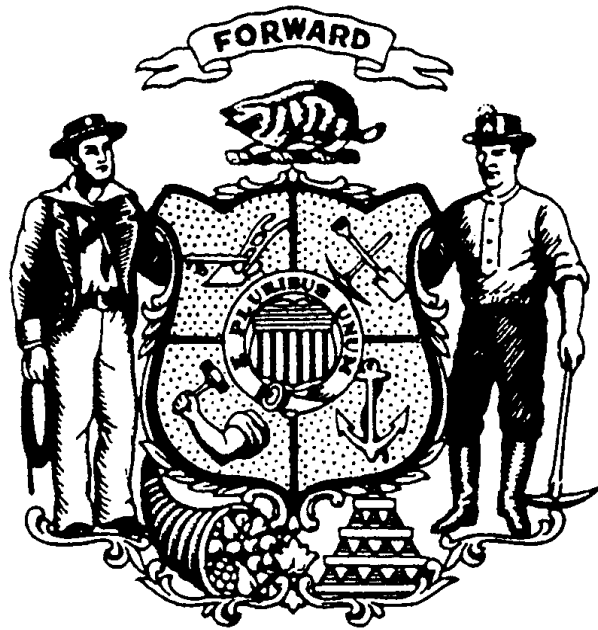


STATE OF WISCONSIN

BUDGET IN BRIEF

JIM DOYLE, GOVERNOR



FEBRUARY 2009

DIVISION OF
EXECUTIVE BUDGET AND FINANCE
DEPARTMENT OF ADMINISTRATION

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**Development of
the 2009-11 Budget**

I. DEVELOPMENT OF THE 2009-11 BUDGET

A. OVERVIEW

Our nation faces its worst economic crisis in at least a generation. Millions of jobs have been lost. The stock market has lost over 40 percent of its value since its peak. The world financial system has been severely damaged. Businesses and governments are finding it difficult to borrow money to finance planned investments. Consumer confidence has plummeted to levels never seen before.

We now know that the nation has been in a painful and deepening recession since December 2007. Wisconsin's fiscal challenges began at the same time, with the Legislative Fiscal Bureau identifying a \$652 million deficit in February 2008. Using his veto pen to improve the Legislature's response to this initial deficit, Governor Doyle made \$270 million in cuts, in addition to the \$226 million in cuts included in 2007 Wisconsin Act 20, secured immediate savings from restructuring of short-term debt and deployed monies he had set aside in the state's rainy day fund.

The first chapter in our nation's economic crisis was addressed by Governor Doyle in the same way he addressed the 2003-05 budget deficit – by protecting priorities and cutting state spending. When he signed the budget repair bill (2007 Wisconsin Act 226) in May 2008, the state's economy seemed to have stabilized. Economists were fairly certain that if a recession occurred, it would be a mild one. This perspective held forth through the summer of 2008 and economic forecasts predicted that state general fund revenues would grow by a weak but respectable annual rate of approximately 3 percent.

The Lehman Brothers bank failure in September 2008 sent shock waves through the global financial system that continue to reverberate. In the wake of this crisis, international banks and insurers teetered on the edge of collapse. The United States and other countries were forced to pour hundreds of billions of taxpayer resources into the system to stave off a global economic collapse.

Access to credit became impossible for individuals, corporations and governments. Consumer spending registered the largest decline in decades; retail sales fell and manufacturing dropped precipitously in response. The stock market registered some of its worst days in history throughout the month of October.

By November, the cautiously optimistic view of most economists had been shattered by the events of September and October. From a state revenue perspective, \$3.8 billion of anticipated revenues had disappeared into the chasm of the global economic crisis. On November 20, 2008, the Departments of Administration and Revenue forecast that revenues would fall for two consecutive years. That forecast resulted in a projected budget deficit of \$5.4 billion by June 30, 2011.

Since November, the economic data has only worsened. The national unemployment rate exceeds 7 percent and Wisconsin's rate is over 6 percent. Retailers faced one of the worst holiday seasons on record. Vehicle sales have collapsed and major automakers are closing plants throughout the country, including Janesville, Wisconsin.

On January 29, 2009, the Legislative Fiscal Bureau released a new revenue forecast that called for further economic weakness, particularly in the remaining months of the current fiscal year ending June 30, 2009 (fiscal year 2008-09). Due primarily to dramatic declines in corporate profits, revenues are projected to be over \$340 million lower than the November 2008 forecast. Continued weakness in revenues, fiscal year 2008-09 funding shortfalls and impacts of federal cigarette tax increases, push the projected budget deficit to almost \$6 billion. Nearly \$600 million of this deficit needs to be addressed in the current fiscal year.

In light of these historic conditions, the Governor's 2009-11 budget is based on the following strategy to address the largest deficit in state history brought on by the worst economic recession in at least a generation:

- Preserve priority programs.
- Cut, streamline and consolidate state operations.
- Partner with the federal government in our shared responsibilities to provide education and critical local services.

Fundamental to this strategy is the Governor's continuing focus on affordability and opportunity for middle-class Wisconsin families. This is accomplished through the following actions:

Eliminate low-priority state government services. The budget makes over \$2.2 billion in reductions to state government services, including reductions from state agency budget requests. These cuts include a 1 percent across-the-board reduction to all programs and elimination of specific types of activities. Programs proposed for elimination include high-cost / low-activity motor vehicle service centers, counter service at regional Department of Natural Resources' facilities and tourism assistance activities at state rest areas. Several programs are being consolidated, including debt collection activities, demographic research and energy policy development. Further consolidation initiatives are underway and the budget authorizes the secretary of the Department of Administration to redeploy state agency personnel to implement these consolidations.

Secure additional federal resources. Almost every state is required under its constitution to have a balanced budget. The federal government does not have this limitation. During times of economic distress for families, businesses, states and local governments, the federal government can step in to stabilize the economy and protect critical education, health care and public safety programs provided by state and local governments. Governor Doyle has worked closely with Republican and Democratic governors, congressional leadership, including Wisconsin Congressman David Obey, and President Obama's administration to develop an economic stimulus plan that protects education. The budget incorporates Wisconsin's estimated share of funding under the economic stimulus legislation aimed at stabilizing state and local funding for schools, health care and other essential services.

Enhance our local schools. The Governor's budget, combined with federal stimulus funds, increases funding for schools by \$426 million over the next two years. In support of innovation and cost-effective teacher compensation, the budget repeals the qualified economic offer requirement. The budget also provides local schools with greater flexibility under the revenue limits to address school safety, school nursing and school transportation costs.

Invest in higher education. The budget authorizes \$26 million in financial aid, and an additional \$25 million for the first class of Wisconsin Covenant Scholars in the 2011-12 academic year. The budget also provides funding to ensure that moderate-income families will be held harmless from increases in tuition at University of Wisconsin System campuses. Reductions to the University of Wisconsin System will be met through improved efficiencies and tuition increases will be modest.

Improve health care. The budget prohibits smoking in all workplaces, including bars and restaurants, throughout the state and increases cigarette and tobacco taxes by 75 cents in pursuit of continued gains in health outcomes. Health care access and cost-containment is improved by expanding Medicaid coverage to low-income childless adults. The BadgerCare Plus expansion to cover all children is protected from budget cuts. Improvement in community long-term care services is continued at a slower than planned pace in the budget through statewide implementation of the Family Care program over the next three to four years.

Grow our economy. The budget expands Governor Doyle's Grow Wisconsin efforts by increasing tax credits for angel and venture capital investments (Accelerate Wisconsin). New tax breaks will be provided for investing capital gains in Wisconsin start-up businesses. Research and development, manufacturing, and agriculture also benefit from new business development tax breaks. The budget also provides funding for the Great Lakes Bioenergy Research Center at the University of Wisconsin-Madison

to develop the next generation of bio-based fuels and energy that will wean us from our dependence on foreign oil. The Wisconsin Institutes for Discovery is also funded in this budget along with resources for cutting edge research on personalized medicine and genomics. The budget authorizes the School of Freshwater Science at the University of Wisconsin-Milwaukee, which will serve a vital role in supporting the water cluster in southeast Wisconsin. Transportation funding is increased by over \$600 million in this budget through federal economic stimulus resources and revenues from a tax on excess oil company profits.

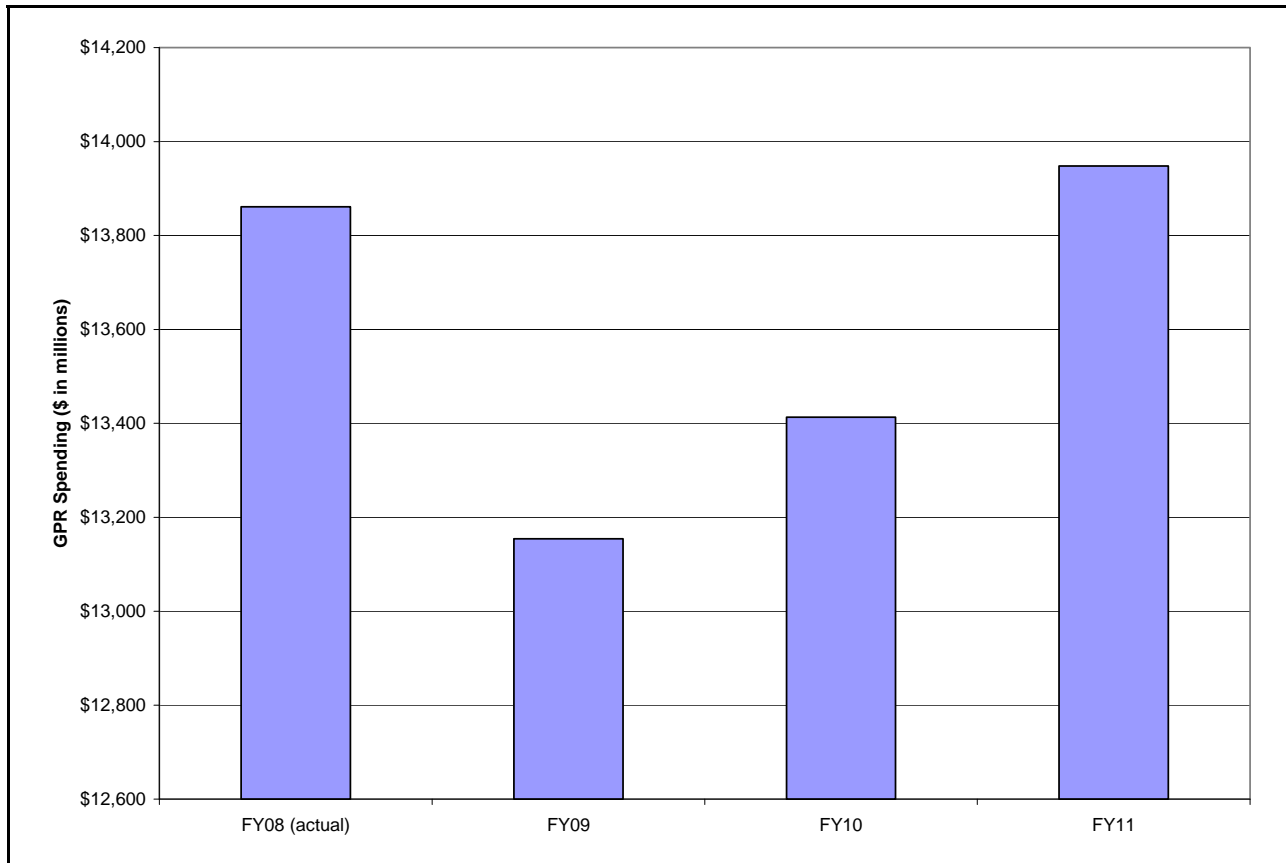
Support our children. The budget increases resources for child care, including better oversight of provider rates and improved data collection. The budget also implements a child care quality rating system so that families can make better informed decisions. Additional funds are provided to improve child welfare efforts in Milwaukee. Foster care rates are increased by 5 percent annually.

Protect and support families. The budget protects tax cuts and credits for the corporate single sales factor, Social Security Income, child care costs, tuition and health insurance premiums, as well as providing \$150 million annually to fully fund previously enacted increases to programs that provide property tax relief to homeowners and businesses. Revenue increases necessary to protect property taxpayers and high-priority programs are focused on improving corporate tax reporting and collection requirements, increasing the share of general fund revenues paid by very high earners, and protecting Main Street businesses by ensuring equal sales tax treatment for multinational and local businesses. The budget also protects property taxpayers by maintaining a 3 percent limit on growth in local government property tax levies for two more years.

Ensure essential public safety services. The budget protects shared revenue funding for essential police and fire services through use of excess balances from the wireless 911 fee and federal stimulus funds. Funding is also provided to track sex offenders. The budget also implements a smarter criminal justice policy that holds individuals accountable for their crimes, but also better prepares and supports those individuals when they return to the community so that they do not return to the criminal justice system.

Continue fiscal responsibility. The budget is balanced with approximately \$270 million in reserve by June 30, 2011. The required ending balance is increased to \$130 million in fiscal year 2010-11 and is maintained at that level until fiscal year 2013-14, where the required balance is increased to 2 percent of general fund appropriations. Most significantly, due to permanent reductions to almost all GPR appropriations in fiscal year 2010-11, general purpose revenue spending is nearly identical to fiscal year 2007-08, future commitments are at an all-time low and a return to average revenue growth will provide the Governor and Legislature with the ability to maintain key programs in the absence of one-time federal support of state budgets.

CHART 1: GPR SPENDING REFLECTS DEEP CUTS AND FEDERAL FISCAL RELIEF



B. REVENUE AND EXPENDITURE OUTLOOK

Much like the global and national economies, Wisconsin's economy is expected to contract throughout 2009 and well into 2010. Revenues are expected to decline for two years and rebound in 2011. The grim economic forecast is reflected in the revenue estimates for the 2009-11 biennium released by the Legislative Fiscal Bureau on January 29, 2009. They project revenues will decline by \$547.8 million (-4.2 percent) in the current fiscal year (fiscal year 2008-09) and decline by another \$287 million (-2.3 percent) in fiscal year 2009-10. Revenues are projected to increase by \$548.9 million (+4.5 percent) in fiscal year 2010-11.

These declines are broad-based, affecting individual and corporate income taxes and sales taxes. Corporate income taxes are expected to fall 22 percent in the current fiscal year compared with the previous year. Individual income and sales taxes are expected to fall 1.9 percent and 5.7 percent, respectively, this year and another 3.8 percent and 1.7 percent, respectively, in fiscal year 2009-10. The magnitude of these reductions in economic activity and personal income are unprecedented in recent times.

The underlying economic and revenue forecast also assumes continued implementation of tax cuts and credits enacted in prior years. These include credits and deductions for child care costs, tuition and health insurance premiums.

Balancing the budget in the face of these dramatic shifts in the national and global economies required a broad-based strategy. First, agency budgets were reduced by \$2.2 billion by paring back services and eliminating lines of business. Second, Governor Doyle partnered with other governors, congressional

leaders and President Obama's administration to secure \$2.1 billion in federal fiscal relief to Wisconsin through a stabilization fund for state education aid to local schools and increased federal assistance for Medicaid. Third, a 1 percent across-the-board cut was made to nearly every single appropriation in state government to further close the budget gap. Lastly, the Governor protects middle-class families and Wisconsin businesses through a series of targeted revenue increases.

Focused on two areas – ability to pay and public health – the budget adds an additional 1 percent of tax on the marginal income of very high income earners; improves corporate income reporting and treats equally Main Street businesses and multinational corporations; slightly reduces the capital gains exclusion; and adds 75 cents to the cigarette tax. These provisions (including revenue enhancements included in state economic stimulus legislation) add \$37 million in fiscal year 2008-09, \$637 million in fiscal year 2009-10 and \$619 million in fiscal year 2010-11 to the general fund. As a result, revenues are expected to decline by \$517 million (-4 percent) in fiscal year 2008-09 compared with the previous year and increase by \$320 million (2.6 percent) in fiscal year 2009-10 and by \$531.3 million (4.1 percent) in fiscal year 2010-11. Even with these targeted revenue increases, total general fund tax revenues in fiscal year 2008-09 and 2009-10 will still be lower than fiscal year 2007-08.

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

C. GOALS – WHERE WE WANT TO GO

The overall fiscal goals of the Governor's 2009-11 budget are as follows:

1. Balance the budget in the face of the worst economic crisis in at least a generation while preserving critical programs.
2. Reduce state spending, eliminate low-priority programs and consolidate services to eliminate duplication.
3. Secure federal funding to protect critical education, health care and public safety programs.
4. Ensure a strong future budget outlook by establishing significant budget balances, reducing future commitments and planning for the one-time effect of federal fiscal relief.

D. BALANCING THE BUDGET

Major Budget Pressures

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

First, the global and national economic crisis reduced anticipated revenues by \$3.8 billion between June 2008 and January 2009. Without this dramatic downturn in economic activity, the budget deficit would have been closer to \$1.9 billion – a much more manageable level.

Second, advanced commitments from the 2007-09 biennium total \$800 million in fiscal year 2009-10. This is approximately \$100 million to \$150 million higher than the prior two budgets due primarily to the impact of the first six months of the recession on the fiscal year 2008-09 general fund balance. Much of the advanced commitments are focused on tax cuts, property tax credits and one-time transfers to preserve health care programs.

Third, cost pressures in the state's correctional system have increased. Over \$100 million GPR was requested by the Department of Corrections in its budget request due to health care costs and implementation of legislative program changes. This budget builds on past efforts toward a cost-effective criminal justice system that protects Wisconsin citizens and breaks the costly cycle of crime.

Fourth, 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 over \$160 million. The Governor's budget addresses this shortfall through a combination of additional federal revenues and cost-containment efforts.

Fifth, debt service costs have increased due to issuance of authorized bonds and restructuring of short-term debt in response to the February 2008 budget deficit. These costs will be mitigated in the budget by implementing a more longer-term repayment of the short-term debt restructuring.

Sixth, 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 the new budget authority recognizes existing payrolls. Standard budget adjustments are taken for granted by agencies because they are housekeeping adjustments. 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 compensation package for nonrepresented employees. Economic conditions will not allow for state employee pay increases over the next two years. However, major pressures will still be felt in meeting the cost of health insurance and the need to restore assets in the pension fund due to dramatic losses in equity markets.

Balancing the Budget

In the face of the worst economic crisis in at least a generation, the Governor is balancing the budget through across-the-board cuts and targeted elimination of specific programs. Federal economic recovery legislation provides funding to states to protect education, health care and public safety funding from the large cuts states will need to make to balance their budgets. Targeted revenue increases are proposed: tobacco taxes are increased to improve health outcomes and protect health care programs; protect middle-class families by focusing revenue increases on ability to pay through corporate income reporting changes, a moderate reduction in the capital gains exclusion and a 1 percent increase on the marginal income of very high earners; and health care costs are reduced for individuals and businesses through new federal Medicaid revenues secured by an assessment on hospitals.

Protecting Wisconsin's priorities – education, health care and critical local services – in the face of the worst deficit in state history is the key element of balancing the budget. This is accomplished through deep spending cuts, elimination of low-priority programs, federal assistance and targeted revenue increases. With a look toward a more stable foundation for the 2011-13 biennium, the Governor's budget significantly increases budgetary balances and fundamentally reduces future commitments.

CHART 2: DESPITE LARGEST DEFICIT IN HISTORY; FUTURE COMMITMENTS AT ALL-TIME LOW

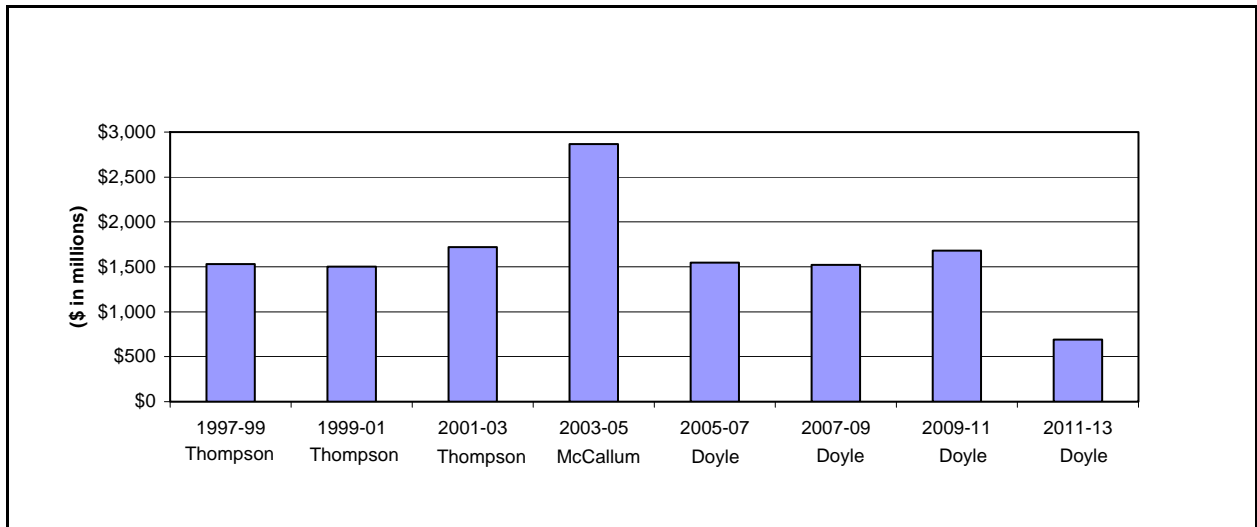


TABLE 1: SOLVING THE DEFICIT
(\$ in millions)

FY09 Ending Balance – November 20, 2008 Report (Agency Requests)		-\$5,363
Legislative Fiscal Bureau Reestimates – January 29, 2009 Memo		-323
Legislative Fiscal Bureau – FY09 Shortfalls – January 29, 2009 Memo		-200
Legislative Fiscal Bureau – Impact of Federal Cigarette Tax Increase – February 11, 2009 Memo		<u>-59</u>
Current 2009-11 Budget Gap		<u>-\$5,945</u>
Governor Doyle's Plan for Addressing the Budget Deficit (including impact of state economic stimulus legislation)		
<u>Spending Reductions</u>		\$2,247
Net Reductions from Agency Requests and Other Reestimates	\$1,760	
GPR Spending Cuts	597	
Other Cuts and Lapses to General Fund	334	
Key GPR Investments (schools, financial aid, children and families)	-444	
<u>Federal Economic Recovery and Reinvestment Act</u>		2,101
Enhanced Federal Share of Medicaid Costs	\$1,170	
State Stabilization Fund	875	
Other Budget Impacts	56	
<u>Revenue Changes</u>		1,352
Cigarette and Other Tobacco Products	\$344	
1% Increase on Income Earned above \$300,000	312	
Other Corporate Income Tax Changes	257	
Combined Reporting	215	
Capital Gains Exclusion Changed from 60% to 40%	181	
Streamlined Sales Tax	82	
Improved Debt Collection Measures	19	
Internal Revenue Code Updates	-46	
Business Tax Credits	-12	
<u>Other Measures and Ending Balance</u>		<u>245</u>
Short-term Debt Payment Restructuring	\$214	
Permanent Program Shifts from GPR to Other Fund Sources	106	
Community Aids Payment Shift	55	
Shared Revenue from Excess Public Service Commission Balances	25	
Higher Education Financial Aid from UW Auxiliaries Balances	25	
Financial Institutions Fees	24	
Set Statutory Balance at \$130 million / Overall Balance of \$269 million	-204	
Actions to Balance the Budget		<u>\$5,945</u>

TABLE 2: FEDERAL FISCAL RELIEF
(\$ in millions)

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>Total</u>
Medicaid	306	568	296	1,170
Health Information Technology		4	10	14
State Fiscal Stabilization Fund				
Education	291	277	221	789
Discretionary		18	68	86
Child Care and Development		15	15	30
Child Support	<u> </u>	<u> 6</u>	<u> 6</u>	<u> 12</u>
Federal Fiscal Relief	597	888	616	2,101

Summary of Governor's Budget Initiatives

II. SUMMARY OF GOVERNOR'S BUDGET INITIATIVES

A. EDUCATION, WORKFORCE AND LOCAL GOVERNMENT



Elementary and Secondary Education

- Provide a \$201 million increase (2.9 percent) in state aids and federal economic stimulus education funding in fiscal year 2009-10 and an additional \$24 million increase (0.3 percent) in fiscal year 2010-11 for a total increase of \$426 million over the biennium compared with fiscal year 2008-09. These estimates include federal economic stimulus funding related to the state fiscal stabilization fund, Title I (No Child Left Behind), and IDEA (special education).
- Protect school funding and equity by using \$789 million in state fiscal stabilization funds from the federal recovery and reinvestment act to replace an equal reduction in general equalization aid. This funding will be treated the same as state equalization aid for school district revenue limit purposes. Provide \$48 million in additional GPR funding for schools in the 2009-11 biennium.
- 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 training, address escalating health insurance costs, and create equity between teachers and other public employees in bargaining.
- Increase accountability in the Milwaukee Parental Choice Program by requiring schools participating in the program to be subject to many of the same requirements as public schools including adopting academic standards, scheduling the same number of hours of instruction each year as public schools, administering standardized tests, developing written policies for promoting a student from one grade to another, granting a formal high school diploma, and maintaining student progress records. In addition, require all teachers and administrators in Choice program schools to have a bachelor's degree and require schools participating in the program to attain accreditation by August 1 prior to the school year in which the school first participates in the program.
- Maintain the equity principles of the state equalization aid formula by phasing in a portion of the pupil count associated with the Milwaukee Parental Choice Program for purposes of calculating Milwaukee Public Schools equalization aid.
- Authorize the Department of Public Instruction to hire a program auditor to provide additional oversight of the Choice Program schools.
- Direct the Legislative Reference Bureau to prepare a bill that addresses the findings of a review of the finances and operations of the Milwaukee Public Schools conducted at the request of the Governor and the Mayor of Milwaukee.
- Provide additional funding to fully support the Student Achievement Guarantee in Education (SAGE) program, which lowers class size in kindergarten through third grade, to fully fund \$2,250 per low-income pupil.
- Provide additional funding for aid to high-poverty districts to reflect an increase in the number of school districts in the state with more than 50 percent of pupils eligible for free and reduced-price lunch.

