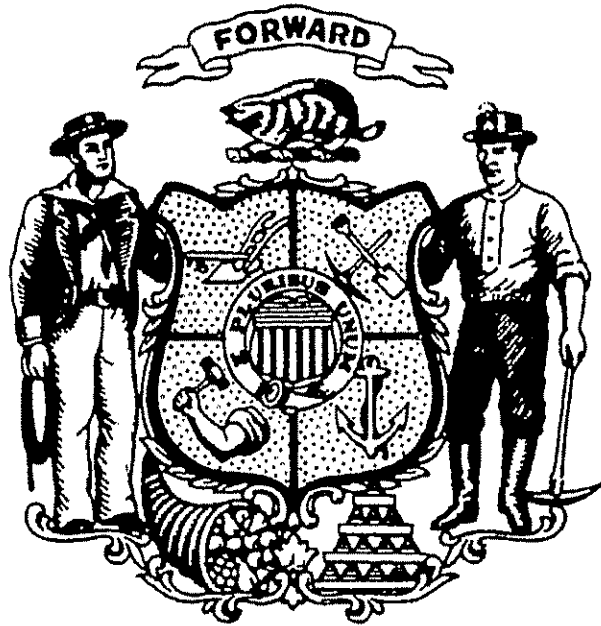


STATE OF WISCONSIN

BUDGET IN BRIEF

JIM DOYLE, GOVERNOR



FEBRUARY 2005

DIVISION OF
EXECUTIVE BUDGET AND FINANCE
DEPARTMENT OF ADMINISTRATION

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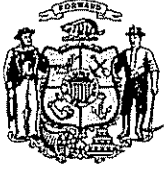
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Summary of Governor's Budget Initiatives

I. SUMMARY OF GOVERNOR'S BUDGET INITIATIVES

A. EDUCATION, WORKFORCE AND LOCAL GOVERNMENT



Property Tax Relief

- Provide \$700 million in increased school equalization aid and \$150 million in levy credits to freeze property taxes
- Implement new limits on municipalities and counties that require them to seek voter approval to increase property tax levies beyond the rate of inflation plus 60 percent of the percentage increase in property value due to new construction, calculated on a regional basis for municipalities.
- Provide \$380 million GPR over the biennium to maintain existing base level of funding for the shared revenue program.
- Allocate \$103 million annually beginning in fiscal year 2007-08 (calendar year 2007) to reward municipalities and counties that hold property tax increases below 85 percent of the allowable limits by reformulating the existing municipal expenditure restraint program and providing an additional \$45 million annually.
- To encourage growth and gain efficiencies, allow counties to enter into revenue sharing agreements with municipalities or other counties, and expand the scope of revenues permitted under local revenue-sharing agreements to include state payments and fees.
- Combine state aid, tax credit, levy limit, levy restraint incentives and new cooperation authority into an overall property tax relief package that:
 - Saves the typical homeowner \$336 over the biennium compared to property taxes in the absence of the Governor's initiatives
 - Limits growth in statewide property taxes to the rate of new construction.
 - Holds the overall statewide total property tax increase lower than in any of the last eight years (excluding lottery credits).
- Increase property tax relief in areas of the state with lower relative property values by distributing the \$150 million increase in the school levy credit on an equalized basis.
- Include a provision to "buy back" the additional school levy credit if 2005-07 state general fund revenues exceed budget projections.
- Provide \$11.5 million in additional state aid to local governments that host power plants and other utility property necessary for economic growth
- Require school districts to provide greater public accountability for the fund balances they maintain and require school boards to vote on maintaining fund balances in excess of 90 percent of the state average

KidsFirst

- Implement a child care quality rating system to evaluate child care providers on indicators related to the quality of child care programming
- Implement a tiered reimbursement system under the Wisconsin Shares child care subsidy program to reward child care providers who provide higher quality child care and reallocate funding to support child care quality improvement activities.
- Encourage more school districts to implement school breakfast programs by providing a 50 percent increase in the state's reimbursement rate for school breakfasts.
- Provide \$3 million in fiscal year 2006-07 to assist school districts with the initial costs of starting up four-year-old kindergarten programs.
- Provide \$1.5 million in fiscal year 2006-07 to support the Family Foundations universal visiting program for all first-time parents, with a targeted program for first-time parents eligible for Medical Assistance. Parents will be offered information about community resources, child health services, immunizations, infant care, child development and safety
- Reduce costs in the Wisconsin Works (W-2) program by \$2.3 million by extending the length of time that parents of infants may stay home with their newborn children from 12 to 26 weeks
- Provide cash assistance to unmarried, pregnant women with no other custodial children and who are participating in the Wisconsin Works (W-2) program, in the third trimester of a medically verified, at-risk pregnancy and are unable to work.
- Direct the Department of Workforce Development to implement a Trial Jobs Plus pilot project, under which up to 1,000 Wisconsin Works (W-2) participants would be enrolled in an enhanced version of the existing W-2 Trial Jobs employment position.
- Provide \$221,000 annually to expand the Children First program, which assists noncustodial parents in finding and maintaining jobs, to Brown, Douglas, Eau Claire, La Crosse and Rock counties
- Extend Medical Assistance coverage to young people who age out of the foster care program and enable them to remain eligible for Medical Assistance until they reach the age of 21
- Increase screening and treatment programs to serve parents and children of families in the child welfare system who need mental health and substance abuse services.
- Provide support to the Refugee Family Strengthening Project for linguistically and culturally appropriate domestic abuse, intervention and outreach services for refugee communities of all nationalities.

- Improve the Bureau of Milwaukee Child Welfare by expanding Safety Services programming, establishing a mental health stabilization clinic for children and parents, implementing caseworker retention plans, foster and adoptive parent training initiatives, establishing an ombudsman office, and increasing foster care rates.
- Provide \$557,600 in fiscal year 2005-06 and \$1,673,100 in fiscal year 2006-07 to increase rates foster families receive by five percent in each year to support food, clothing, housing, personal care and other expenses for children in foster care

Governor's Task Force on Educational Excellence

- Increase the per pupil reimbursement level for the Student Achievement Guarantee in Education (SAGE) program, which lowers class size in kindergarten through third grade, to \$2,250 in the 2005-06 school year and \$2,500 in 2006-07 and provide additional funding for ten new schools to participate in SAGE.
- Increase funding for special education aid and create a new program to provide higher levels of aid to school districts with high-cost, low-incidence special education students
- Provide a \$16 million increase in pupil transportation aid over the biennium, directing greater increases to school districts with larger geographic service areas and longer travel distances.
- To improve equity in school spending, increase the per student low revenue ceiling, below which school districts are exempt from revenue limits, from \$7,800 per student to \$8,100 in fiscal year 2005-06 and to \$8,400 in fiscal year 2006-07.
- To address the concerns of declining enrollment districts, modify the revenue limit calculation to provide these districts greater revenue limit authority by using either a three or five year rolling enrollment average
- Allow school districts to carryover 100 percent of their unused revenue limit authority to eliminate the current incentive to increase school taxes to the maximum allowable
- Provide funding for competitive grants to school districts where school boards and educators are interested in designing compensation systems that reward teachers for acquiring skills and knowledge that have been demonstrated to improve student learning or for accepting hard-to-staff or challenging teaching assignments.
- Provide \$2.6 million to help provide experienced teacher mentors for beginning educators.
- Expand the grant program for teachers who receive certification from the National Board for Professional Teaching Standards to include teachers who receive master teacher licenses under the state's new licensure rules.
- 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 implementing effective instructional strategies, to address escalating health insurance costs and to create equity between teachers and other public employees in bargaining.

- Provide additional funding for the state to maintain its current share of funding for bilingual-bicultural education aid.
- Provide funding to expand the number of advanced placement courses offered in the state and to enhance gifted and talented student programs in middle schools.

Education and Training

- Provide an additional \$23 million in funding over the biennium for higher education financial aid programs for University of Wisconsin System, technical and private college students, including a 34 percent increase in aid to University of Wisconsin System students. With this increase, financial aid for University of Wisconsin students will have doubled between 2003 and 2007.
- To help offset higher tuition costs incurred by Wisconsin families, increase the tuition tax deduction from \$3,000 to \$5,100 and index it in future years to the average cost of University of Wisconsin tuition.
- Provide moderate tuition increases of five percent to seven percent for the 2005-06 and 2006-07 academic years, keeping the University of Wisconsin near the bottom in the Big 10 in tuition costs.
- Provide \$5 million for the University of Wisconsin to pay competitive salaries to retain star faculty.
- Provide \$13.1 million to fund 125 new faculty positions at University of Wisconsin institutions, beginning in the 2006-07 academic year. These positions are in addition to the 300 instructional staff added since 2003 Wisconsin Act 33 to increase access and expand the number of college graduates in Wisconsin.
- Provide \$1.1 million GPR in fiscal year 2006-07, as part of the funding for new faculty, to begin implementing the recommendations of the Committee on Baccalaureate Expansion, designed to increase the number of bachelor's degrees awarded in the state.
- Provide \$582,000 in fiscal year 2006-07, as part of the funding for new faculty, to enable the University of Wisconsin-Platteville to award bachelor's degrees in engineering at the University of Wisconsin-Rock County two-year campus.
- To encourage the more efficient delivery of administrative services and increase resources available for other activities, require the University of Wisconsin System to identify and eliminate 200 administrative positions across all levels of the organization.
- Provide \$3 million over the biennium to support research on Alzheimer's disease.
- Permit state agencies and the University of Wisconsin System to offer domestic partner benefits. Provide \$1 million to the system for that purpose.
- Authorize the University of Wisconsin System to charge resident tuition for undocumented persons who meet certain residency requirements.
- Increase public library system aids by \$2 million over the biennium.
- Provide \$900,000 annually for transportation services for individuals eligible for services under the Wisconsin Works (W-2) program.

- Replace funding from the Temporary Assistance for Needy Families (TANF) program with GPR in order to maintain support for Head Start, English as a Second Language for Southeast Asian Children, pregnancy prevention and other services for at-risk youth, domestic violence services, and the Child Abuse and Neglect Prevention Board.
- Reduce funding for Wisconsin Works (W-2) contracts to reflect a reduction in caseload as well as reforms to the W-2 contracting process.
- Retain the current split between the state and counties of federal incentive funding for child support enforcement activities
- Increase funding for vocational rehabilitation services to ensure that citizens with disabilities receive the services and training necessary to be productive workers.
- Provide \$500,000 PR annually to help health care facilities implement "no lift" work environments to decrease the number of workplace injuries suffered by health care employees.

B. ECONOMIC DEVELOPMENT AND TRANSPORTATION



- Spend a total of \$4.4 billion on Wisconsin's transportation system through a 16 percent increase in funding over the biennium.
- Preserve and continue to grow Wisconsin's vital transportation infrastructure to meet the needs of Wisconsin's residents, businesses, industries and visitors in the next biennium and beyond by increasing automobile and truck registration, and title transfer fees.
- Provide funding to meet the increasing needs of both state highway rehabilitation and maintenance, as well as local transportation systems.
- Provide an additional \$98 million over the biennium for the State Highway Rehabilitation Program to meet increased costs and maintain pavement quality levels.
- Increase funding by \$64.3 million over the biennium for the Major Highway Program to ensure that projects are completed as rapidly as possible.
- Strengthen the critical links to "Grow Wisconsin" by providing \$370 million to complete the reconstruction of the Marquette Interchange.
- Enhance highway safety by providing \$1.5 million SEG in fiscal year 2006-07 for 20 additional state trooper positions.
- Support economic development and job creation and retention by investing in all modes of transportation and increasing funding to harbors, railroads, airports and transit.
- Support the development of alternative energy sources, reuse of agricultural wastes and new biotechnologies by establishing a \$2 million bioindustries grant program.

- Increase support for Wisconsin's critical animal agriculture industry by establishing a livestock modernization tax credit.
- Ensure all Wisconsin citizens participate in the state's economic growth by investing \$5 million in fiscal year 2006-07 in a new super employment and economic development zone program to attract businesses with family-supporting jobs to extremely depressed areas of the state.
- Retain and create jobs in the state through a new Training Assistance Grant program, funded at \$2.5 million in each year, to train and upgrade the skills of our workers
- Invest \$1 million annually in Reed Act funds to quickly move recently unemployed individuals back into the work force.
- Expand Wisconsin's tourism promotion efforts by \$3.8 million through an increase in the rental car fee paid by visitors to Wisconsin.

C. ENVIRONMENTAL AND NATURAL RESOURCES MANAGEMENT



- Protect our lakes, rivers and forests from invasive species by providing \$2.8 million over the biennium for grants to local communities for boat inspections, invasive species control and habitat restoration.
- Expand implementation of the state's rural nonpoint source pollution abatement program by providing over \$2 million for support of county conservation staff and cost-share grants to farmers for preparation of nutrient management plans, as well as other nonpoint abatement practices
- Protect water quality by providing \$17.7 million in bonding revenues to reduce nonpoint source water pollution.
- Improve surface water quality and protect our vital groundwater resources by providing funding and positions to implement new federal and state water quality standards that were enacted into law in 2004.
- Streamline the air permit issuance system by maximizing the use of information technology to ensure that Wisconsin's residents and environment are protected, while allowing business and industry to grow without undue delay
- Stabilize funding for environmental programs, including the cleanup and redevelopment of contaminated properties, by repealing the sunset of the vehicle environmental impact fee.
- Stabilize funding and improve service delivery for Wisconsin's fish and wildlife programs by adjusting major resident license fees. It has been eight years since the deer license has been increased.
- Enhance the state's network of recreational trails by providing operational funding for the Badger State Trail and promotion of the Great Wisconsin Birding and Nature Trail.
- Maintain and improve the state's award-winning parks system for residents and visitors by increasing certain camping and admission fees

- As part of the Managed Forest Law Program, create a new, \$2 million grant program to increase the amount of land to which the public has access for recreation and enjoyment.
- Improve the sustainability of Wisconsin's abundant forest resources through increased support for the implementation of sustainable forestry practices.

