



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

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March 31, 2011

The Honorable Alberta Darling, Co-chair
Joint Committee on Finance
317 East, State Capitol
Madison, WI 53702

The Honorable Robin Vos, Co-chair
Joint Committee on Finance
309 East, State Capitol
Madison, WI 53702

Dear Senator Darling and Representative Vos:

As with every biennial budget process, modifications to correct errors or better reflect the Governor's intent in preparing the budget are required. The Governor would like to have the conceptual changes outlined below added to or modified in 2011 Assembly Bill 40 / Senate Bill 27, the 2011-13 biennial budget bill. The net result of these changes will increase the general fund balance by \$6.2 million in fiscal year 2011-12 and decrease the general fund balance by \$3.7 million in fiscal year 2012-13. The biennial general fund effect of these items is a net increase of \$2.5 million.

1. GPR-Earned Reestimates

The fund condition understated Departmental Revenues, or GPR-Earned, by \$8,001,700 in fiscal year 2011-12 and \$7,739,900 in fiscal year 2012-13. The largest component of these reestimates (\$7,200,000 in each year) is the revenue projected to be collected related to the driver license reinstatement fee and the increase to the criminal action fee that were included in 2009 Wisconsin Act 100. In addition, the amounts of GPR-Earned for the Secretary of State, State Public Defender, Department of Workforce Development and tribal gaming were incorrectly calculated. Further, additional unappropriated program revenue related to the employee compensation reductions, elimination of long-term vacancies and 10 percent across-the-board reductions can be realized as GPR-Earned with modifications to the schedule under section 9255 of the bill.

2. Budget Reductions

The bill includes reductions to appropriations associated with 10 percent cuts to nonsalary and fringe benefit budgets, elimination of long-term vacancies and other budget efficiency measures. The bill should be amended to address the following file maintenance and nonstatutory language errors:

- a. Restore \$222,800 GPR to the appropriation for the Well Woman program in the Department of Health Services under s. 20.435(1)(cb).
- b. Restore \$52,500 GPR to the sum sufficient appropriation for special death benefits in the Department of Workforce Development under s. 20.445(1)(a).
- c. Restore \$12,100 PR to the appropriation for the Stray Voltage Program in the Public Service Commission under s. 20.155(1)(L).
- d. Redistribute \$631,400 GPR reductions per year from the Divisions of Vocational Rehabilitation and Equal Rights to Employment and Training within the Department of Workforce Development in order to meet federal maintenance of effort levels.
- e. Change the reduction in long-term vacant full-time equivalent positions in the Wisconsin Historical Society from 17.0 FTE positions to 11.5 FTE positions.
- f. Restore 1.0 FTE PR position to the Wisconsin Historical Society appropriation under s. 20.245(1)(h).
- g. Restore 0.13 FTE PR position to the Department of Public Instruction related to long-term vacancies.
- h. Restore 3.77 FTE positions and \$210,900 annually to the Department of Workforce Development related to long-term vacancies.
- i. Eliminate 0.35 FTE FED positions in the Department of Children and Families related to long-term vacancies.
- j. Replace 18.6 FTE long-term vacant positions to be eliminated in the Department of Workforce Development and 5.0 FTE long-term vacant positions in the Department of Revenue with different positions.
- k. Eliminate \$102,700 PR-S annually from the appropriation for interagency projects; state operations to the Wisconsin Technical College System Board under s. 20.292(1)(kb).

1. Restore 2.2 FTE SEG positions to the Department of Transportation related to electronic processing of certain motor vehicle and driver related transactions handled by the Division of Motor Vehicles. These process changes will reduce workload and position needs in fiscal year 2012-13 by 10.8 FTE positions, rather than the 13.0 FTE positions eliminated in the Governor's budget recommendations.

3. University of Wisconsin-Madison Authority

The proposed budget and statutory structure for the UW-Madison Authority requires a number of changes to correct errors and appropriately reflect the Governor's intent. The changes identified are listed below. Additional modifications may be necessary and will be forwarded to the Committee during its executive sessions on the budget.

- a. Standard Budget Adjustments. Provide \$10,558,800 GPR annually to fully fund standard budget adjustments.
- b. Fuel and Utility Costs. Provide \$16,910,900 GPR in fiscal year 2011-12 and \$14,992,400 in fiscal year 2012-13 to fully fund estimated fuel and utility costs.
- c. Allocation of Systemwide Contingency and Reserve Funds. Provide \$11,916,500 GPR annually to reflect UW-Madison's share of systemwide contingency and reserve funds.
- d. UW-Extension Funding. Delete \$17,462,100 GPR annually to reflect the retention of UW-Extension funding in the UW System budget.
- e. Health Care Provider Loan Assistance Program. Transfer all responsibilities related to the health care provider loan assistance program to UW-Madison.
- f. State Geologist. Retain responsibility for appointing the State Geologist with the UW System Board of Regents.
- g. State Soils Laboratory. Transfer responsibility for the State Soils Laboratory to the UW-Madison.
- h. La Follette School of Public Affairs. Reference the "Robert M. La Follette School of Public Affairs" in proposed Chapter 37, rather than "Robert M. La Follette Institute of Public Affairs."