- Increase funding to reduce the need to prorate 4-year-old kindergarten program start-up grants.
- Provide funding for a competitive grant program for school districts or cooperative educational service agencies in conjunction with tribal education agencies to develop effective instruction in American Indian languages.
- Improve equity in school spending by increasing the per student low-revenue ceiling, below which school districts are exempt from revenue limits, from \$9,000 per student to \$9,400 in fiscal year 2009-10 and to \$9,800 in fiscal year 2010-11.
- Modify school district revenue limits to phase-in exemptions for school safety expenditures, costs of hiring school nurses and transportation costs per student above the statewide average.
- Require students to complete three years of math and science to graduate from high school.
- Provide \$1.5 million over the biennium to maintain state aid for public libraries at 8.2 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

- In an effort to ensure that the University of Wisconsin has the necessary resources to retain top faculty, provide \$15 million to the University of Wisconsin to assist campuses in maintaining competitive salaries for high-demand faculty.
- Provide \$8.2 million in fiscal year 2010-11 to support biotechnology, nanotechnology, and information technologies research at the Wisconsin Institutes for Discovery, a public research institute at the University of Wisconsin-Madison charged with enhancing human health and welfare through interdisciplinary research.
- Provide \$8 million from the recycling and renewable energy fund over the biennium to establish the University of Wisconsin Bioenergy Initiatives at the Madison, Stevens Point and River Falls campuses. The initiatives will explore the potential of bioenergy through biomass processing; converting biomass into energy products; developing a sustainable energy economy; and developing enabling technologies for bioenergy research.
- Provide \$2 million in fiscal year 2009-10 to establish the Wisconsin Genomics Initiative, which will both develop models that predict individual susceptibility to disease and identify prevention strategies.
- Provide for modest tuition increases to keep resident undergraduate tuition at the University of Wisconsin campuses near the bottom of the Big 10 and other peer groups.
- Provide an additional \$26.3 million over the biennium for higher education financial aid programs for University of Wisconsin System, technical and private college students, including a 30 percent biennial increase in aid to University of Wisconsin System students.

- Create a new financial aid program for University of Wisconsin System students who have financial need, but who just miss eligibility requirements for existing financial aid programs.
- Provide \$25 million in fiscal year 2010-11 to establish a funding base for Wisconsin Covenant Grants, which will provide assistance to help ensure that students who participate in the Covenant Scholars program and meet Covenant goals are not prevented from pursuing a postsecondary education in Wisconsin for financial reasons.
- Require veterans who are eligible for tuition benefits under the new federal Post 9/11 G.I. Bill to access those benefits before receiving benefits under the Wisconsin G.I. Bill Tuition Remission Program. In addition, hold those veterans harmless from any reduction in benefits resulting from this requirement.

Property Tax Relief

- Fund \$319.8 million in property tax relief enacted in the 2007-09 biennium, including the first dollar credit (\$150 million), school levy tax credit (\$150 million) and aid payments for energy production plants (\$19.8 million).
- Cap county and municipal levy increases at the greater of 3 percent or the gain in value from net new construction, and extend county and municipal levy limits for an additional two years.
- Assist low- and moderate-income families and Wisconsin seniors by indexing the homestead tax credit for inflation.
- Expand the ability of local governments to raise revenues through the premier resort area tax in Lake Delton and Wisconsin Dells.
- Create a property tax exemption, beginning January 1, 2012, for machinery and equipment used exclusively and directly in qualified research by manufacturing or biotechnology companies. To avoid increasing the property tax burden on other taxpayers, provide funding in the next biennium to offset the loss in taxable property value.

Workforce Development

- 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.
- Expand the scope of Wisconsin's prevailing wage law to assure that Wisconsin workers receive fair and reasonable pay for their labor.
- Transfer programs serving refugees to the Department of Children and Families to better align provision of services.
- Redirect federal funds to provide targeted reemployment services to unemployment claimants.

B. ECONOMIC DEVELOPMENT AND TRANSPORTATION



- Increase to \$25 million annually the amount of tax credits available to angel and venture fund investors that invest in Wisconsin start-up companies and attract new potential investors.
- Create a new refundable jobs tax benefit program aimed at business attraction and expansion. The proposed program would provide up to \$10 million per year in payroll credits to businesses. A portion of the wages paid on new family supporting jobs would be eligible for up to a 10 percent credit.
- Encourage investment in new business ventures, by providing a tax break for investors who invest their capital gains into Wisconsin start-up businesses.
- Encourage further expansion of cutting edge start-up companies by providing an income tax credit to businesses that significantly increase their research and development.
- Bolster the business of manufacturing and biotechnology by creating a property and sales tax exemption for machinery used exclusively for research and development.
- Consolidate five existing tax credit programs and target those credits to businesses that create and retain manufacturing jobs, provide training and reeducation to new and incumbent employees, and invest in capital.
- Create a Wisconsin venture fund that connects businesses and entrepreneurs with capital and provides seed funding for new businesses.
- Encourage the continued growth of Wisconsin's agricultural economy through the creation of two new income tax credits. First, the dairy cooperative investment credit will allow members of a dairy cooperative to claim a credit for 10 percent of the amount paid for dairy manufacturing modernization or expansion expenses. Second, the meat processing facility credit will allow meat processors to claim a credit for 10 percent of the amount paid for meat processing modernization or expansion costs.
- Promote the continued importance of agriculture in Wisconsin through the creation of the next generation farmer tax credit, to consist of two parts. First, an owner of agricultural assets who agrees to lease assets to a beginning farmer for a minimum of three years may claim an income tax credit up to 15 percent of the amount of the lease. Second, a beginning farmer may claim a one-time maximum \$500 tax credit to offset the cost of enrolling in a farm financial management education program. This tax credit will first take effect in tax year 2011.
- Provide \$2.63 million in the 2009 Budget Adjustment Bill for green job and infrastructure training and retraining.
- To improve the skill level of today's work force, provide a \$1 million increase in the 2009 Budget Adjustment Bill for fiscal year 2008-09 in the Workforce Advancement Training Grants administered by the Wisconsin Technical College System. This competitive grant program provides technical colleges with funding to provide short-term, customized training for incumbent workers in small, medium, and large businesses that addresses the needs of multiple categories of employees and skill areas.

- Invest a total of \$5.5 billion on Wisconsin's transportation system, including a \$569 million (19.6 percent) increase in highway funding in fiscal years 2008-09 through 2010-11 from state, ongoing federal and federal stimulus revenues.
- 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 assessing oil companies for a portion of their excess profits.
- Create jobs and advance improvements to Wisconsin's transportation infrastructure by allocating an expected \$564 million in federal economic stimulus funds over fiscal years 2008-09 and 2009-10.
- Provide an additional \$87.9 million over the biennium for the State Highway Rehabilitation Program to meet increased costs and provide safe driving conditions on state highways.
- Increase funding by \$34.1 million over the biennium for the Major Highway Program to advance currently enumerated projects.
- Provide \$517 million over the biennium for construction on the I-94 corridor between Wisconsin's border with Illinois and the Mitchell Interchange in Milwaukee and \$20 million to continue preliminary engineering for the reconstruction of the Zoo Interchange.
- Support economic development and job creation and retention by investing in a variety of modes of transportation and increasing funding for harbors, railroads and transit.
- Increase state funding to \$120 million to leverage federal passenger rail system development funding that would improve transportation options between major urban areas in southern and eastern Wisconsin.
- Authorize the creation of regional transit authorities for southeastern Wisconsin, the Madison metropolitan area and the Fox Valley.
- Provide \$100 million in general obligation bonding authority to help foster transit development in southeastern Wisconsin.
- Authorize the use of photo radar speed detection to identify speed limit violations in highway work zones and failure to stop at red traffic signals at intersections.
- Authorize law enforcement agencies to stop motorists to check for proper use of safety belts. In addition, provide for actions to prevent racial profiling and stereotyping.
- Capitalize on \$19 billion in federal stimulus funding to accelerate the adoption of health information technology systems by doctors and hospitals. This funding will provide millions in grants to Wisconsin health care providers, allowing implementation of the state electronic health record tax credit to be delayed by two years.
- Create a \$500,000 annual grant program for film- and video-related activities that create permanent, long-term jobs in Wisconsin.

- Create a forward innovation fund to support the start-up, expansion or retention of minority businesses; businesses in economically distressed areas; and innovative proposals to strengthen inner cities, rural communities, industry clusters and entrepreneurship.
- Eliminate barriers to investment in minority-owned businesses by modifying minority business certification requirements.
- Provide continued funding for the Buy Local, Buy Wisconsin grant program, which awards grants to projects designed to increase the local sales of agricultural products grown in Wisconsin.
- Provide funding and position authority to support new animal health and meat inspector positions to control animal disease, ensure food safety, and support the growth of Wisconsin's meat industry and agricultural exports. Funding will be provided by establishing a per animal slaughter fee on cattle, hogs and poultry slaughtered in Wisconsin.

C. ENVIRONMENTAL AND NATURAL RESOURCES MANAGEMENT



- Encourage the long-term preservation of Wisconsin's fertile farmland and support commitments by farmers to manage their land in an environmentally friendly manner by adopting key recommendations of the Working Lands Initiative. The initiative will restructure existing farmland property tax credits and bond funding toward preservation and protection of farmland resources. Grant funding of \$420,000 annually will be provided to counties to update farmland preservation plans.
- Protect our lakes and rivers and improve water quality in Wisconsin by providing an additional \$20 million over the biennium to reduce nonpoint source water pollution through increased nutrient management planning and other pollution abatement practices.
- Ensure continued support for environmental management activities by raising the environmental repair fee, and by repealing the sunset of the vehicle environmental impact fee.
- Protect the Great Lakes and other waters by providing \$5 million in bond revenues to clean up contaminated sediments in the Great Lakes or its tributaries.
- Ensure the safety of Wisconsin's dams and respond to the extensive floods of 2008 by providing \$3 million for grants to be used for dam repair, reconstruction and removal projects, and by creating a new schedule for dam inspections that will increase the inspection frequency of those dams that pose the greatest risk to public safety.

D. HEALTH AND HUMAN SERVICES



- Maintain eligibility standards and benefits for Medicaid, BadgerCare Plus and SeniorCare recipients while reducing expenditures through increased efficiency and effectiveness, including:
 - Improve management of Medicaid-reimbursed transportation.
 - Increase third-party payment of claims.
 - Provide incentive payments to identify court-ordered health insurance coverage of children.
 - Reduce pharmacy costs.
 - Leverage federal reimbursement to provide rate increases to nursing homes and intermediate care facilities funded by an increase in the bed assessment.
- Improve services to Wisconsin seniors and people with disabilities by continuing the statewide expansion of the Family Care managed care program, although on a slower timeline than previously projected. Long-term care services are 45 percent of the Medicaid and BadgerCare Plus budget. Implementing the Family Care program allows these services to be better coordinated, more efficient and more cost-effective.
- Provide funding to increase the number of long-term supports waiver slots for children with disabilities by 1,000 over four years.
- Continue the expansion of Medicaid coverage to childless adults statewide and to low-income adults without dependent children in July 2009, using additional federal funding claimed through implementation of the hospital assessment. This expansion will provide managed primary and acute care services to the uninsured, resulting in less uncompensated care for providers and a reduction unnecessary emergency treatment.
- Increase federal funding for community mental health treatment and Birth to 3 services.
- Continue the successful AIDS Drug Assistance Health Insurance Risk Sharing Pool (ADAP-HIRSP) pilot program and allow adults and children who are eligible for limited-benefit Medicaid coverage the option to enroll in HIRSP.
- Provide funding to improve child welfare and reduce disparities in birth outcomes among target populations through a modest increase in vital records fees, reducing long-term costs for out-of-home care and for poor birth outcomes.
- Improve consumer protections in the small group and individual health insurance markets.
- Require insurers to provide health insurance coverage to dependents through 26 years of age.
- Improve the health of Wisconsin citizens and prevent children from smoking by prohibiting smoking in all workplaces, including bars and restaurants, which will be effective 60 days after the signing of the bill.

- Create a Quality Health Care Authority to assist long-term care consumers in finding qualified independent home care workers through creation of a registry, and provide training and recruitment programs to expand and improve the pool of qualified workers.
- Provide staff to open the Wisconsin Resource Center for Women in 2011 in order to meet federally-mandated treatment requirements of mentally ill female inmates in Wisconsin prisons.
- Provide community relocation options for up to 140 residents of Southern Wisconsin Center for the Developmentally Disabled, resulting in a decrease in the population and in state positions at the center.
- Provide qualified researchers access to the Wisconsin Cancer Registry, as permitted in many other states, in order to advance cancer research and to provide revenue to improve and support cancer data collection and analysis.
- Restructure and increase long-term care licensing and surveying fees in order to maintain adequate and appropriate oversight of long-term care facilities in Wisconsin and to shift a portion of the costs of licensing activities to facilities that are not in compliance with standards.

Children and Families

- Provide \$44.6 million over the biennium to fund out-of-home care expenditures in the Bureau of Milwaukee Child Welfare due to increasing caseloads and previous federal disinvestment in child welfare.
- Provide \$5.3 million and 18.0 FTE positions over the biennium to the Bureau of Milwaukee Child Welfare to improve the state's ability to respond to suspected instances of child abuse and neglect.
- Improve the overall operation of the Bureau of Milwaukee Child Welfare by expanding the Mobile Urgent Treatment Team, implementing a career ladder to improve the retention of contracted social work staff and providing reimbursement to management staff who are on-call after normal work hours.
- Increase foster care rates by 5 percent in calendar year 2010 and an additional 5 percent in calendar year 2011 to help ensure that the state maintains an adequate supply of foster care families.
- Provide \$311,200 over the biennium to fund a foster care public information campaign to help address the need to increase the supply of foster care families.
- Provide \$1.8 million over the biennium to implement a system of uniform foster care licensing by levels of care that better aligns the needs of children with the foster care services and training of foster parents.
- Provide \$1.1 million over the biennium for a uniform foster parent training curriculum.
- Provide \$250,000 over the biennium to implement a regulated rate system for group homes, residential care centers and treatment foster care agencies.

- Provide \$375,000 over the biennium to implement an alternative response system for child protective services, which will allow the Department of Children and Families to provide prevention services to families at risk, before out-of-home-care is required.
- Expand the Family Foundations program to begin prenatally and include all parents eligible for Medical Assistance, regardless of whether this is their first or subsequent pregnancies.
- Provide \$2.7 million to develop and implement a child care quality rating system to give families the tools to evaluate the quality of child care providers.
- Authorize the Department of Children and Families to implement an attendance-based child care provider reimbursement system and a waiting list, increase parent co-payments by 10 percent, and count child support income in eligibility determinations to help address continuing cost pressures within the state's Child Care Subsidy program.
- Provide \$2 million to extend the length of time that parents of infants can stay home with their newborn children from 12 to 26 weeks, provided the parent has been in a Wisconsin Works paid employment position for at least three months immediately preceding claiming this benefit.
- Provide \$1.4 million in cash assistance to unmarried, pregnant women with no other custodial children and who are in the third trimester of a medically verified, at-risk pregnancy and are unable to work.
- Provide \$1 million in fiscal year 2009-10 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.

E. JUSTICE



- Ensure wise allocation of taxpayer resources and the highest levels of public safety through better use of data, new measures to reduce recidivism and streamlined sentence review processes:
 - Transfer to the Division of Hearing and Appeals the authority to determine the length of reconfinement for revocation from extended supervision, not to exceed the time remaining on the bifurcated sentence.
 - Allow the secretary of the Department of Corrections to release to extended supervision persons serving the confinement portion of a bifurcated sentence who are within 12 months of release to extended supervision and meet certain eligibility criteria.
 - Transfer from the sentencing court to the secretary of the Department of Corrections the authority to review petitions and release terminally ill inmates to extended supervision so long as the public safety is maintained.
 - Rename the Parole Commission as the Earned Release Review Commission and expand its duties to include sentence adjustment for Class C to I felonies for both the confinement and extended supervision portions of a sentence.
 - Expand the Earned Release Program and the Challenge Incarceration Program to include inmates with programming needs other than substance abuse, to allow the inmates deemed eligible at sentencing to earn early release by fulfilling certain requirements while in prison.
 - Eliminate community supervision of certain low-risk misdemeanor probationers, as determined by the offense and a risk assessment performed by the Department of Corrections.
 - Provide \$6.5 million and 18.00 FTE positions to improve offender reentry into the community by providing tools for offender risk assessment, to better manage purchase of services dollars, research and measure programs, and maintain dual-diagnosis rehabilitation programming.
 - Expand eligibility for record expungement to include individuals up to 25 years of age, and to include nonviolent Class H to I felonies, allowing more young people to learn from their mistakes and start a new life with a clean slate.
- Decriminalize motor vehicle operation after suspension or revocation, unless the underlying reason for the revocation was related to alcohol or other drugs, to reduce the number of cases in which a public defender must be appointed, and to facilitate restoration of driving privileges when appropriate.
- Provide \$1,420,400 GPR and 25.75 FTE positions in fiscal year 2009-10 and \$1,927,200 GPR and 40.80 FTE positions in fiscal year 2010-11 to meet federally-mandated mental health services requirements at Taycheedah Correctional Institution.
- Provide \$881,500 GPR and 15.10 FTE positions in fiscal year 2010-11 to fund security staff at a newly created female mental health unit at the Wisconsin Resource Center.

- Provide \$110,500 GPR in fiscal year 2009-10 and \$130,000 GPR in fiscal year 2010-11 for services in the Department of Corrections to support successful reintegration of employees returning to work from active duty in the armed forces.
- Provide \$8.4 million GPR and 92.0 FTE GPR positions to supervise serious child sex offenders who are subject to global positioning system tracking.
- Provide \$504,000 GPR for limited term employees at the Office of Justice Assistance who locate offenders who fail to comply with sex offender registration requirements.
- Provide \$543,700 GPR to upgrade technology at the Department of Corrections to enable the state's sex offender registry to meet federal requirements passed as part of the federal Adam Walsh Act.
- Increase staffing for the Internet Crimes Against Children Task Force by 2.0 FTE GPR positions and \$306,300 GPR annually.
- Increase county victim witness funding by \$1.6 million PR over the biennium and increase victim compensation payments by \$821,800 PR biennially through an increase to Part B of the victim witness surcharge.
- Increase funding in the second year for civil legal services to indigent persons to help on targeted issues, including guardian ad litem and obtaining child support.
- Create a criminal justice program support fund by increasing the handgun hotline fee and combining revenues with the penalty surcharge to create one fund to ensure adequate program revenue funding for important criminal justice programs.
- Maintain \$505,400 PR and 5.0 FTE PR positions in each year to staff the Wisconsin Statewide Information Center to coordinate interagency intelligence efforts and enable information sharing throughout the state to protect our citizens and critical infrastructure.
- Provide \$1.9 million PR to upgrade two critical law enforcement technology systems at the Department of Justice, the Automated Fingerprint Identification System and Criminal History Records System.
- Provide state support to continue several existing criminal justice programs, including the Statistical Analysis Center, Wisconsin Justice Information Sharing Initiative and Uniform Crime Reporting.
- Provide \$500,000 PR and 2.0 FTE PR positions to carry out recommendations of the Governor's Commission on Reducing Racial Disparities in the Criminal Justice System.
- Increase funding by \$490,600 GPR for reimbursement to counties for court interpreter services and mileage reimbursement paid to interpreters.
- Create a pilot project in Judicial Administrative District 7 to study if state coordination of court interpreters creates efficiencies and increases use of certified interpreters.

F. GOVERNMENT OPERATIONS AND EFFICIENCY



- Cut or lapse over \$1.2 billion in nonfederal funding from state agency budgets, including \$600 million in direct cuts to GPR appropriations. These reductions include approximately \$350 million associated with a 1 percent reduction to nearly all appropriations in state government. Certain agencies and appropriations were also reduced by an additional 5 percent cut. This cut will be mitigated in the 2009-11 biennium with discretionary state stabilization funds through the Federal Recovery and Reinvestment Act. However, the cuts will become permanent beginning in the 2011-13 biennium.
- As part of implementing cuts to balance the budget, authorize the Department of Administration secretary to lapse or transfer \$285 million from all nonfederal state agency appropriations, including state operations appropriations to the courts, Legislature and Governor, by June 30, 2011. This amount includes the \$125 million lapse or transfer included in 2009 Budget Adjustment Bill.
- Require proceeds from any non-University of Wisconsin System asset sales during the 2009-11 biennium to be deposited in the general fund.
- Improve state government employee and University of Wisconsin System faculty and staff recruitment and retention by including domestic partners for purposes of group health insurance and retirement survivor benefits.
- Restructure human resource services at executive branch agencies, other than the University of Wisconsin System, to gain efficiencies in delivering consistent and quality employee services.
- Extend dependent and survivor protections to domestic partners.
- Increase state government efficiencies through consolidation of programs, cooperation with neighboring states and elimination of vacant positions.
- Reorganize attorneys and support staff in order to improve the provision of legal services, including contract negotiations, in state government.
- Streamline contract for services review to accommodate position reductions and tight fiscal constraints. State agencies will continue to provide union notification of proposed service contracts greater than \$25,000.
- Take advantage of technology resources in the presentation of budget and finance information by posting required budget materials on the Internet in lieu of printing. Consistent with technology opportunities, eliminate the requirement for reports of third and fourth quarter expenditures by agencies. This information is or will be available on the Internet as state financial systems are updated.
- Authorize the Building Commission to sell new general obligation debt at negotiated sale to provide the flexibility to sell bonds using the most appropriate method for the existing market conditions.

- Adopt the following provisions to improve cash flow and budget management:
 - Increase the revenue shortfall and reporting threshold to 2 percent of general fund appropriations.
 - Increase the interfund cash management borrowing limit to 10 percent of general fund appropriations.
 - Set the statutory ending balance at \$65 million in fiscal year 2009-10, at \$130 million in fiscal year 2010-11 through fiscal year 2012-13, and at 2 percent of general purpose revenue appropriations thereafter.
- Increase staff and funding in the Department of Employee Trust Funds by 12.0 FTE SEG positions for critical customer retirement services and streamline the process for authorizing new positions in order to respond to increasing work load due to state and local employee retirements.

G. REVENUE AND GENERAL FUND TAXES



- Improve public health outcomes and provide resources to maintain critical health care programs by increasing the cigarette tax by 75 cents to \$2.52 per pack, increase the tax on moist snuff by 56 cents to \$1.87 per ounce and increase the tobacco products tax by 20.5 percentage points to 71 percent of manufacturer's list price, increasing state revenue by \$142.6 million in fiscal year 2009-10 and \$148.3 million in fiscal year 2010-11.
- Collect an additional 1 percent on income above \$300,000 through a new bracket in the individual income tax. This bracket is expected to affect approximately 1 percent of tax filers and increase state revenue by \$175.6 million in fiscal year 2009-10 and \$136.2 million in fiscal year 2010-11.
- Eliminate a state tax subsidy for business activity outside the state by decoupling from the federal Internal Revenue Code deduction for corporations' qualified domestic production activities, generating additional corporate tax revenue of \$38.2 million in fiscal year 2009-10 and \$33.5 million in fiscal year 2010-11.
- Realign the tax treatment of nonresident members of pass-through entities with resident members by requiring nonresident members to make quarterly withholding tax payments, providing a \$38.5 million state revenue increase in fiscal year 2009-10.
- Reduce the capital gains exclusion for calculation of taxable income from 60 percent to 40 percent, increasing state revenue by \$85.1 million in fiscal year 2009-10 and \$95.5 million in fiscal year 2010-11. This remains one of the most generous exclusions in the country.
- Require the income from throwback sales to be treated equal to the income from normal sales for corporate income tax computation purposes, increasing state revenue by \$57.7 million in FY10 and \$37.5 million in FY11. Throwback sales are sales made outside of Wisconsin to states without income tax jurisdiction over the company or to the federal government.