D. HUMAN SERVICES



- Maintain eligibility standards and benefits for Medicaid and BadgerCare recipients, preserving the vital health care services these low-income individuals and families need. Preserve eligibility standards for SeniorCare, with no changes in copayments, deductibles or enrollment fees, to ensure the availability of affordable, comprehensive drug coverage for low-income seniors.
- Transfer \$169.4 million from the injured patients and families compensation fund in order to maintain Medicaid provider reimbursement rates, including supplemental payments to hospitals for direct graduate medical education, rural hospital adjustments, a major managed care adjustment, pediatric supplements and essential access city hospital (EACH) payments.
- Utilize \$130 million in proceeds from revenue bonds to sustain Medicaid while major reforms to the program are pursued and to capture an additional \$177 million in federal revenue.
- Supplement Medicaid with \$81.8 million in new federal revenues in order to preserve and protect the program, including claiming costs from residential care centers and implementing new provider assessments.
- Increase essential access city hospital (EACH) payments by \$1.5 million per year, to ensure the availability of critical hospital services for inner city residents.
- Maintain the commitment to early and intensive autism intervention and ongoing services by providing \$35.8 million in fiscal year 2005-06 and \$40.6 million in fiscal year 2006-07 to fully fund the program.
- Reduce expenditures for prescription drugs by changing reimbursement rates to be more consistent with broader market rates, including:
 - Reducing the reimbursement rate for brand name drugs from the average wholesale price (AWP) minus 13 percent to AWP minus 16 percent.
 - Eliminating a five percent rate enhancement for drugs dispensed under SeniorCare.
 - Lowering dispensing fees from \$4.38 per prescription to \$3.88 per prescription.
 - Adopting a wholesale acquisition cost methodology for J-Code prescriptions provided by physicians or clinics.
- Implement targeted assessments of certain medical providers in order to fund Medicaid rate increases for those providers.

- Implement major reforms in the Medicaid quality assurance program to ensure the integrity of eligibility standards and payments made on behalf of Medicaid beneficiaries.
- Expand the use of managed care to serve Medicaid recipients who are eligible for Supplemental Security Income (SSI).
- Create additional capacity in the community for nursing home residents seeking to live in the community by adding 1,440 new Community Integration Program II slots toward a goal of reducing the nursing home population by 25 percent over the next eight years.
- Change Medicaid reimbursement for nursing homes to a detailed acuity-based system to more accurately reflect the level of care provided.
- Assess the ability of managed care organizations to provide full-risk managed care to elderly and disabled Medicaid recipients.
- Institute additional efficiencies in Medicaid relating to the use of home care, personal care and private duty nursing services.
- Provide additional funding to expand the use of elderly benefit specialists at the county level in order to assist persons aged 60 and over in obtaining benefits for which they are eligible.
- Implement reforms in the Health Insurance Risk Sharing Plan (HIRSP) to: (a) restructure the pharmacy program to generate savings; (b) allow people eligible for limited Medicaid benefit programs to receive full coverage under HIRSP if they are otherwise eligible; (c) require case management for all HIRSP participants; and (d) make program administration more efficient
- Protect seniors from insurance scams by funding a 1.0 FTE PR position at the Office of the Commissioner of Insurance to conduct market investigations, implement enforcement action and provide consumer education.
- Expand support for Medigap hotline that helps seniors and their families with issues related to long-term care insurance and Medicare.

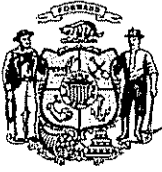
E. JUSTICE



- Increase funding for the Department of Corrections by only 4.7 percent over the biennium, the same increase as the 2003-05 budget, the lowest biennial increase in over a decade.
- Reduce prison costs by expanding the capacity for the Earned Release Program by 200 beds at five correctional centers and alternatives to immediate revocation of probation and parole.
- Improve the reentry of inmates into their local communities by providing funding to expand local housing and treatment options.

- Provide funding for increased health care costs for pharmaceuticals, medical supplies, and hospital and medical services. Utilize alternative health care delivery mechanisms in an effort to control costs and improve health care services in adult and juvenile institutions
- Reduce the maximum probation supervision term for misdemeanors from two years to one year for Class A misdemeanor offenses and six months for Class B and C misdemeanor offenses. The maximum probation supervision term for misdemeanor offenses involving domestic abuse, nonconsensual sexual contact with another person, crimes against children and misdemeanors committed while possessing a firearm will remain at the current two year maximum
- Provide funding and staff to create a 174-bed alcohol and other drug abuse treatment unit at Racine Correctional Institution and a 36-bed unit at Taycheedah Correctional Institution to provide enhanced treatment to inmates
- Direct the Sentencing Commission to review sentences imposed on individuals who are convicted of nonviolent offenses, other than operating while intoxicated or driving under the influence, and develop recommendations for alternative dispositions for those individuals that may be used by courts at or before sentencing. A report will be made to the Legislature by December 31, 2005.
- Transfer the Community Intervention Program from the Department of Corrections to the Office of Justice Assistance, which will enable communities to take a more comprehensive approach to delinquency prevention and intervention.
- Consolidate tribal law enforcement grant programs at the Office of Justice Assistance to reduce the number of duplicative programs and enhance administration
- Provide funding for civil legal services to indigent persons to help on targeted issues, including guardian ad litem and obtaining child support.
- Increase Part A of the victim-witness surcharge to help ensure adequate funding for critical services provided by counties.
- Consolidate consumer protection regulation functions in the Department of Justice, which will locate the decision to prosecute consumer protection cases in one agency.
- Provide four additional DNA analyst positions to address the backlog at the state crime labs and enhance the state's use of DNA evidence. Funding will come from the increased crime laboratory and drug law enforcement surcharge.
- Provide \$403,600 in fiscal year 2005-06 and \$536,900 in fiscal year 2006-07 to counties for reimbursement of court interpreter costs
- Adjust the distribution of federal Byrne antidrug grant funds to reflect a 48 percent cut in that program at the federal level.

F. REVENUE AND GENERAL FUND TAXES



- Increase revenues by \$26 million through adoption of the Streamlined Sales Tax Agreement already in place in 23 other states. If Congress implements the agreement, any additional new revenue will be allocated to school equalization aid.
- Increase collections under existing tax law through improved efforts to identify delinquent taxpayers.
- Update the state's tax code to recent changes in the federal tax code, including the Military Family Tax Relief Act.
- Adapt the definitions of taxable sales to account for electronic product delivery of personal property.
- Modify the single sales factor apportionment for computer software, intellectual property and services.
- Add withholding requirements for out-of-state partners and LLC members receiving Wisconsin income.
- Require direct marketers of tobacco products doing business in Wisconsin to register with the Department of Revenue.
- Reallocate positions within the Department of Revenue to areas where increased revenues can be generated.
- Increase cost-effectiveness of operating the state lottery through utilizing private sector sales and marketing expertise.

G. GOVERNMENT OPERATIONS AND EFFICIENCY



- Streamline administrative services in state agencies, resulting in an estimated savings of \$35.5 million and 108.29 FTE positions over the 2005-07 biennium. The majority of the savings will come from the restructuring of statewide procurement contracts, but savings will also be realized by: (a) the consolidation of server and network support services of most executive branch agencies; (b) the consolidation of human resource and payroll benefits services and purchasing services in small to medium size agencies; (c) standardization of staffing levels in procurement and human resource and payroll benefit services in the larger agencies; and (d) improved facility and space management.
- Deposit the net proceeds from the sale of state-owned buildings and land into the general fund. This will offset a required \$36 million transfer from the general fund to the budget stabilization fund by the end of the biennium.
- Consolidate attorneys and support staff of most executive branch agencies in order to improve the provision of legal services, including contract negotiations, in state government.
- Provide \$350,000 GPR in each year for implementation of a new campaign finance system in the Elections Board.

- Increase funding for Ethics Board investigations to \$50,000 GPR.
- Include the ten-year plan for restoring solvency to the veterans trust fund. Enhance the plan by including a check-off on individual and corporate income taxes and by authorizing a veterans' supporter vehicle registration plate.
- Provide \$600,000 over the biennium to support the Wisconsin Veterans Museum and contribute to the solvency of the veterans trust fund.
- Approve \$111,500 in tribal gaming revenues to alleviate pressure on the veterans trust fund and to increase grants.
- Provide \$93,600 GPR annually for assistance to indigent residents at veterans' homes.
- Authorize \$167,000 FED and a veterans assistance center at Northern Wisconsin Center-Chippewa Falls.
- Authorize 141.5 FTE positions for support of veterans nursing facilities at King and Union Grove.
- Increase allocation of tribal gaming to specific programs by \$15.5 million.

**Development of
the 2005-07 Budget**

II. DEVELOPMENT OF THE 2005-07 BUDGET

A. OVERVIEW

The Doyle Administration took office amidst the worst budget deficit in Wisconsin's history. Many pundits and editorial writers speculated that the new administration would have no choice but to raise taxes to close the \$3.2 billion deficit. The skeptics believed there would be no way to make the deep cuts necessary to balance the budget.

Needless to say, the Governor closed the deficit without raising taxes. During one of the worst budget crises faced by state governments since the end of the Second World War, many other states raised taxes by a total of \$13.6 billion during the past two years. Governor Doyle chose to protect Wisconsin taxpayers and grow our economy by making deep and painful cuts in agency budgets rather than raise taxes. Almost 2,300 state positions were eliminated in the first phase of a multi-biennial effort to streamline state government. A four-fold increase in gaming revenues from Wisconsin's sovereign tribes was secured to help balance the budget.

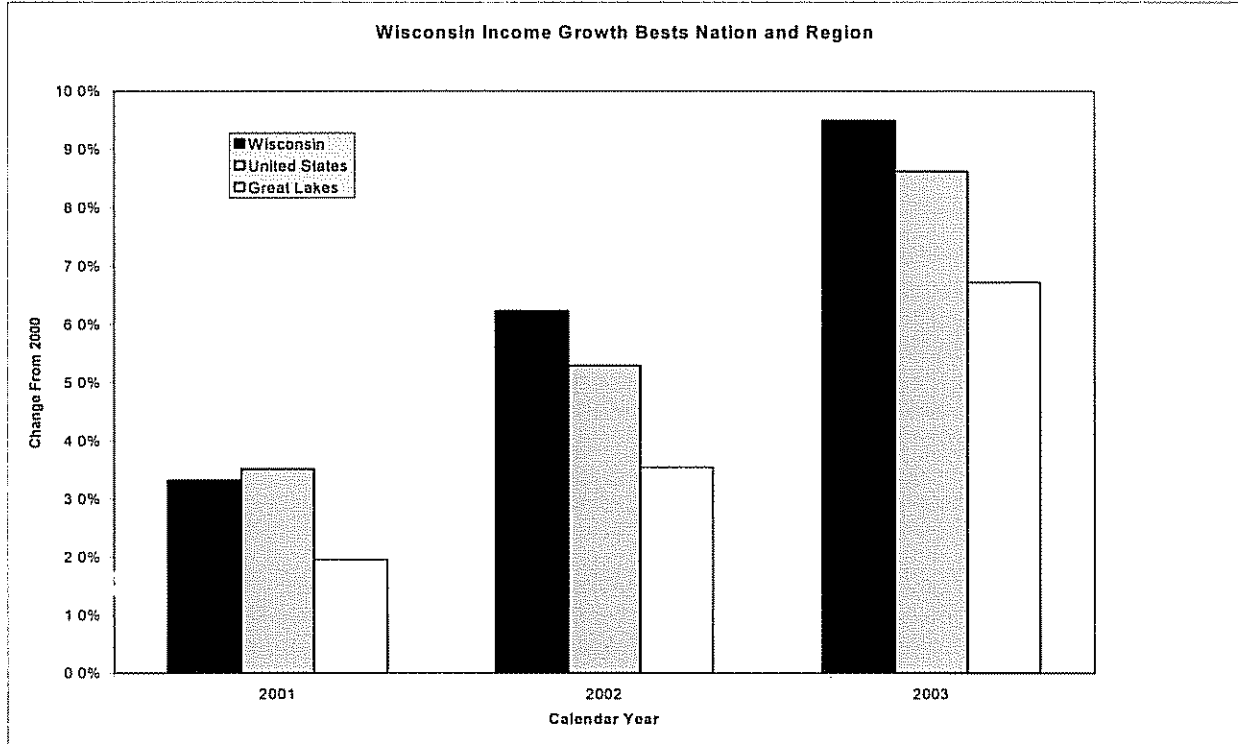
While balancing the budget forced difficult choices, closing the deficit without raising taxes was the first step toward restoring and improving Wisconsin's economic competitiveness.

Since passage of the 2003-05 biennial budget, the Governor's Grow Wisconsin Initiative, has helped foster the enactment of tax incentives for venture capital and dairy modernization investments. Wisconsin has become a leader in regulatory reform and permit streamlining initiatives that cut red tape for business development without compromising Wisconsin's high environmental standards.

Wisconsin is on the move. Employment growth has been outstanding. The state has led the Midwest in job growth, with over 63,000 jobs created in the past year. More jobs have been added in the Milwaukee area than any other metropolitan area in the Great Lakes region. Wisconsin's largest city is second in job growth in the Midwest.

Personal income continues to increase faster than the national average. Manufacturing jobs are also on the rise at the same time that Wisconsin's economy continues to diversify.

CHART 1: PERSONAL INCOME



Strengthening Wisconsin's economic security requires continuous improvements in the cost-effectiveness of Wisconsin governments and prudent investments in the state's future economic growth. Cost-effective government starts by living within our means through practicing taxing and spending restraint. For example, the Governor's first budget and his budget for the 2005-07 biennium have been balanced without raising taxes. Local governments have demonstrated considerable spending restraint in recent years, holding the increase in the December 2003 levy to the lowest level in at least 13 years. In particular, school district spending has been tightly controlled under revenue limits. Annual school spending increases have averaged 3.6 percent over the last five years.

Prudent investments are also crucial to Wisconsin's future economic security and growth. Our children are our future. Wisconsin's children increasingly must compete in the global marketplace. And our success as individuals, families, communities and states is much like the success of any team – we're only as strong as our weakest members. We must ensure all our children, regardless of where they live, their family's income, or their physical or mental abilities, can succeed.

The Governor has recognized the critical importance of prudent investments in our future through the Task Force on Educational Excellence and the KidsFirst Initiative. Many of the recommendations and ideas from these two efforts are implemented in the Governor's budget.

A major initiative in the Governor's proposed budget for the 2005-07 biennium is focused on maintaining and improving Wisconsin's competitiveness. Cost-effective government and prudent investments are the cornerstones of the Governor's budget. This is accomplished through the following actions:

- Freeze property taxes. The budget proposes a two-year freeze on property taxes through limits on local property tax levies.
- Increase state aid. General state school aids and property tax credits are increased to accomplish a freeze on property taxes without compromising our children's education or essential local services.

- Help schools and local governments hold down costs Incentives are provided to local governments that reward measures which hold growth in the property tax levy below the proposed levy limits. The qualified economic offer law is repealed so that school boards, administrators and teachers can engage in meaningful and productive discussions on ways to improve teacher pay and provide cost-effective health insurance benefits.
- Streamline state government Redundant information technology systems; bloated service contracts; super-sized vehicle fleets. One of the Governor's top priorities has been to drive out the waste in state government. Over the last two years, the Doyle administration has renegotiated contracts established by previous administrations and saved millions of dollars. The state fleet has been cut by over 16 percent. This budget proposes to centralize core administrative staff, implement strategic procurement strategies, share information systems and services, and coordinate facilities management to save the state and its taxpayers hundreds of millions of dollars.
- Invest in our children All of Wisconsin's children are important and all must be given a chance to succeed for Wisconsin's future to be bright. With limited resources, the budget proposes to increase funding for Student Achievement Guarantee in Education (SAGE), high-cost special education, pupil transportation and other high priority K-12 categorical aid programs. In addition, the state's \$300 million per year investment in early childhood education is enhanced through a quality rating system for child care centers.

