



Budget Adjustment Bill Does Not Actually Repair the Budget

The 2011 budget adjustment bill is unusual not only for the amount of opposition it has provoked, but also because the bill does not actually repair the budget. Usually the purpose of budget adjustment legislation is to cover shortfalls in appropriations or program costs that were not previously anticipated by the Legislature.

Table 1 summarizes the fiscal effects of the bill as signed, compared to earlier versions. Note that the starting point for the calculations doesn't include the additional costs anticipated this year in the Medical Assistance or Corrections budgets. The Governor's proposal and Joint Finance Committee version added funds to head off those shortfalls. However, because the Senate didn't have a quorum, the final version of the bill approved by the Conference Committee and signed by the Governor could not include any items that increase spending. As a result, the enacted bill (Act 10) does not address the shortfalls in the budgets for Medical Assistance or Corrections that spurred the need for budget adjustment legislation in the first place.

Table 1: Budget Adjustment Bill Effects on General Fund, Comparison of Versions

	<u>Governor's Proposal</u>	<u>Joint Finance Version</u>	<u>Signed By Governor</u>
Revenues			
Increase in Employee Benefit Contributions*	\$29,800,000	\$29,800,000	\$29,800,000
Reduction in Required Lapses	-\$79,000,000	-\$79,000,000	\$0
Total Revenues	-\$49,200,000	-\$49,200,000	\$29,800,000
Appropriations			
Medical Assistance (MA) Benefits	\$134,000,000	\$134,000,000	\$0
Moving up MA Benefits Funding for Add'l FED funds	0	\$42,700,000	\$0
Corrections**	\$21,537,900	\$21,537,900	\$0
MA Administration Contracts	\$16,000,000	\$16,000,000	\$0
MA Income Maintenance	\$2,500,000	\$2,500,000	\$0
MN/WI Income Tax Reciprocity	\$0	\$0	\$0
State Public Defender	\$0	\$0	\$0
Family Care Aging and Disability Resource Center	-\$3,100,000	-\$3,100,000	-\$3,100,000
Joint Finance OWI Supplemental Appropriation	-\$4,590,400	-\$4,590,400	-\$4,590,400
Using TANF Dollars to Supplant EITC Funding	-\$37,000,000	-\$37,000,000	\$0
Total Appropriations	\$129,347,500	\$172,047,500	-\$7,690,400
Debt Restructuring	\$165,000,000	\$165,000,000	\$0
Effect on General Fund Balance	-\$13,547,500	-\$56,247,500	\$37,490,400
Projected General Fund Ending Balance	\$107,815,300	\$65,115,300	\$158,853,200

* Combines revenues with lapses of employee benefit funds, ** Combines appropriation with reduced lapses for Corrections

The final bill includes three provisions that have fiscal effects on the state’s general fund in 2011:

- \$29.8 million in revenue realized by increasing state employee contributions to fringe benefit costs;
- \$4.6 million in savings achieved by eliminating the unused portion of a reserve that addresses new Operating While Intoxicated (OWI) legislation; and
- \$3.1 million in savings based on several Family Care aging and disability resource centers opening later in the year than originally planned.

Presumably the Legislature will need to revisit the issue and pass additional legislation to address the shortfalls in the 2011 budget that have not yet been resolved. The \$37.5 million in new revenue and savings that was achieved with the legislation signed by the Governor addresses only a small portion of the gap, identified by the Governor as \$137 million for the remainder of this fiscal year.

Non-Fiscal Policy

Although the stalemate on the bill could have been resolved by passing the fiscal measures, while putting aside for a month or two the non-fiscal measures at the heart of the controversy, the final bill does exactly the opposite. It includes a number of policy changes that do not directly address this year’s shortfall. Most of the non-fiscal items proposed by the Governor were included in Act 10 with either no changes or minor changes, as shown in Table 2. For a more complete description of non-fiscal policy changes in the budget adjustment bill, see the Wisconsin Budget Project publication, “[Non-Fiscal Proposals At Heart of Stalemate on Budget Adjustment Bill.](#)”

Table 2: Non-Fiscal Items In Bill Signed by Governor

<u>Non-fiscal item</u>	<u>Included?</u>	<u>Changes made to Joint Finance Version</u>
Changes to Medicaid that would give the Department of Health Services the ability to rewrite Medicaid policy with little or no input from the Legislature or the public	Mostly Yes	Approved, but the authority to use rule-making to supersede current statutes has to be done by regular rules, not the proposed emergency rules.
Restrictions on public employee collective bargaining rights	Yes	Small changes related to certification fees for elections.
Repeal of collective bargaining rights for UW System faculty and academic staff	Yes	No change
Eliminate collective bargaining for child care workers	Yes	No change
Eliminate collective bargaining for independent home care workers	Yes	No change
Replace classified positions with unclassified ones	Yes	No change
Transfer of career executive employees	Yes	No change
Allow striking public employees to be fired	Yes	No change
No-bid sale of state-owned power plants	Mostly no	Language specifically related to the sale or lease of power plants was deleted. The bill retained sections that would allow the state to make payments to the IRS so as to retain the tax exempt status of bonds issued to finance a state facility if the facility was later sold to a private entity.
Allow tax incremental finance districts to include wetlands that have been determined by state law to no longer be a wetland	Yes	No change