- Specify that an affiliated entity, which is not separately regarded from the parent company for the purpose of income tax liability, will also not be separately regarded for the purpose of sales tax liability, resulting in additional sales tax revenue of \$19.8 million in FY10 and \$21 million in FY11.
- Clarify that only direct air carriers qualify for the special apportionment for income tax purposes, increasing tax revenue by \$4 million annually.
- Amend the statutory definition of a retailer engaged in business in this state to clearly include an Internet retailer with an affiliate physically located in Wisconsin that makes similar sales, increasing tax collections by \$1.5 million in each year.
- Encourage investment in research and development by providing an income tax credit to businesses that increase research and development activities to more than 125 percent of their three-year average spending on those activities.
- Exempt purchases of machinery and equipment used in the biotechnology industry from the sales tax, beginning January 1, 2012.
- Update Wisconsin Tax Code to recent changes in the federal Internal Revenue Code, reducing tax collections by \$40.6 million in fiscal year 2009-10 and \$5.5 million in fiscal year 2010-11.
- Consolidate debt collection efforts at the Department of Revenue and authorize the department to institute a financial institution data match process, in coordination with the Department of Financial Institutions, to create efficiencies and increase effectiveness of the collection of all debts owed to the state.

State Budget Overview

III. STATE BUDGET OVERVIEW

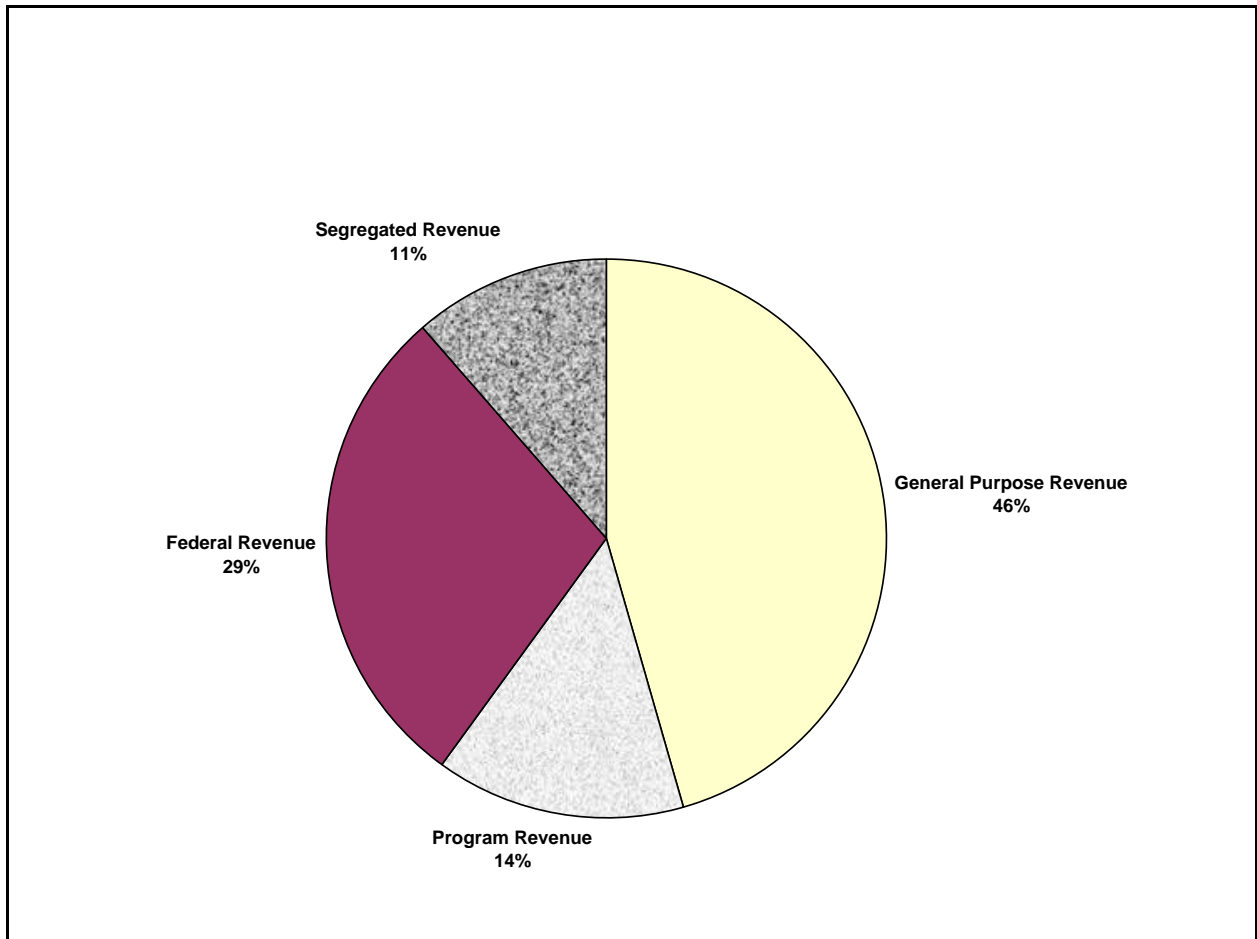
A. PRESENTATION OF THE GOVERNOR'S 2009-11 BUDGET

The Governor's proposed budget for the 2009-11 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 2009-11 biennium.

B. EXPENDITURES

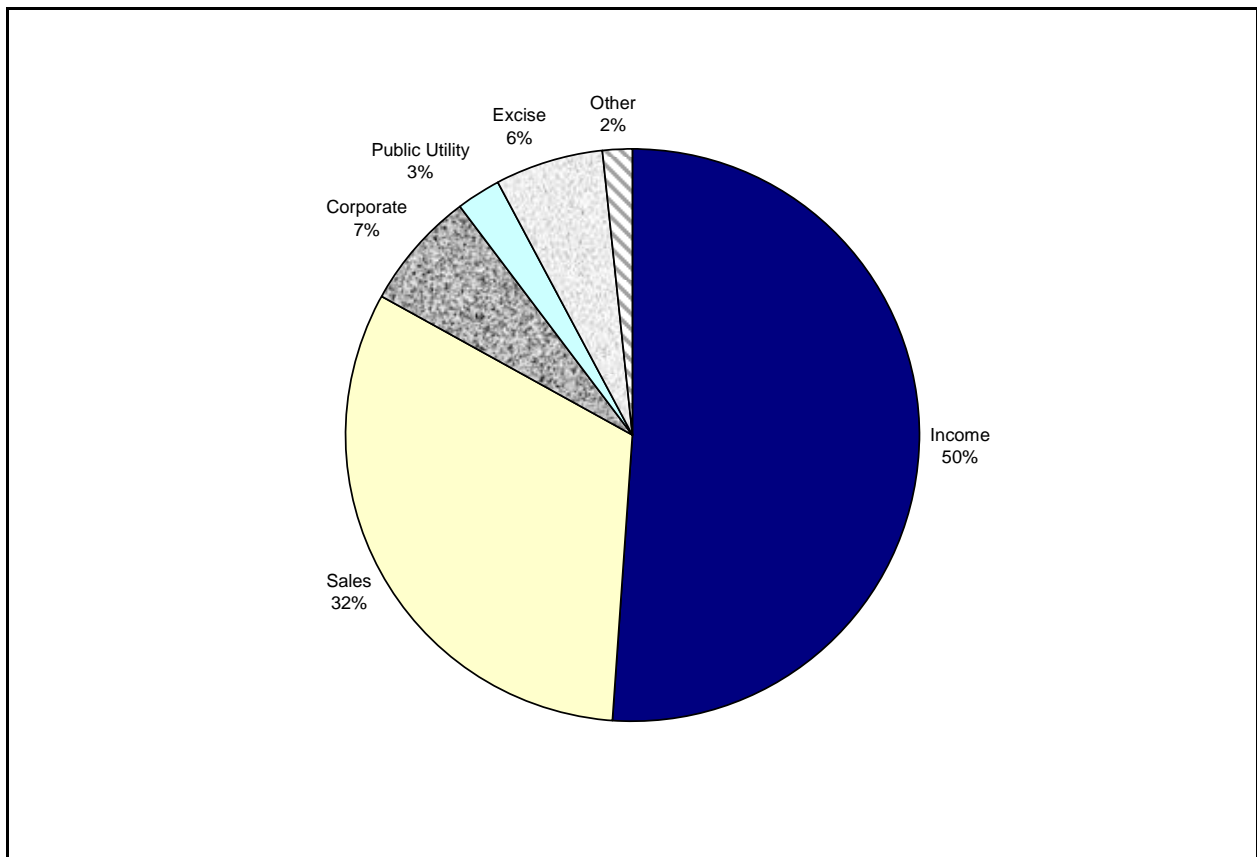
The Governor recommends an operating budget of \$31.579 billion in fiscal year 2009-10 and \$31.145 billion in fiscal year 2010-11. These figures include all four major funding sources and all state agencies and programs (see Chart 3). On an annual basis the Governor's all funds budget for fiscal year 2009-10 represents an increase of \$2,300 million (7.9 percent) over the fiscal year 2008-09 adjusted base, and the budget for fiscal year 2010-11 represents a decrease of \$435 million (-1.4 percent) compared with fiscal year 2009-10. Much of the fiscal year 2009-10 increase is related to funding advanced commitments associated with property tax credits, additional federal Medicaid funding associated with increased assessments and rate payments to hospitals, as well as receipt of one-time federal stimulus funding.

CHART 3: FISCAL YEAR 2010-11 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 2010-11 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 \$13.702 billion in fiscal year 2009-10 and \$14.230 billion in fiscal year 2010-11. On an annual basis the Governor's GPR budget for fiscal year 2009-10 is a spending decrease of \$497.3 million (-3.5 percent) over the fiscal year 2008-09 base, and for fiscal year 2010-11 is a spending increase of \$528 million (3.9 percent) over fiscal year 2009-10. Compared to fiscal

year 2007-08, spending will be lower in both fiscal years 2008-09 and 2009-10 due to GPR reductions necessary to balance the budget. Some of these reductions will be replaced with one-time federal fiscal relief in those years. The increase in fiscal year 2010-11 reflects phase-out of federal stimulus funds and one-time state funding in the prior fiscal year that is replaced with GPR funding.

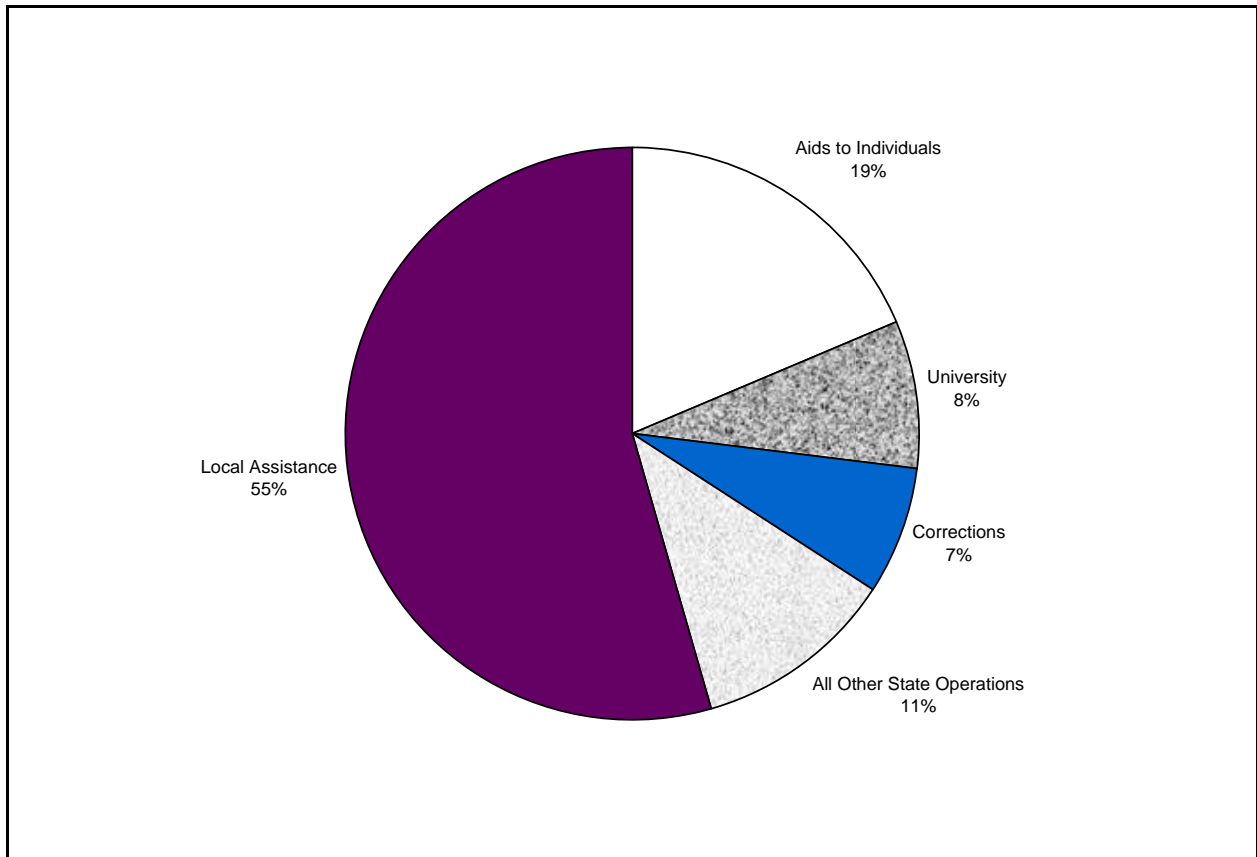
TABLE 3: LARGEST BIENNIAL GPR INCREASES OVER BASE
(\$ in millions)

School Aid, Property Tax Credits and Related Tax Relief	\$348
Corrections	103
University of Wisconsin/Higher Educational Aids Board	100
Minnesota/Illinois Tax Reciprocity Reestimates	74
Department of Children and Families	33
Department of Health Services Institutions	32
All Other Changes	30
	<u>-1,186</u>
TOTAL	-\$466

TABLE 4: TEN LARGEST GENERAL PURPOSE REVENUE PROGRAMS
(\$ in millions)

	<u>FY11 Budgeted</u>	<u>Percent of Total</u>	<u>Cumulative Percent</u>
General and Categorical School Aids	\$5,384.6	37.8%	37.8%
Medical Assistance and Related Programs	1,439.9	10.1%	47.9%
University of Wisconsin	1,042.0	7.3%	55.2%
Shared Revenue	991.7	7.0%	62.2%
Corrections	977.7	6.9%	69.1%
State Property Tax Credits	822.4	5.8%	74.9%
Homestead, Earned Income and Other Tax Credits	304.2	2.1%	77.0%
Community and Social Service Aids	277.3	2.0%	79.0%
Wisconsin Works and Economic Support	152.9	1.1%	80.1%
Wisconsin Technical College System	<u>141.3</u>	<u>1.0%</u>	<u>81.1%</u>
Top Ten Program Total	\$11,534.0	81.1%	81.1%
Debt Service	543.5	3.8%	84.9%
Debt Service for Appropriation Obligation Bonds	386.3	2.7%	87.6%
All Other Programs	<u>1,766.4</u>	12.4%	100.0%
GPR Total	\$14,230.2		

CHART 5: FISCAL YEAR 2010-11 BUDGET ALLOCATION BY PURPOSE



C. POSITIONS

The Governor's budget recommendations include authorization for 69,038 full-time equivalent (FTE) state positions from all fund sources by the end of the next biennium (fiscal year 2010-11). This represents a decrease of 209 positions from the fiscal year 2008-09 adjusted base of 69,247. From GPR the budget provides 35,615 FTE positions, an increase of 208 (0.59 percent) from the fiscal year 2008-09 adjusted base of 35,407.

As demonstrated in Table 5, positions increased where needed to meet new federal or state requirements, meet demands at the state's institutions or address increasing caseloads.

TABLE 5: FISCAL YEAR 2010-11 FTE POSITION CHANGES OVER BASE

	<u>FTE</u>
Adult Female Mental Health Initiative (DOC and DHS)	153.80
Sex Offender Management	92.00
Bureau of Milwaukee Child Welfare Improvements	18.00
Milwaukee County Income Maintenance	16.00
Southern Wisconsin Center Restructuring	-310.80
Other net position reductions	<u>-178.01</u>
TOTAL	-209.01

The fiscal year 2008-09 adjusted base also reflects an increase of 993 positions compared to fiscal year 2008-09 levels approved in 2007 Wisconsin Act 20 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. Executive branch agencies added 227 positions through legislative approval processes.

Taken together, the final fiscal year 2010-11 FTE position levels will have increased compared to total FTE positions approved in 2007 Wisconsin Act 20, by 1,011. Of these, 576 are funded without tax or fee revenue.

TABLE 6: STATE FTE POSITIONS (FY09-FY11)

	<u>FY09 Base</u>	<u>Change from Act 20</u>	<u>FY11 Budget</u>	<u>Total Change to Base</u>	<u>Total Change to Act 20</u>
UW Hospital	2,639	177	2,639	0	177
UW Grants/FED	11,491	378	11,512	21	399
State Positions					
UW	20,792	438	20,771	-21	417
Other	<u>34,325</u>	<u>227</u>	<u>34,116</u>	<u>-209</u>	<u>18</u>
Total Change	69,247	1,220	69,038	-209	1,011

By fiscal year 2010-11, the state will have 1,669 fewer state positions funded with tax and fee revenue (see table 7) since Governor Doyle took office. There are 4,513 fewer state FTE positions if the University of Wisconsin System is excluded. This is 435 positions higher than after the Governor's 2007-09 budget due primarily to the University of Wisconsin System growth agenda.

TABLE 7: STATE FTE POSITIONS (FY03-FY11)

	<u>FY03</u>	Act 20 <u>FY09</u>	<u>Change</u>	<u>FY11</u>	<u>Change to FY03</u>	<u>Percent Change</u>
University of Wisconsin Hospital and Clinics Authority	1,887	2,462	575	2,639	752	40%
University of Wisconsin – Gifts, Grants, Federal	9,649	11,113	1,464	11,512	1,863	19%
State Positions						
UW	17,927	20,354	2,427	20,771	2,844	16%
Other	<u>38,629</u>	<u>34,098</u>	<u>-4,531</u>	<u>34,116</u>	<u>-4,513</u>	<u>-12%</u>
Subtotal	<u>56,556</u>	<u>54,452</u>	<u>-2,104</u>	<u>54,887</u>	<u>-1,669</u>	
Total FTE Positions	68,092	68,027	-65	69,038	946	1%

Several factors contribute to the small net change in positions. For example, management of sex offenders on community supervision requires an additional 92 FTE positions due to an increased population being tracked on the global positioning system (GPS) tracking as required by the Legislature.

Efforts to improve delivery of child welfare and income maintenance in Milwaukee are requiring 34 additional FTE positions. Poor performance by Milwaukee County over a number of years led to a lawsuit against the state and county on behalf of Milwaukee County residents. The Department of Health Services is in the process of addressing county management shortcomings by implementing a process to take over this function from the county with state supervisors and county front-line workers. In addition to increasing staffing, fixing process problems and creating a culture of accountability, the state will automate much of the work and will create additional access points for county residents to apply for public benefits.

Increases at other institutions account for 153.8 FTE positions. These increases are in response to a threatened lawsuit by the U.S. Department of Justice regarding inadequate mental health treatment for women in prison. In order to avoid the lawsuit, the state agreed to improve treatment services which are jointly managed by the Department of Corrections and the Department of Health Services.

Table 8 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 3,000 positions will have been cut through fiscal year 2010-11 when the positions that have been added at state institutions, to fill state and federal mandates, and the need to maintain public safety have been taken into account.

TABLE 8: STATE FTE POSITION REDUCTIONS

	Change from Prior Biennium				<u>Total</u>
	<u>FY05 Budget</u>	<u>FY07 Budget</u>	<u>FY09 Budget</u>	<u>FY11 Budget</u>	
State FTE Position Reductions	-2,886	-1,975	1,559	-510	-3,812
Offsetting Position Increases					
New Positions for Institutions	594	151	265	154	1,164
GPS Tracking of Sex Offender Positions			71	92	163
Milwaukee programs				34	34
UW Growth Agenda			438		438
Emergency Response Training			15		15
Power Plant Positions			271		271
Federal REAL ID Mandate Positions			26		26
Justice Initiatives			<u>32</u>		<u>32</u>
Net Change	-2,292	-1,824	2,667	-230	-1,669

In this budget, as in past budgets, the Governor is committed to making state government more efficient and effective. While positions have been added in past budgets and will have to be added in some programs 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 1,330 FTE positions requested by state agencies.

The Governor has directed the Department of Administration to review all hiring requests in an effort to keep non-critical positions vacant. Vacant positions are the first to be considered when targeting FTE position cuts. The bill also includes authorization for the department secretary to identify and eliminate positions that have been held vacant for more than 12 months. Currently eight percent of budgeted FTE positions, excluding the University of Wisconsin System and legislature, are vacant.

The goal is to increase vacancies at most agencies to 10 percent. There currently are 34,325 FTE positions, excluding the University of Wisconsin System, in the fiscal year 2008-09 base budget. Funding and position cuts are necessary to address the largest deficit in state history. This budget reduces 209 FTE positions over the biennium leaving 34,116 positions at the end of fiscal year 2010-11. A 10 percent vacancy rate on remaining positions, excluding the University of Wisconsin System, together with the change in other than University of Wisconsin System state positions since fiscal year 2002-03 totals over 7,900 FTE positions.

Difficult choices have been and will continue to be made as the administration manages challenges facing state government operations. The secretary of the Department of Administration will lead on-going efforts to review business processes and workforce planning to make state government more efficient. These efforts should result in lower administrative costs and a smaller, but more productive state work force.

D. BUDGET BALANCE

**TABLE 9: GENERAL FUND CONDITION UNDER GOVERNOR'S BUDGET
AND FISCAL YEAR 2008-09 BUDGET ADJUSTMENT LEGISLATION**
(\$ in millions)

	2009-11 Governor's Budget			2011-13 Estimates	
	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
OPENING BALANCE, JULY 1	\$130.7	\$216.1	\$236.2	\$268.7	-\$127.6
REVENUES AND TRANSFERS					
Taxes	12,525.6	12,845.2	13,376.5	13,472.3	13,448.0
Departmental Revenues					
Tribal Gaming Revenues	93.9	26.6	31.3	31.3	31.3
Other	<u>619.4</u>	<u>561.6</u>	<u>572.7</u>	<u>449.2</u>	<u>449.2</u>
Total Available	\$13,369.6	\$13,649.4	\$14,216.7	\$14,221.5	\$13,800.9
APPROPRIATIONS, TRANSFERS AND RESERVES					
Gross Appropriations	\$13,437.4	\$13,702.0	\$14,230.3	\$14,574.3	\$14,585.7
Compensation Reserves	132.6	47.3	96.0	96.0	96.0
Less Estimated Lapses	<u>-416.5</u>	<u>-336.0</u>	<u>-378.2</u>	<u>-321.2</u>	<u>-321.2</u>
Total Expenditures	\$13,153.5	\$13,413.2	\$13,948.0	\$14,349.1	\$14,360.4
BALANCES					
Gross Balance	\$216.1	\$236.2	\$268.7	-\$127.6	-\$559.5
Less Required Statutory Balance	<u>-0.0</u>	<u>-65.0</u>	<u>-130.0</u>	<u>-130.0</u>	<u>-130.0</u>
Net Balance, June 30	\$216.1	\$171.2	\$138.7	-\$257.6	-\$689.5
Structural Balance	\$85.4	\$20.2	\$32.5	-\$396.3	-\$431.9

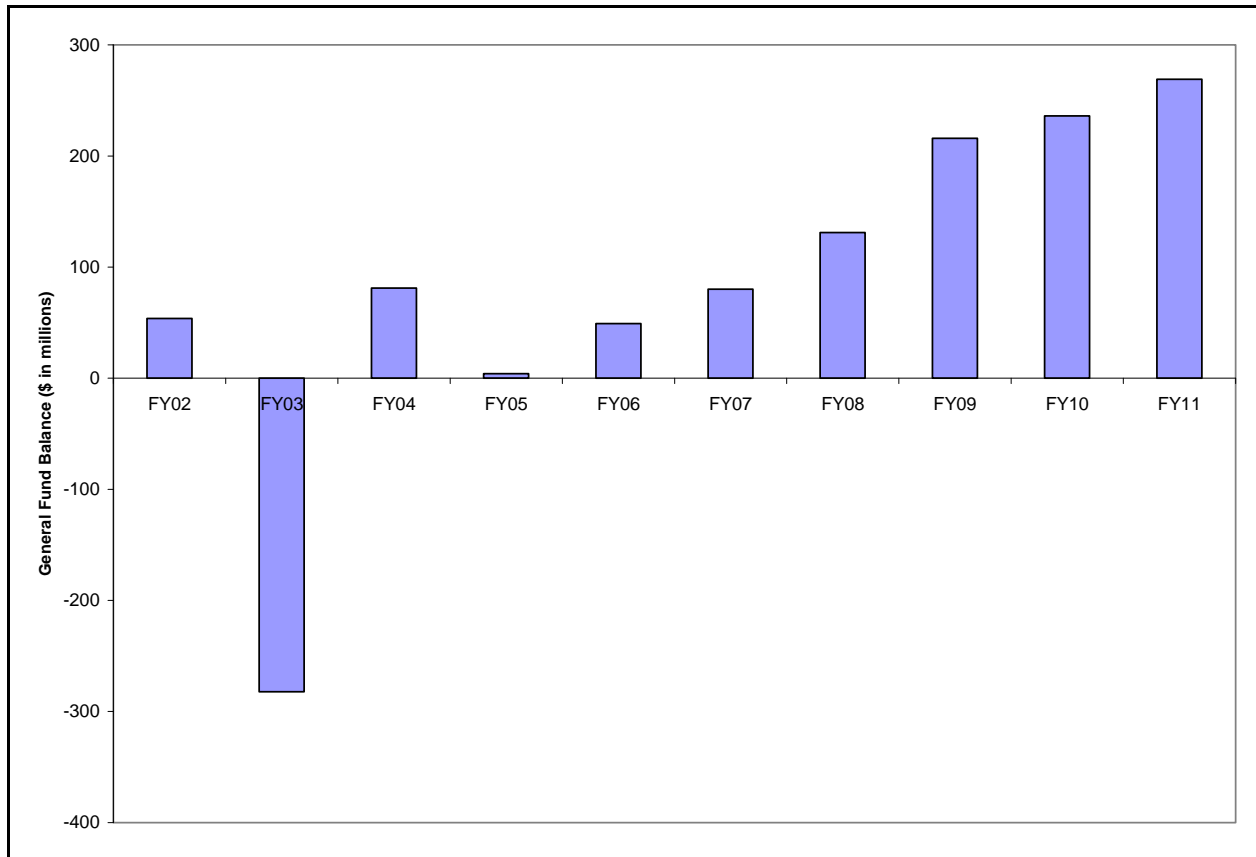
Detail may not add due to rounding.