These actions balance tax relief with investments in our future. They freeze property taxes without compromising our schools and other essential local services. These actions are interdependent – a property tax freeze cannot be implemented if it undermines the quality of life that makes Wisconsin a great place to expand a manufacturing plant, start-up a biotechnology firm or raise a family.

B. REVENUE AND EXPENDITURE OUTLOOK

Wisconsin's economy is expected to continue to perform well over the next two years. The results of the gains in the state's economy are reflected in the revenue estimates for the 2005-07 biennium prepared by the Legislative Fiscal Bureau. They project a healthy growth in state revenues of \$485 million in fiscal year 2005-06 (4.3 percent) and another \$599 million in fiscal year 2006-07 (5.1 percent). Leading this growth is a surge in individual income tax revenue, produced by growing employment and rising wages. The revenue estimates assume a 6.6 percent growth in individual income tax receipts in fiscal year 2005-06 and 6.9 percent in fiscal year 2006-07, following a strong 6.7 percent gain this year.

While growth in total personal income usually means higher disposable income, and a commensurate increase in sales tax revenue, the Legislative Fiscal Bureau assumes a much slower rate of growth in sales taxes than the November 2004 estimate, particularly in fiscal year 2004-05. Given this disparity between the individual income and sales tax projections, actual sales tax collection data over the next few months could possibly signal higher overall revenue growth for the 2005-07 biennium.

The Department of Revenue's November 2004 estimates included an average sales tax growth rate of 4.6 percent for this year and the next two years. The Legislative Fiscal Bureau's January 2005 estimates included an average sales tax growth rate of 3.8 percent for the same period. If actual sales tax collections were to grow at a rate that's halfway between the November 2004 and January 2005 estimates, general fund tax revenues could be over \$140 million higher. This additional revenue could help address the many expenditure pressures in this budget. The Department of Administration and Department of Revenue will continue to closely monitor general fund tax collections over the next few months as the Legislature deliberates on the Governor's budget.

Development of the Governor's budget from an expenditure perspective was made very difficult by at least two decades of structural deficits and advance commitments. The 2003-05 budget succeeded in reducing the structural deficit by over 50 percent. However, the pace of additional reductions will be slowed by the top priority of freezing property taxes without compromising our kids' education or essential local services, combined with the federal government's failure to fully fund Medicaid.

The overall rate of inflation continues to be low. However, medical and energy cost increases continue to place significant pressure on include fuel and utility expenses for state buildings and vehicles and state employee health insurance costs

C. GOALS – WHERE WE WANT TO GO

The overall fiscal goals of the Governor's 2005-07 budget are as follows:

1. Balance the budget without tax increases.
2. Freeze property taxes without compromising our schools or other essential services at the local level.
3. Streamline and improve state government operations by creating better economies of scale for core administrative functions (e.g., human resources, information technology), improving contract oversight and negotiation strategies, selling excess buildings and eliminating almost 4,000 positions since fiscal year 2002-03.
4. Begin to improve the state's long term fiscal stability through a 1000 fold increase in the budget stabilization fund.

In addition, the Governor has several important policy goals that guided decisions throughout the development of the 2005-07 budget:

1. Strengthen K-12 schools in Wisconsin through investments in Student Achievement Guarantee in Education (SAGE), four-year old kindergarten, special education and pupil transportation.
2. Provide local school districts and teachers with the tools to improve compensation and reduce health insurance costs by repealing the qualified economic offer requirement.
3. Ensure all children can succeed by implementing the KidsFirst initiative, including increased investments in child welfare, quality ratings of child care centers and supporting additional four-year-old kindergarten programs.
4. Assist students at the University of Wisconsin through increased financial aid and by investing in additional faculty.
5. Continue to build economic development momentum through additional transportation infrastructure investments, tax credits for livestock modernization, grants for job training, and targeted business and job development funds in areas with high unemployment.
6. Provide incentives for limiting growth in local government property tax levies.
7. Offset the federal government's failure to fully fund Medicaid by reforming the program without reducing benefits or eligibility.
8. Increase patient safety and reduce health care costs through supporting health quality initiatives and medical record technology investments.

D. BALANCING THE BUDGET

Major Budget Pressures

Meeting the Governor's priorities and balancing the budget required addressing the dramatic increase in state Medical Assistance spending due to failure by the federal government to fully fund the Medicaid health care program for our seniors, the disabled and low-income families. In its budget request for the

2005-07 biennium, the Department of Health and Family Services estimated that an additional \$708 million GPR would be necessary to address caseload growth, medical cost inflation and federal retrenchment on Medicaid and related programs (i.e., BadgerCare and Senior Care). Of this amount, \$208 million is necessary to address caseload and medical cost inflation in excess of current year budgets

Addressing this significant federal mandate and spending pressure without compromising health care eligibility or benefits for this population was necessary if other key priorities were going to be met. To reinforce the lack of federal commitment and commensurate budget pressure on states, over \$100 million of state resources would be available for other critical needs if the federal government kept the rate of federal match on state Medicaid costs constant

Other major budget pressures the Governor faced in balancing the budget and freezing property taxes include:

First, the structural deficit from the 2003-05 biennium is approximately \$550 million in fiscal year 2005-06. Over one-third of this amount, \$190 million is related to replacing non-GPR funding sources supporting shared revenue. Another significant commitment is \$63 million annually related to the general fund assuming the cost of debt service on general obligation bonds issued for transportation projects in the 2003-05 biennium.

Second, the Wisconsin Works (W-2) program funded through the Temporary Assistance for Needy Families (TANF) block grant has a structural deficit of \$90 million. Many key early childhood programs, such as a portion of the state Head Start supplement, and child welfare assistance, such as safety services, are funded from this source. Many of these programs were shifted from GPR during past budgets when TANF had significant surpluses.

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

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

Fifth, each budget faces the pressure of funding new settlements that will be reached under collective bargaining agreements with various state employee unions and a companion pay package for nonrepresented employees. This major pressure also includes funding anticipated future cost increases for health care, as well as fully funding the cost of health insurance premium increases which already occurred with 2004 coverage.

Finally, while agencies have been directed to take actions to reduce their energy consumption, a significant increase in funding is needed just to fund existing state facilities under normal weather conditions, even before considering the opening of new facilities. Over \$100 million in additional fuel and utility costs were identified, primarily at the University of Wisconsin System. Much of that increase is due to coal and natural gas price increases

Balancing the Budget

Raising taxes was not an option in the face of the \$3.2 billion deficit in the last budget and is not an option again in this budget. Nevertheless, it is unrealistic to expect that the inherent structural deficits that have built up over many years will be addressed in a single budget. Bringing the structural deficit under control must be balanced with our priorities in education, economic development, health care, local government services and property tax relief. It took decades to create our current financial situation. It will require several budgets to climb out.

With our priorities in mind, the Governor's budget is balanced by continuing to drive efficiency into state government and secure a commensurate reduction in state operations spending. One-time measures are used in a targeted manner to minimize the impact on the structural deficit. Borrowing is minimized. The property tax relief program that reimburses communities for exempting computer equipment from the property tax is shifted to the same schedule as shared revenue generally. Mechanisms are included in the budget that buy back this shift and forestall certain borrowing if actual revenues exceed estimate.

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

FY07 Ending Balance – November 19, 2004 Report (Agency Requests)	-\$1,589
Legislative Fiscal Bureau Reestimates – January 23, 2005 Memo	-77
Legislative Fiscal Bureau Reestimate of FY05 Medical Assistance Shortfall	<u>33</u>
Current 2005-07 Budget Gap	-\$1,632
Governor Doyle's Plan to Invest in Education and Freeze Property Taxes	
Governor's FY05 Medicaid Legislation	\$70
Governor's Education Improvement and Property Tax Freeze Initiatives (funding added to Department of Public Instruction request; total increase of \$779.3 million in school aid)	-216
State Government Efficiencies and Reductions	222
Medical Assistance Reform Proposal	
Program Reductions and Reestimates	148
Federal Revenue Enhancement Measures	111
Cost Transfers to New Health Care Quality Improvement Fund (funded by transfer from Injured Patients and Families Compensation Fund and revenue bond proceeds)	298
Net Reductions from Agency Requests	273
Transfers from Transportation Fund	250
Set Statutory Balance at \$65 million	201
Permanent Program Shifts from GPR to Other Fund Sources	103
Other Departmental Revenue and Lapse Reestimates	97
Transfers from Other Funds	86
Additional Pension Obligation Bond Savings	75
Pay Computer Aid on Same Basis as Shared Revenue	70
Tribal Gaming (including 2003-05 Ho-Chunk Payments)	61
Revenue Enhancements/Streamlined Sales Tax	55
Debt Service Reestimates	-242
Fuel and Utility Reestimates (excluding University of Wisconsin System)	<u>-25</u>
TOTAL	\$1,635
FY07 Net Ending Balance	\$3

The following actions are proposed to balance the budget:

1. Cut the cost of state agency administrative operations by \$272 million, including a reduction of over 1,800 FTE positions. Of this funding cut, \$185.7 million will benefit the general fund. An additional \$35.5 million in savings will be realized through implementing new management strategies while

consolidating information services, human resources, purchasing, legal services and facilities management functions. These savings are in addition to reducing agency budget requests by \$273 million.

2. Reduce costs in the state's Medicaid program by \$148 million and capture an additional \$111 million in federal Medicaid revenue without reducing eligibility or benefits. To further offset the federal government's failure to fully fund Medicaid, utilize \$169 million from an estimated \$200 million surplus in the injured patients and families compensation fund to protect Medicaid benefits and provider rates. This funding along with \$130 million in revenue bonds for Medicaid will be deposited in a new health care quality improvement fund to make investments in a long-term reform of the state's Medicaid program and health care generally. The revenue bonds will not be issued if actual state tax revenues exceed estimates.
3. Transfer \$250 million from the transportation fund to help finance schools and freeze property taxes. General obligation bonds issued to allow transportation revenues to be transferred to the general fund. Debt service on the general obligation bonds will be repaid from the general fund.
4. Shift \$103 million GPR for certain programs, including pupil transportation, to other funding sources on a permanent basis. Many of these programs were once funded from the transportation fund and other segregated funds.
5. Realize an additional \$75 million in savings from the pension obligation bonds issued in the 2003-05 biennium to refinance the state's unfunded pension liability at a lower cost.
6. Save \$70 million on a one-time basis in fiscal year 2006-07 by paying computer aid to local governments on the same basis as shared revenue.
7. Recognize \$30 million annually from the Ho-Chunk Nation for tribal gaming obligations from the 2003-05 biennium. This is in addition to amounts expected to be paid to the state by the Ho-Chunk Nation in the 2005-07 biennium.
8. Increase general fund revenues by \$55 million over the biennium by implementing enhanced collections measures, revising tax credit estimates in response to the Governor's property tax freeze and adopting the streamlined sales tax.
9. Reduce the statutory balance from two percent of appropriations and compensation reserves in fiscal year 2006-07 to \$65 million annually through fiscal year 2008-09. Maintaining our priorities necessitates recognizing that the structural deficit created by years of fiscal irresponsibility will not be addressed quickly. As a key initial step toward long-term improvement in our finances, the Governor recommends transferring \$36 million to the state's budget stabilization fund.

State Budget Overview

III. STATE BUDGET OVERVIEW

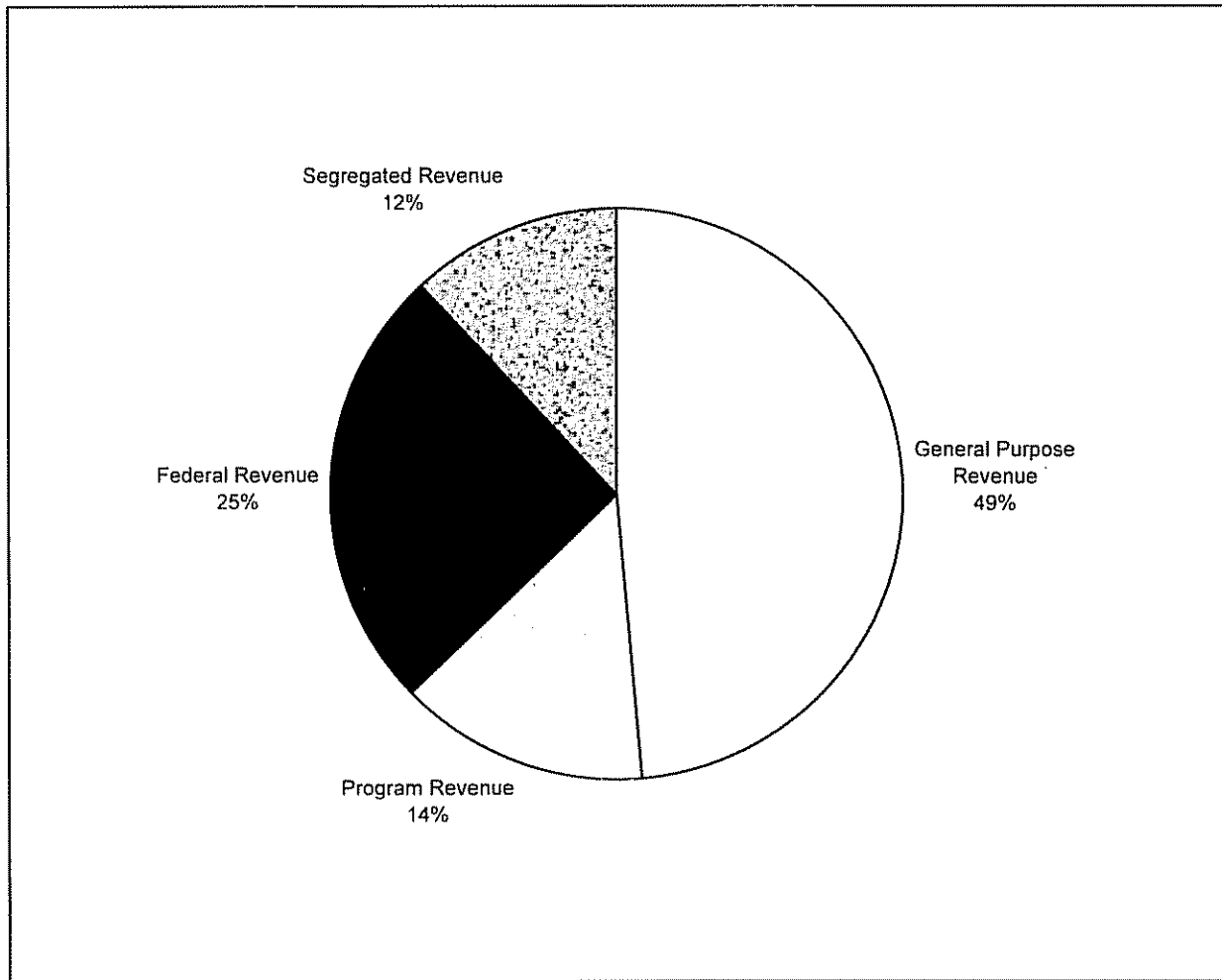
A. PRESENTATION OF THE GOVERNOR'S 2005-07 BUDGET

The Governor's proposed budget for the 2005-07 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 2005-07 biennium.