- i. Humane Use of Dogs for Scientific and Educational Purposes. Delete a reference to the UW-Madison under s. 174.13(2) related to the humane use of dogs for scientific and educational purposes. This provision was included in the bill because s. 174.13(2) applies to the UW System under current law. UW-Madison does not utilize s. 174.13(2) in its research activities.
- j. Purchase or Sale of Telecommunication Services. Include restrictions related to telecommunication services that currently apply to UW System under the UW-Madison Authority provisions.
- k. Fleet Management. Retain Department of Administration oversight of management and maintenance activities of UW-Madison Authority's fleet consistent with procurement policies, including the acquisition of fleet vehicles.

4. University of Wisconsin System

The budget should be amended to address the following items related to the UW System:

- a. Delete \$1,834,900 GPR in fiscal year 2011-12 and \$2,319,800 GPR in fiscal year 2012-13 related to fuel and utility costs.
- b. Delete \$11,916,500 GPR annually to reflect UW-Madison's share of systemwide contingency and reserve funds.
- c. Provide \$17,462,100 GPR and 281.79 FTE GPR positions; \$3,915,300 PR and 3.0 FTE PR positions; and \$946,000 FED and 11.40 FTE FED positions annually to reflect the retention of UW-Extension funding in the UW System budget.
- d. Delete \$1 million GPR annually related to the WiSys Technology Foundation Grant program. The entire grant was expended in fiscal year 2010-11.
- e. Prohibit UW System from supplanting the proposed GPR reduction to the UW System Administration appropriation with academic fee or auxiliaries revenue.
- f. Delete \$1.9 million PR-S annually related to UW System academic fee increase grant funding. This program was repealed on June 30, 2011.

5. Higher Educational Aids Board – Tuition Reciprocity Program

The Higher Educational Aids Board and the State of Minnesota have mutually agreed to end the Wisconsin Reciprocity Supplement Program beginning in fiscal year 2011-12, contingent upon approval by the Joint Committee on Finance. Under the supplement program, Wisconsin subsidizes the cost of attendance for Wisconsin students enrolled at Minnesota campuses by paying the difference between the Wisconsin reciprocity rate and the Minnesota campus tuition. This change, along with a change to the Minnesota tuition and fee calculation, would result in an estimated general fund benefit of \$12 million annually.

6. Department of Public Instruction

The budget should be amended to address the following items related to the Department of Public Instruction:

- a. School District Revenue Limit Carryover Provision. The bill inadvertently repeals the current law provision allowing school districts to carryover unused revenue limit authority from a prior year. This was not the Governor's intent and the bill should be amended to retain current law.
- b. Revenue Limit Calculation for Newly Created School Districts. The budget should be amended to ensure an appropriate revenue limit calculation for newly created school districts.
- c. Teacher Residency Requirement. The budget prohibits school districts from implementing a requirement that teachers must reside in the school district as a condition of employment by the district. The bill should have included Milwaukee Public Schools under this prohibition.
- d. Student Information System. The budget provides funding to create a statewide student information system. The bill should include a provision requiring school districts to implement the system once it is operational.
- e. Milwaukee Parental Choice Program – Pupil Eligibility. The budget repeals family income eligibility limits for the choice program. The bill needs to be amended to clarify that the current law family income limits do not apply if the pupil did not attend a school during the 2010-11 school year that is participating in the program in the 2011-12 school year or did not attend a school during the prior school year that first participates in the program in any subsequent school year. In addition, amend the bill so that the income limits do not apply to any pupil who participated in the choice program in the 2010-11 school year.

- f. Milwaukee Parental Choice Program – Testing Requirement. The budget repeals the requirement that choice schools administer the Wisconsin Knowledge and Concept Examination (WKCE) tests. Instead, the choice schools must use any nationally normed test. The bill needs to be amended to delete all language requiring choice schools use the WKCE tests.