The estimated four-year fund condition statement is balanced through fiscal year 2010-11. The estimates for the 2011-13 biennium do not assume any projected growth in revenues or expenditures. However, prospective tax cuts and commitments to additional expenditures made in this biennium for the next are addressed in the estimates for fiscal years 2011-12 and 2012-13.

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

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Opening Balance	-\$2,502.7	-\$2,417.0	-\$2,455.6
Revenue			
Estimated Taxes	\$12,525.6	\$12,845.2	\$13,376.5
Departmental Revenues and Transfers	619.4	561.6	572.7
Tribal Gaming Revenue	<u>93.9</u>	<u>26.6</u>	<u>31.3</u>
Total Revenue	\$13,238.9	\$13,433.4	\$13,980.5
Total Available	\$10,736.2	\$11,016.4	\$11,524.9
Less Total Appropriations (Net)	<u>13,153.5</u>	<u>13,295.7</u>	<u>13,754.2</u>
Balance Before Change in Adjustments to GAAP	-\$2,417.3	-\$2,279.3	-\$2,229.3
Net Contribution to Balance Adjustments in GAAP (change from prior year)			
Community Aids and One-time TANF Maintenance of Effort Shift	-22.5	-32.8	0.0
County and Municipal Aids	1.6	-119.9	3.8
Accrue/Defer Tax Revenues	<u>21.2</u>	<u>-23.6</u>	<u>-53.4</u>
Estimated Closing Balance	-\$2,417.0	-\$2,455.6	-\$2,278.9

CHART 6: STRENGTHENING WISCONSIN'S FISCAL CONDITION



E. DEBT MANAGEMENT

State debt management is necessary to ensure that long-term capital needs can be met at an affordable level. State debt management historically has maintained GPR debt service at approximately 4 percent of GPR. This standard is 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.

This budget includes authority for the Building Commission to sell new money general obligation debt at negotiated sale. Current law requires new money general obligation bonds to be sold only at competitive sale, unless the Building Commission has previously rejected competitive sale bids. By authorizing negotiated sales, the Building Commission is provided the flexibility to sell bonds using the most appropriate method for the existing market conditions. In the current economic climate, the ability to negotiate bond sales has clear advantages in terms of managing the timing and structure of bond sales to accommodate day-to-day market changes, as well as negotiate specific terms attractive to specific investors. Tax provisions relating to bonds contained in the federal American Recovery and Reinvestment Act make this flexibility still more important. While competitive sales have historically been favored for their objectivity and ease of execution, reality is that most bond issues are sold at negotiated sale in today's markets.

Net debt service for the General Fund Annual Appropriation Bonds (Pension and Sick Leave Conversion Benefits) will continue at approximately the same amounts originally planned for these bonds, despite large economic swings that have impacted this borrowing program. The collapse of the Auction Rate markets required the refinancing of this portion of the debt into index notes. The terms of this borrowing include a maximum annual interest rate of 35 percent (hedged by interest exchange agreements) that

require appropriations at the 35 percent assumption. This high appropriation amount is offset by a lapse assumption that will reflect the actual hedged interest costs of approximately 5.35 percent. For fiscal year 2010-11 the appropriation amount will be \$262.6 million, offset by a lapse of \$145.4 million, for a net of \$117.2 million. For fiscal year 2011-12 the appropriation amount will be \$274.8 million, offset by a lapse of \$151.8 million, for a net of \$123.0 million.

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

First, specific bonding recommendations for the building program will be included in the capital budget bill which will be submitted later.

Second, previously authorized but unissued debt will push debt service costs higher for the biennium, but this will be offset in large part by reamortization of a portion of commercial paper previously scheduled to be retired during the biennium. Commercial paper scheduled for retirement in each of the two years of the biennium is being reamortized or refunded to future fiscal years, beginning with fiscal year 2011-12, providing savings of about \$107 million in each of the two years. Currently authorized but unissued general obligation bonding authority for GPR-supported programs amounts to \$2.1 billion. This authorized unissued bond authority breaks down to \$1,182 million for environmental and water programs and \$959 million for building and other programs. Both of these general categories include large amounts of bonds that are multiyear authorizations that require issuance of the bonds over several years. The absolute cost of new debt service during the past two years has been significantly ameliorated by historic low interest rates, particularly in the shorter end of the yield curve. Interest rates have increased sharply for longer borrowings, as well as for lower bond rating levels.

Third, the state's market access and bond ratings will not deteriorate. In August of 2008, Standard and Poor's upgraded Wisconsin's GO bond rating from AA- (minus) to AA. At the same time, Wisconsin's Aa3 rating from Moody's remains under a negative outlook for a downgrade. Wisconsin's bonds are still received favorably by the investment community, but like most issuers, are being given much closer scrutiny. Maintaining and improving the state's bond rating is most directly related to improving the state's long-term fiscal outlook.

F. CASH MANAGEMENT

While the 2009-11 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. The 2009-11 budget assumes the state will issue \$800 million in operating notes in each year.

Major Budget Initiatives

IV. MAJOR BUDGET INITIATIVES

A. EDUCATION, WORKFORCE AND LOCAL GOVERNMENT

Elementary and Secondary Education

In his 2009 State of the State speech, Governor Doyle stressed that Wisconsin's school children cannot sit out their educations during the recession and wait until the economy improves. Funding for public schools must be protected. Cutting public education programs and services would set up Wisconsin's children for failure in the competition for their fair share of the economic growth that will occur when the nation's economy recovers. The skills and knowledge our children acquired today are critical to Wisconsin's tomorrows.

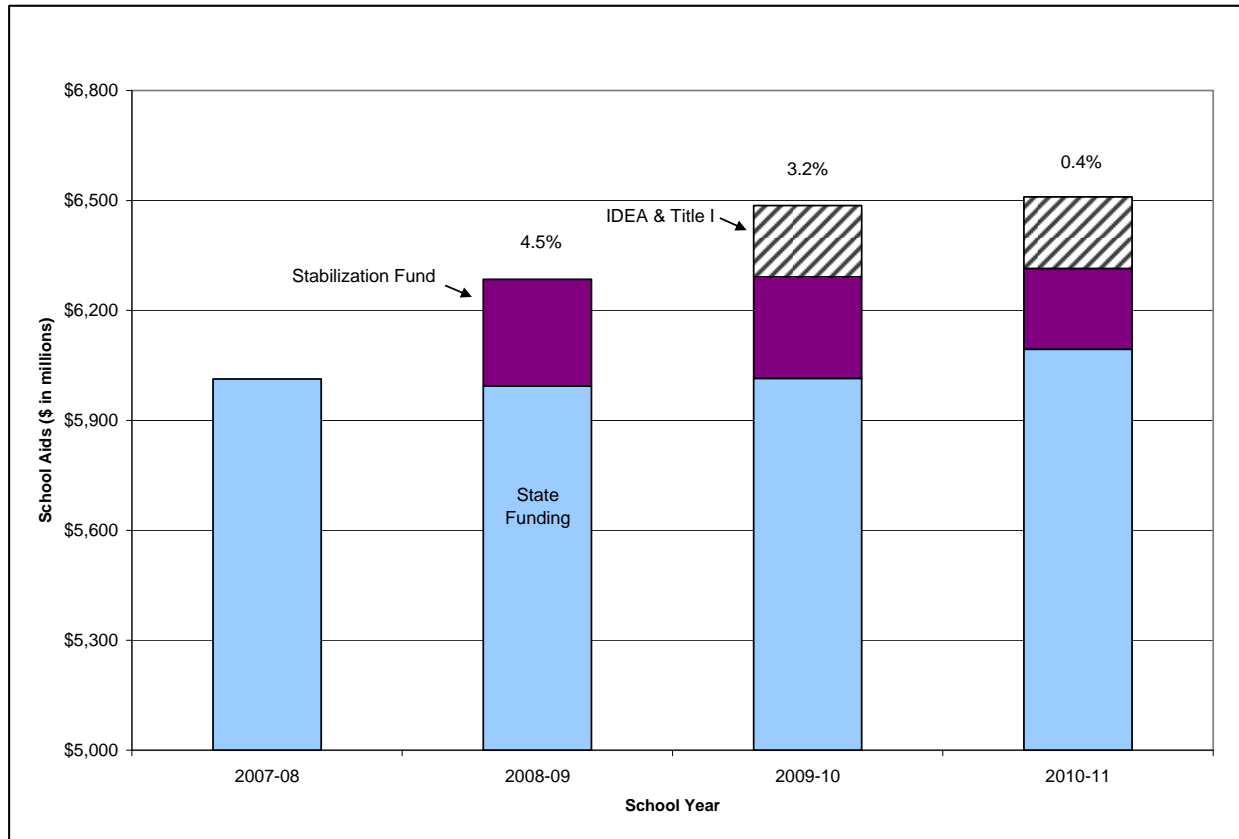
In the current economic climate, it is not possible to protect state support for public education from the recession's impact. Approximately 40 percent of Wisconsin's general fund revenue supports elementary and secondary education. According to the Center on Budget and Policy Priorities, at least 34 states have either cut state support for public education in the current school year, have proposed budget cuts in the 2009-10 school year or both. However, balancing the state's budget must be achieved without compromising the quality of our schools and jeopardizing Wisconsin's future, or shifting additional costs to Wisconsin's property tax payers.

Governor Doyle has worked closely with other governors – Republicans and Democrats – congressional Representative David Obey, other members of the Wisconsin congressional delegation, and President Obama's administration securing funding through the American Recovery and Reinvestment Act to stabilize state budgets. In keeping with the Governor's priorities, the act includes a major investment of federal dollars that will limit the impact of the recession on the quality of public education. For Wisconsin this means school districts will be able to provide the funding needed to support existing programs, avoid significant teacher layoffs and preserve the educational quality our citizens expect.

To maintain adequate school funding levels while controlling property taxes, the Governor proposes the following:

- Provide a \$201 million increase (2.9 percent) in state aids and federal economic stimulus education funding in fiscal year 2009-10 and an additional \$24 million increase (0.3 percent) in fiscal year 2010-11 for a total increase of \$426 million over the biennium compared with fiscal year 2008-09. These estimates include federal economic stimulus funding related to the state fiscal stabilization fund, Title I (No Child Left Behind), and IDEA (special education).

CHART 7: AID FOR K-12 EDUCATION INCREASES WITH HELP OF FEDERAL STIMULUS FUNDING



- Protect school funding and equity by using \$789 million in federal economic stimulus funds to replace an equal reduction in general equalization aid. Provide \$48 million in additional GPR funding for schools in the 2009-11 biennium.
- Fully fund the \$2,250 per low-income pupil reimbursement level for the Student Achievement Guarantee in Education (SAGE) program, which lowers class size in kindergarten through third grade.
- Provide additional funding for aid to high-poverty districts to reflect an increase in the number of school districts in the state with more than 50 percent of pupils eligible for free and reduced-price lunch. This aid program directs much-needed property tax relief to districts with the highest percentages of economically disadvantaged students.
- Increase funding to reduce the need to prorate 4-year-old kindergarten (4K) program start-up grants. The impact of Governor Doyle's funding initiative, which began in fiscal year 2008-09, has exceeded expectations. The original estimate assumed 1,000 students would be added to 4K programs; instead, the number exceeded 4,000, forcing the Department of Public Instruction to prorate grants by more than 75 percent.
- Improve equity in school spending by increasing the per student low revenue ceiling, below which school districts are exempt from revenue limits, from \$9,000 per student to \$9,400 in fiscal year 2009-10 and to \$9,800 in fiscal year 2010-11.

Tough economic times do not mean that the state should retrench or stand still, especially when it comes to ensuring that our children graduate high school with the knowledge and skills necessary to successfully pursue their dreams. The current system of revenue limits and teacher salary controls has encouraged stagnation. Governor Doyle strongly believes the equal partnership between teachers and school boards needs to be revitalized to do what is best for our children by repealing the qualified economic offer and restoring true collective bargaining.

Furthermore, the current revenue limit system should be modified to allow school districts to address cost increases related to pupil transportation, school safety and school-based health services. School districts should not be forced to reallocate funds from their core instructional activities to pay for services that are not central to teaching, but are needed to ensure that students can get to school and are safe at school.

- Repeal the qualified economic offer to provide more flexibility for teachers and school boards to work together to find better ways to link teacher compensation with effective training, address escalating health insurance costs, and create equity between teachers and other public employees in bargaining. Also, increase the allowable length of teacher contracts and modify the factors to be considered in school district employee arbitration procedures. In addition, authorize the creation of multidistrict bargaining units.
- Modify school district revenue limits to create exemptions for school safety expenditures, including costs related to hiring security officers and purchasing safety equipment, costs of hiring school nurses, and transportation costs per student above the statewide average. These services are needed to ensure that students can get to school and are safe when they are in school. However, costs for these activities differ widely depending on factors over which school districts have limited control. In the 2006-07 school year, for example, transportation costs varied from \$43 per pupil in the geographically small South Milwaukee school district to \$1,367 per pupil in the North Lakeland school district near Lake Superior.

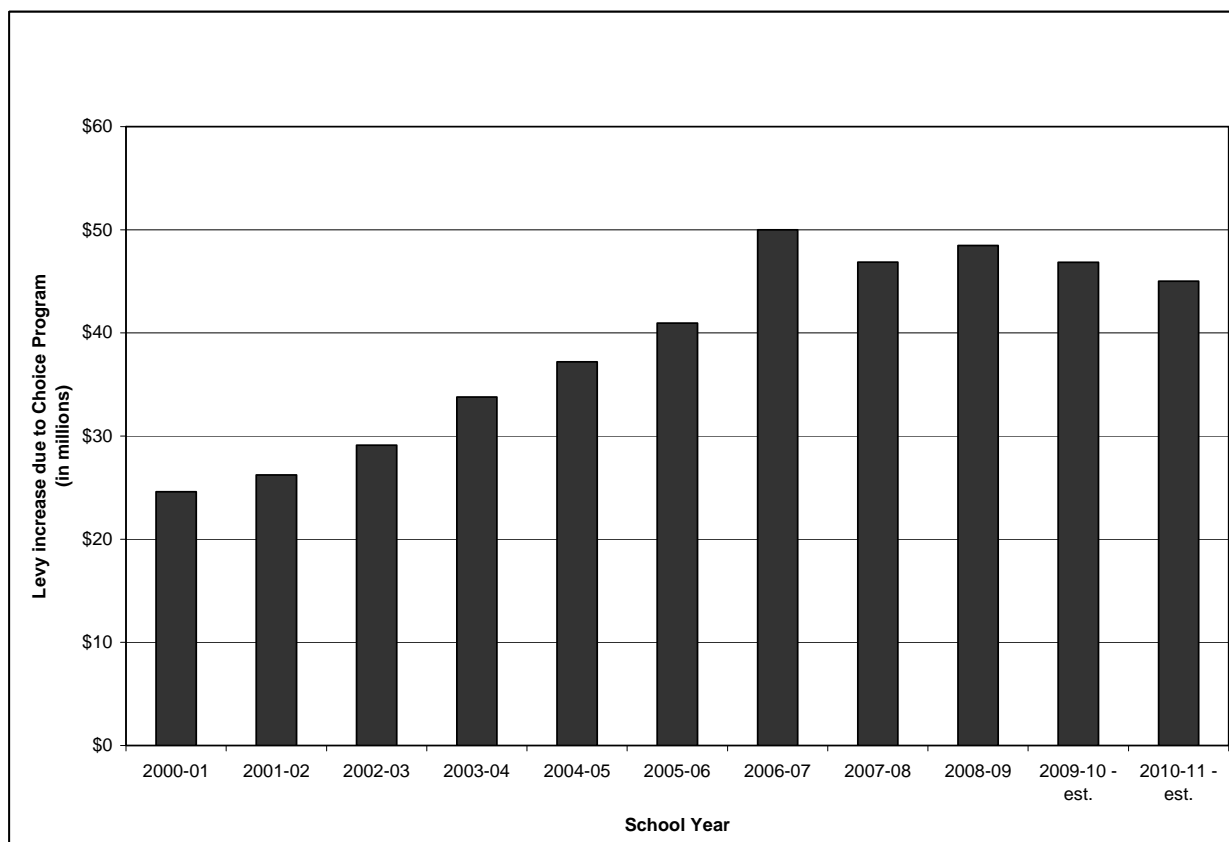
Despite some steps in recent years to inject more accountability and transparency into the Milwaukee Parental Choice program, problems persist. The Department of Public Instruction continues to identify schools that are not meeting the minimal accountability requirements that currently exist. A preliminary evaluation of the program by researchers at the University of Arkansas found that performance levels on standardized tests were no better for students attending Choice program schools than for students attending public schools in Milwaukee. In addition, the method for funding the program continues to place an unfair burden on Milwaukee's citizens. We should expect more for the expenditure of \$130 million annually in state taxpayer dollars to support private schools, \$59 million of which is paid by Milwaukee citizens.

To address these issues, the Governor recommends the following:

- Increase accountability in the Milwaukee Parental Choice Program by requiring schools participating in the program to be subject to many of the same requirements as public schools including:
 - Adopting academic standards.
 - Scheduling the same number of hours of instruction each year as required in public schools.
 - Administering standardized tests.
 - Developing written policies for promoting a student from one grade to another and granting a formal high school diploma.
 - Maintaining student progress records.
 - Requiring all teachers and administrators in Choice schools to have a bachelor's degree.

- Requiring all participating schools to attain accreditation by August 1 prior to the school year in which the school first participates in the program.
- Maintain equity principles of the general state aid distribution by phasing in the count of pupils participating in the Milwaukee Parental Choice Program into the equalization aid calculation for Milwaukee Public Schools. Increase the count by 10 percent each year, from 10 percent in fiscal year 2009-10 to 50 percent in fiscal year 2013-14. This will better equalize the Milwaukee taxpayer cost for Choice students with the cost of Milwaukee's public school students

CHART 8: COST OF CHOICE PROGRAM TO MILWAUKEE TAXPAYERS SIGNIFICANT



- To improve state oversight of the Choice Program, provide authority for the Department of Public Instruction to hire an additional auditor to monitor Choice schools' compliance with state requirements. The position would be funded by a fee assessed on participating Choice schools. The position is needed to address the new accountability items requested by the Governor and increased enrollment in Choice schools. The taxpayers who fund Choice schools need assurance that Choice schools are meeting not only the expectations of participating families, but the state's goal that every school receiving public funding provide a quality education.
- The Milwaukee Public Schools district also faces challenges. A soon-to-be completed review of the district's finances and noninstructional operations requested by Governor Doyle and Milwaukee Mayor Tom Barrett will include options to improve and maintain the efficiency of its administrative operations. The Governor's budget will direct the Legislative Reference Bureau to prepare a bill that addresses the findings of the review.

The Governor also recommends the following items related to programs and responsibilities of the Department of Public Instruction:

- Require students to complete three years of science and mathematics to graduate from high school.
- Provide \$1.5 million over the biennium to maintain state aid for public libraries at 8.2 percent and continue the current level of services provided by Wisconsin's four statewide specialized libraries. In addition, permanently shift funding for aids related to public library services from general purpose revenue to the universal service fund.
- Treat public school support staff like teachers for purposes of determining years of service under the Wisconsin Retirement System eligibility.
- Provide funding for a competitive grant program for school districts or cooperative educational service agencies in conjunction with tribal education agencies to develop effective instruction in American Indian languages.
- Increase funding for adult literacy grants.

Higher Education

Wisconsin's higher education system continues to be a world leader. With the 26-campus University of Wisconsin System, the 16-campus Technical College System and 20 private four-year colleges and universities, postsecondary education opportunities within the borders of the state are boundless. In 2006, Wisconsin ranked 10th nationally in the percentage of 9th graders in 2002 who were attending college four years later and 19th in the percentage of state residents attending college who were attending a college or university in Wisconsin. The University of Wisconsin-Madison ranks among the top three campuses in attracting outside research funding and is a world leader in stem cell research, as reflected in its hosting of the 2008 World Stem Cell Summit. Our technical colleges continue to be critical to supplying the skilled workers needed to keep Wisconsin as a leading destination state for manufacturers.

Even though Wisconsin's two public higher education systems need to be part of the solution to resolving the state's budget deficit, access to programs must remain strong and the systems must keep schools affordable for all students. The recessionary economy will only increase the demand Wisconsin's citizens place on these systems to expand skills and knowledge they will need to remain employable in the changing jobs' landscape.

The 2007-09 biennial budget funded the University of Wisconsin System's Growth Agenda, an ambitious program to increase enrollment and expand programs in areas that will benefit Wisconsin's economy. Even without additional funding to expand these efforts in the 2009-11 biennium and the necessity for the system to absorb a \$120 million reduction in general purpose revenue support over the biennium, the system has committed to increasing enrollment and continue the Growth Agenda programs started in fiscal year 2008-09. It is also important that, to the extent possible, we continue to support the recruitment and retention of world-class faculty and build on our strengths in the biological sciences.

To maintain a strong higher education system, the Governor recommends the following:

- Retain top faculty at University of Wisconsin campuses by providing \$15 million to fund competitive salaries for high-demand faculty. The system continues to be an attractive recruiting ground for colleges and universities around the country. Faculty not only teach Wisconsin residents, they generated over \$800 million in funding for research and development in 2006, second among all public and private universities in the United States. Keeping top faculty in Wisconsin is a wise investment.
- Provide \$8.2 million in fiscal year 2010-11 to support biotechnology, nanotechnology and information technologies research at the Wisconsin Institutes for Discovery, a public research institute at the

University of Wisconsin-Madison charged with enhancing human health and welfare through interdisciplinary research. Wisconsin is a leader in these technologies and will remain there with the creation of these world class institutes and the unique public-private partnership that made the idea a reality.