B. EXPENDITURES

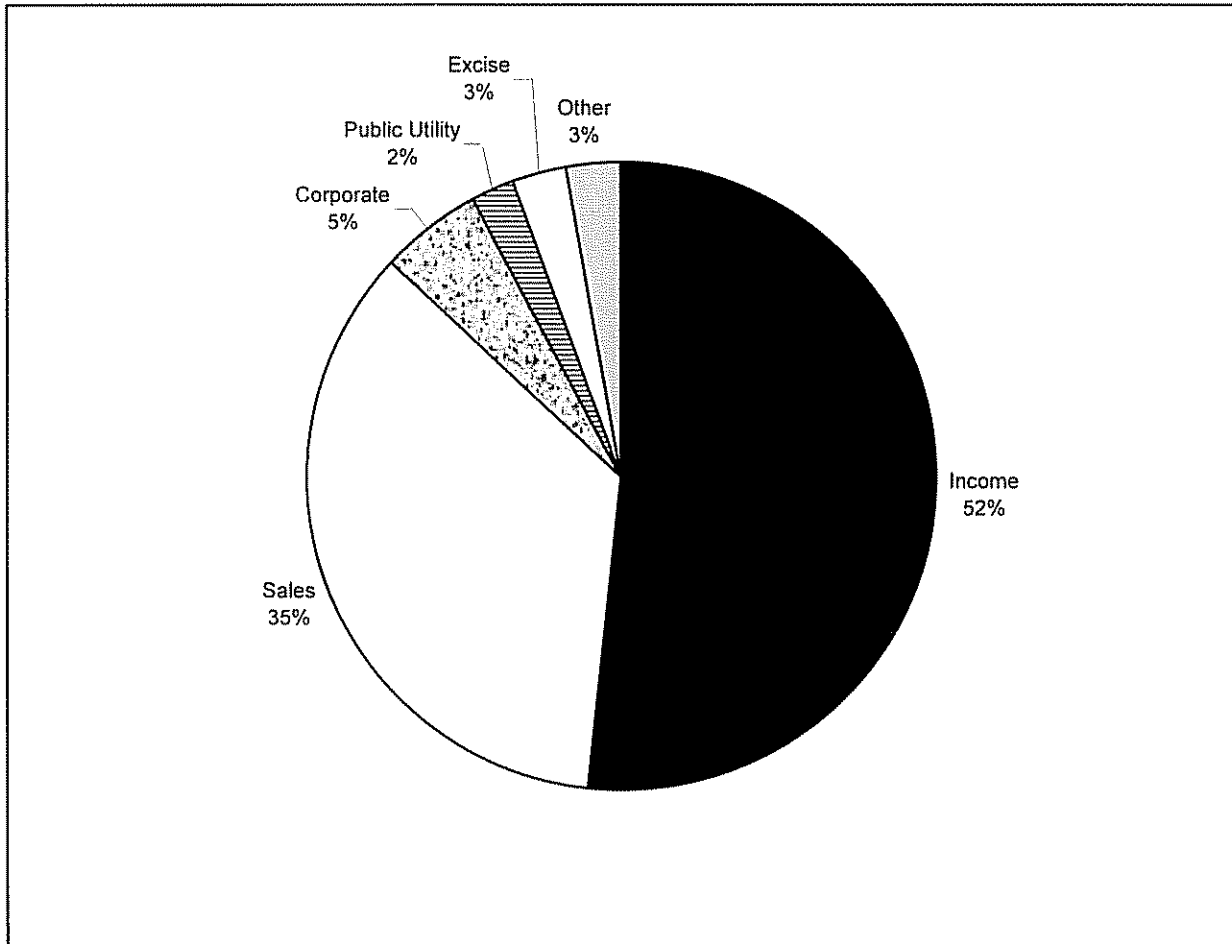
The Governor recommends an operating budget of \$25.895 billion in fiscal year 2005-06 and \$26.699 billion in fiscal year 2006-07. These figures include all four major funding sources and all state agencies and programs (see Chart 3). On an annual basis the Governor's all funds budget for fiscal year 2005-06 represents an increase of \$1,030 million (4.1 percent) over the fiscal year 2004-05 adjusted base, and the budget for fiscal year 2006-07 represents an increase of \$804 million (3.1 percent) over fiscal year 2005-06. The increase between fiscal year 2004-05 and fiscal year 2005-06 does not include providing an additional \$167.5 million all funds for Medical Assistance in fiscal year 2004-05 to address the shortfall in that program. Adding that amount to the adjusted base would result in a 3.4 percent increase in fiscal year 2005-06 over 2004-05. In addition, over 25 percent of the increase is related to new appropriations established to service bonds issued to refinance unfunded pension liabilities at a lower cost in the 2003-05 biennium. Adjusting for these new appropriations, the annual all funds increases are 2.7 percent in fiscal year 2005-06 and 3.1 percent in fiscal year 2006-07. Much of the fiscal year 2006-07 increase is related to additional general school aid to protect education and essential local services while freezing property taxes.

CHART 2: FISCAL YEAR 2006-07 STATE 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). The GPR portion is funded from general state taxes and is directly linked to the state's overall economic performance.

CHART 3: FISCAL YEAR 2006-07 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.

The Governor recommends a GPR budget of \$12.728 billion in fiscal year 2005-06 and \$12.993 billion in fiscal year 2006-07. On an annual basis the Governor's GPR budget for fiscal year 2005-06 is a spending increase of \$860.7 million (7.3 percent) over the fiscal year 2004-05 base, and for fiscal year 2006-07 is a spending increase of \$265 million (2.1 percent) over fiscal year 2003-04. Much of the increase in fiscal year 2005-06 reflects fully funding shared revenue with GPR, new appropriations to

service bonds issued to refinance the state's unfunded pension liability and increases to freeze property taxes while protecting local schools and essential services. The GPR budget increases during the biennium are allocated predominantly to just a few items: increasing school aids to freeze property taxes and protect schools and essential local services, replacing non-GPR funding for shared revenue, additional funding for the University of Wisconsin System, and higher education financial aid

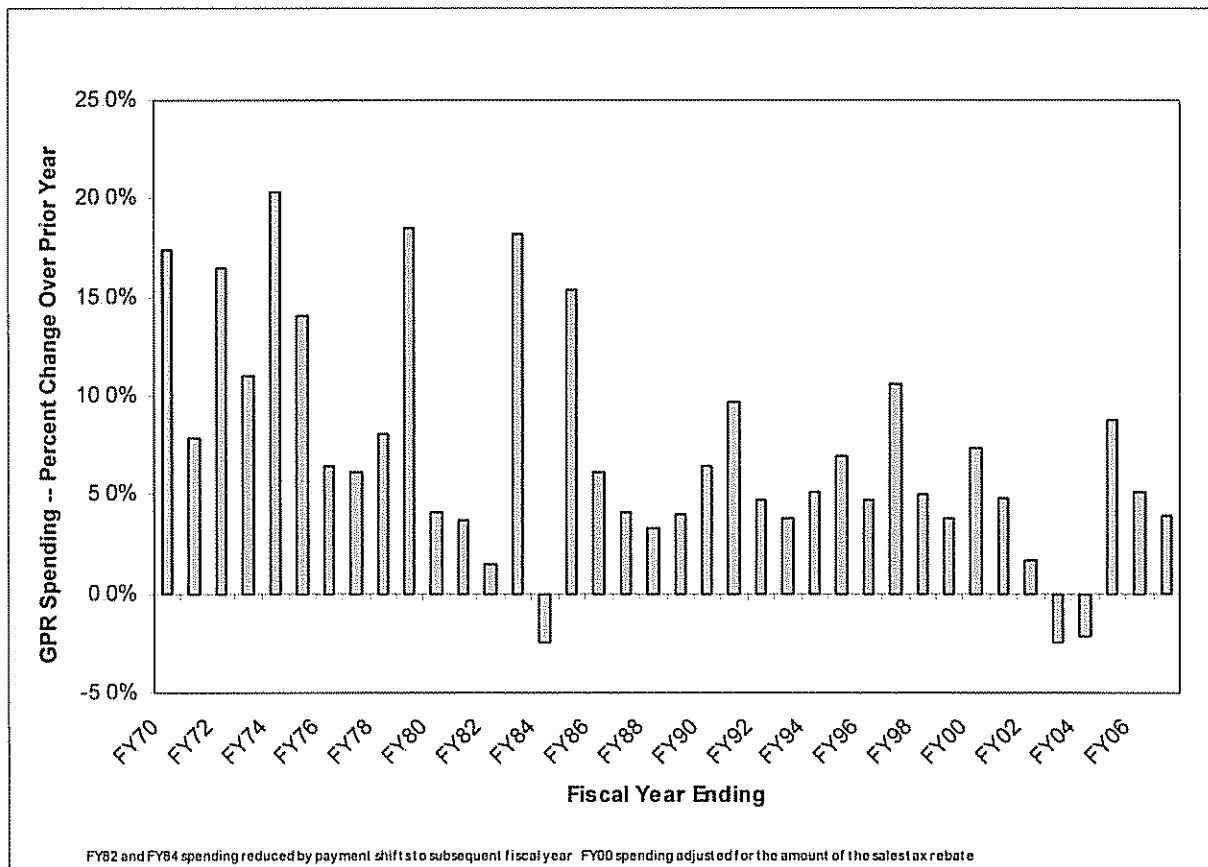
TABLE 2: LARGEST BIENNIAL GPR INCREASES OVER BASE
(\$ in millions)

School Aids	\$779.3
Pension Obligation Bond Debt Service	381.6 ¹
Shared Revenues and Tax Relief	321.6
State Employee Compensation Increases (including University of Wisconsin)	269.3
Medical Assistance	148.8
Transportation Debt Service	142.7
University of Wisconsin/Higher Education Aids Board	105.1
Corrections	83.6
All Other Changes	23.9
TOTAL	\$2,255.8

¹Offset in departmental revenues through lapses from state operations appropriations

GPR spending remains moderate over the 2005-07 biennium.

CHART 4: GPR STATE SPENDING



State budget instructions to agencies emphasized reallocating resources to higher priority needs, instead of asking for more resources. Most agencies were very conscientious in restraining their budget requests. Funding recommendations vary from agency to agency and from program to program within agencies. This is due to changing demographics and demand for specific public services, previous legislative spending commitments, state and federal legislative requirements, evolving needs, and overall spending priorities.

Appendices 1-4 present the Governor's budget recommendations by agency, on an all funds basis and for GPR only. Appendix 3 indicates that most GPR-funded agencies will receive modest increase over the biennium. Most of the large percentage increases are related to debt service reestimates.

The ten largest programs funded by GPR continue to represent a disproportionately large share of GPR spending (see Table 3). Because of their sheer size, any increase in funding for these programs tends to drive state spending, particularly if the increase is greater than overall state revenue growth. Collectively these ten programs constitute more than 85 percent of the fiscal year 2006-07 budget.

TABLE 3: TEN LARGEST GENERAL PURPOSE REVENUE PROGRAMS

	<u>FY07 Budgeted</u>	<u>Percent of Total</u>	<u>Cumulative Percent</u>
General and Categorical School Aids	\$5,198.5	40.0%	40.0%
Medical Assistance and Related Programs	1,673.8	12.9%	52.9%
Shared Revenues and Tax Relief	953.6	7.3%	60.2%
University of Wisconsin	881.0	6.8%	67.0%
Corrections	852.5	6.6%	73.6%
State Property Tax Credits	469.3	3.6%	77.2%
Debt Service	482.5	3.7%	80.9%
Community and Social Service Aids	297.6	2.3%	83.2%
Wisconsin Works and Economic Support	157.9	1.2%	84.4%
Wisconsin Technical College System Aids	<u>136.3</u>	<u>1.0%</u>	<u>85.5%</u>
Top Ten Program Total	\$11,103.0	85.5%	85.45%
All Other Programs ¹	<u>1,890.1</u>	14.5%	100.00%
GPR Total	\$12,993.2		

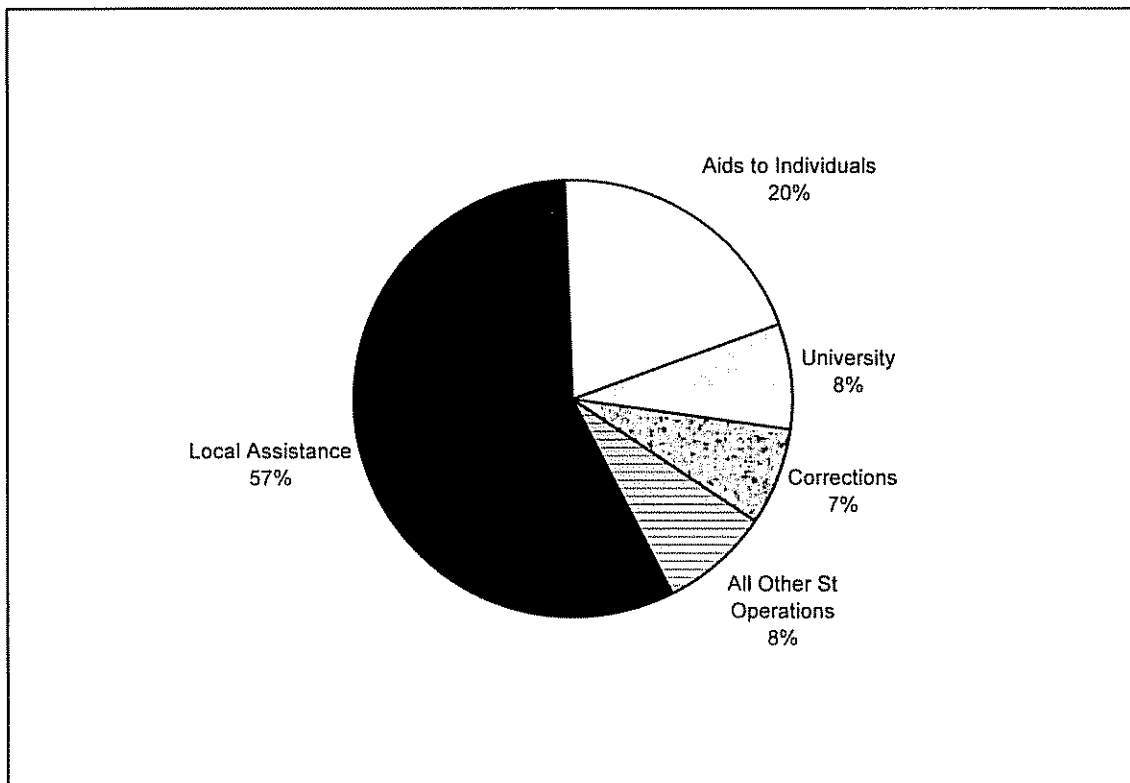
¹"Other Programs" includes \$190 million in new appropriations for servicing bonds issued to refinance unfunded pension liabilities at a lower cost in the 2003-05 biennium. These new appropriations are offset by payments made from the fringe benefit budgets of state agencies. Excluding those appropriations, "Other Programs" represent 13.3 percent of GPR and the "Top Ten" represent 86.7 percent.

