appeals	75.50	75.50	0.0
District Attorneys	376.40	376.40	0.0
Educational Communications Board	37.44	37.44	0.0
Elections Board	11.00	11.00	0.0
Employee Trust Funds, Dept.	3.50	0.00	-3.5
Employment Relations Commission	18.50	19.00	0.5
Environmental Improvement Program	0.00	0.00	0.0
Ethics Board	2.30	2.30	0.0
Financial Institutions, Dept.	0.00	0.00	0.0
Fox River Navigational System Authority	0.00	0.00	0.0
Governor's Office	37.25	41.25	4.0
Health and Family Services, Dept.	2,150.57	2,173.35	22.8
Healthy Wisconsin Authority	0.00	0.00	0.0
Higher Educational Aids Board	11.86	10.50	-1.4
Historical Society	106.15	106.15	0.0
Insurance, Commissioner	0.00	0.00	0.0
Investment Board	0.00	0.00	0.0
Judicial Commission	2.00	2.00	0.0
Justice, Dept.	324.08	333.58	9.5
Legislature	768.17	768.17	0.0
Lieutenant Governor	4.00	4.00	0.0
Lower WI State Riverway Board	0.00	0.00	0.0
Medical College of Wisconsin	0.00	0.00	0.0
Military Affairs, Dept.	88.82	88.82	0.0
Miscellaneous Appropriations	0.00	0.00	0.0
Natural Resources, Dept.	296.85	296.10	-0.8
Office of State Employment Relations	50.00	50.00	0.0
Program Supplements	0.00	0.00	0.0
Public Defender Board	518.45	518.45	0.0
Public Instruction, Dept.	251.47	261.47	10.0
Public Lands	0.00	0.00	0.0
Public Service Commission	0.00	0.00	0.0
Regulation and Licensing, Dept.	0.00	0.00	0.0
Revenue, Dept.	891.38	897.38	6.0
Secretary of State	0.00	0.00	0.0
Shared Revenue and Tax Relief	0.00	0.00	0.0
State Fair Park Board	0.00	0.00	0.0
Supreme Court	112.50	115.50	3.0
Technical College System	30.25	30.25	0.0
Tourism, Dept.	38.40	38.40	0.0
Transportation, Dept.	0.00	0.00	0.0
Treasurer, State	0.00	0.00	0.0
UW Hospitals & Clinics Board	0.00	0.00	0.0
UW System	17,987.16	18,133.58	146.4
Veterans Affairs, Dept.	0.00	2.20	2.2
WHEDA	0.00	0.00	0.0
Wisconsin Artistic Endowment Foundation	0.00	0.00	0.0
Workforce Development, Dept.	<u>160.73</u>	<u>162.73</u>	<u>2.0</u>
TOTALS	34,487.19	34,894.01	406.8

APPENDIX 8
Summary of GPR Positions
Governor's Recommendations – FY09

	<u>FY08</u> <u>Recommended</u>	<u>FY09</u> <u>Recommended</u>	<u>Change From</u> <u>FY08 (FTE)</u>
Administration, Dept.	101.39	99.39	-2.0
Aging and Long-Term Care, Board	15.53	15.53	0.0
Agriculture, Trade, and Consumer Prot., Dept.	219.90	215.40	-4.5
Arts Board	4.00	4.00	0.0
Building Commission	0.00	0.00	0.0
Child Abuse and Neglect Prevention Board	0.00	0.00	0.0
Children and Families, Dept.	0.00	165.67	165.7
Circuit Courts	511.00	511.00	0.0
Commerce, Dept.	63.80	63.80	0.0
Corrections, Dept.	9,422.87	9,493.87	71.0
Court of Appeals	75.50	75.50	0.0
District Attorneys	376.40	376.40	0.0
Educational Communications Board	37.44	37.44	0.0
Elections Board	11.00	11.00	0.0
Employee Trust Funds, Dept.	0.00	0.00	0.0
Employment Relations Commission	19.00	21.00	2.0
Environmental Improvement Program	0.00	0.00	0.0
Ethics Board	2.30	2.30	0.0
Financial Institutions, Dept.	0.00	0.00	0.0
Fox River Navigational System Authority	0.00	0.00	0.0
Governor's Office	41.25	41.25	0.0
Health and Family Services, Dept.	2,173.35	2,104.13	-69.2
Healthy Wisconsin Authority	0.00	0.00	0.0
Higher Educational Aids Board	10.50	10.50	0.0
Historical Society	106.15	106.15	0.0
Insurance, Commissioner	0.00	0.00	0.0
Investment Board	0.00	0.00	0.0
Judicial Commission	2.00	2.00	0.0
Justice, Dept.	333.58	344.58	11.0
Legislature	768.17	768.17	0.0
Lieutenant Governor	4.00	4.00	0.0
Lower WI State Riverway Board	0.00	0.00	0.0
Medical College of Wisconsin	0.00	0.00	0.0
Military Affairs, Dept.	88.82	88.82	0.0
Miscellaneous Appropriations	0.00	0.00	0.0
Natural Resources, Dept.	296.10	293.10	-3.0
Office of State Employment Relations	50.00	49.00	-1.0
Program Supplements	0.00	0.00	0.0
Public Defender Board	518.45	518.45	0.0
Public Instruction, Dept.	261.47	260.82	-0.7
Public Lands	0.00	0.00	0.0
Public Service Commission	0.00	0.00	0.0
Regulation and Licensing, Dept.	0.00	0.00	0.0
Revenue, Dept.	897.38	882.33	-15.1
Secretary of State	0.00	0.00	0.0
Shared Revenue and Tax Relief	0.00	0.00	0.0
State Fair Park Board	0.00	0.00	0.0
Supreme Court	115.50	115.50	0.0
Technical College System	30.25	30.25	0.0
Tourism, Dept.	38.40	38.40	0.0
Transportation, Dept.	0.00	0.00	0.0
Treasurer, State	0.00	0.00	0.0
UW Hospitals & Clinics Board	0.00	0.00	0.0
UW System	18,133.58	18,133.58	0.0
Veterans Affairs, Dept.	2.20	2.20	0.0
WHEDA	0.00	0.00	0.0
Wisconsin Artistic Endowment Foundation	0.00	0.00	0.0
Workforce Development, Dept.	<u>162.73</u>	<u>145.07</u>	<u>-17.7</u>
TOTALS	34,894.01	35,030.60	136.6

ABOUT THE BUDGET DOCUMENTS

The 2007-09 budget appears in four components: Executive Budget, Budget in Brief, Summary of Tax Exemption Devices and Budget Message.

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

Summary of Tax Exemption Devices, written by the Division of Research and Policy in the Department of Revenue, explains current Wisconsin tax law provisions that decrease state revenue by exempting certain persons, income, goods or property from the impact of established taxes. It includes data on the fiscal impact of each exemption device for fiscal year 2005-06.

The Executive Budget, Budget in Brief and Budget Message can be found on the Internet at: <http://www.doa.state.wi.us/debf/execbudget.asp>.

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

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