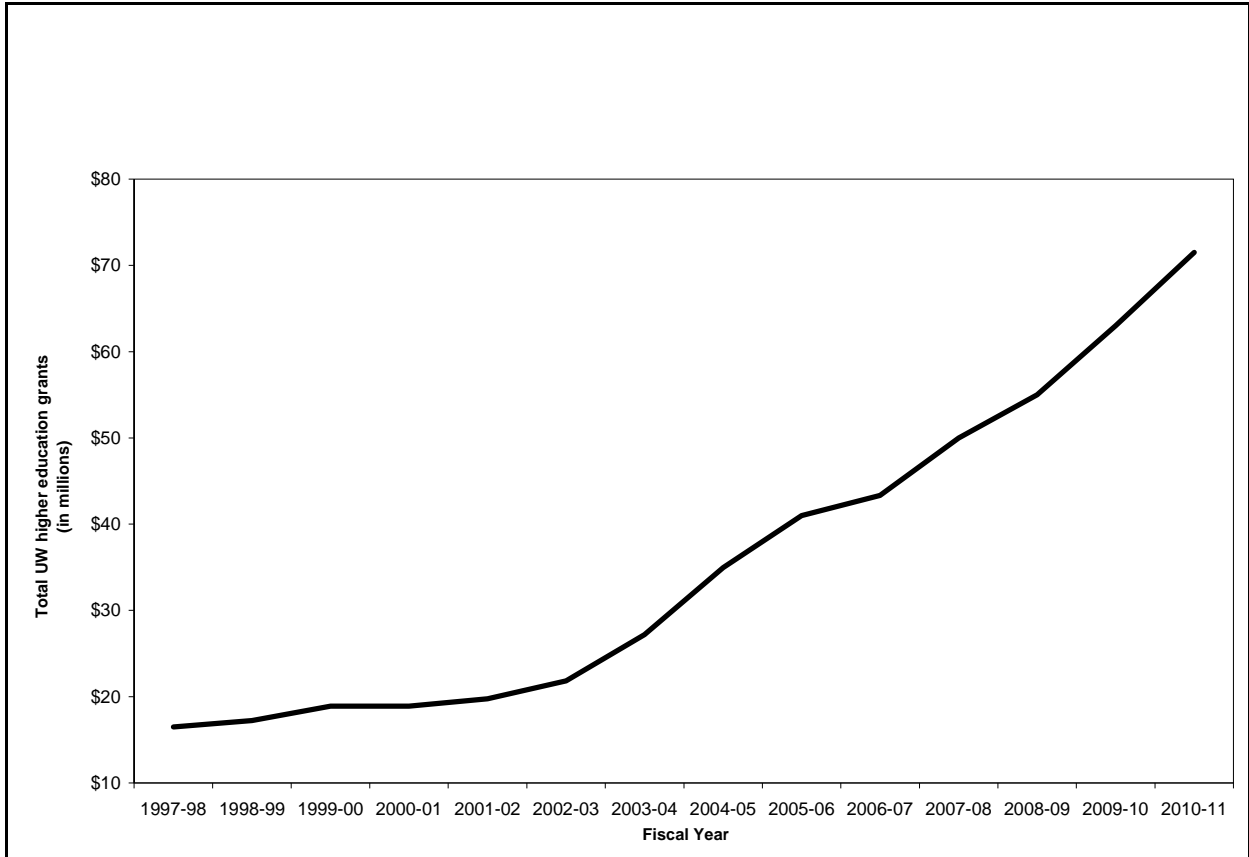
- Provide \$8 million over the biennium to establish the University of Wisconsin Bioenergy Initiatives at the Madison, Stevens Point and River Falls campuses. The initiatives will explore the potential of bioenergy through biomass processing, converting biomass into energy products, developing a sustainable energy economy and developing enabling technologies for bioenergy research. Wisconsin has also been a leader in developing sustainable energy. These initiatives, supported by revenues from the state's recycling and renewable energy fund, will enable the state to more effectively bring renewable energy ideas to market.
- Provide \$2 million in fiscal year 2009-10 to establish the Wisconsin Genomics Initiative. Through this initiative the Marshfield Clinic, Medical College of Wisconsin, University of Wisconsin School of Medicine and Public Health, and University of Wisconsin-Milwaukee will combine resources to develop scientific models to predict with high levels of accuracy individual's susceptibility to disease, precisely target personalized treatments, determine individual responses to treatments and prevent disease.
- Authorize at the University of Wisconsin-Milwaukee the School of Freshwater Science and the School of Public Health. Both schools will further the university's efforts to increase its research capacity, support economic development and address health issues in Southeast Wisconsin.

Wisconsin must also maintain its effort to keep college affordable for lower and middle income families. Maintaining moderate tuition increases is part of the solution, but in a weak economy, more needs to be done to protect families of modest means from the increasing cost of higher education. In addition, Wisconsin needs to keep its promise to support students who meet the goals of the Wisconsin Covenant Scholars program. The program has generated considerable excitement around the state, and more than 35,000 students have now signed up. While the first class of scholars will not enter college until the 2011-12 school year, they will need to know during the 2010-11 school year, their senior year in high school, what the state's financial commitment to them will be. Therefore, to keep Wisconsin higher education affordable, the Governor proposes the following:

- Limit annual tuition increases to a modest rate to keep resident undergraduate tuition at the University of Wisconsin System campuses near the bottom of the Big 10 and other peer groups. Large tuition increases in a soft economy is not a strategy to move the state forward. A balanced approach to tuition will enable the system to maintain its programs without driving students away.
- Create a new financial aid program for University of Wisconsin System students who have financial need, but just miss eligibility requirements for existing financial aid programs. While the Wisconsin Higher Education Grant program for University of Wisconsin System students provides grants to over 25,000 students, there remain students with financial need who are not grant eligible. This new aid program will provide additional relief to them and their families.
- Provide \$25 million in fiscal year 2010-11 to establish a funding base for Wisconsin Covenant Grants. These grants will provide assistance to help ensure that students who participate in the Covenant Scholars program and meet Covenant academic and citizenship goals are not prevented from pursuing a postsecondary education in Wisconsin for financial reasons. While the first class of Covenant Scholars will not enter the higher education system until fall 2011, decisions regarding college attendance and financial aid packages will be made during fiscal year 2010-11. Establishing a financial base in fiscal year 2010-11 will enable parents, students and financial aid directors know what financial aid will be available to them at the time decisions regarding college attendance are made. For fiscal year 2010-11, these funds will fully lapse to the general fund.
- Provide an additional \$26.3 million over the biennium for higher education financial aid programs for University of Wisconsin System, technical and private college students, including a 30 percent

biennial increase in aid to University of Wisconsin System students. The 30 percent increase is expected to hold all University of Wisconsin System grant recipients harmless from tuition increases in the 2009-10 and 2010-11 academic years.

CHART 9: FUNDING FOR HIGHER EDUCATION GRANTS FOR UNIVERSITY OF WISCONSIN STUDENTS HAS MORE THAN TRIPLED IN THE LAST DECADE



- Require veterans who are eligible for tuition benefits under the new federal Post-9/11 G.I. Bill to access those benefits before receiving benefits under the Wisconsin G.I. Bill Tuition Remission Program. Under current law, the Wisconsin G.I. Bill provides a full waiver of tuition and fees for eligible veterans and their dependents for up to 8 full-time semesters or 128 credits at any University of Wisconsin or Wisconsin Technical College System campus for continuing education, or for study at the undergraduate or graduate level. The federal Post-9/11 provides, which was signed into law after the Wisconsin program, also provides full tuition benefits. Current state law does not require veterans who are eligible for the federal Post-9/11 tuition benefits to access federal funds before claiming the Wisconsin remission. As a result, Wisconsin may forgo federal dollars that could be used to help offset the lost tuition revenue from veterans who choose to claim the state's tuition remission in lieu of accessing the new federal tuition benefit.

Due to interaction of the Wisconsin G.I. Bill with the Pre-9/11 (Montgomery) and Post-9/11 G.I. Bills, both of which remain options for Post-9/11 veterans, there may be a financial benefit for some veterans to combine the Montgomery benefit package, which does not provide a direct tuition payment to higher education institutions, with the state tuition remission. For those veterans, the budget requires that the veterans be held harmless from the impact of any reduction in benefits resulting from the requirement that eligible veterans must first claim federal Post-9/11 tuition benefits.

Property Tax Relief and Local Government

Statewide in 2008, Wisconsin property taxpayers saw an increase in tax bills of less than 1 percent, a very small increase compared to prior years. This was a result of the Governor's 2007-09 initiatives to create reasonable controls on local tax levy increases and to increase property tax credits. The first dollar credit first appeared on tax bills received in December 2008, and, on a statewide basis, lowered property taxes on improved real estate by \$75 million. The school levy tax credit also grew by an additional \$75 million and further reduced property taxes on all taxed property statewide.

This biennium, the Governor is providing funding for that increase in the property tax credits and recommends maintaining funding for property tax relief despite a budget crisis. The Governor also recommends retaining reasonable fiscal controls on local governments. In light of the economic difficulties facing governments at all levels, the Governor is limiting levy growth to the greater of 3 percent or net new construction, and allowing the carryover of unused levy capacity to provide local governments with more flexibility.

The Governor's package to continue property tax relief enacted in his last budget and maintain reasonable controls on local property tax levies accomplishes the following:

- Extend county and municipal levy limits for an additional two years. The extension would allow levies to increase by the greater of 3 percent or the value of net new construction. Prior year limits were the greater of 2 percent or the value of net new construction. Local governments also would be able to carry forward unused levy capacity from a prior year.
- Continue current funding for the school levy tax credit and the first dollar credit.
- Partially fund county and municipal aid with the remaining balance in the wireless 911 fund. Monies in the fund were collected to improve emergency dispatch services, and sending the balance to local governments through shared revenues prevents cuts to police and fire response capabilities.
- Fund \$50 million of existing county and municipal aid with federal stimulus funds. This use of federal stimulus funds protects aids to local governments and saves property taxpayers money. Although this reduces GPR funding for county and municipal aid in fiscal year 2010-11, \$50 million of GPR will be restored for fiscal year 2011-12 payments.

CHART 10: PROTECTING COUNTY AND MUNICIPAL AID FUNDING

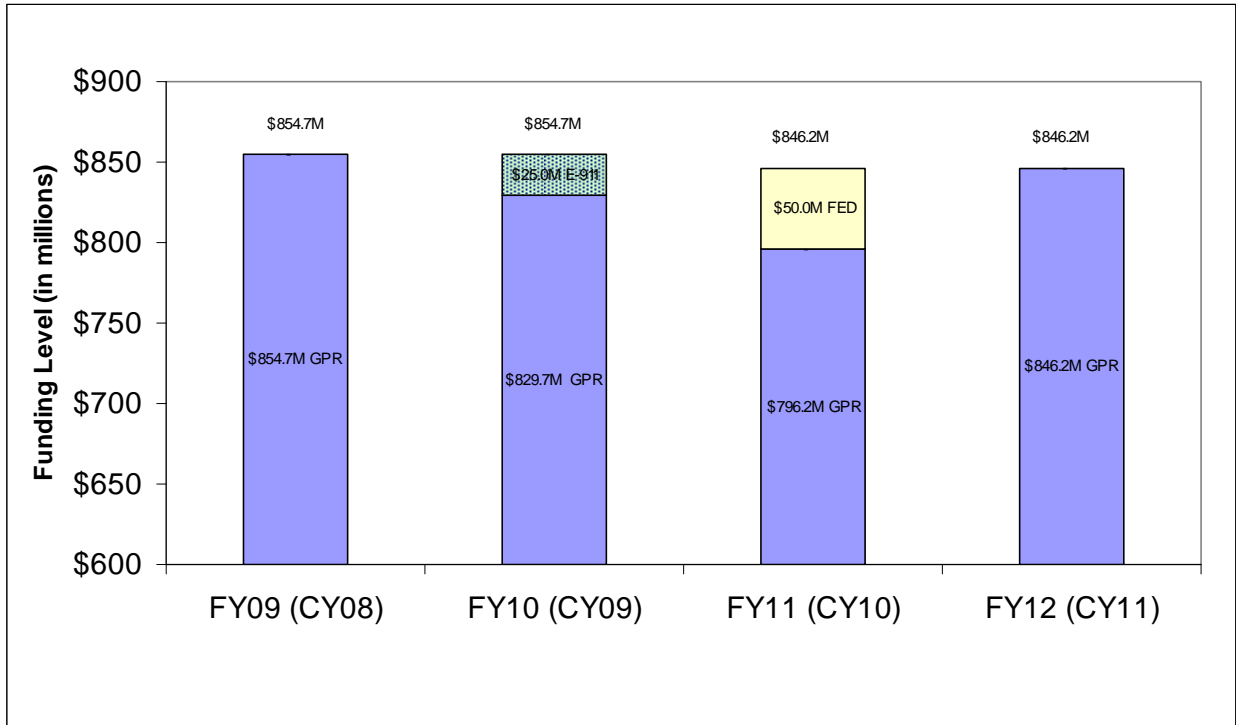
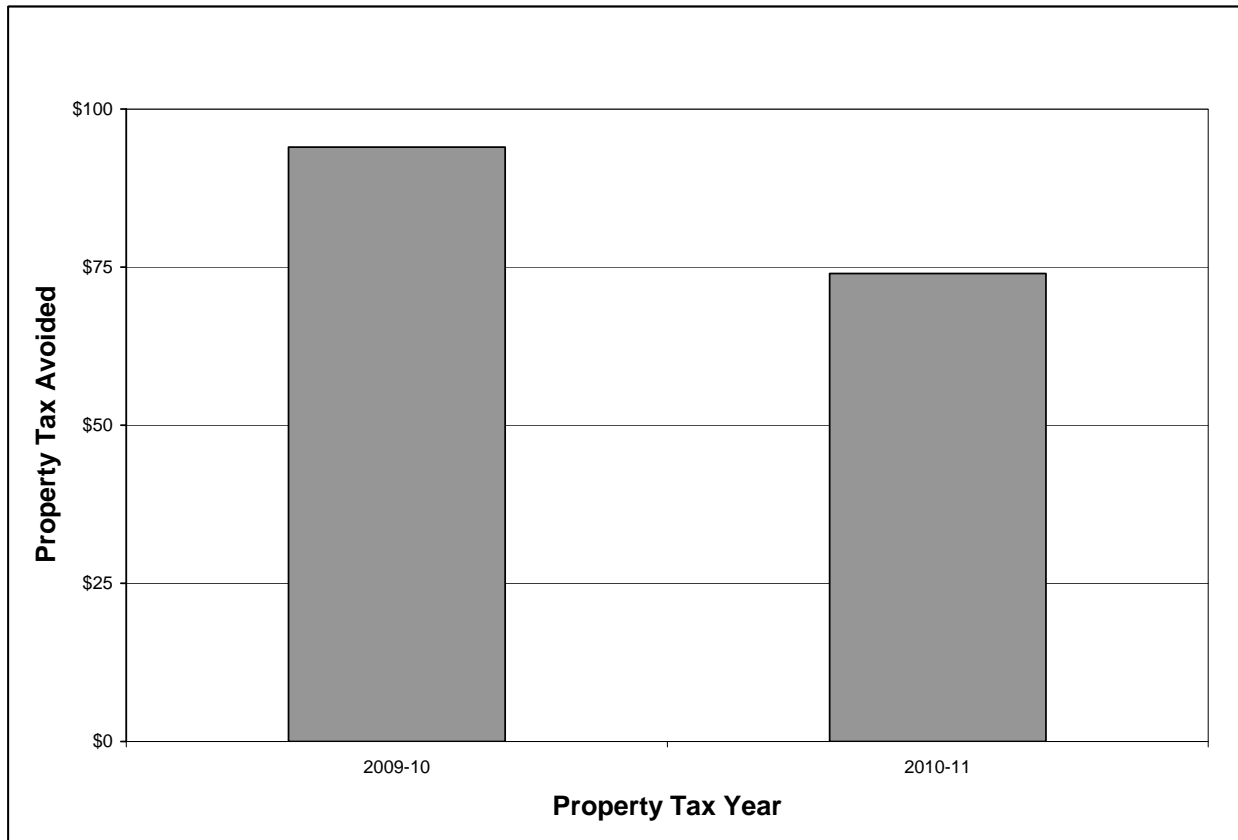


CHART 11: FEDERAL STIMULUS SAVES THE MEDIAN VALUE HOMEOWNER \$168 OVER THE BIENNIUM



Other Local Government Initiatives

- Expand the premier resort area tax to allow funds to be collected from additional types of businesses and to be spent on exposition facilities. Additionally, permit the village of Lake Delton and city of Wisconsin Dells to increase their premier resort area tax rate from 0.5 percent to 1 percent.
- Permit the city of Milwaukee to issue appropriation bonds to support pension liability.
- Increase oversight of local government assessments of major property classes.

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 that a wide range of transportation choices are available through support of freight and passenger rail and harbors.

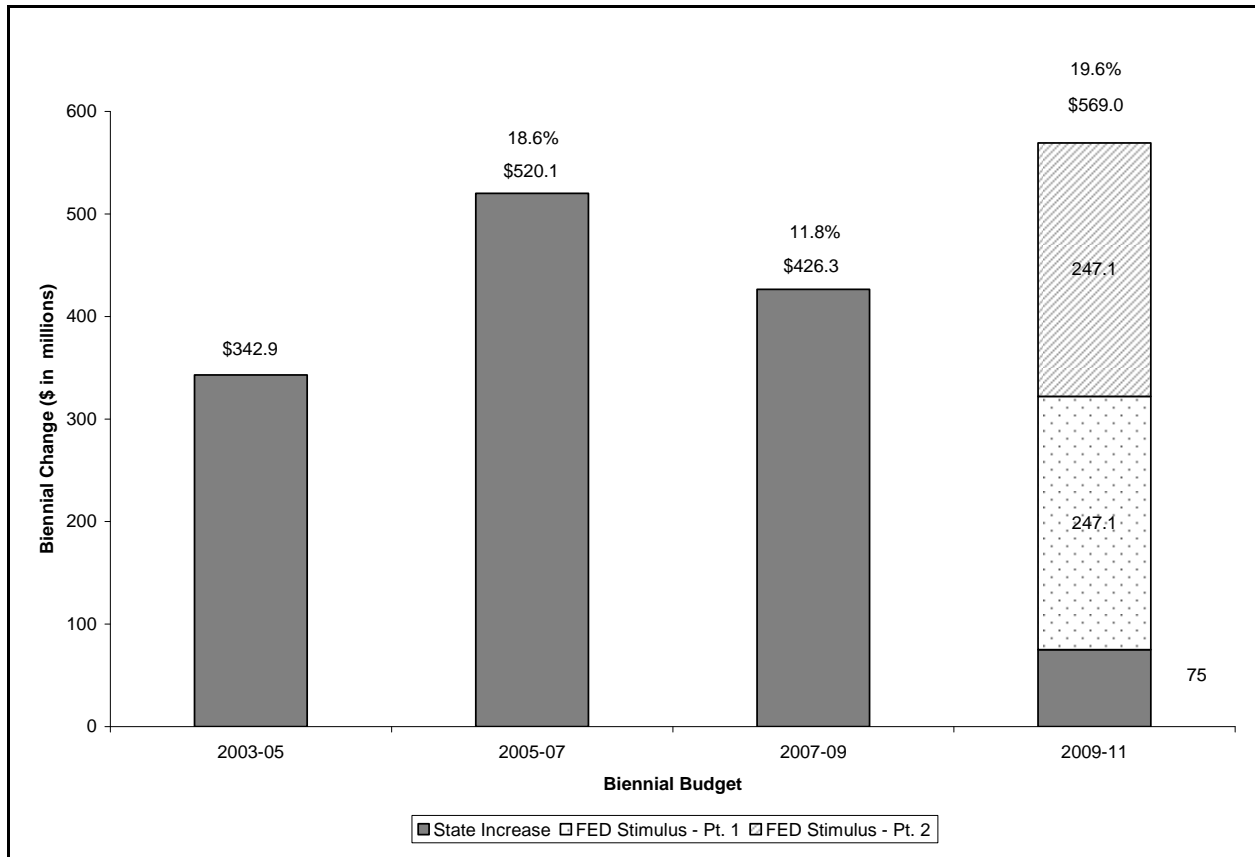
In particular, the Governor recommends investing the transportation infrastructure funds received under the federal economic stimulus legislation to create jobs and move highway projects forward throughout the state. The federal stimulus funds will provide an estimated \$550 million for Wisconsin highway

projects in state fiscal years 2008-09 and 2009-10. A portion of the funds will be targeted to Milwaukee and Madison for use on federally-eligible infrastructure projects. Another portion will be available for transportation enhancement projects, such as bicycle paths, pedestrian walkways and scenic easements along highways. The remainder of the funds will be allocated for highway and bridge projects around the state. Funding for transportation projects will help create or sustain over 15,000 jobs over the next two years.

The federal economic stimulus funds will assist in continuing the reconstruction of the Interstate 94 North-South corridor between the Illinois border and the Mitchell Interchange. The Department of Transportation will be able to advance the construction timetable for a segment of the corridor in state fiscal year 2008-09. In addition, the Governor recommends providing \$517 million over the biennium, including \$34.6 million of federal stimulus funds, to continue the reconstruction project. While much of the Department of Transportation's resources will be focused on the additional construction projects made possible by the federal stimulus funds, the Governor is providing \$20 million over the biennium to ensure preliminary engineering work continues on the Zoo Interchange, which is the state's busiest interchange.

The Governor's budget further recommends that funding be budgeted to rehabilitate and improve the state's highway system. The federal economic stimulus funds will allow the Department of Transportation to complete projects that have been designed and are sitting on the shelf. Moving forward with these projects during the current construction slowdown will put unemployed individuals back to work and provide safer highways for Wisconsin's travelers.

CHART 12: BIENNIAL HIGHWAY PROGRAM INCREASES



In addition, 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 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 and trips on the existing Hiawatha Amtrak line, and providing additional bonding authority to improve the state's ability to compete for federal funds to develop a passenger rail system to increase transportation options across southern and eastern Wisconsin. Additional support for harbor grants 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 an oil company profits tax to support continuing highway needs and other transportation costs. The oil company profits tax will assess oil companies, at graduated rates, on their earnings on sales of motor fuel in Wisconsin. The graduated approach exempts the first \$15 million of an oil company's profits from the tax. The remaining profits will be taxed at increasing rates, with the most profitable companies paying 3 percent of their profits from sales to Wisconsin residents and businesses that exceed \$120 million. Based on case law and federal regulatory guidance, companies will be prohibited from passing this tax 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 tax.

Regional Transit Authorities

The Governor recognizes that transit needs often cross political borders. Consequently, effective provision of transit requires coordination across those borders. By creating regional transit authorities,

transit can be provided based on travel patterns instead of city or county boundaries. Furthermore, current methods of funding transit place a heavy burden on riders and the property tax levy, while often leaving transit funding short. Providing a dedicated funding source for transit, through a sales tax, provides both property tax relief and a reliable source of transit funding.

Three regions of the state have planned for and requested the ability to create regional transit authorities. The Governor recommends authorizing the creation of three regional transit authorities in these areas to address existing needs for improved transit service. The first transit authority would be created in southeastern Wisconsin if the Milwaukee County Board, Kenosha County Board or municipalities in Racine County east of I-94 vote to create the authority. Communities in Waukesha, Washington and Ozaukee counties and the remainder of Racine County may join the transit authority. The entire counties also have the opportunity to join. In addition, the Governor recommends requiring the Southeastern Regional Transit Authority to advance the Kenosha-Racine-Milwaukee Commuter Link project to the preliminary engineering stage of the Federal Transit Administration's New Starts grant program. The second transit authority would be created in Dane County and will cover the Madison metropolitan planning area, if the Dane County Board votes for creation of the transit authority. Other communities in Dane County may join the transit authority. The third transit authority is created in the Fox Valley and encompasses the entire urbanized area of the Fox Cities metropolitan planning area. Communities in Outagamie, Winnebago and Calumet counties, as well as the entire counties, may join the authority.

The Governor further recommends that all transit authorities created have the power to levy up to 0.5 percent sales and use tax within the district to fund transit activities. Authorities will have the ability to operate transit systems either through taking over existing systems or contracting, operating new services or contracting for transit service. Transit authorities will also receive state and federal transit aid and have the authority to issue bonds.

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.

In the state economic stimulus legislation, the Governor continues to promote energy independence by dedicating \$2.6 million to specific trades and to the Wisconsin Regional Training Partnership BIG STEP program for green job infrastructure training and retraining.

Start-up companies looking to develop and market renewable energy and commercial applications of biomedical and stem cell research will receive additional support through an increase and expansion of angel and early stage seed investment tax credits. The tax credits provide an incentive for investment in entrepreneurial companies, and the budget increases the available tax credits in each type by \$12.5 million annually, dedicating an additional \$500,000 annually in new credits to investments in nanotechnology. In addition, improvements to the tax credit program are proposed to encourage new investments and to better serve start-up companies participating in the program. Businesses that invest in qualified Wisconsin businesses would be given an exclusion from capital gains taxes, providing start-up companies with needed capital. Finally, to promote new business attraction and expansion, the budget establishes a new Jobs Tax Benefit program that provides payroll tax credits for businesses creating jobs in Wisconsin.

Entrepreneurial companies will receive assistance in obtaining capital from a venture network fund. The Department of Commerce will provide grants to research institutions or nonprofit organizations to expand access to capital networks, to create or run a network to connect businesses and entrepreneurs with capital, and to create an activity, event or strategy to connect businesses and entrepreneurs with capital. The fund will also be used to provide matching grants for funding a new business or determining the feasibility of a new business idea.

The budget also consolidates five existing tax credit programs to increase the ability to target those credits to businesses that create jobs, invest capital, provide training and retraining to new and incumbent

workers, and retain jobs in Wisconsin. Recognizing the need to support economic growth in rural areas and small businesses, the Governor allocates a portion of the credits to these entities.

In this difficult economic climate, the Governor recommends eliminating the film production tax credits and refocusing a portion of the funds that were available for these credits into a new grant for film and video related activity that create long-term jobs in Wisconsin.