In fiscal year 2006-07, 57 percent of total GPR spending will be for local assistance, i.e., state payments made directly to or on behalf of local units of government (K-12 school districts, cities, villages, towns, counties and technical college districts). In fiscal year 2001-02, the last year for which data is available, Wisconsin ranked fifth among the states in the amount of aid provided to local governments on a per capita basis. The large percentage of the state budget returned to local governments is a major reason state taxes in Wisconsin are higher on average than in other states. It also reflects the state's historic commitment to fund elementary and secondary education, stabilize property taxes and equalize the local tax base in support of essential local services.

The second largest GPR budget component provides financial assistance to individuals. Approximately 20 percent of the GPR budget in fiscal year 2006-07 is for state payments made directly to or on behalf of individuals, through programs such as Medical Assistance, Wisconsin Works (W-2), student financial aid and various state property tax credits.

The remaining GPR budget components are for the operations of the University of Wisconsin System, Department of Corrections and all other state agencies. None of these components receives more than eight percent of the state budget. See Chart 6.

CHART 5: FISCAL YEAR 2006-07 BUDGET ALLOCATIONS BY PURPOSE



C. POSITIONS

The Governor's budget recommendations include authorization for 66,352 full-time equivalent (FTE) state positions from all fund sources by the end of the next biennium (fiscal year 2006-07). This represents a decrease of 1,849 (2.7 percent) compared with the fiscal year 2004-05 adjusted base of 68,201. From GPR funds the budget provides for 34,585 FTE positions, a decrease of 613 (1.7 percent) from the fiscal year 2004-05 adjusted base of 35,198. These position totals include a 38.0 FTE GPR position reduction assigned to the Legislature but not included in the various budget tables in the Budget in Brief and the Governor's Executive Budget Book. This difference occurs because the Legislature's position reductions must be assigned to specific legislative appropriations by the Joint Committee on Legislative Organization.

Beginning with the Governor's first budget, the goal of state government efficiency and effectiveness has been focused on tax and fee funded positions throughout state government. Like the previous budget, state positions do not include the University of Wisconsin Hospitals and Clinics Authority, nor the auxiliaries enterprises and research activities of the University of Wisconsin System. The hospital is a quasi-public authority that is free to create positions without legislative or executive oversight in order to

compete in the health care market. Auxiliary enterprises and research activities of the University of Wisconsin draw hundreds of millions of federal and private research dollars to the state. The University of Wisconsin System is free to create these positions at will in order to enhance and grow Wisconsin's economy.

By fiscal year 2006-07, the state will have almost 4,000 fewer state positions since the beginning of the Governor's term. Most agencies will either see no change or fewer positions by the end of the 2005-07 biennium. Position reductions continue to focus on reducing administrative costs through better economies of scale. To that end, positions have been reallocated to the Department of Administration in response to the Governor's initiatives to streamline information technology, human resources, procurement and legal services. Savings from these initiatives ensure that Wisconsin's taxpayer dollars are focused on our top priorities – education, property tax relief, economic development and health care.

TABLE 4: STATE FTE POSITIONS CONTINUE TO DECLINE

State FTE Positions				
	<u>FY03</u>	<u>FY07</u>	<u>Change From Base</u>	<u>Percent Change</u>
University of Wisconsin – Gifts, Grants, Federal	9,648.7	11,343.5	1,695.1	17.6%
University of Wisconsin Hospital and Clinics Authority	1,887.2	2,371.5	484.3	25.7%
State Positions	<u>56,556.0</u>	<u>52,637.0</u>	<u>-3,919.0</u>	<u>-6.9%</u>
Total State	68,091.9	66,351.9	-1,740.0	-2.6%

The Governor's budget continues to focus on the state agency operating efficiencies necessary to balance the budget without tax increases.

D. BUDGET BALANCE

The Governor's proposed budget as presented under the state's customary budget accounting practices is balanced in both fiscal years of the next biennium (see Table 5). Due to the combined impact of freezing property taxes without endangering schools and essential local services and the lingering structural deficit, the required statutory balance will be set at \$65 million in fiscal year 2005-06, \$65 million in fiscal year 2006-07, \$65 million in each year of the 2007-09 biennium and two percent thereafter. The statutory balance is bolstered by the first significant deposit in the budget stabilization fund. The Governor recommends that \$36 million be transferred to the stabilization fund from the general fund as a next important step toward restoring fiscal responsibility. This transfer follows up on the Governor's initiative in the last budget to deposit the net proceeds from the sale of state assets in the fund. With this \$36 million installment, the state's budget will be much better prepared for the next "rainy day" than with the \$1,000 balance it had when the Governor took office.

**TABLE 5: GENERAL FUND CONDITION UNDER GOVERNOR'S BUDGET
AND FISCAL YEAR 2004-05 MEDICAID BILL**
(Table Corrected 02-14-05)
(\$ in millions)

	2005-07 Governor's Budget			2007-09 Estimates	
	FY05	FY06	FY07	FY08	FY09
OPENING BALANCE, JULY 1	\$105.2	\$1.5	\$67.2	\$68.6	-\$139.6
REVENUES AND TRANSFERS					
Taxes	\$11,320.1	\$11,831.9	\$12,432.5	\$12,979.3	\$13,541.0
Departmental Revenues	390.2	620.0	415.3	350.3	366.4
Tribal Gaming Revenues	<u>48.7</u>	<u>102.3</u>	<u>120.8</u>	<u>138.8</u>	<u>159.7</u>
Total Available	\$11,864.2	\$12,555.6	\$13,035.8	\$13,537.0	\$13,927.5
APPROPRIATIONS, TRANSFERS AND RESERVES					
Gross Appropriations	\$11,956.4	\$12,728.1	\$12,993.2	\$13,842.6	\$14,178.8
Compensation Reserves	163.0	90.1	178.3	90.1	178.3
Transfer to Budget Stabilization Fund	0.0	0.0	36.0	0.0	0.0
Less Estimated Lapses	<u>-256.7</u>	<u>-329.8</u>	<u>-240.3</u>	<u>-256.1</u>	<u>-262.3</u>
Total Expenditures	\$11,862.7	\$12,488.4	\$12,967.2	\$13,676.6	\$14,094.8
BALANCES					
Gross Balance	\$1.5	\$67.2	\$68.6	-\$139.6	-\$167.3
Less Required Statutory Balance	<u>-0.0</u>	<u>-65.0</u>	<u>-65.0</u>	<u>-65.0</u>	<u>-65.0</u>
Net Balance, June 30	\$1.5	\$2.2	\$3.6	-\$204.6	-\$232.2
Structural Balance	-\$103.7	\$65.7	\$1.5	-\$208.2	-\$27.7

Detail may not add due to rounding.

The estimated four-year fund condition statement does recognize a potential budget deficit by fiscal year 2008-09. In the context of the advance commitments of prior budgets, the 2005-07 budget is not unusual.

The estimate is highly sensitive to small changes in the underlying assumptions. The estimated tax growth rate used is 4.6 percent, the ten-year average growth required by statute. If the average growth rate of the past four years were used, fiscal year 2008-09 would show a positive balance. More importantly, as shown in the table below (see Table 6), the shortfall arises because of advance commitments to cut business taxes and freeze property taxes. Wisconsin has a history of successfully managing budgets that prospectively cut taxes.

**TABLE 6: FISCAL YEAR 2008-09 ESTIMATED DEFICIT RESULTS
FROM PROSPECTIVE TAX REDUCTIONS**
(\$ in millions)

<u>Business Tax Cuts Adopted in 2003-05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>
SB 197 – Single Factor (Sales) Apportionment	\$5 0	\$20 0	\$36 0	\$45 0
AB 507 – Fuel and Electricity Exemption and Credits	6 0	14 0	17 0	19 0
AB 508 – Income Credits for Fuel and Electricity	<u>0.5</u>	<u>2.2</u>	<u>8.1</u>	<u>8.6</u>
Total	\$11 5	\$36 2	\$61 1	\$72 6
Increase in Business Tax Relief 2007-09 over FY07			\$24 9	\$36 4
School Levy Tax Credit	\$469 5	\$469 5	\$619 5	\$619 5
Increase in Net Property Tax Relief 2007-09 over FY07			\$150 0	\$150 0
Tax Relief Advance Commitments 2007-09				\$361 3

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

**TABLE 7: ESTIMATED GENERAL FUND CONDITION SUMMARY
ACCORDING TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Table Corrected 02-14-05)
(\$ in millions)

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Opening Balance	-\$1,931.1	-\$2,070.7	-\$2,071.3
Revenue			
Estimated Taxes	\$11,320.1	\$11,831.9	\$12,432.5
Departmental Revenues and Transfers	390.2	620.0	415.3
Tribal Gaming Revenue	<u>48.7</u>	<u>102.3</u>	<u>120.8</u>
Total Revenue	\$11,759.0	\$12,554.2	\$12,968.6
Total Available	\$9,827.9	\$10,483.5	\$10,897.3
Total Appropriation (Net)	\$11,862.7	\$12,488.4	\$12,967.2
Balance Before Change in Adjustments to GAAP	-\$2,034.8	-\$2,004.9	-\$2,069.9
Net Contribution to Balance Adjustments in GAAP (change from prior year)			
County and Municipal Aids	3.0	-5.5	-22.4
Accrue/Defer Tax Revenues	-38.9	-60.9	-66.7
Estimated Closing Balance	-\$2,070.7	-\$2,071.3	-\$2,159.0

Wisconsin has a deficit under generally accepted accounting principles due to the state's long-term and significant commitment to stabilize and equalize local property taxes. Payments for shared revenue and local property tax relief are paid during the local government fiscal year but are delayed in the state budget to the state's subsequent fiscal year. While this mismatch is a major contributor to the state's deficit under generally accepted accounting principles, the delay has been in place for decades in order that local government budgets, and associated local levies, remain stable. In this budget, the Governor strengthens the commitment to local governments and schools by freezing property taxes while keeping the state's budget gap under generally accepted accounting principles constant.

E. DEBT MANAGEMENT

State debt management is necessary to ensure that long-term capital needs can be met at an affordable level. State debt management is geared to maintaining GPR debt service at approximately three percent to four percent of GPR. This standard is a self-imposed limitation consistent with sound debt management to ensure that debt service does not consume an increasing share of the state's budget. This policy provides a yardstick against which requests for new bonding authority are considered. Debt management in the 2005-07 biennium will be affected by one new item – repayment of pension obligation bonds, with general debt management policies based on three important assumptions.

Pension Obligation Bonds

During the last biennium the state took advantage of historically low interest rates by refinancing its prior service obligations for pension and for sick leave conversion benefits. The structure of the transaction assures that the state will never pay more than it did previously when payments were made directly from the agency fringe benefits to the respective pension and sick leave conversion benefit trust funds. Now those basic costs are budgeted directly as general fund debt service paid to bondholders. In turn that debt service is reimbursed to the general fund from agency fringe benefit budgets.

The terms of the bond financing require the state to make appropriations for debt service on the assumption that variable rate bonds sold will carry a maximum interest rate of 15 percent. The same bond provisions permit the state to estimate the interest on a realistic basis and transfer only the amount of the estimate, lapsing any unneeded appropriation over the biennium. An additional factor present in calculating the lapse from this appropriation during the biennium is the balance of capitalized interest borrowed in connection with the bond sale. The amount borrowed for capitalized interest was conservatively large compared to the actual amounts necessary, so the remaining capitalized interest on hand will be used make debt service payments, further increasing the amount of the debt service appropriation lapses. In fiscal year 2005-06, the required appropriation is \$190.8 million. Of that amount, an estimated \$90.4 million will be lapsed due to a lower interest rate estimate, and the remaining \$100.4 million will be paid from capitalized interest funds on hand. In fiscal year 2006-07, the required appropriation is \$190.8 million. Of that amount, an estimated \$90.4 will again be lapsed due to a lower interest rate estimate, and \$23.8 million of the remaining \$100.4 million will be paid from capitalized interest funds on hand, leaving a net debt service payment of \$76.6 million. Unneeded budgeted amounts in agency fringe benefits will be lapsed to the general fund.

General Debt Management Policies

First, new bonding authorizations, together with the timing of new bond issues, should cause GPR debt service to rise just above four percent of GPR by fiscal year 2006-07. Borrowing costs during the current biennium have been distorted by a large structural refunding in fiscal year 2003-04. 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 old debt being retired. Currently authorized but unissued general obligation bonding authority for GPR-supported programs amounts to \$1.5 billion. This authorized unissued bond authority breaks down to \$663 million for environmental and water programs and

\$837 million for building and other programs. Both of these general categories include large amounts of bonds that are multi-year authorizations that require issuance of the bonds over several years. Issuance of approximately \$685 million of GPR-supported bonds during the next biennium will result in debt service rising to about 3.9 percent of GPR revenue, assuming the revenue estimates on which this budget is based. The absolute cost of new debt service during the past two years has been significantly ameliorated by historic low interest rates. Economic projections at this time point to modest increases in interest rates, but remaining near historic low levels.

Third, the state's market access, and bond ratings will not continue to deteriorate. The state has suffered its bond rating downgrades and the state remains under negative outlook for a further downgrade. Fortunately, low interest rates have caused "credit compression" which means that the increased interest cost of those downgrades is not material at current market levels. A return to more normal higher interest rates will cause the state's lower bond ratings to be more manifest in higher borrowing costs. The state's most recent long-term 20-year general obligation bond issue sold at a true interest rate of 4.05 percent. Wisconsin's bonds are still received favorably by the investment community but are being given much closer scrutiny. Many investment managers of bond funds owning State of Wisconsin general obligation bonds are very concerned about the possibility of a further rating downgrade that will cause a loss of market value for the bonds they manage. This status can be maintained only by carefully limiting the uses and amounts of new debt authorizations, by active management of the timing and structure of new bond issues but most importantly, resolving Wisconsin's basic structural financial problems.

Wisconsin's continued access to bond markets is influenced by the bond rating agencies concern regarding the state's inadequate budget reserves, large deficit under generally accepted accounting principles and continued projection of a structural deficit. Wisconsin's debt service and issuance levels are considered in the high-moderate range by the rating agencies. However, continued fiscal policies that do not provide protection against economic downturns will, sooner or later, result in bond rating downgrades which will damage the state's ability to sell bonds in the amounts and at the interest rates assumed in this budget.