7. Department of Children and Families

The budget should be amended to address the following items related to the Department of Children and Families:

- a. Random Moment Sampling Variance. The Legislative Audit Bureau recently identified an accumulated balance of revenues in the Department of Children and Families related to audits of county contracts for Wisconsin Works and Wisconsin Shares activities. These "random moment sampling" audits compare actual administrative time with funding levels included in county contracts. Through June 30, 2010, \$8.4 million of unspent revenues have accumulated due to these audits. This compares with a \$2.3 million balance on June 30, 2005. The unaudited balance through January 2011 is \$12 million. In light of this program balance and the fact that the Governor's budget includes a balance in W-2 and TANF related revenues and expenditures of approximately \$27 million at the end of fiscal year 2012-13, the budget bill should be amended to lapse \$12 million from the Department of Children and Families to the general fund.
- b. Brighter Futures Funding. The budget transfers 50 percent (\$865,000 GPR) of funding related to the Brighter Futures program from the Department of Children and Families (DCF) to the Department of Health Services (DHS) in order to comply with a federal maintenance of effort claiming requirement. The intent of the transfer was that DCF would continue to administer the program after DHS made the federal claim. However, the DCF GPR appropriation was inadvertently deleted and should be restored. The bill should be amended to restore \$865,000 GPR annually to DCF for the Brighter Futures program.
- c. Children and Families Services Basic County Allocation. The budget provides an appropriation for children and family services. The bill should be amended to reflect the accurate funding level under s. 48.569(1)(d) of \$66,475,600 annually.

8. Departments of Regulation and Licensing / Safety and Professional Services

The budget should be amended to address the following items related to the Departments of Regulation and Licensing (DRL) / Safety and Professional Services (DSPS):

- a. Administrative Rules. The budget transfers responsibilities for the following rules from the Department of Agriculture, Trade and Consumer Protection (DATCP) to the new DSPS:

ATCP 110 – Home Improvement Practices
ATCP 111 – Basement Waterproofing Practices
ATCP 114 – Real Estate Advertising
ATCP 125 – Rental of Mobile Home Sites
ATCP 134 – Residential Rental Practices

These programs were inadvertently included in the budget and should be removed from the bill and retained at DATCP.

- b. Program Responsibility. Transfer the manufactured housing recycling and rehabilitation program and fees under s. 560.285 to DSPS and modify the safety and buildings operation appropriation under s. 20.165(2)(j) to collect the related fees. As a result, \$59,100 PR-S should be transferred from the Wisconsin Economic Development Corporation (WEDC) to DSPS.
- c. Position Transfers. The budget transfers positions from the Department of Commerce to the new DSPS. Two FTE SEG positions related to petroleum inspection activities and 3.0 FTE GPR positions related to minority, disabled veteran and women-owned business support activities should not have been transferred. As such, the bill should be amended to delete 2.0 FTE SEG positions and \$194,000 SEG annually and 3.0 FTE GPR positions and \$324,000 GPR from DRL/DSPS. The GPR appropriation to WEDC should be increased by \$324,000 GPR to reflect the Governor's intent of retaining minority, disabled veteran and women-owned business support activities in WEDC. The budget should also be amended to transfer 1.0 FTE GPR position and \$74,600 GPR from WEDC to DSPS that administers the grant application process for sewage system repair and replacement.
- d. Project Positions. The budget duplicates 2.0 FTE PR project positions related to Department of Regulation and Licensing programs. The bill should be amended to delete 2.0 FTE PR positions and \$114,000 PR annually.

- e. Thermal System Insulation Council. The budget repeals regulation of thermal system insulation mechanics. The bill should be amended to also repeal the Thermal System Insulation Council.

9. Department of Commerce / Wisconsin Economic Development Corporation

The budget eliminates the Department of Commerce and transfers certain responsibilities to other agencies. The bill should be amended to address the following:

- a. Small Business Clean Air Compliance Assistance Program. Transfer 2.0 FTE PR-S positions and \$237,200 PR-S related to the clean air compliance program from the Department of Commerce to the UW-Extension. The clean air compliance program assists small businesses with federal clean air act compliance issues. Federal law requires each state to have such a program and UW-Extension currently works with the clean air compliance program and small businesses through its solid and hazardous waste education center. Funding for the clean air compliance program is provided by the Department of Natural Resources.
- b. Small Business Innovative Research. Repeal the Small Business Innovative Research assistance grant program under s. 560.45. The funding for this program (\$510,500 PR per year) was inadvertently moved to the Department of Safety and Professional Services (DSPA) rather than remaining at the Wisconsin Economic Development Corporation (WEDC).

10. Department of Transportation – Definition and Effective Date of a Major Highway Project

The budget modifies the definition of major highway project to create two separate sets of criteria that would qualify highway projects as major highway projects. The effective date of this provision needs to be amended to provide DOT with the authority to determine whether projects that have already had preliminary engineering work completed can be considered as a major highway project. The bill also needs to be amended to clarify that any project that meets the capacity expansion requirements must be considered through the traditional Transportation Projects Commission process for enumerating highway projects.