Department of Transportation Initiatives

- Increase transportation fund revenues by \$271.8 million through a new oil company profits tax.
- Create three regional transit authorities to provide more efficient transit systems and provide property tax relief. In addition, provide \$100 million in SEG-supported general obligation bonding authority for a southeast Wisconsin transit capital assistance program.
- Increase funding for the Transit Aid and the County Elderly and Disabled Transportation Assistance programs by 2 percent in calendar year 2010 and 3 percent in calendar year 2011 to maintain local transportation systems. In addition, create a Tribal Elderly Transportation Grants program funded with tribal gaming revenues.
- Allocate \$110.1 million of federal economic stimulus funds in fiscal year 2009-10 to complete additional projects in the State Highway Rehabilitation Program.
- Allocate \$76 million of federal economic stimulus funds in fiscal year 2009-10 to fund projects in the Major Highway Program.
- Provide \$517 million over the biennium to support continued reconstruction of the Interstate 94 North-South corridor. Of that total, \$34.6 million of federal economic stimulus funds will be allocated to the project in fiscal year 2009-10. The corridor will serve generations of Wisconsin residents and visitors, and because of its long-term projected life, \$250.3 million of the project is funded with 20-year transportation fund SEG-supported general obligation bonds.
- Provide \$20 million over the biennium to continue preliminary engineering of the reconstruction of the Zoo Interchange.
- Provide \$97 million over the biennium to address rehabilitation needs to the southeast Wisconsin freeways, other than the Interstate 94 North-South corridor or Zoo Interchange.
- The Governor recommends allocating, in conjunction with the metropolitan planning organizations of Madison, Milwaukee and southern Kenosha County, \$22.1 million in federal stimulus funds for federally-eligible projects within their respective geographic areas.
- Provide \$19.1 million of bonding authority over the biennium for harbor projects.
- Fund Wisconsin's portion of Amtrak service from Milwaukee to Chicago and provide \$2,369,100 over the biennium to add a rail car to increase capacity and, in fiscal year 2010-11, add additional trips.
- Provide an additional \$40 million of GPR-supported general obligation bonding authority to increase to \$120 million the total funding available to compete for federal funds to develop a passenger rail system across southern and eastern Wisconsin.
- Increase bonding authority for the Freight Rail Preservation program by \$60 million, which is \$38 million more than the previous biennium.
- Provide \$4 million in each fiscal year for a driver education grant program, which will assist low-income individuals to afford driver education classes.

- Create an intercity bus assistance program funded at approximately \$2.5 million over the biennium to provide transportation options through support of intercity bus services.
- Invest in schools and ensure property tax relief by using transportation revenues to fund \$56 million in pupil transportation aids and \$7 million in transportation-related conservation and outdoor activity costs.

Economic Development Initiatives

- Increase angel and early stage seed investment tax credits by \$25.5 million annually to support high-technology, biotechnology and nanotechnology start-up companies.
- Provide a tax break to investors who invest their capital gains into Wisconsin start-up businesses.
- Create a \$500,000 annual grant program for film and video related businesses that create permanent jobs in Wisconsin.
- Create a dairy cooperative investment credit which will allow members of a dairy cooperative to claim an income tax credit for 10 percent of the amount paid for dairy manufacturing modernization or expansion expenses.
- Create a meat processing facility credit which will allow meat processors to claim an income tax credit for 10 percent of the amount paid for meat processing modernization or expansion costs.
- Create a next generation farmer credit, to consist of two parts. First, an owner of agricultural assets who leases assets to a beginning farmer for a minimum of three years may claim an income tax credit up to 15 percent of the amount of the lease. Second, a beginning farmer may claim a one-time maximum \$500 tax credit to offset the cost of enrolling in a farm financial management education program. This tax credit will first take effect in tax year 2011.
- Provide continued funding for the Buy Local, Buy Wisconsin grant program, which awards grants to projects designed to increase the local sales of agricultural products grown in Wisconsin.
- Provide funding and position authority to support new animal health and meat inspector positions to control animal disease, ensure food safety, and support the growth of Wisconsin's meat industry and agricultural exports. Funding will be provided by establishing a per animal slaughter fee on cattle, hogs and poultry slaughtered in Wisconsin.

C. ENVIRONMENTAL AND NATURAL RESOURCES MANAGEMENT

Despite the enormous fiscal pressures placed on the state, the Governor recognizes the importance of protecting Wisconsin's extensive natural resources and includes funding for several provisions designed to have the maximum impact on environmental protection in the most fiscally responsible manner. The provisions of the Working Lands Initiative provide a long-term method for preserving Wisconsin's productive farmland at very little additional cost to the state. New water quality initiatives will reaffirm the state's commitment to controlling nonpoint source water pollution as well as protecting the waters of the Great Lakes. Additionally, the budget guarantees continued access to Wisconsin's vast outdoor recreational opportunities without general increases to hunting and fishing license fees.

Working Lands Initiative

Effective in fiscal year 2010-11, make the following changes:

- Restructure the farmland preservation tax credit to a per-acre credit. The amount per acre will be determined by whether the farmland is located within a farmland preservation agreement, farmland preservation zoning district or both.
- Provide \$420,000 per year beginning in fiscal year 2010-11 for a grant program to counties to assist in updating farmland preservation plans.
- Establish a Purchase of Agricultural Conservation Easements program funded by \$12 million in reallocated bonding revenues to award grants to local governments and nonprofit organizations to acquire easements in order to preserve working farmland in perpetuity.

Water Quality Initiatives

- Provide \$20 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 \$5 million in bonding revenues to clean up contaminated sediments in the Great Lakes or its tributaries.
- Provide \$3 million in bonding revenues for grants to be used for dam repair, reconstruction and removal projects.
- Provide funding and positions through a new water use fee system to implement the provisions of the Great Lakes Compact in Wisconsin and establish a statewide water conservation and efficiency program.
- Create a permit fee program for discharges of ballast waters in Wisconsin, which will reflect a similar program in Minnesota. Fee revenue will support positions to conduct permit issuance and compliance activities.

Air Management, Environmental Repair and Remediation

- Stabilize funding for air management programs by increasing fees for the asbestos inspection and Non-Title V permitting programs. The Non-Title V program will receive new positions that will work to increase the effectiveness of the permitting process.
- Stabilize funding for environmental programs, including the cleanup and redevelopment of contaminated properties and the regulation of hazardous waste, by repealing the sunset of the vehicle environmental impact fee, raising the environmental repair tipping fee by \$3.40 per ton of waste and raising the base portion of the environmental repair fee for generators of hazardous waste. Additionally, the recycling tipping fee will be raised by \$1 per ton of waste to fund the University of Wisconsin Bioenergy Center.
- Respond to the severe budget situation by recognizing that debt service payments for several environmental programs can no longer be supported from the general fund and are more appropriately funded from the environmental fund. Recycling grant programs will also be eliminated, including the Clean Sweep grant program, Recycling Efficiency Incentive grant program and Recycling Demonstration grant program.

- Continue funding remediation of properties contaminated by dry cleaning solvents by authorizing a temporary transfer of funds, not to exceed \$6.2 million, from the Environmental Improvement Program to the Dry Cleaner Environmental Response Program.

Conservation

- Respond to the challenging economic times by keeping hunting and fishing license fees at current levels. Savings from program reductions will keep overall fish and wildlife revenues in balance with expenditures.
- Provide an additional \$908,600 annually to support forestry operations across the state, including facility maintenance, radio replacement, nursery operations and forest certification expenses.
- Provide an additional \$308,500 annually to support new facilities and electrified campsites at state parks and forests throughout the state.
- Authorize a second license plate to support endangered resources. The license plate will be purchased from the state of Minnesota, building on the new relationship between the states to create efficiencies and savings.
- Provide \$3 million annually from the transportation fund for repair and maintenance of roads throughout state parks and forests. In addition, a portion of the funding will be allocated to local governments for repair of roads that provide point of access to state parks and forests.
- Provide \$128,000 annually to fund overtime for wardens on the Snowmobile Accident Reduction Team and locally stationed wardens. The funding will allow for increased patrols and educational efforts to address safety concerns, especially fatalities due to speed and alcohol.

D. HEALTH AND HUMAN SERVICES

The federal stimulus bill will provide an increase in the federal matching rate, which reduces the state costs of Medicaid by \$1.2 billion in fiscal years 2008-09, 2009-10 and 2010-11. Even with the additional federal stimulus revenue, the rising cost of health care continues to be a great challenge, both in public programs and for state citizens. In 2008, at least twenty states were forced to make reductions in their Medicaid programs due to decreasing state revenues and increased program enrollment. These states have lowered reimbursement rates to hospitals and nursing homes, eliminated coverage for some benefits and have increased cost sharing by poor enrollees. Other states have made enrollment criteria more restrictive and have forced out recipients. For example, Florida's Medicaid reduction plan eliminated health care coverage for 8,000 teenagers and 7,000 pregnant women.

Even more states have proposed reducing Medicaid reimbursement, benefits and enrollment in 2009, with forty-five states reporting significant Medicaid shortfalls in their current fiscal year. California has proposed reducing eligibility for parents from 100 percent to 72 percent of poverty, resulting in a loss of coverage for 430,000 adults. California will also cut provider reimbursement by ten percent and increase cost sharing for the working poor. South Carolina plans to eliminate Medicaid coverage for 4,000 adults with disabilities, reduce coverage of breast and cervical cancer screenings and place an enrollment cap on coverage for low-income children and individuals infected with HIV. Further, coverage of hospice care for new patients and dental care for adults will be eliminated and coverage of mental health counseling, community-based long-term care services and prescriptions drugs will be significantly reduced.

This budget preserves the health care safety net provided by Medicaid, BadgerCare Plus and SeniorCare while identifying short and long-term cost reductions through improved benefits management and oversight, increased collection of third-party payments, investments in improving service delivery systems, reducing exposure to second-hand smoke and treating individuals in the most appropriate settings.

- Every year, the health care costs in Wisconsin directly related to smoking total \$2 billion dollars, a quarter of which is paid by the state-run Medicaid program. Prohibiting smoking in all workplaces, including bars and restaurants, will lower health care costs for all payers and reduce the number of children who become smokers, saving Medicaid one million dollars in the first year.
- Wisconsin has been a leader in supporting people with disabilities in the community rather than in institutions. This budget will continue that focus by providing residents of the Southern Wisconsin Center in Union Grove the opportunity to relocate to community placements. This initiative will not only improve the quality of life of individuals with disabilities, but is expected to save the state nearly \$10 million over the next four years.
- Managing and coordinating long-term care services by expanding Family Care to additional counties improves outcomes for recipients and is less costly than nursing home care. The expansion of Family Care to additional counties will be implemented more slowly than previously planned, with full statewide expansion to be completed in the 2011-13 biennium.
- Providing care to patients in the most appropriate setting reduces costs and improves outcomes. The budget changes the payment responsibilities and increases funding for community mental health services to create incentives for counties to provide treatment for mental illness to children and the elderly in the community instead of state institutions. Treatment in the community is more cost-effective than institution care while being less disruptive to patients and providing the same or better outcomes. The Governor also recommends expanding primary health care to low-income, childless adults using additional federal revenues from the hospital assessment to reduce the amount of uncompensated care that is shifted to insured patients and to reduce nonemergency use of hospital emergency rooms.

Costs for program administration and benefits can be reduced while improving services to recipients by modernizing and enhancing business processes. Managing transportation services provided to Medicaid and BadgerCare plus recipients ensures services are provided appropriately while allowing the state to claim a higher rate of federal reimbursement. Improving the identification of court-ordered health care coverage of children and collection of insurance medical reimbursement ensures that third-party payers are paying their fair share of Medicaid costs.

To bring in additional revenues to the program and to increase Medicaid payments to long-term care facilities, the Governor recommends implementing an increase in the bed assessment for nursing homes and intermediate care facilities for the mentally retarded (ICF-MRs). Assessment revenues will be used to provide a 2 percent annual increase in provider rates and to support the costs of the Medicaid program.

Finally, the Department of Health Services will implement a wide array of efficiency and consolidation initiatives to reduce costs while preserving the core functions of the department.

Children and Families

A recessionary economy puts even more stress on families already subject to multiple risk factors. The state continues to be challenged to ensure that the children most vulnerable to abuse and neglect do not remain threatened when placed in out-of-home care. The challenges have been especially acute in the Bureau of Milwaukee Child Welfare. Governor Doyle's efforts to address these challenges took a major step forward in 2008, with the creation of the Department of Children and Families, a cabinet level agency exclusively focused on child and family issues.

While much work remains to be done to meet the Governor's commitment to protect Wisconsin's children, the department's leadership has already identified priorities and strategies that will strengthen the state's ability to protect children from abuse and neglect, including improving the foster care licensing system, better assessing the needs of children in out-of-home care, providing the Bureau of Milwaukee Child Welfare with the resources necessary to react to suspected cases of abuse and neglect in a timely manner, and recruiting and training more foster care families.

These challenges have only been intensified by the previous administration in Washington, which supported reductions in the federal government's investment in child welfare services. Current eligibility for federal child welfare funds now requires families to have incomes below 30 percent of the federal poverty level.

The state could sit on the sidelines until the federal government restores its commitment to child welfare programs, but the risks are too great. Children and families that are at risk cannot be abandoned during an economic downturn. Other state programs and agencies will be required to reduce services and cut staff, but our most vulnerable children and families need to be certain that child welfare services are available to them even when the state budget is difficult to balance.

In addition to the decline in federal reimbursement, Wisconsin's child welfare system has been challenged by decreases in the number of foster care families and rising costs for children placed in treatment oriented care, such as group homes and residential care centers. The number of regular foster care families in Milwaukee has decreased by nearly 60 percent between January 2004 and September 2008. Between fiscal year 2005-06 and fiscal year 2007-08, average monthly cost per placement for group homes and residential care centers increased by 46 percent and 17 percent, respectively.

To maintain his commitment to children and families and improve efficiency, the Governor recommends the following:

- Provide \$44.6 million over the biennium to fund increasing out-of-home care expenditures in the Bureau of Milwaukee Child Welfare due to increasing caseloads, especially for children with behavioral problems requiring higher intensity services, and previous federal disinvestment in child welfare.
- Improve the state's ability to respond to instances of child abuse and neglect in Milwaukee County by providing \$5.3 million over the biennium to:
 - Create an additional 18.0 FTE staff positions for the Bureau of Milwaukee Child Welfare. This will enable the bureau to reduce caseloads for staff who conduct initial assessments and to minimize delays in establishing the need for out-of-home care.
 - Expand the mobile urgent treatment team, which provides immediate intervention when immediate threats to the safety of a child are suspected. This would also provide the resources needed to expand treatment team services to out-of-home care provided by relatives and treatment foster care.
 - Address staff turnover issues by implementing a career ladder for contracted case managers that also provides a \$2,500 increase in the current salary of each case manager.
 - Partially reimburse management staff who are on-call after hours.
- Provide \$1.8 million over the biennium to implement a system of uniform foster care level-of-care licensing that better aligns the needs of children with foster care services and the skills of foster parents. This will also enable the state to license kinship care providers (relatives who provide out-of-home care), making the state eligible for up to \$13 million more annually in federal child welfare funds.
- Provide \$1.1 million over the biennium for a uniform foster parent training curriculum. Wisconsin is one of only seven states without a statewide foster parent training program. Providing this training is an important element of the level-of-care licensing system and is now required by the federal government.
- Increase foster care rates by 5 percent in calendar year 2010 and an additional 5 percent in calendar year 2011 to ensure that the state can retain an adequate supply of foster care families.

- Provide \$311,200 over the biennium to fund a foster care public information campaign to address the need to increase the supply of foster care families.
- Provide \$250,000 over the biennium to implement a regulated rate system for group homes, residential care centers and treatment foster care agencies. The state and counties pay rates that are largely established by the providers. A new system is needed where rates are set based on accurate cost information and are aligned with the services children in out-of-home care require.
- Provide \$375,000 over the biennium to implement an alternative response system for child protective services, which will allow the Department of Children and Families to provide prevention services to at-risk families before out-of-home-care is required.
- Expand the Family Foundations program to provide services to families before the birth of a child and include all parents eligible for Medical Assistance whether or not this is their first pregnancy.

Wisconsin has also been challenged by the increasing costs of child care subsidies. Based on recent data, Wisconsin ranks 4th nationally in per capita state expenditures on child care. The state faces a \$20 million shortfall in child care funding for fiscal year 2008-09, which is expected to increase to nearly \$100 million in the 2009-11 biennium. Recent news reports have concluded the current system for paying providers results in payments being made frequently for children who are not receiving child care services. While Wisconsin expects to receive an additional \$30 million in child care funding in the federal economic stimulus bill, the child care subsidy system is clearly in need of an overhaul. The Governor is also committed to providing parents with information on child care providers to empower them to make informed choices when choosing child care services. To address these priorities, the Governor recommends the following.

- Provide \$2.7 million to develop and implement a child care quality rating system to give families the tools to evaluate the quality of child care providers.
- Authorize the Department of Children and Families to implement an attendance-based child care provider reimbursement system, increase parent copayments by 10 percent, count child support income in eligibility determinations and implement a waiting list to address continuing cost pressures within the state's child care subsidy program. These changes are expected to maintain the state's annual cost of child care subsidies at the fiscal year 2008-09 level in the 2009-11 biennium.

In addition to addressing issues related to child welfare and child care, the Governor also recommends the following:

- Provide \$2 million to extend the length of time that parents of infants may stay home with their newborn children from 12 to 26 weeks. The extension would only be available to a parent who has participated in a Wisconsin Works paid employment position for three months or more immediately preceding the birth of the child.
- Provide \$1.4 million to fund cash assistance payments to unmarried, pregnant women with no other custodial children, who are in the third trimester of a medically verified, at-risk pregnancy and are unable to work and who meet all Wisconsin Works eligibility requirements except for being the custodial parent of a dependent child.
- Provide \$1 million in fiscal year 2009-10 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.
- Reduce state funding for child support by \$5.5 million annually to reflect the impact of an estimated \$15 million in additional federal funds allocated for child support under the federal fiscal stimulus bill. In 2007, the federal government terminated its 66 percent match on federal child support incentive dollars received by states. This cost Wisconsin an estimated \$49 million over the 2007-09 biennium. Wisconsin provided \$5.5 million annually in the 2007-09 biennial budget to reduce the impact of the

funding decrease on counties, which administer child support enforcement activities. The stimulus bill is expected to partially restore funding, at least for the next biennium.

E. JUSTICE

Sentencing trends of the last twenty years have led to increased prison populations and a correctional budget that is over \$1 billion a year. As economic conditions worsen around the country and states look for savings, the correctional system is often one of the first identified as a potential for expenditure reductions.

TABLE 11: CORRECTIONS PROPOSALS UNDER CONSIDERATION ACROSS THE COUNTRY

Alabama	Reform sentencing policies; new pardon and parole rules; supervised reentry program.
Arizona	Create program that rewards counties that significantly reduce recidivism rates; allow earned time credits for probationers.
California	Reduce parole supervision by 50% for non-violent offenders; increase good time credits for inmates.
Colorado	Close two prisons; delay construction/expansion of two prisons; sell 1,000-acre ranch.
Florida	Early release of 4,000 prisoners.
Kansas	Close two minimum-security prisons.
Maine	Close housing units.
Massachusetts	Double-bunk maximum security inmates; ease mandatory-minimum sentences.
Michigan	Reduce inmates by 5,000 working with Council of State Governments Justice Center.
Mississippi	Decrease use of county jails and private prisons; consider early release for 2,900 nonviolent inmates and inmates with severe medical conditions.
New York	Early release for 1,600 offenders; reform drug laws; close prison camps and correctional annexes.
Pennsylvania	Expand rehabilitation opportunities and offer earned-time credits.
South Carolina	Reduce requirement that serious felons serve 85% of their sentence to 70%.
Virginia	Release offenders who are within 90 days of release; overhaul sentencing policies.
Washington	Eliminate probation supervision for certain offenders; cap community custody lengths at 12 months.

To address the increasing costs and growing correctional population, the Governor's budget proposes several measures that will transfer responsibilities within the criminal justice system and refocus the limited resources within the Department of Corrections to ensure that the most violent offenders are held

accountable while low-risk offenders are offered opportunities for rehabilitation and a chance to resume productive lives in the community.

To achieve efficiencies in the justice system, the Division of Hearings and Appeals will determine sentence lengths for extended supervision revocations, and the Parole Commission, renamed the Earned Release Review Commission, will review petitions by inmates requesting release to extended supervision and petitions by offenders requesting discharge from extended supervision for certain felony convictions.

The Governor's budget also transfers petitions for release of medically incapacitated inmates from the courts to the secretary of the Department of Corrections, and allows the secretary to determine if certain nonviolent offenders may be granted an adjustment of their sentence if they are within one year of release to the community.

To ensure smart, cost-effective offender management that improves resource allocation and enhances public safety, misdemeanor probation supervision for certain nonviolent, low-risk misdemeanor probationers will be eliminated, allowing more resources for supervision of violent and higher risk offenders. Certain nonviolent Class F to I felony offenders will be able to earn positive adjustment credits toward earned release while in prison and on community supervision, giving them incentives for good behavior and completion of programming that can help them become productive members of society.

This budget also expands eligibility for the Earned Release Program and the Challenge Incarceration Program to include offenders who need educational or other programming to reduce their risk of recidivism upon release to the community.

To ensure better outcomes once offenders return to the community and better use of existing funding, the Governor's budget builds on Department of Corrections' reentry initiatives by providing funding for risk assessment tools and analysis of existing programs to determine their effect on recidivism.

Wisconsin is also partnering with the Council of State Governments in the Justice Reinvestment Initiative to undergo a data-driven review of the current system to identify the forces behind the increased prison population and identify the steps necessary to reduce recidivism and break the cycles of crime and violence.

To assist the council's review of the corrections system, the Governor's budget provides state support for criminal justice programs that collect, analyze and share data across criminal justice agencies. These programs have experienced losses in federal funding and some would cease operations without the funding included in the budget, including the Statistical Analysis Center and Uniform Crime Reporting program.

F. GOVERNMENT OPERATIONS AND EFFICIENCY

Building on the efforts of the past several years, the Governor's budget recommends further increasing state government efficiencies through consolidation of programs, cooperation with neighboring states and elimination of vacant positions. The Governor and state agencies continue to look for creative ways to find efficiencies including the Governor's recent executive order on cooperation with the State of Minnesota.

The 2009-11 budget authorizes the Department of Administration secretary to lapse or transfer \$160 million from nonfederal state agency appropriations, including certain sum sufficients, by June 30, 2011. This lapse or transfer is in addition to the \$125 million lapse or transfer included in the budget adjustment bill.

The budget anticipates further efficiency and consolidation efforts throughout the biennium as programs and processes are identified. Some efforts are already underway such as the streamlining of business registration with state government, reducing the size of the state fleet by 500 vehicles and utilizing technology to decrease the need for state employee travel. The secretary of the Department of

Administration will be authorized to implement these efficiencies through reallocation of staff between state agencies.

The budget includes a number of provisions to continue efficiency and consolidation efforts:

- Authorize eliminating positions that are vacant more than 12 months.
- Reassign staff between agencies to allow consolidations to occur when efficiencies are identified.
- Transfer maintenance staff positions to the Department of Administration to achieve greater coordination and more cost-effective service levels.
- Streamline state building program contracting and approval processes to deliver state construction projects more efficiently.
- Streamline contracting processes in the Bureau of State Procurement.
- Publish the state budget and financial materials on the Internet in lieu of requirements to distribute printed versions.

Other Cost Savings Measures

The budget requires proceeds from any non-University of Wisconsin asset sales during the 2009-11 biennium to be deposited in the general fund. While the general fund condition does not reflect a fiscal effect from such sales, opportunities are expected to arise as the economy recovers.

Major service changes in the budget include the elimination of walk-in services at Department of Natural Resources service centers, and closure of Department of Transportation remote licensing and Department of Tourism Welcome Centers. State agencies are pursuing alternative business models including public/private partnerships that will enable delivery of services more efficiently and at a lower cost. For example, approximately nine out of ten hunting licenses are sold at business establishments.

The budget also includes restructuring human resources services under the Office of State Employment Relations, consolidation of collections functions under the Department of Revenue, and reorganizing state agency attorneys and attorney support staff as described below. These and other consolidations will allow state government to operate more efficiently.

Other efficiencies and consolidations included in the budget are:

- Department of Agriculture, Trade and Consumer Protection
 - Reduce Consumer Protection staffing.
 - Eliminate Market News and Clean Sweep programs.
 - Reduce by \$4,000,000 per year the amount available for cost-share grants to landowners for nutrient management planning and other best management practices to prevent nonpoint source water pollution.
 - Restructure the Land and Water Conservation Board.

- Department of Natural Resources
 - Consolidate and reorganize department staff.
 - Eliminate the Recycling Efficiency Incentive grant program (\$1.9 million per year); the Recycling Demonstration grant program (\$500,000 per year); and the Business Waste Reduction and Recycling Assistance grant program (\$1 million per year).
- Department of Workforce Development
 - Consolidate refugee services at the Department of Children and Families.
- Department of Health Services
 - Restructure the Southern Wisconsin Center.
 - Transfer in BadgerRx Gold from the Department of Employee Trust Funds.
 - Consolidate eligibility determination for public benefit programs.
- Department of Transportation
 - Issue duplicate licenses and IDs on-line.
 - Eliminate the second license plate requirement.
 - Eliminate license plate stickers.
 - Electronically record and release liens on leased vehicle.
 - Close the Spooner and Tomah State Patrol posts.
- Department of Revenue
 - Reduce staffing costs by requiring additional businesses to file taxes electronically.
- Department of Administration
 - Consolidate energy programs at the Public Service Commission.
 - Transfer coastal management programs to the Department of Natural Resources.
 - Transfer municipal service payments calculation and distribution to the Department of Revenue.
 - Transfer responsibility for demographic services to the University of Wisconsin.