F. CASH MANAGEMENT

While the 2005-07 budget is balanced as required by state law, severe cash shortfalls will occur at different times of the year. The cash shortages arise from the fundamental 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.

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 operating notes are cheaper than using the cash of other state funds.

In recent years, the cost advantages of using operating notes have diminished. For example, in fiscal year 2004-05, no operating note was issued because borrowing from other state funds was more cost-effective than using operating notes.

In the coming biennium, the budget anticipates there will continue to be no advantage to using operating notes. Short-term cash needs will be met by relying on the cash balances in other state funds.

Major Budget Initiatives

IV. MAJOR BUDGET INITIATIVES

A. EDUCATION, WORKFORCE AND LOCAL GOVERNMENT

Property Tax Relief

Property taxes continue to be a challenge for the state and its citizens. While local governments exhibited significant restraint in holding the statewide 2003 (paid in 2004) property tax increase for the average homeowner to the lowest increase in four years (2.8 percent), the increase on the 2004 property tax bill averaged about 4.5 percent, a level that has raised taxpayer concerns. Unfortunately, this variability in tax increases has led some public officials to conclude that what is needed is an inflexible constitutional amendment on government spending. This overreaction to a legitimate concern risks sacrificing many high-quality public services, including public education and police and fire protection, that have made Wisconsin a desirable place to live and raise a family. It also risks eroding the state's ability to address legitimate public needs. There are better ways to reduce the property tax burden on Wisconsin's citizens.

The state's current expenditure restraint program, which provides financial incentives to municipalities that limit expenditures, has produced mixed results when it comes to the property tax levy. Data shows that some municipalities have been able to receive the expenditure restraint credit despite having substantial property tax increases. Counties are not even eligible for the existing restraint credit, and the current controls on counties focus on outdated tax rates rather than actual levies. With the strong growth of property values in recent years, this limit has had limited impact on levies.

What is needed is a system of reasonable statutory, rather than constitutional, restraints on property tax increases for municipalities and counties. Statutory controls can provide effective limits on government spending while maintaining the flexibility to adjust them as needs change. The system must also provide incentives to municipalities and counties to strive to hold property tax increases below the statutory limits. Controls must be combined with a significant increase in state aid to local governments to drive levy increases even lower. The current equalization aid system for public schools, which combines effective revenue controls with a formula that provides more aid to localities with lower property values, links state assistance with local need.

The Governor's budget provides a significant increase in local assistance, through school district equalization aid and a new component of the school levy credit, combined with levy controls and incentives. This combination will hold down property taxes without sacrificing the quality of public education or other critical public services.

Governor Doyle proposes the following initiatives:

- Provide a package of increased local assistance and levy controls that will hold property tax increases for the average homeowner to one percent in each of the next two years. The elements of the package include the following:
 - Provide \$700 million GPR over the biennium to increase school equalization aid. This will be the largest biennial increase in equalization aid since fiscal year 1996-97, when the state increased its share of school costs to two-thirds. The additional aid will increase the state's share of school costs from an estimated 63.7 percent in fiscal year 2004-05 to over 66 percent in fiscal year 2006-07.
 - Beginning in fiscal year 2007-08, increase the school levy credit by \$150 million annually with the option to "buy back" the increase if state general fund revenues exceed budget projections. Unlike the existing levy credit, which is distributed based on each municipality's share of the levy, averaged over the prior three years, the \$150 million increment will be distributed under a new formula based on each municipality's share of general equalization aid, as determined by the Department of Revenue. This will more closely align the incremental payment with a

municipality's property value, providing a higher proportional payment to lower value municipalities.

- Implement new limits on municipalities and counties for 2005 and 2006 levies. The recommended limit will require municipalities and counties to hold their property tax increases to the rate of inflation plus 60 percent of the property value change due to new construction. The limit will be adjusted to reflect the impact of transfers of service and annexations. The new construction factor will be determined on a regional basis for municipalities, which will encourage local governments to make development decisions based on the regional benefit rather than competing against each other for new development.
- Beginning with property taxes levied in 2005 (paid in 2006), the existing expenditure restraint program will be repealed and replaced with a levy restraint and bonus program. Municipalities that hold their 2005 levy increases at or below 85 percent of the levy limit will be eligible for incentive and bonus payments paid in July 2007 (fiscal year 2007-08). The levy restraint incentive payment is similar to the current expenditure restraint program, but focuses on the levy increase rather than general fund spending. It is determined by each municipality's percentage of all qualifying levies over five mills. A municipality that levies below the 85 percent threshold will be eligible for an additional bonus payment based on the municipality's share of all unused levy authority below the 85 percent threshold of all qualifying municipalities. The levy restraint incentive program will be funded with \$58.1 million GPR transferred from the repealed expenditure restraint program and the bonus payment will be funded with \$10 million in new GPR, both beginning in fiscal year 2007-08.
- For counties, the Governor proposes creating county levy restraint and bonus payment programs, identical in design and timing to the municipal program described above, except that the program will apply to all counties, rather than only those with mill rates over five. Funding for this new program would be set at \$25 million for the county restraint incentive payment and \$10 million for the county bonus payment, both beginning in fiscal year 2007-08.
- As a tool to encourage cooperation between counties and municipalities and to encourage economic growth, the Governor proposes to allow counties to enter into revenue-sharing agreements with municipalities or other counties. In addition, the Governor's budget proposes to expand the scope of revenues that are available under local revenue-sharing agreements to include state payments and fees. This will provide the additional flexibility for local governments to cooperate and make the most efficient use of the revenues they and the state raise.

In addition to the overall property tax relief initiative, Governor Doyle also proposes the following two changes that will maintain the state's commitment to the state's property tax payers.

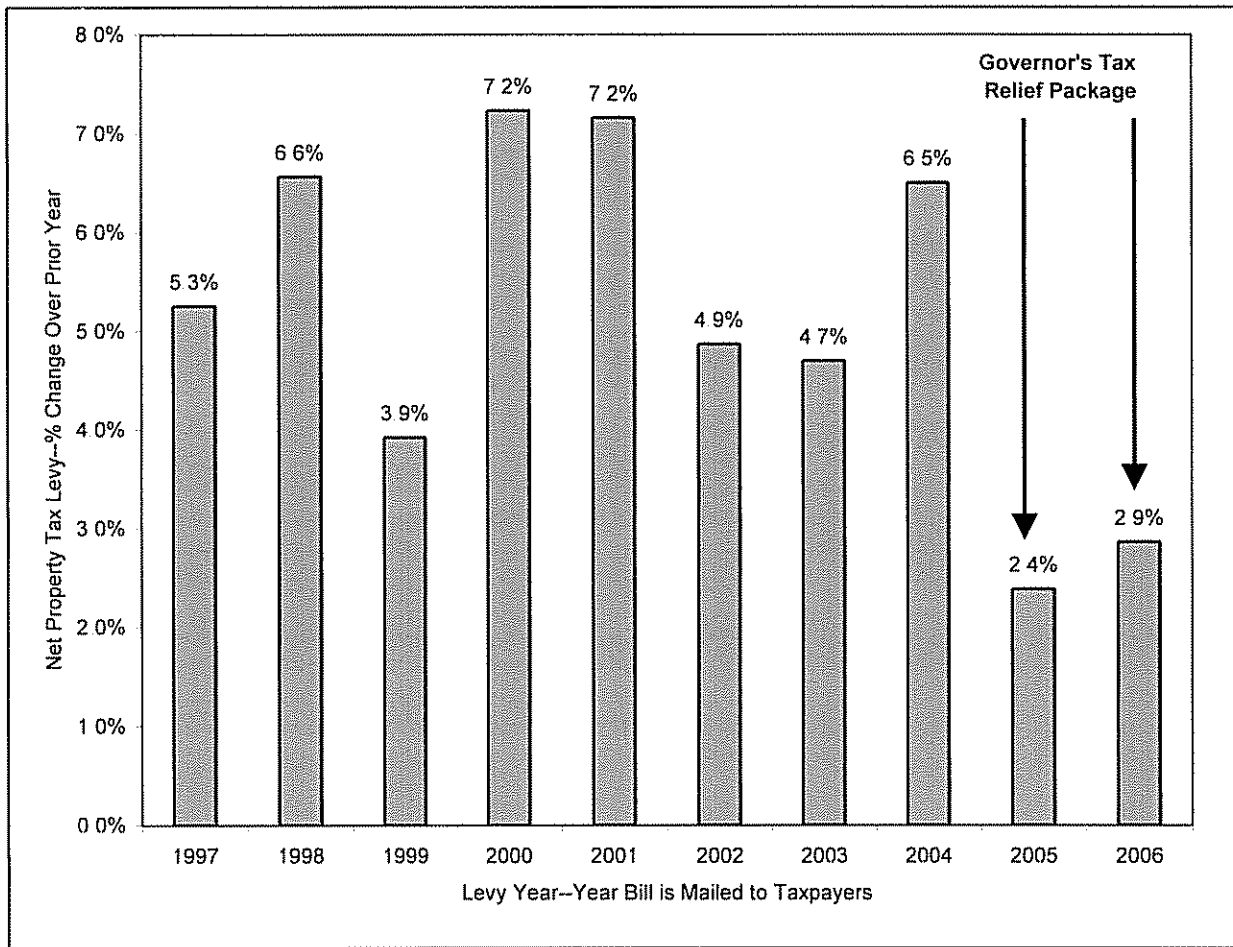
- Provide \$380 million GPR over the biennium to maintain the existing base level of funding for the shared revenue program.
- Increase payments to localities that host power plants and other utility infrastructure by \$11.5 million GPR during the 2005-07 biennium.

The net impact of the Governor's property tax relief package is displayed in Table 8 and Chart 6. As a result of the Governor's proposals, a typical homeowner will pay an estimated total of \$336 less in property taxes over the next two years than if none of the Governor's initiatives are enacted. Also, the total statewide property tax levy will increase by a smaller percentage than it has in eight years.

**TABLE 8: PROPERTY TAXES ON A TYPICAL HOME
CURRENT LAW VERSUS GOVERNOR'S RECOMMENDATIONS**

	Current Law			Governor's Recommendation			Savings
	Tax Bill	\$ Increase	% Increase	Tax Bill	\$ Increase	% Increase	
December 2005	\$2,848	\$143	5.3%	\$2,732	\$27	1.0%	\$116
December 2006	\$2,980	\$131	4.6%	\$2,760	\$28	1.0%	\$220
Governor's property tax freeze – savings on average value home							\$336

CHART 6: LOWEST INCREASE IN STATEWIDE PROPERTY TAXES IN EIGHT YEARS

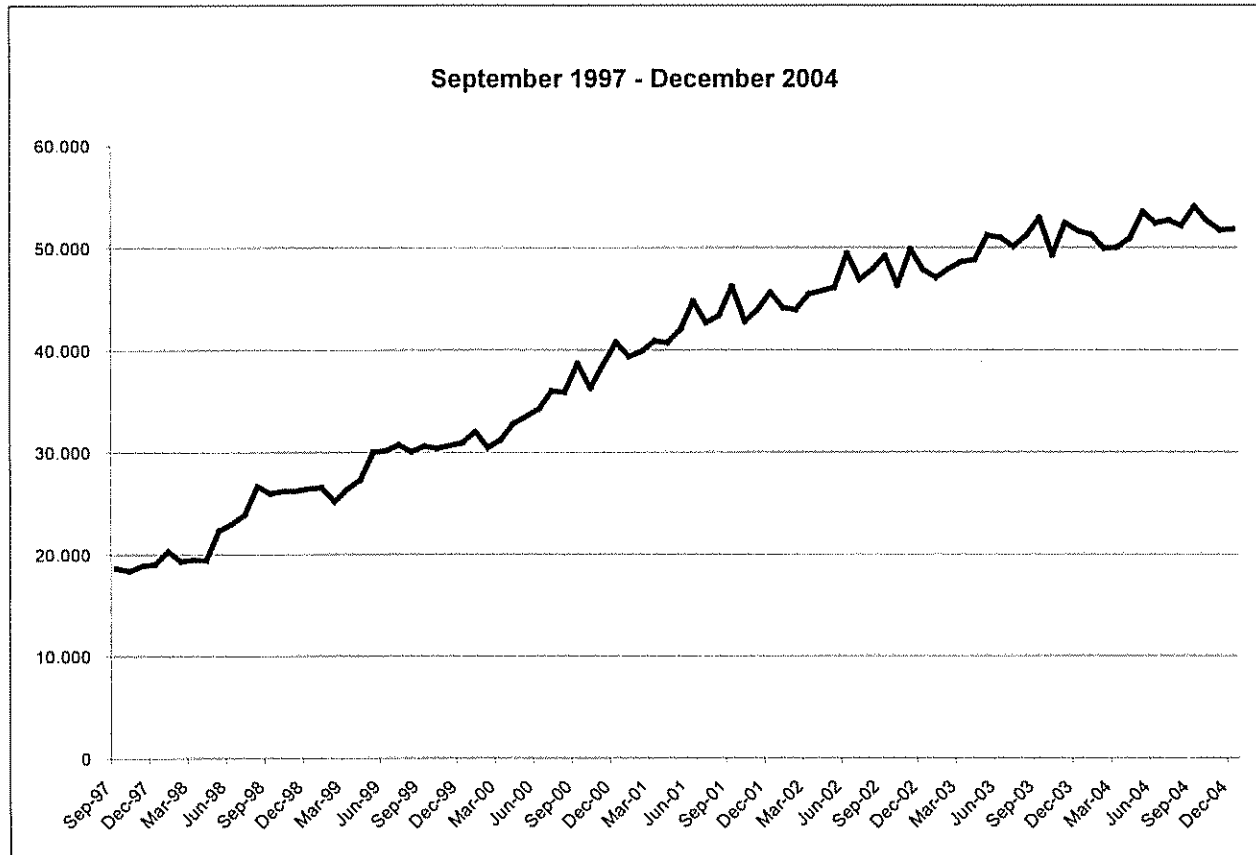


KidsFirst

The most important investment a state can make in its future is to invest resources in its children's early years. As illustrated in Chart 9, Wisconsin is a national leader in providing access to and investing in early childhood programs (for example, ranking second nationally in fiscal year 2000-01 on per capita expenditures for subsidized child care costs). However, the state has not devoted as much attention to ensuring that resources are spent on activities that have been proven effective

As part of his long-term and broad strategy to ensure that taxpayer dollars add value to the quality of life for our citizens, Governor Doyle created the KidsFirst initiative, a comprehensive plan to invest in Wisconsin's future by investing wisely in its young children. KidsFirst focuses its initiatives in four major areas: getting our kids ready for success in school, ensuring kids' safety, building and maintaining strong families, and keeping our kids healthy.