11. Department of Natural Resources

- a. Phosphorus Effluent Limitations. The budget prohibits the Department of Natural Resources from promulgating or enforcing any rule establishing an effluent limitation for the discharge of phosphorus if that limitation is more stringent than the limitation for discharge of phosphorus established by Illinois, Indiana, Michigan, Minnesota or Ohio. The bill needs to be modified to remove reference to standards in other states and should instead delay the effective date of the phosphorus numeric water quality standards.
- b. Stormwater Standards. The budget repeals and recreates the municipal separate storm sewer systems stormwater standard that requires communities to reduce total suspended solids by 40 percent by 2013. The bill should be modified to repeal the 40 percent standard.

12. Department of Revenue

- a. Angel Investment Tax Credits. The bill includes a provision expanding angel investment tax credits to tax-option corporations. However, only nonoperating entities may claim the credit. Tax-option corporations are operating entities. As such, they cannot claim the credit. Therefore, the bill needs to be amended to remove this provision.
- b. Controlled Group Elections under Corporate Income Tax. The budget includes modification to current law related to combined group elections under the corporate income tax. The language should be amended to repeal the authority of the Department of Revenue to disregard controlled group elections.
- c. Capital Gains Deferral for Investments in Wisconsin Businesses. The budget includes a capital gains tax deferral for any investments made in Wisconsin-based businesses after December 31, 2010, and a tax exemption for qualifying gains realized from the sale of an investment in a Wisconsin-based business that was made after December 31, 2010, and held for at least five years. The bill as drafted may inadvertently prevent investors from realizing the full impact of these provisions due to some uncertainty whether any and all gain associated with the deferred investment would be disqualified from the exemption. The bill should be amended to only disqualify the deferred amount from the tax exemption, not any subsequent gain.

13. Department of Veterans Affairs – King Home Master Lease Payments

The budget provides funding to continue master lease payments for certain equipment at the Wisconsin Veterans Home at King. The bill should be amended to reduce the master lease funding by \$114,000 PR to accurately reflect annual master lease payments.

14. Office of Commissioner of Insurance – Medigap Hotline

The budget provides funding for the Medigap Hotline program. The bill should be amended to increase the appropriation under s. 20.145(1)(g) by \$147,400 PR to fully fund the program.

15. Dairy 2020 and Dairy Manufacturing Credit Program

The bill should be amended to create a \$200,000 GPR appropriation at the Department of Agriculture, Trade and Consumer Protection (DATCP) to reflect transfer of the Dairy 2020 grant program from the Department of Commerce to DATCP. The GPR appropriation to the Wisconsin Economic Development Corporation should be reduced by \$200,000 GPR to reflect this transfer.

16. Supplementing Newly Created Authorities for the Cost of Additional Biweekly Payroll in Fiscal Year 2011-12

The bill should be amended to allow newly created authorities to request and receive a supplement for GPR funded positions that were in existence as permanent state employees, including permanent project employees, prior to July 1, 2011. The provision would only apply to fiscal year 2011-12 supplements from the appropriation under s. 20.865(1)(e). Every 11 years, the state needs to adjust the budget to reflect the accrual mismatch caused by the difference between the length of the fiscal year and the timing of biweekly pay periods. The bill includes \$46 million GPR to address the cost of the resulting additional pay period in fiscal year 2011-12. This amount was calculated based on GPR position costs that included positions at the Department of Commerce and the University of Wisconsin-Madison.

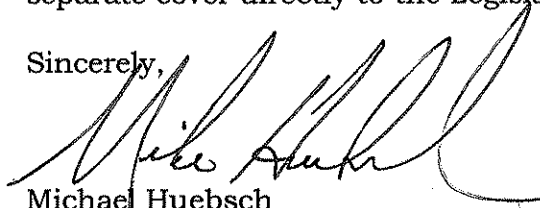
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17. Department of Tourism – Multicultural Activities Grants

The bill should be amended to reallocate \$50,000 GPR annually for grants to the America's Black Holocaust Museum under s. 41.11(6)(c), to instead be used for grants for multicultural activities in Milwaukee. The Black Holocaust Museum is no longer in operation and the funds should be reallocated to address higher priority multicultural tourism activities in Milwaukee.

We look forward to working with you as the Joint Committee on Finance reviews the Governor's budget bill. Additional items of a more technical nature will be sent under separate cover directly to the Legislative Fiscal Bureau.

Sincerely,



Michael Huebsch
Secretary

cc: Members, Joint Committee on Finance
Bob Lang, Legislative Fiscal Bureau