Additional consolidations and efficiencies that are under consideration or are moving forward administratively include:

- Consolidation Options
 - Institution pharmacy services (Department of Corrections and Department of Health Services).
 - Brownfields activities.
 - Petroleum Environmental Cleanup Fund Act programs (PECFA).
 - Food facilities inspection and oversight (currently in the Department of Health Services and Department of Agriculture, Trade and Consumer Protection).
 - Minority Business Enterprise Programs.
 - Payroll operations.
 - Call center operations.
 - Customer service centers.
 - Marketing services.
 - Housing programs.
 - Land management.
 - Consumer protection.
 - Agency office space.
- Efficiency Measures
 - Reduce agency printing.
 - Streamline business registration processes.
 - Streamline licensing functions.

Attorney Reorganization

Legal services are one of the most critical elements of effective and efficient state operations. Contracts, privacy policies, rule-making and human resources management rely heavily on state agency legal resources. In order to improve coordination of legal services, the budget creates a new division within the Department of Administration focused on enterprisewide legal issues. The new division will provide legal services on complex multiagency issues including: contracting and contract negotiation, procurement, information and information systems security, public records, real estate, administrative rules and risk management. The division will work with the State Bureau of Procurement and state agencies to standardize state contracts and RFP's. This is accomplished by transferring 3.0 FTE vacant attorney and 2.0 FTE vacant legal support staff positions to a new division within the Department of Administration on July 1, 2009, and transferring up to 3.0 FTE vacant attorney positions from state agencies to the new division in fiscal year 2010-11. The attorney reorganization also creates unclassified chief legal advisors in eight of the largest cabinet agencies for the purpose of increasing flexibility to allocate resources and legal expertise throughout state government. Additionally, the current law provision to eliminate up to 13.0 FTE attorney positions in executive branch state agencies is shifted to June 30, 2011.

Domestic Partner Health Insurance

The Governor recommends extending group health insurance benefits and retirement survivor benefits to 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 the 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.

Domestic Partnership Protections

The Governor recommends establishing a domestic partner protections. Many Wisconsin families are denied basic legal rights because their relationships are not recognized. This provides a set of limited legal protections, such as hospital visitation, family and medical leave and end of life decisions.

Collective Bargaining for Faculty and Academic Staff

The Governor's budget extends collective bargaining rights to 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 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 at more than 1,100 campuses, are members of collective bargaining units.

Budget Management Modifications

Adopt the following provisions to improve cash flow and budget management:

- Increase the revenue shortfall threshold to 2 percent.
- Increase the short-term cash management interfund borrowing limit to 10 percent.
- Set the statutory ending balance at \$65 million in fiscal year 2009-10, at \$130 million in fiscal year 2010-11 through fiscal year 2012-13, and at 2 percent of general purpose revenue appropriations thereafter.

G. REVENUE AND GENERAL FUND TAXES

Significant Tax Changes

Table 12 summarizes the impact of tax changes made in the budget adjustment bill and this budget.

TABLE 12: TAX CHANGES

	<u>FY10</u>	<u>FY11</u>
Adopt Combined Reporting	\$75,600,000	\$111,700,000
Adopt Main Street Equity Act	30,300,000	31,000,000
Extend Sales Tax to Digital Personal Property	4,200,000	6,700,000
Cigarette Tax Increase	127,400,000	130,300,000
Tobacco Products Tax Increase	15,200,000	18,000,000
Very High Earner Income Tax Bracket	175,563,000	136,194,000
Reduce Capital Gains Exclusion to 40%	85,100,000	95,500,000
Nonresident Pass-Through Withholding	38,500,000	0
Decouple from Federal Qualified Production Activities Deduction	38,200,000	33,500,000
Affiliated Entities Sales Tax Treatment	19,800,000	21,000,000
Fully Recognize Throwback Sales	57,700,000	37,500,000
Air Carrier Definition	4,000,000	4,000,000
Economic Nexus Standard for Internet Businesses	1,500,000	1,500,000
Internal Revenue Code Updates	-40,560,000	-5,490,000
Index Homestead Tax Credit	0	0
Historic Rehabilitation Tax Credit	0	0
Angel and Early Stage Seed Investment Credits Revisions	0	-7,000,000
Increased Research and Development Investment Credit	0	-5,000,000
Capital Gains Deferral for Investments in Qualified New Business Ventures (effective 2011)	0	0
Sales Tax Exemption for Biotechnology Equipment (effective 2012)	0	0
Sunset Film Production Services Tax Credit	5,000,000	5,000,000
Delay Credit for Medical Records Technology Investments	4,500,000	10,000,000
Next Generation Farmer Tax Credit (effective 2011)	0	0
Dairy Cooperative Tax Credit	-600,000	-700,000
Meat Processing Facility Tax Credit	<u>-300,000</u>	<u>-700,000</u>
GPR Total Tax Changes	\$641,103,000	\$623,004,000
Hospital Assessment	\$310,021,000	\$339,695,800
Oil Company Profits Tax	<u>100,324,900</u>	<u>171,490,300</u>
SEG Total Tax Changes	\$410,345,900	\$511,186,100
NET TOTAL ALL FUNDS	\$1,051,448,900	\$1,134,190,100

The weak economy will result in continued negative growth in base revenues in fiscal year 2009-10. Base revenue is expected to increase in fiscal year 2010-11, but remain below fiscal year 2007-08 levels. To address this shortfall, the Governor recommends making difficult reductions and eliminating services.

However, to protect education and maintain our commitment to provide access to health care, the Governor recommends adjusting the tax code so that those who can most afford it support the programs that assist those who can least afford to lose services.

In state economic stimulus legislation, the Governor recommends adopting a combined reporting approach to calculating corporate income and franchise taxes, adopting a Main Street Equity Act, and extending the sales tax to digital personal property if the tangible personal property is also taxed. Combined reporting will treat corporations and their divisions, subsidiaries and affiliates as a single entity for corporate income tax purposes. The Main Street Equity 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 standards would also clarify that all prewritten computer software packages are subject to the sales tax, reversing the Wisconsin Supreme Court's decision in Wisconsin Department of Revenue v. Menasha Corporation. Extending the sales tax to digital personal property delivered through download will provide tax equity for retail businesses that sell tangible digital personal property.

In the budget, the Governor recommends decoupling from the federal qualified productions activities deduction. The deduction allows any company to deduct from its income a percentage of income from production activities occurring in the United States. This deduction is phasing in. It is currently 6 percent of income from qualified activities and will increase to 9 percent for 2010 and thereafter. While the Governor supports keeping production activities and jobs in the United States, Wisconsin can no longer afford to have companies reduce their state tax liability for activity occurring in other states. By opting out of this federal deduction, Wisconsin will join Minnesota and Indiana in its treatment of this subsidy. This action is expected to increase tax revenue by \$38.2 million in fiscal year 2009-10 and \$33.5 million in fiscal year 2010-11.

The Governor also recommends increasing equity between resident and nonresident members of a pass-through entity. Prior to statutory changes in 2005, resident and nonresident members of pass-through entities were required to make quarterly estimated payments. Since 2005, withholding payments for nonresidents have been made in a single, annual payment. This provides a more favorable treatment for nonresidents. The change will result in a one-time increase in tax revenue of \$38.5 million in fiscal year 2009-10.

The Governor further recommends creating a very high earner bracket for the individual income tax. The bracket would increase the tax rate on income in excess of \$300,000 for married couples filing jointly and \$225,000 for single individuals from 6.75 percent to 7.75 percent. This will result in increased tax revenue of \$175.6 million in fiscal year 2009-10 and \$136.2 million in fiscal year 2010-11. The Governor also recommends decreasing the capital gains exclusion from 60 percent to 40 percent. This will increase tax revenue by \$85.1 million in fiscal year 2009-10 and \$95.5 million in fiscal year 2010-11.

In addition, the Governor recommends increasing the cigarette tax to \$2.52 per pack, increasing the tax on moist snuff to \$1.87 per ounce and increasing the other tobacco products tax to 71 percent of manufacturer's established list price. The tax increase, coupled with the Governor's recommended smoking prohibition in all workplaces, including bars and restaurants, and recent federal tobacco tax increases, will provide a disincentive for young people to begin smoking and encourage current smokers to quit. In addition, the increase is expected to generate increased revenues of \$142.6 million in fiscal year 2009-10 and \$148.3 million in fiscal year 2010-11, supporting education, health care and other programs.

To assist businesses as the economy recovers, the Governor recommends several tax changes.

1. Jobs Tax Credit. Encourage businesses to locate in Wisconsin and create high-wage jobs by providing a credit for 10 percent of full-time payroll costs, up to a statewide total of \$10 million per year beginning in 2012.
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 \$7 million in fiscal year 2010-11.

3. Research and Development Income Tax Credit. This will provide income tax credits to businesses that increase research and development spending to more than 125 percent of their average spending on research and development over the previous three years, reducing income tax revenue by an estimated \$5 million in fiscal year 2010-11.
4. Biotechnology Equipment Sales Tax Exemption. Exempting purchases of machinery and equipment in the biotechnology industry will reduce sales taxes by \$5 million per year beginning in 2012.
5. Capital Gains Deferral for Qualified New Business Venture Investments. Beginning in 2011, this will allow investors to defer inclusion of long-term capital gains in taxable income if those gains are reinvested in a qualified new business venture.
6. Dairy Cooperative and Meat Processing Facility Tax Credits. These credits will encourage continued growth of Wisconsin's agricultural economy by allowing dairy cooperative members or a meat processing facility to claim credits for 10 percent of modernization or expansion costs. These credits will provide \$900,000 and \$1,400,000 of assistance in fiscal years 2009-10 and 2010-11, respectively. The cost of these credits will be offset by transfers to the general fund from the agricultural chemical cleanup and management funds.
7. Next Generation Farmer Tax Credit. This will provide an income tax credit for an owner of agricultural assets who agrees to lease assets to a beginning farmer for a minimum of three years. A new farmer is also eligible for a one-time \$500 tax credit to offset the cost of enrolling in a farm financial management education program. These credit become available in 2011.

The Governor recommends updating Wisconsin Statutes to conform with changes made to the federal Internal Revenue Code, which will ensure that federal tax assistance provided in response to the natural disasters that affected the Midwest and the economic downturn in 2008, will also apply to the Wisconsin income tax. The net impact of these changes is revenue reductions of \$40.6 million in fiscal year 2009-10 and \$5.5 million in fiscal year 2010-11.

Department of Revenue

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

- Consolidating state debt collection efforts at the department will create efficiencies by having a single centralized contact with debtors and allow the department to utilize all its collection tools to maximize collection effectiveness.
- Instituting a financial institution data match process, in coordination with the Department of Financial Institutions, will allow the department to determine if delinquent taxpayers and those who owe debt to the state have accounts at the institutions. Under current law, the department may impose a levy on financial institutions to collect delinquent amounts from the accounts of debtors. This is expected to generate additional collections of \$13 million annually.
- To increase efficiency, encourage the electronic filing of wage statements and other tax documents by reducing the threshold at which electronic filing is required and provide penalties for noncompliance with new and existing filing mandates.

**Economic
Assumptions and
Revenue Estimates**

V. ECONOMIC ASSUMPTIONS AND REVENUE ESTIMATES

NATIONAL ECONOMY

The Legislative Fiscal Bureau's 2009-11 revenue estimates are based on the January 2009 national economic forecast from IHS Global Insight, Inc. (Global Insight). Global Insight forecasts that the current downturn in the economy will stabilize in the second half of 2009 because of the projected federal fiscal stimulus package, continued low oil prices and Federal Reserve rates, and use of the remaining \$350 billion of federal Troubled Asset Relief Program funds to purchase troubled assets and fund a foreclosure prevention program. In 2010 and 2011, the economy will move toward recovery.

- Real Growth. Real Gross Domestic Product (GDP) will decrease by 2.5 percent in 2009, increase by 2.2 percent in 2010 and by 3.2 percent in 2011.
- Employment. Employment is expected to continue to decline in 2009, hold steady in 2010 and begin improving in 2011. Total employment will decrease by 2.6 percent in 2009, stay flat at 0 percent in 2010 and increase 1.6 percent in 2011.
- Inflation. Inflation is expected to drop in 2009 and then return to a level over 3 percent. After running over 3 percent in 2008, the inflation rate will drop to -2.2 percent in 2009, then increase to 2.4 percent in 2010 and 3.4 percent in 2011.
- Profits. After a large drop in 2008, profits will continue to fall in 2009 (down 4.1 percent) before returning to growth, up 11.9 percent in 2010 and 1 percent in 2011.
- Incomes. Employment reductions will restrain income gains in 2009, up 0.8 percent. Personal income will improve, growing 2.5 percent in 2010 and 4.5 percent in 2011.
- Retail Sales. Retail sales will be well below income growth in 2009 as the housing sector reaches the bottom of its downturn, employment continues to fall and consumers focus on rebuilding savings. Retail sales are expected to decrease 8.1 percent in 2009, but rebound in 2010 and 2011 (up 6.1 percent and 7 percent, respectively).

TABLE 13: SUMMARY OF THE NATIONAL ECONOMIC OUTLOOK

Economic Indicators	Actual		2009	Forecast	
	2007	2008		2010	2011
Gross Domestic Product					
Nominal GDP	4.8	3.4	-1.4	3.5	4.8
Real GDP	2.0	1.2	-2.5	2.2	3.2
Prices and Wages					
GDP Deflator	2.7	2.3	1.1	1.2	1.6
Consumer Price Index	2.9	3.8	-2.2	2.4	3.4
Compensation Per Hour	3.1	2.9	2.3	1.9	1.9
Production and Other Measures					
Total Nonfarm Employment	1.1	-0.2	-2.6	0.0	1.6
Industrial Production	1.7	-1.6	-7.6	1.0	3.5
Housing Starts (Millions)	1.341	0.906	0.604	0.976	1.339
Light Vehicle Sales (Millions)	16.1	13.1	10.3	12.5	14.5
Retail Sales	4.2	-0.2	-8.1	6.1	7.0
Profits and Income					
Corporate Profits Before Tax	0.7	-15.5	-4.1	11.9	1.0
Personal Income	6.1	3.8	0.8	2.5	4.5

All numbers are annual percent change except as noted.

WISCONSIN ECONOMY

In 2008, Wisconsin's economy weakened, joining most other states in the weakening national economy. Wisconsin's unemployment rate averaged 5 percent compared to a national average of 5.8 percent in 2008. Wisconsin matched the national loss in employment in 2008, down 0.2 percent. Wisconsin's income growth (up 3.1 percent) slightly trailed the national personal income growth rate (up 3.8 percent).

TABLE 14: SUMMARY OF THE WISCONSIN ECONOMIC OUTLOOK

Economic Indicators	Actual		2009	Forecast	
	2007	2008		2010	2011
Total Nonfarm Employment (in thousands)	2,881.7	2,865.3	2,800.9	2,822.5	2,861.5
Percent Change	0.5	-0.6	-2.2	0.8	1.4
Unemployment Rate – Percent of Labor Force	4.9	5.0	7.6	7.9	7.3
Personal Income Percent Change	5.7	3.1	1.4	3.1	4.1

For the coming biennium, Wisconsin will experience similar trends as the rest of the country.

- **Employment.** The state's overall employment changes will be very similar to the national employment changes. In 2009, total nonfarm employment will decrease by 2.2 percent. In 2010 and 2011, employment growth will be 0.8 percent and 1.4 percent, respectively. The state's unemployment rate is expected to be below the national rate, but follow the same projected trend. Wisconsin's unemployment rate is expected to grow to 7.6 percent in 2009 and 7.9 percent in 2010 before declining to 7.3 percent in 2011. In comparison, the nation unemployment rate is expected to grow to 8.2 percent in 2009 and 8.6 percent in 2010, and decrease to 8.1 percent in 2011.

- Income. Wisconsin's personal income growth will also be similar to national averages. Wisconsin's total personal income should increase by 1.4 percent in 2009, 3.1 percent in 2010 and 4.1 percent in 2011. This compares to national income growth estimates of 1.6 percent in 2009, 2.6 percent in 2010 and 4.7 percent in 2011.

REVENUE ESTIMATES

TABLE 15: GENERAL PURPOSE REVENUE ESTIMATES
(\$ in millions)

<u>Current Law Estimates</u>	<u>Actual FY08</u>	<u>Estimate FY09</u>	<u>Estimate FY10</u>	<u>Estimate FY11</u>
Individual Income	\$6,713.7	\$6,585.0	\$6,335.0	\$6,600.0
General Sales and Use	4,268.0	4,025.0	3,955.0	4,205.0
Corporation Franchise and Income	837.8	650.0	700.0	725.0
Public Utility	297.5	327.0	331.0	340.0
Excise				
Cigarette	455.7	565.0	559.4	553.8
Liquor and Wine	45.2	44.0	45.8	47.6
Tobacco Products	29.8	41.5	42.0	42.5
Beer	9.6	10.0	10.0	10.0
Insurance Companies	156.6	170.0	178.5	180.0
Estate	158.8	22.0	0.0	0.0
Miscellaneous	<u>70.3</u>	<u>55.7</u>	<u>51.5</u>	<u>53.2</u>
Total GPR Taxes	\$13,043.0	\$12,495.2	\$12,208.2	\$12,757.1
Change Over Prior Year				
Amount		-\$547.8	-\$287.0	\$548.9
Percent		-4.2%	-2.3%	4.5%

Detail may not add precisely to total due to rounding.

The Governor recommends several initiatives to improve equity in the tax code and balance the state's budget. These are described earlier under general fund tax changes and are summarized in Table 12. The principal tax changes for individual income tax are the creation of a new high-income bracket with a tax rate of 7.75 percent and reducing the capital gains exclusion to 40 percent. The principal sales tax changes included in the Governor's budget bill and the budget adjustment bill are conforming to the streamlined sales tax agreement, extending the sales tax to digital property and exempting purchases of equipment for biotechnology companies beginning in 2012.

The principal corporate tax changes include adoption of combined reporting of corporate income, expansion of the angel and early state seed tax credits, dairy cooperative and meat processing facility tax credits, and an income tax credit for companies that increase research and development expenditures by more than 125 percent. In addition, the Governor recommends initiatives to increase state tax and debt collection efficiency and conforming to recent changes in the federal tax code.

The Governor also recommends increasing the cigarette and other tobacco products taxes. The cigarette tax would increase by \$0.75, the tax on moist snuff would increase \$0.56 and the other tobacco products tax by an additional 21 percentage points.

**TABLE 16: GENERAL PURPOSE REVENUE ESTIMATES
UNDER GOVERNOR'S RECOMMENDATIONS**
(\$ in millions)

<u>Current Law Estimates</u>	Actual <u>FY08</u>	Estimate <u>FY09</u>	Estimate <u>FY10</u>	Estimate <u>FY11</u>
Individual Income	\$6,713.7	\$6,585.0	\$6,613.2	\$6,833.9
General Sales and Use	4,268.0	4,034.4	4,010.8	4,265.2
Corporation Franchise and Income	837.8	677.7	860.4	902.0
Public Utility	297.5	327.0	331.0	340.0
Excise				
Cigarette	455.7	558.8	686.8	684.1
Liquor and Wine	45.2	44.0	45.8	47.6
Tobacco Products	29.8	41.0	57.2	60.5
Beer	9.6	10.0	10.0	10.0
Insurance Companies	156.6	170.0	178.5	180.0
Estate	158.8	22.0	0.0	0.0
Miscellaneous	<u>70.3</u>	<u>55.7</u>	<u>51.5</u>	<u>53.2</u>
Total GPR Taxes	\$13,043.0	\$12,525.6	\$12,845.2	\$13,376.5
Change Over Prior Year				
Amount		-\$517.4	\$319.6	\$531.3
Percent		-4.0%	2.6%	4.1%

Detail may not add precisely to total due to rounding.

Reference Section

VI. REFERENCE SECTION

GLOSSARY OF TERMS AND ABBREVIATIONS

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

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

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

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

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

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

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

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

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

Appendices

APPENDIX 1
Summary of All Funds Appropriations
Governor's Recommendations – FY10

	<u>FY 09 Base</u>	<u>FY 10 Recommended</u>	<u>Change From Base Amt</u>	<u>Change Percent</u>
Administration, Dept.	952,642,600	895,940,100	-56,702,500	-6.0
Aging and Long-Term Care, Board	2,486,800	2,774,200	287,400	11.6
Agriculture, Trade, and Consumer	100,972,400	102,775,900	1,803,500	1.8
Arts Board	3,647,200	3,780,500	133,300	3.7
Building Commission	47,605,800	30,599,500	-17,006,300	-35.7
Child Abuse and Neglect Prevention	3,703,700	3,687,000	-16,700	-0.5
Children and Families, Dept.	1,130,859,000	1,103,402,400	-27,456,600	-2.4
Circuit Courts	91,612,200	95,154,200	3,542,000	3.9
Commerce, Dept.	201,076,000	188,838,700	-12,237,300	-6.1
Corrections, Dept.	1,246,108,600	1,297,516,200	51,407,600	4.1
Court of Appeals	9,843,000	10,162,000	319,000	3.2
District Attorneys	47,624,600	44,547,300	-3,077,300	-6.5
Educational Communications Board	18,172,200	18,784,400	612,200	3.4
Employee Trust Funds, Dept.	27,093,200	27,679,200	586,000	2.2
Employment Relations Commission	3,259,000	3,220,500	-38,500	-1.2
Environmental Improvement Program	55,400,300	55,544,200	143,900	0.3
Financial Institutions, Dept.	17,578,300	17,896,900	318,600	1.8
Fox River Navigational System Authority	126,700	125,400	-1,300	-1.0
Government Accountability Bd.	5,450,800	5,358,700	-92,100	-1.7
Governor's Office	4,122,300	4,027,000	-95,300	-2.3
Health and Educational Facilities Authority	0	0	0	0.0
Health Services, Dept.	6,832,353,000	7,712,571,800	880,218,800	12.9
Higher Educational Aids Board	129,799,600	138,216,500	8,416,900	6.5
Historical Society	23,045,200	21,868,400	-1,176,800	-5.1
Insurance, Commissioner	104,203,800	105,171,600	967,800	0.9
Investment Board	30,215,300	29,720,400	-494,900	-1.6
Judicial Commission	243,500	236,600	-6,900	-2.8
Judicial Council	112,900	123,400	10,500	9.3
Justice, Dept.	92,747,600	94,968,100	2,220,500	2.4
Legislature	73,182,600	74,488,200	1,305,600	1.8
Lieutenant Governor	417,200	386,100	-31,100	-7.5
Lower Fox River Remediation Authority	0	0	0	0.0
Lower WI State Riverway Board	190,100	208,800	18,700	9.8
Medical College of Wisconsin	7,367,100	7,599,700	232,600	3.2
Military Affairs, Dept.	78,324,700	81,748,300	3,423,600	4.4
Miscellaneous Appropriations	181,384,800	190,411,300	9,026,500	5.0
Natural Resources, Dept.	582,935,100	584,382,200	1,447,100	0.2
Office of State Employment Relations	6,498,300	6,503,500	5,200	0.1
People with Developmental Disabilities, Bd.	1,295,600	1,423,300	127,700	9.9
Program Supplements	44,487,400	656,706,100	612,218,700	1,376.2
Public Defender Board	81,472,400	80,854,000	-618,400	-0.8
Public Instruction, Dept.	6,364,721,700	6,624,757,700	260,036,000	4.1
Public Lands	1,577,300	1,587,800	10,500	0.7
Public Service Commission	28,064,800	87,849,500	59,784,700	213.0
Regulation and Licensing, Dept.	13,083,700	15,847,100	2,763,400	21.1
Revenue, Dept.	182,044,800	177,793,000	-4,251,800	-2.3
Secretary of State	776,200	782,200	6,000	0.8
Shared Revenue and Tax Relief	2,114,906,500	2,327,870,900	212,964,400	10.1
State Fair Park Board	20,542,900	19,389,500	-1,153,400	-5.6
Supreme Court	30,061,600	31,274,600	1,213,000	4.0
Technical College System	184,690,300	182,967,700	-1,722,600	-0.9
Tourism, Dept.	16,104,100	14,668,500	-1,435,600	-8.9
Transportation, Dept.	2,739,239,900	2,996,047,000	256,807,100	9.4
Treasurer, State	6,289,500	6,074,900	-214,600	-3.4
UW Hospitals & Clinics Board	155,292,400	153,739,500	-1,552,900	-1.0
UW System	4,717,722,700	4,756,183,300	38,460,600	0.8
Veterans Affairs, Dept.	146,645,200	143,844,200	-2,801,000	-1.9
WHEDA	0	0	0	0.0
Workforce Development, Dept.	317,972,700	339,379,000	21,406,300	6.7
TOTALS	29,279,397,200	31,579,459,000	2,300,061,800	7.9