CHART 7: CHILDREN SERVED IN THE WISCONSIN SHARES SUBSIDY PROGRAM HAVE INCREASED BY MORE THAN 175 PERCENT SINCE 1997



Governor Doyle's biennial budget proposal is a decisive first step in providing all Wisconsin families with the resources necessary to get their kids off to a great start. These efforts will help low-income children and their families grow and develop in safe, healthy and successful ways. The initiatives span the spectrum of child development services including offering help to all first-time parents in learning how to care for their newborns, improving the quality of child care, increasing the availability of four-year-old kindergarten programs, improving dental care for children and assisting female offenders in reuniting with their families.

Governor Doyle's budget includes recommendations that address the four major areas of KidsFirst as follows:

Ready for Success

- Implement a child care quality rating system to evaluate all regulated child care providers on indicators related to the quality of child care programming. The quality rating system will evaluate providers on staff credentials, the learning environment and professional practices, including professional development and parental involvement. Providers will be placed on a one to five star scale, depending on their rating system point total.

- Implement a tiered reimbursement system under the Wisconsin Shares child care subsidy program to reward child care providers that provide higher quality child care and reallocate funding to support child care quality improvement activities at the provider level. The star rating of a child care provider will determine their reimbursement level. Programs that demonstrate high quality will be reimbursed at higher rates than those that do not

The Governor's budget request proposes that \$8.5 million be allocated for child care quality improvements over the biennium, including \$3.6 million to fund the TEACH and REWARD programs, which provide funding for child care worker education and worker retention, respectively; \$2.1 million to assess providers; \$2.0 million to develop and maintain the information technology systems needed to maintain information on child care providers and provide public access to child care provider ratings; and \$800,000 to help providers understand and improve under the new rating system.

- Provide \$3 million in fiscal year 2006-07 to assist school districts with the initial costs of starting up four-year-old kindergarten (4K) programs. Currently, less than half of Wisconsin's school districts provide 4K programs. This includes a number of districts with high percentages of low-income students. While low-income status does not necessarily lead to difficulties in school, many low-income families face economic challenges in providing learning enrichment activities for their preschool-age children. For example, the implementation of a 4K program in the Wausau School District has helped reduce the number of elementary school students identified with learning disabilities by 25 percent.

The two major barriers for school districts to implement 4K programs are the current school district revenue limits and the school aid formula. Revenue limits phase-in enrollment increases over a three-year period, only allowing school districts to cover one-third of costs of a new 4K program in the first year, unless they reallocate spending from other areas. On top of that, the state's equalization aid formula pays aid based on prior year expenditures, providing no aid to a district for the first year of a 4K program.

The Governor proposes to overcome these barriers by creating a grant program to help school districts that want to start 4K programs fund the first two years of program implementation. The new grant program will provide a school district with \$3,000 per 4K pupil in the program's initial year of implementation (equal to about two-thirds of the average per pupil costs for a 4K program) and \$1,500 per pupil in the second year. This funding addresses both the phase-in of spending authority and the delay in state aid payments. In addition, the Governor's budget directs the State Superintendent of Public Instruction to give preference in awarding grants to districts that implement a community approach to providing 4K programs.

Safe Kids

KidsFirst invests in a universal home visiting program for first-time parents, strengthens the state's foster care and adoption system for abused and neglected kids, increases payment rates for foster and adoptive parents, and enhances the Bureau of Milwaukee Child Welfare's ability to serve kids in imminent risk of danger. In this area, the Governor recommends the following:

- Provide funding to meet caseload and programmatic needs in the Bureau of Milwaukee Child Welfare including:
 - Expanding safety services to 100 to 125 families where children are in imminent risk of danger, but not under the care of the bureau.
 - Extending safety services to 300 families in children's court where temporary restraining orders or injunctions for child abuse are being sought
 - Creating a new mental health stabilization clinic to quickly help address the mental health concerns of children and their birth parents receiving services from the bureau.

- Supporting an ombudsman office to investigate concerns and issue recommendations to the bureau.
- Stationing domestic violence professionals at the bureau and community sites to help caseworkers recognize and respond appropriately to domestic violence threats and link families to legal services, orders of protection, transitional housing and counseling.
- Provide funding to improve recruitment, training and retention of a quality child welfare work force. These efforts are needed to address the problem of high turnover among front-line caseworkers and include funding for supervisory training and a salary increase to help retain current caseworkers.
- Expand an innovative program to break the cycle of intergenerational incarceration for nonviolent female offenders and their dependent children to serve approximately 180 mothers who will be leaving prison and settling in Milwaukee County.
- Create a pilot program in two counties to provide better mental health and substance abuse treatment for over 600 at-risk children and 350 parents. The statewide child welfare Program Enhancement Plan (PEP) includes support for the training of newly hired county child welfare workers and will provide ongoing support for the new Wisconsin Foster Care and Adoption Resource Center. The center will train foster and adoptive families, direct families to appropriate resources, and help develop local recruitment and retention strategies for quality foster care and adoptive homes.
- Increase child abuse prevention funding to support recommendations emerging from the Governor's Summit on Child Abuse Prevention including helping child welfare agencies to assist families before costly court-ordered services are imposed and increasing the availability of respite care services for families with emotionally or behaviorally disturbed children. The budget also supports increasing the availability of parent education to identify the warning signs of adults with sexual abuse, substance abuse, domestic violence and mental health problems. Increasing the duplicate birth certificate fee from \$12 to \$15 and implementing a \$20 surcharge on felony and misdemeanor offenses provides support for these efforts.

Strong Families

- Direct the Department of Workforce Development to implement a Trial Jobs Plus pilot project, under which up to 1,000 Wisconsin Works (W-2) participants will be enrolled in an enhanced version of the existing W-2 Trial Jobs employment program. Trial Jobs Plus is intended to be an additional way to help low-income adults secure permanent unsubsidized employment in the private sector and increase their earnings. Participants in a Trial Jobs Plus placement will also be eligible to receive the federal and state earned income tax credit, thereby increasing their income and their ability to support their family.
- Provide \$221,000 annually to expand the Children First program, which assists noncustodial parents in finding and maintaining jobs, to Brown, Douglas, Eau Claire, La Crosse and Rock counties. Children First is an important tool to help unemployed noncustodial parents find work that enables them to support their children financially. Nearly 4,000 noncustodial parents are enrolled in this program by court order, but the program is currently available in only 39 counties. Expanding this program to the five largest counties, not currently participating in the program, will enable many more parents to support their families.

Healthy Kids

- Extend the length of time that parents participating in the Wisconsin Works (W-2) program, funded under the federal Temporary Assistance for Needy Families (TANF) program, may stay home with their newborn children from 12 to 26 weeks. Research clearly shows that not only are the first few months a critical time in a child's development, but they are also a difficult time for mothers struggling to maintain employment and make child care arrangements. Federal rules permit states to exempt

single parents from the TANF work requirement for up to one year. This change will save an estimated \$2.3 million over the biennium in child care subsidy costs.

- Provide cash assistance 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. Denying cash assistance in these cases puts both the health of the mother and her unborn child at risk. It is more critical that women with at-risk pregnancies keep regular doctor's appointments. Providing cash assistance in these cases is permitted under federal law.
- Increase state subsidies for school breakfasts by 50 percent from \$0.10 to \$0.15 per breakfast. Wisconsin may be a leader in ACT scores, but it ranks last among the states in its rate of participation in the School Breakfast Program. Only 46 percent of Wisconsin schools that participate in the National School Lunch Program participate in the breakfast program, compared to a national average of 78 percent, and only 25 percent of Wisconsin's children eligible for free and reduced-price lunches participate in the breakfast program compared to 42 percent nationally. Good nutrition and good learning go hand in hand. Increasing the state subsidy by 50 percent should provide an incentive for more schools to participate. In addition, the Food Research and Action Center reports that Wisconsin could bring in another \$12.8 million in federal matching funds by improving its participation rate to 55 percent.
- Add 80 slots under the children's long-term support waiver to help families who want to keep their disabled children at home. The waiver targets children with physical, sensory and developmental disabilities as well as children with severe emotional disturbances.
- Increase children's access to dental sealants by expanding the Seal-a-Smile program to reach nearly 1,200 children and provide permanent funding to technical colleges to provide dental care to low-income and uninsured children and to train students to be dental hygienists and dental assistants.
- Provide health coverage under Medical Assistance for young adults who age out of foster care on their 18th birthday. Health care coverage will be provided until their 21st birthday. Approximately 358 teens will be eligible in the first year of the program starting January 1, 2007.
- Provide funding to match a grant from the Centers for Disease Control and Prevention to provide parents with access to their child's immunization record on the Wisconsin Immunization Registry, a Web-based record of immunizations given to children.

Governor's Task Force on Educational Excellence

Getting our kids off to a great start is not enough. Sacrificing early childhood gains to a mediocre public school system will cost Wisconsin when these children become adults and enter the work force. Fortunately, Wisconsin has shown the wisdom to make a significant investment in public schools. The cornerstone of Wisconsin's continuing ability to meet economic challenges and maintain a high quality of life is the quality of its educational system. By making this investment a priority, Wisconsin continues to lead the nation in student performance on the ACT college entrance examination and consistently ranks high on other national measures of student achievement. The most recent national rankings by *Education Week* also place Wisconsin in the top third of states in the equity of public school funding, but indicate that improvements could be made in the state's efforts to prepare teachers and to strengthen its academic standards.

It is clear that Wisconsin's public schools cannot afford to rest on their laurels. Governor Doyle recognized this when he appointed his Task Force on Educational Excellence. In its final report, the task force noted that: "The knowledge and skills current students will need bear little relation to what was needed in the past. While the grandparents of today's students could often achieve a middle class income with only a high school education, those days are long gone."

The task force focused its attention on five major areas: student achievement, attracting and retaining quality teachers, early childhood education, special education, and school financing. Many of the

recommendations of the early childhood subcommittee were incorporated into the KidsFirst initiative and are described there. The task force concluded that school districts are facing a number of increasing and interactive threats to their ability to maintain high-quality programs including declining enrollment; flat funding of the Student Achievement Guarantee In Education (SAGE) program despite the increasing costs of maintaining small class sizes in the early grades; cost pressures on small rural school districts to maintain a challenging curriculum; and the restrictions the current qualified economic offer (QEO) law places on the school districts' ability to offer compensation packages that will continue to attract high-quality teachers.

To address the areas identified by the task force, the Governor proposes the following initiatives.

Academic Achievement

- Provide \$44.1 million GPR over the biennium to increase the per pupil reimbursement level for the Student Achievement Guarantee In Education (SAGE) program, which lowers class size in kindergarten through third grade, to \$2,250 in the 2005-06 school year and \$2,500 in 2006-07 and to expand the program to an additional ten schools. In 2003-04, the SAGE program served almost 98,000 pupils, 42 percent of the total number of pupils enrolled statewide in eligible grades. Per pupil funding for SAGE has not increased since the program was created in fiscal year 1996-97. This has made it increasingly difficult for many schools to maintain the program. Since 2000-01, 52 schools have dropped the program, some citing increasing costs as a reason. Research has consistently demonstrated that academic achievement is higher in small classes, especially in the lower grades. Fully supporting the SAGE program is a wise investment.
- Provide additional funding for the state to maintain its current share of funding for bilingual-bicultural education aid. The task force concluded that meeting the needs of English language learners is important for improving the overall achievement levels of Wisconsin students and important to the individual success of English language learners. Funding for bilingual-bicultural aid has not increased since 1993-94, despite an increase in the number of bilingual students from under 17,000 in the 1993-94 school year to almost 37,000 in 2004-05. Without a funding increase, the state's share of bilingual costs will drop from 12 percent to 10 percent by fiscal year 2006-07. This increase will maintain the state's share at 12 percent.

Teacher Issues

- Repeal the qualified economic offer (QEO) to provide more flexibility for teachers and school boards to find better ways to link teacher compensation with effective instructional strategies, to address escalating health insurance costs, and to create equity between teachers and other public employees in bargaining. It is clear that, in addition to unfairly singling out teachers among all public employees for compensation limits, the QEO law is not working to address two critical issues in our public school system: encouraging school boards and teachers to bargain contracts that emphasize acquiring and demonstrating the skills needed to improve student learning; and addressing eroding teacher salaries. The task force recognized that the QEO law limits the interest of school boards and teacher collective bargaining units to consider compensation structures that promote student learning more effectively than years of teaching and academic credits earned. While student learning is central to the state's new teacher licensure rules, the current QEO law is heavily biased towards maintaining the status quo, since implementing a QEO requires maintaining the existing salary grid structure and fringe benefit package.

The QEO law also requires that resources be distributed in a way that favors fringe benefits over salaries. As a result, Wisconsin's average teacher salaries have dropped from 14th in 1989-90 to 27th in 2002-03, according to the American Federation of Teachers. Conversely, Census data report that Wisconsin ranks second nationally in fringe benefits paid to instructional staff. This high ranking is largely the result of the high cost of health insurance. This imbalance may prove to be a serious impediment to recruiting new teachers for whom a higher salary may take precedence over broad health care coverage. With revenue limits in place, eliminating the QEO should not impact the state's taxpayers and will encourage teachers and school boards to explore other compensation models.

- Provide \$1.8 million GPR to fund competitive grants to school districts where school boards and educators wish to design compensation systems that reward teachers for acquiring skills and knowledge that have been demonstrated to improve student learning and for taking on hard-to-staff or difficult teaching assignments.
- Provide mentoring grants to help school districts meet the costs of the new teacher licensure rules, which require experienced teacher mentors for beginning teachers. One of the most important elements of the Department of Public Instruction's new licensure rules is the requirement that a more experienced teacher mentor new teachers during their first year or two of teaching. Research indicates that having a mentor has a positive impact on reducing the attrition of new teachers.
- Expand the grant program for teachers who receive certification from the National Board for Professional Teaching Standards (NBPTS) to include teachers who receive master teacher licenses under the state's new licensure rules. Wisconsin's new teacher licensure rules create a master teacher licensure category for which teachers must meet standards that equal or surpass those required for national board certification. It is reasonable to expand the grants given to NBPTS-certified teachers to include Wisconsin master teachers as well.
- Provide 2.0 FTE positions and \$237,800 GPR annually to the Wisconsin Employment Relations Commission to address the increased work load that restoring true collective bargaining for teachers is likely to create. The commission provides mediation and arbitration services for public sector collective bargaining statewide. A good collective bargaining system requires the availability of these services to help resolve bargaining impasses and disputes promptly. Providing the commission with additional resources to accomplish this goal for school boards and teachers is important to an effective collective bargaining system.

Special Education

- Create a new categorical aid program to fund 90 percent of the increment of per pupil special education costs above \$30,000 annually for school districts with students requiring these higher levels of special education services. The current state special education aid program funds less than 30 percent of special education costs. A pupil requiring a high level of special education services can put a significant strain on a school district's budget. The issue is further exacerbated by the federal government's failure to meet its commitment to fund 40 percent of special education costs. Federal reimbursement levels continue to languish in the 10 percent to 15 percent range, even though the federal government mandates special education "high cost" requirements.