APPENDIX 2
Summary of All Funds Appropriations
Governor's Recommendation – FY11

	<u>FY 10</u> <u>Recommended</u>	<u>FY 11</u> <u>Recommended</u>	<u>Change From</u> <u>FY 10 (Amt)</u>	<u>Change</u> <u>Percent</u>
Administration, Dept.	895,940,100	847,048,300	-48,891,800	-5.5
Aging and Long-Term Care, Board	2,774,200	2,788,300	14,100	0.5
Agriculture, Trade, and Consumer Protection,	102,775,900	104,005,100	1,229,200	1.2
Arts Board	3,780,500	3,780,500	0	0.0
Building Commission	30,599,500	51,287,700	20,688,200	67.6
Child Abuse and Neglect Prevention	3,687,000	3,687,000	0	0.0
Children and Families, Dept.	1,103,402,400	1,086,754,400	-16,648,000	-1.5
Circuit Courts	95,154,200	95,558,900	404,700	0.4
Commerce, Dept.	188,838,700	188,936,600	97,900	0.1
Corrections, Dept.	1,297,516,200	1,310,548,000	13,031,800	1.0
Court of Appeals	10,162,000	10,162,000	0	0.0
District Attorneys	44,547,300	44,557,000	9,700	0.0
Educational Communications Board	18,784,400	18,896,100	111,700	0.6
Employee Trust Funds, Dept.	27,679,200	28,244,500	565,300	2.0
Employment Relations Commission	3,220,500	3,415,500	195,000	6.1
Environmental Improvement Program	55,544,200	63,215,000	7,670,800	13.8
Financial Institutions, Dept.	17,896,900	17,909,100	12,200	0.1
Fox River Navigational System Authority	125,400	125,400	0	0.0
Government Accountability Bd.	5,358,700	5,357,900	-800	0.0
Governor's Office	4,027,000	4,027,000	0	0.0
Health and Educational Facilities Authority	0	0	0	0.0
Health Services, Dept.	7,712,571,800	7,915,216,100	202,644,300	2.6
Higher Educational Aids Board	138,216,500	172,596,900	34,380,400	24.9
Historical Society	21,868,400	22,443,400	575,000	2.6
Insurance, Commissioner	105,171,600	105,390,000	218,400	0.2
Investment Board	29,720,400	29,720,400	0	0.0
Judicial Commission	236,600	236,600	0	0.0
Judicial Council	123,400	123,400	0	0.0
Justice, Dept.	94,968,100	95,053,300	85,200	0.1
Legislature	74,488,200	74,527,900	39,700	0.1
Lieutenant Governor	386,100	386,100	0	0.0
Lower Fox River Remediation Authority	0	0	0	0.0
Lower WI State Riverway Board	208,800	208,800	0	0.0
Medical College of Wisconsin	7,599,700	7,689,000	89,300	1.2
Military Affairs, Dept.	81,748,300	81,095,400	-652,900	-0.8
Miscellaneous Appropriations	190,411,300	200,431,400	10,020,100	5.3
Natural Resources, Dept.	584,382,200	579,184,600	-5,197,600	-0.9
Office of State Employment Relations	6,503,500	6,503,500	0	0.0
People with Developmental Disabilities, Bd.	1,423,300	1,423,300	0	0.0
Program Supplements	656,706,100	7,219,300	-649,486,800	-98.9
Public Defender Board	80,854,000	80,126,300	-727,700	-0.9
Public Instruction, Dept.	6,624,757,700	6,680,253,000	55,495,300	0.8
Public Lands	1,587,800	1,587,800	0	0.0
Public Service Commission	87,849,500	151,025,100	63,175,600	71.9
Regulation and Licensing, Dept.	15,847,100	15,847,100	0	0.0
Revenue, Dept.	177,793,000	177,086,600	-706,400	-0.4
Secretary of State	782,200	782,200	0	0.0
Shared Revenue and Tax Relief	2,327,870,900	2,329,801,500	1,930,600	0.1
State Fair Park Board	19,389,500	19,485,200	95,700	0.5
Supreme Court	31,274,600	31,254,800	-19,800	-0.1
Technical College System	182,967,700	183,050,000	82,300	0.0
Tourism, Dept.	14,668,500	14,382,100	-286,400	-2.0
Transportation, Dept.	2,996,047,000	2,765,662,800	-230,384,200	-7.7
Treasurer, State	6,074,900	5,974,900	-100,000	-1.6
UW Hospitals & Clinics Board	153,739,500	153,739,500	0	0.0
UW System	4,756,183,300	4,858,502,100	102,318,800	2.2
Veterans Affairs, Dept.	143,844,200	145,136,800	1,292,600	0.9
WHEDA	0	0	0	0.0
Workforce Development, Dept.	339,379,000	341,091,900	1,712,900	0.5
TOTALS	31,579,459,000	31,144,543,400	-434,915,600	-1.4

APPENDIX 3
Summary of GPR Appropriations
Governor's Recommendations – FY10

	<u>FY 09 Base</u>	<u>FY 10 Recommended</u>	<u>Change From Base Amt</u>	<u>Change Percent</u>
Administration, Dept.	386,183,300	396,981,100	10,797,800	2.8
Aging and Long-Term Care, Board	1,095,200	1,110,600	15,400	1.4
Agriculture, Trade, and Consumer Protection,	30,726,200	28,172,300	-2,553,900	-8.3
Arts Board	2,478,900	2,434,900	-44,000	-1.8
Building Commission	46,581,600	29,575,300	-17,006,300	-36.5
Child Abuse and Neglect Prevention	1,131,100	1,110,500	-20,600	-1.8
Children and Families, Dept.	314,330,000	332,581,800	18,251,800	5.8
Circuit Courts	91,612,200	95,154,200	3,542,000	3.9
Commerce, Dept.	25,194,900	25,265,900	71,000	0.3
Corrections, Dept.	1,100,214,200	1,145,222,500	45,008,300	4.1
Court of Appeals	9,843,000	10,162,000	319,000	3.2
District Attorneys	44,226,500	42,200,000	-2,026,500	-4.6
Educational Communications Board	8,034,400	7,979,200	-55,200	-0.7
Employee Trust Funds, Dept.	1,062,900	842,200	-220,700	-20.8
Employment Relations Commission	2,647,900	2,611,600	-36,300	-1.4
Environmental Improvement Program	49,400,300	46,544,200	-2,856,100	-5.8
Financial Institutions, Dept.	0	0	0	0.0
Fox River Navigational System Authority	0	0	0	0.0
Government Accountability Bd.	2,627,200	2,563,500	-63,700	-2.4
Governor's Office	4,122,300	4,027,000	-95,300	-2.3
Health and Educational Facilities Authority	0	0	0	0.0
Health Services, Dept.	2,289,358,000	1,881,640,300	-407,717,700	-17.8
Higher Educational Aids Board	127,232,500	110,573,900	-16,658,600	-13.1
Historical Society	14,935,700	13,869,200	-1,066,500	-7.1
Insurance, Commissioner	0	0	0	0.0
Investment Board	0	0	0	0.0
Judicial Commission	243,500	236,600	-6,900	-2.8
Judicial Council	112,900	123,400	10,500	9.3
Justice, Dept.	42,016,200	41,936,900	-79,300	-0.2
Legislature	71,178,200	72,575,900	1,397,700	2.0
Lieutenant Governor	417,200	386,100	-31,100	-7.5
Lower Fox River Remediation Authority	0	0	0	0.0
Lower WI State Riverway Board	0	0	0	0.0
Medical College of Wisconsin	7,117,100	7,352,200	235,100	3.3
Military Affairs, Dept.	21,121,300	22,217,900	1,096,600	5.2
Miscellaneous Appropriations	152,733,800	161,824,700	9,090,900	6.0
Natural Resources, Dept.	154,319,400	139,320,800	-14,998,600	-9.7
Office of State Employment Relations	5,350,900	0	-5,350,900	-100.0
People with Developmental Disabilities, Bd.	15,000	20,600	5,600	37.3
Program Supplements	17,571,400	6,706,100	-10,865,300	-61.8
Public Defender Board	80,053,200	79,418,900	-634,300	-0.8
Public Instruction, Dept.	5,628,378,200	5,325,646,900	-302,731,300	-5.4
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.	93,460,500	90,876,200	-2,584,300	-2.8
Secretary of State	0	0	0	0.0
Shared Revenue and Tax Relief	1,962,654,700	2,161,398,300	198,743,600	10.1
State Fair Park Board	2,299,200	2,488,500	189,300	8.2
Supreme Court	14,285,600	14,842,100	556,500	3.9
Technical College System	143,240,300	141,309,600	-1,930,700	-1.3
Tourism, Dept.	3,645,400	3,097,600	-547,800	-15.0
Transportation, Dept.	67,750,300	73,342,800	5,592,500	8.3
Treasurer, State	0	0	0	0.0
UW Hospitals & Clinics Board	0	0	0	0.0
UW System	1,149,369,200	1,149,437,900	68,700	0.0
Veterans Affairs, Dept.	2,368,100	2,392,200	24,100	1.0
WHEDA	0	0	0	0.0
Workforce Development, Dept.	26,482,100	24,384,600	-2,097,500	-7.9
TOTALS	14,199,222,000	13,701,959,000	-497,263,000	-3.5

APPENDIX 4
Summary of GPR Appropriations
Governor's Recommendations – FY11

	<u>FY 10</u> <u>Recommended</u>	<u>FY 11</u> <u>Recommended</u>	<u>Change From</u> <u>FY 10 (Amt)</u>	<u>Change</u> <u>Percent</u>
Administration, Dept.	396,981,100	406,344,400	9,363,300	2.4
Aging and Long-Term Care, Board	1,110,600	1,110,600	0	0.0
Agriculture, Trade, and Consumer	28,172,300	29,279,200	1,106,900	3.9
Arts Board	2,434,900	2,434,900	0	0.0
Building Commission	29,575,300	50,263,500	20,688,200	70.0
Child Abuse and Neglect Prevention	1,110,500	1,110,500	0	0.0
Children and Families, Dept.	332,581,800	327,730,000	-4,851,800	-1.5
Circuit Courts	95,154,200	95,558,900	404,700	0.4
Commerce, Dept.	25,265,900	25,223,000	-42,900	-0.2
Corrections, Dept.	1,145,222,500	1,155,087,800	9,865,300	0.9
Court of Appeals	10,162,000	10,162,000	0	0.0
District Attorneys	42,200,000	42,200,000	0	0.0
Educational Communications Board	7,979,200	8,090,900	111,700	1.4
Employee Trust Funds, Dept.	842,200	670,500	-171,700	-20.4
Employment Relations Commission	2,611,600	2,806,600	195,000	7.5
Environmental Improvement Program	46,544,200	54,215,000	7,670,800	16.5
Financial Institutions, Dept.	0	0	0	0.0
Fox River Navigational System Authority	0	0	0	0.0
Government Accountability Bd.	2,563,500	2,562,700	-800	0.0
Governor's Office	4,027,000	4,027,000	0	0.0
Health and Educational Facilities Authority	0	0	0	0.0
Health Services, Dept.	1,881,640,300	2,189,391,400	307,751,100	16.4
Higher Educational Aids Board	110,573,900	169,945,600	59,371,700	53.7
Historical Society	13,869,200	14,518,900	649,700	4.7
Insurance, Commissioner	0	0	0	0.0
Investment Board	0	0	0	0.0
Judicial Commission	236,600	236,600	0	0.0
Judicial Council	123,400	123,400	0	0.0
Justice, Dept.	41,936,900	41,959,000	22,100	0.1
Legislature	72,575,900	72,569,900	-6,000	0.0
Lieutenant Governor	386,100	386,100	0	0.0
Lower Fox River Remediation Authority	0	0	0	0.0
Lower WI State Riverway Board	0	0	0	0.0
Medical College of Wisconsin	7,352,200	7,441,500	89,300	1.2
Military Affairs, Dept.	22,217,900	22,362,300	144,400	0.6
Miscellaneous Appropriations	161,824,700	171,527,900	9,703,200	6.0
Natural Resources, Dept.	139,320,800	122,858,900	-16,461,900	-11.8
Office of State Employment Relations	0	0	0	0.0
People with Developmental Disabilities, Bd.	20,600	20,600	0	0.0
Program Supplements	6,706,100	7,219,300	513,200	7.7
Public Defender Board	79,418,900	78,690,800	-728,100	-0.9
Public Instruction, Dept.	5,325,646,900	5,419,846,100	94,199,200	1.8
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.	90,876,200	90,919,400	43,200	0.0
Secretary of State	0	0	0	0.0
Shared Revenue and Tax Relief	2,161,398,300	2,140,198,500	-21,199,800	-1.0
State Fair Park Board	2,488,500	2,511,900	23,400	0.9
Supreme Court	14,842,100	14,842,100	0	0.0
Technical College System	141,309,600	141,309,600	0	0.0
Tourism, Dept.	3,097,600	2,971,200	-126,400	-4.1
Transportation, Dept.	73,342,800	75,283,900	1,941,100	2.6
Treasurer, State	0	0	0	0.0
UW Hospitals & Clinics Board	0	0	0	0.0
UW System	1,149,437,900	1,197,325,300	47,887,400	4.2
Veterans Affairs, Dept.	2,392,200	2,380,000	-12,200	-0.5
WHEDA	0	0	0	0.0
Workforce Development, Dept.	24,384,600	24,539,500	154,900	0.6
TOTALS	13,701,959,000	14,230,257,200	528,298,200	3.9

APPENDIX 5
Summary of All Funds Positions
Governor's Recommendations – FY 10

	<u>FY09 Base</u>	<u>FY 10 Recommended</u>	<u>Change From Base (FTE)</u>
Administration, Dept.	1,032.68	991.38	-41.3
Aging and Long-Term Care, Board	34.00	35.00	1.0
Agriculture, Trade, and Consumer Protection,	582.37	573.87	-8.5
Arts Board	10.00	10.00	0.0
Building Commission	0.00	0.00	0.0
Child Abuse and Neglect Prevention	7.00	7.00	0.0
Children and Families, Dept.	635.89	638.21	2.3
Circuit Courts	521.00	525.00	4.0
Commerce, Dept.	394.70	388.60	-6.1
Corrections, Dept.	10,394.87	10,494.12	99.3
Court of Appeals	75.50	75.50	0.0
District Attorneys	425.90	422.65	-3.3
Educational Communications Board	62.18	62.18	0.0
Employee Trust Funds, Dept.	220.80	218.70	-2.1
Employment Relations Commission	24.00	24.00	0.0
Environmental Improvement Program	0.00	0.00	0.0
Financial Institutions, Dept.	139.04	135.54	-3.5
Fox River Navigational System Authority	0.00	0.00	0.0
Government Accountability Bd.	17.75	17.75	0.0
Governor's Office	37.25	37.25	0.0
Health and Educational Facilities Authority	0.00	0.00	0.0
Health Services, Dept.	5,510.88	5,534.01	23.1
Higher Educational Aids Board	10.50	10.50	0.0
Historical Society	143.54	143.54	0.0
Insurance, Commissioner	133.00	136.00	3.0
Investment Board	113.50	113.50	0.0
Judicial Commission	2.00	2.00	0.0
Judicial Council	1.00	1.00	0.0
Justice, Dept.	578.99	586.99	8.0
Legislature	777.97	777.97	0.0
Lieutenant Governor	4.00	4.00	0.0
Lower Fox River Remediation Authority	0.00	0.00	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.	432.11	429.11	-3.0
Miscellaneous Appropriations	0.00	0.00	0.0
Natural Resources, Dept.	2,745.53	2,663.07	-82.5
Office of State Employment Relations	55.50	55.50	0.0
People with Developmental Disabilities, Bd.	7.75	7.75	0.0
Program Supplements	0.00	0.00	0.0
Public Defender Board	535.45	535.45	0.0
Public Instruction, Dept.	631.50	630.50	-1.0
Public Lands	8.50	8.50	0.0
Public Service Commission	162.00	185.80	23.8
Regulation and Licensing, Dept.	114.32	127.82	13.5
Revenue, Dept.	1,119.83	1,084.43	-35.4
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	222.75	221.75	-1.0
Technical College System	82.30	82.30	0.0
Tourism, Dept.	41.40	33.45	-8.0
Transportation, Dept.	3,448.78	3,429.78	-19.0
Treasurer, State	14.70	10.70	-4.0
UW Hospitals & Clinics Board	2,639.11	2,639.11	0.0
UW System	32,282.70	32,282.70	0.0
Veterans Affairs, Dept.	1,107.90	1,113.10	5.2
WHEDA	0.00	0.00	0.0
Workforce Development, Dept.	<u>1,665.64</u>	<u>1,645.59</u>	<u>-20.1</u>
TOTALS	69,246.98	69,191.57	-55.4

APPENDIX 6
Summary of All Funds Positions
Governor's Recommendations – FY 11

	<u>FY 10</u> <u>Recommended</u>	<u>FY 11</u> <u>Recommended</u>	<u>Change From</u> <u>FY 10 (FTE)</u>
Administration, Dept.	991.38	988.38	-3.0
Aging and Long-Term Care, Board	35.00	35.00	0.0
Agriculture, Trade, and Consumer Protection,	573.87	573.87	0.0
Arts Board	10.00	10.00	0.0
Building Commission	0.00	0.00	0.0
Child Abuse and Neglect Prevention	7.00	7.00	0.0
Children and Families, Dept.	638.21	637.21	-1.0
Circuit Courts	525.00	527.00	2.0
Commerce, Dept.	388.60	388.60	0.0
Corrections, Dept.	10,494.12	10,582.37	88.3
Court of Appeals	75.50	75.50	0.0
District Attorneys	422.65	422.65	0.0
Educational Communications Board	62.18	62.18	0.0
Employee Trust Funds, Dept.	218.70	224.70	6.0
Employment Relations Commission	24.00	26.00	2.0
Environmental Improvement Program	0.00	0.00	0.0
Financial Institutions, Dept.	135.54	135.54	0.0
Fox River Navigational System Authority	0.00	0.00	0.0
Government Accountability Bd.	17.75	17.75	0.0
Governor's Office	37.25	37.25	0.0
Health and Educational Facilities Authority	0.00	0.00	0.0
Health Services, Dept.	5,534.01	5,336.21	-197.8
Higher Educational Aids Board	10.50	10.50	0.0
Historical Society	143.54	142.54	-1.0
Insurance, Commissioner	136.00	136.00	0.0
Investment Board	113.50	113.50	0.0
Judicial Commission	2.00	2.00	0.0
Judicial Council	1.00	1.00	0.0
Justice, Dept.	586.99	586.99	0.0
Legislature	777.97	777.97	0.0
Lieutenant Governor	4.00	4.00	0.0
Lower Fox River Remediation Authority	0.00	0.00	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.	429.11	417.36	-11.8
Miscellaneous Appropriations	0.00	0.00	0.0
Natural Resources, Dept.	2,663.07	2,660.07	-3.0
Office of State Employment Relations	55.50	55.50	0.0
People with Developmental Disabilities, Bd.	7.75	7.75	0.0
Program Supplements	0.00	0.00	0.0
Public Defender Board	535.45	535.45	0.0
Public Instruction, Dept.	630.50	630.50	0.0
Public Lands	8.50	8.50	0.0
Public Service Commission	185.80	185.80	0.0
Regulation and Licensing, Dept.	127.82	127.82	0.0
Revenue, Dept.	1,084.43	1,084.43	0.0
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	221.75	220.75	-1.0
Technical College System	82.30	82.30	0.0
Tourism, Dept.	33.45	33.45	0.0
Transportation, Dept.	3,429.78	3,414.48	-15.3
Treasurer, State	10.70	10.70	0.0
UW Hospitals & Clinics Board	2,639.11	2,639.11	0.0
UW System	32,282.70	32,282.70	0.0
Veterans Affairs, Dept.	1,113.10	1,113.10	0.0
WHEDA	0.00	0.00	0.0
Workforce Development, Dept.	<u>1,645.59</u>	<u>1,627.59</u>	<u>-18.0</u>
TOTALS	69,191.57	69,037.97	-153.6

APPENDIX 7
Summary of GPR Positions
Governor's Recommendations – FY10

	<u>FY 09 Base</u>	<u>FY 10 Recommended</u>	<u>Change From Base (FTE)</u>
Administration, Dept.	91.86	89.46	-2.4
Aging and Long-Term Care, Board	15.53	15.53	0.0
Agriculture, Trade, and Consumer	222.40	205.50	-16.9
Arts Board	4.00	4.00	0.0
Building Commission	0.00	0.00	0.0
Child Abuse and Neglect Prevention	1.00	1.00	0.0
Children and Families, Dept.	172.60	212.85	40.3
Circuit Courts	521.00	525.00	4.0
Commerce, Dept.	61.80	57.40	-4.4
Corrections, Dept.	9,494.22	9,599.97	105.8
Court of Appeals	75.50	75.50	0.0
District Attorneys	380.90	380.90	0.0
Educational Communications Board	37.44	37.44	0.0
Employee Trust Funds, Dept.	0.00	0.00	0.0
Employment Relations Commission	19.00	19.00	0.0
Environmental Improvement Program	0.00	0.00	0.0
Financial Institutions, Dept.	0.00	0.00	0.0
Fox River Navigational System Authority	0.00	0.00	0.0
Government Accountability Bd.	14.30	14.30	0.0
Governor's Office	37.25	37.25	0.0
Health and Educational Facilities Authority	0.00	0.00	0.0
Health Services, Dept.	2,109.39	2,097.38	-12.0
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
Judicial Council	1.00	1.00	0.0
Justice, Dept.	358.08	360.08	2.0
Legislature	758.17	758.17	0.0
Lieutenant Governor	4.00	4.00	0.0
Lower Fox River Remediation Authority	0.00	0.00	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	288.95	-7.9
Office of State Employment Relations	50.00	0.00	-50.0
People with Developmental Disabilities, Bd.	0.00	0.00	0.0
Program Supplements	0.00	0.00	0.0
Public Defender Board	530.45	530.45	0.0
Public Instruction, Dept.	261.46	261.46	0.0
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.	896.38	863.73	-32.7
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	30.45	-8.0
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	18,454.93	18,454.93	0.0
Veterans Affairs, Dept.	0.00	0.00	0.0
WHEDA	0.00	0.00	0.0
Workforce Development, Dept.	<u>145.62</u>	<u>129.73</u>	<u>-15.9</u>
TOTALS	35,406.75	35,408.65	1.9

APPENDIX 8
Summary of GPR Positions
Governor's Recommendations – FY11

	<u>FY 10</u> <u>Recommended</u>	<u>FY 11</u> <u>Recommended</u>	<u>Change From</u> <u>FY 10 (FTE)</u>
Administration, Dept.	89.46	89.46	0.0
Aging and Long-Term Care, Board	15.53	15.53	0.0
Agriculture, Trade, and Consumer Protection,	205.50	205.50	0.0
Arts Board	4.00	4.00	0.0
Building Commission	0.00	0.00	0.0
Child Abuse and Neglect Prevention	1.00	1.00	0.0
Children and Families, Dept.	212.85	212.85	0.0
Circuit Courts	525.00	527.00	2.0
Commerce, Dept.	57.40	57.40	0.0
Corrections, Dept.	9,599.97	9,689.22	89.3
Court of Appeals	75.50	75.50	0.0
District Attorneys	380.90	380.90	0.0
Educational Communications Board	37.44	37.44	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
Financial Institutions, Dept.	0.00	0.00	0.0
Fox River Navigational System Authority	0.00	0.00	0.0
Government Accountability Bd.	14.30	14.30	0.0
Governor's Office	37.25	37.25	0.0
Health and Educational Facilities Authority	0.00	0.00	0.0
Health Services, Dept.	2,097.38	2,210.38	113.0
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
Judicial Council	1.00	1.00	0.0
Justice, Dept.	360.08	360.08	0.0
Legislature	758.17	758.17	0.0
Lieutenant Governor	4.00	4.00	0.0
Lower Fox River Remediation Authority	0.00	0.00	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.	288.95	288.95	0.0
Office of State Employment Relations	0.00	0.00	0.0
People with Developmental Disabilities, Bd.	0.00	0.00	0.0
Program Supplements	0.00	0.00	0.0
Public Defender Board	530.45	530.45	0.0
Public Instruction, Dept.	261.46	261.46	0.0
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.	863.73	863.73	0.0
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	115.50	115.50	0.0
Technical College System	30.25	30.25	0.0
Tourism, Dept.	30.45	30.45	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	18,454.93	18,454.93	0.0
Veterans Affairs, Dept.	0.00	0.00	0.0
WHEDA	0.00	0.00	0.0
Workforce Development, Dept.	<u>129.73</u>	<u>129.73</u>	<u>0.0</u>
TOTALS	35,408.65	35,614.90	206.3

ABOUT THE BUDGET DOCUMENTS

The 2009-11 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 2007-08.

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

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

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