According to the task force report, 390 students in the state met this threshold in 2004. While the Department of Public Instruction has been able to use carryover federal funds, to support increased reimbursement levels, it is unlikely these funds will be available in the 2005-07 biennium. The Governor's proposal provides \$3.5 million GPR for this purpose beginning in fiscal year 2006-07.

School Finance

- To improve equity in school spending, increase the per student low revenue ceiling, below which school districts are exempt from revenue limits, from \$7,800 per pupil to \$8,100 in fiscal year 2005-06 and to \$8,400 in fiscal year 2006-07. The current ceiling equals approximately 93 percent of state average per pupil revenue. The \$300 annual increases will put the ceiling at approximately 94 percent of the statewide average. This provides a solid foundation funding level for districts that choose to take advantage of it. The increased limit is expected to benefit approximately 100 districts.
- Beginning in fiscal year 2006-07, school districts will be allowed to use either a three- or five-year rolling enrollment average to determine their revenue limit. While public school enrollment on a statewide basis has been relatively stable in recent years, it is considerably more volatile for individual school districts. In the 2004-05 school year, the Department of Public Instruction estimates that 267 school districts (63 percent of all districts) are experiencing declining enrollment. An increasing number of declining enrollment school districts are finding it difficult to manage the

spending reductions required by the use of a three-year rolling enrollment average in determining a district's revenue limits. Districts with already low enrollments find it almost impossible to make spending reductions without considering cuts in the basic curriculum. For many areas of the state, these declines are expected to continue, if not accelerate. Demographic data show that 19 of Wisconsin's 72 counties are expected to lose 20 percent to 40 percent of their school age populations between 2000 and 2015. The Governor's proposal, while recognizing the need for school districts facing declining enrollment to explore ways to improve efficiency and achieve cost savings, moderates the revenue limit impact that many districts now face.

- Authorize school districts to carry over 100 percent of their unused revenue limit authority from one school year to the next on a nonrecurring basis. Current law allows school districts to carry over 75 percent of unused authority. This has created the unintended consequence of having some districts use all their revenue limit even if the spending need is not there rather than risk losing it. This change is a sensible way to encourage sensible spending.
- Provide a 75 percent increase in pupil transportation aid over the biennium, directing greater increases to school districts with longer travel distances. The state's transportation aid formula rates have not changed since fiscal year 1980-81 and the state's appropriation covers less than eight percent of transportation costs. This increase will bring the rate to approximately 12 percent. For some rural school districts, per pupil transportation costs can exceed \$1,000 per year. The Governor's proposal will increase the state reimbursement rates for all travel distances, but most significantly for distances between 8 and 12 miles where per pupil rates will increase from \$60 to \$120 per year and for distances over 12 miles where rates will increase from between \$68 and \$85 per pupil to \$200. Funding for this increase and the current base will be provided from the transportation fund.

Other Education and Training Initiatives

University of Wisconsin System and Student Financial Aid

The capstone of Wisconsin's commitment to public education is the University of Wisconsin System. Its 26 campuses provide high-quality undergraduate and graduate programs in every corner of the state. In addition, the system is a critical element of Wisconsin's economy. Not only does it train many of Wisconsin's and the nation's leaders, every state tax dollar invested in the system generates over \$2 in other revenue.

Unfortunately, the fiscal condition inherited by Governor Doyle entering the 2003-05 biennium required decisions that challenged the system's ability to maintain quality and access. The Governor's budget was able to moderate these increases for lower income students with the largest increase in state-funded financial aid programs in state history. Even with additional financial aid and resident undergraduate tuition that remains low compared to system peers in other states, the challenge to maintain campus access and quality remains. Fortunately, in 2003-05 campuses stepped up and absorbed this reduction without sacrificing quality or limiting access. In fact, systemwide undergraduate enrollment increased by 3,700 students over the biennium.

However, it is clear that for the system to maintain quality and access, more budget stability is needed. The system will be unable to retain its world class faculty and its world class instructional and research programs in an increasingly competitive national and international market for talent and grant funding if the state's commitment continues to decline.

For its part, the system must undertake a critical review of how efficiently it provides administrative services. The 2004 Legislative Audit Bureau review of university administrative activities provided a valuable starting point by comprehensively identifying the full range of administrative positions and costs, from those allocated to the system office and campus central administrative activities to those accounted for in individual academic department budgets. Budget stability must come with sufficient accountability that administrative activities and salaries are delivered efficiently and in line with costs at other state

agencies and that state resources and tuition revenue dedicated directly to instructional activities and student support are maximized.

To address these and other issues, the Governor's budget incorporates the following major initiatives for the University of Wisconsin System and student financial aid:

- Provide an additional \$23 million GPR over the biennium for higher education financial aid programs, which will increase aid to University of Wisconsin System, technical and private college students. The Governor's request includes \$21 million in additional financial aid for system students which should be enough to hold aid eligible students harmless from any tuition increases over the next biennium.
- Maintain modest tuition increases. The Governor's proposal will hold annual tuition increases for the next two years within five percent to seven percent annually. This is expected to maintain the system's position as a lower tuition system when individual campuses are compared to their peers in other states.
- To help offset higher tuition costs incurred by Wisconsin families, increase the tuition tax deduction from \$3,000 to \$5,100 beginning in tax year 2006. This tax deduction will be indexed to the average growth in University of Wisconsin System tuition and will be available to Wisconsin families, regardless of where their children attend college.
- Provide \$5 million GPR to support compensation adjustments needed to retain high-demand faculty. The system's ability to attract high-quality faculty also makes it attractive to public and private universities nationwide looking to enhance their quality by attracting top flight teachers, researchers and the grant funding they bring with them. Many of these faculty not only improve the system's quality with their research and teaching skills, they bring jobs to the state with their ability to attract outside funding. For the system to maintain its quality, it needs the resources to keep high-demand faculty here in Wisconsin.
- Provide \$13.1 million GPR to fund 125.0 FTE new faculty positions at system institutions, beginning in the 2006-07 academic year. Wisconsin reduced faculty to partially address the 2003-05 budget reductions. With demand for university services continuing to increase, additional faculty are needed to ensure that the capacity to provide a quality education to all students is not compromised. In combination with the administrative reductions that the Governor is also recommending, the system will have added a total of 425.0 FTE new faculty and instructional staff since 2003 Wisconsin Act 33 to address increased enrollment.
- To encourage the more efficient delivery of administrative services and increase resources available for other activities, require the University of Wisconsin System to identify and eliminate 200.0 FTE administrative positions across all levels of the organization and make additional savings through improved procurement practices, asset management and other administrative restructuring initiatives. In addition, require the system to report to the secretary of the Department of Administration on how the position reductions were achieved.

The Governor's budget anticipates that the combined savings from these activities will total \$65 million over the biennium. The Governor's budget does not propose removing this funding from the system's budget, but reallocates this funding and position authority to help support increases for instructional activities and to help pay for cost to continue adjustments.

- Provide \$1.1 million GPR in fiscal year 2006-07, as part of the funding for new faculty, to begin implementing the recommendations of the Committee on Baccalaureate Expansion (COBE), designed to increase the number of bachelor's degrees awarded in the state. Despite the number of students seeking degrees or training at University of Wisconsin and technical college campuses, Wisconsin continues to lag behind the national average in the percent of its adult population with baccalaureate degrees. The COBE initiative is intended to develop and implement innovative and

cost effective ways to expand access to higher education in ways that would meet the educational needs of working adults, students of color and low- to moderate-income students.

- Provide \$582,000 in fiscal year 2006-07, as part of the funding for new faculty, to enable University of Wisconsin-Platteville to award bachelor's degrees in engineering at the University of Wisconsin-Rock County two-year campus. This initiative will also serve to expand the number of degree holders in Wisconsin's adult population.
- Provide \$3 million over the biennium to support research on Alzheimer's disease. University of Wisconsin researchers have made significant advances in understanding the underlying causes of this dreaded disease. This is an important step in being able to successfully treat Alzheimer's. It is important, not only for Wisconsin, but for people everywhere, that this research be supported.
- Permit the University of Wisconsin System to offer domestic partner benefits and provide \$1 million to fund the benefits. The University of Wisconsin-Madison is now the only campus in the Big 10 that does not offer domestic partner benefits. This places all the University of Wisconsin campuses at a competitive disadvantage when it comes to recruiting and retaining faculty.
- Authorize the University of Wisconsin System to charge resident tuition for undocumented persons who meet certain residency requirements. These are residents of the state who have graduated from a Wisconsin high school and have satisfied the requirements to be admitted to a University of Wisconsin campus.

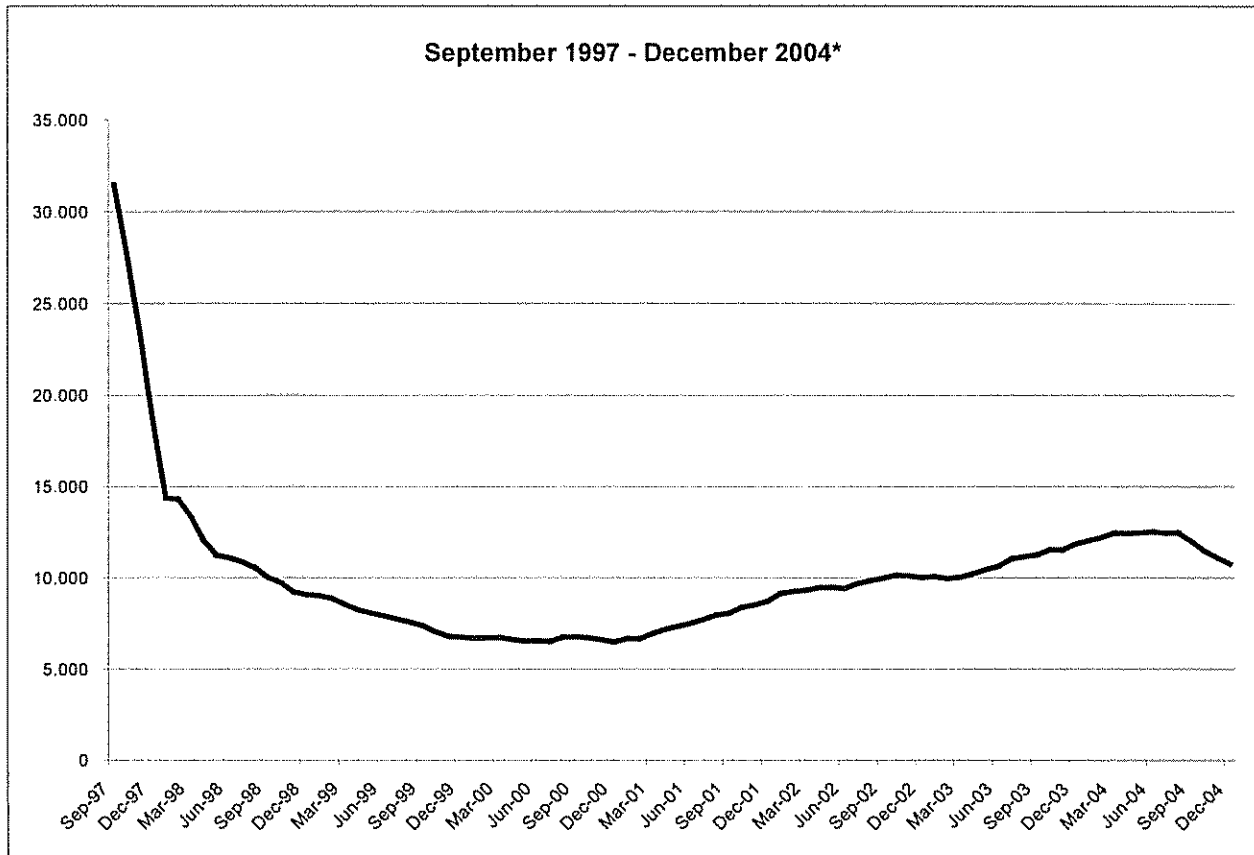
Department of Public Instruction

- Provide funding to expand the number of Advanced Placement (AP) courses offered in the state and to enhance gifted and talented student programs in middle schools. Wisconsin has lagged behind the national average in the number of students taking AP classes and in providing challenging learning opportunities for gifted and talented middle school students.
- Require school districts to provide greater public accountability for the fund balances they maintain and require school boards to vote on maintaining fund balances in excess of 90 percent of the state average. The Department of Public Instruction estimates that school districts maintain, in total, over \$300 million in undesignated fund balances. While it is difficult to draw conclusions from the quality of self-reported data, school boards should be accountable to both their taxpayers and to the state, which supports over 60 percent of district costs, for the balances they maintain.
- Increase aid to public library systems by \$2 million over the biennium, a 9.3 percent increase. This will help Wisconsin public libraries to continue to participate in library system programs that provide Wisconsin citizens with wide access to public library resources.

Wisconsin Works (W-2) and Temporary Assistance for Needy Families (TANF)

Wisconsin Works (W-2) was first implemented in September 1997. Since that time, the cash-assistance caseload has decreased from 34,500 to 10,800, as of December 2004. The W-2 program has been successful in moving thousands of individuals from dependence on government assistance to independence and private sector employment. However, there remain individuals for whom that transition has not been successfully achieved.

CHART 8: WISCONSIN WORKS (W-2) CASH ASSISTANCE CASELOAD DECLINING



*Between September 1997 and March 1998 the W-2 program was being phased in as the Aids to Families with Dependent Children program was being phased out

When the state's economy was strong and caseloads were low, the Temporary Assistance for Needy Families (TANF) federal block grant and other TANF budget revenues were more than adequate to support the core W-2 program as well as a number of related programs that provided services or assistance to low-income families. In fact, the TANF budget was generating a surplus, which reached \$277 million by the close of fiscal year 2000-01. Previous administrations and the Legislature made use of the surplus to either replace GPR or expand funding for other activities related to assisting low-income families, such as expanding child care eligibility, replacing the majority of GPR funding for the state earned income tax credit program, replacing 50 percent of the GPR support for Head Start programs and creating new programs like Early Childhood Excellence grants.

While most of these programs provide valuable services, ongoing funding cannot sustain these spending levels, especially with the existing budget deficit. By the end of fiscal year 2004-05, ongoing expenditures will exceed ongoing revenues, excluding the estimated \$18 million fiscal year 2004-05 carry-over surplus, by \$51 million. Like the state budget in general, the TANF budget is running a structural deficit. To bring the program into balance, it will be necessary to reduce or eliminate the funding of some programs, seek greater management efficiencies in others and provide additional resources.

During the economic downturn of recent years, the number of individuals seeking assistance from the W-2 program increased from an average low of 6,650 per month in 2000 to 12,541 in June 2004. An improving economy and a renewed emphasis on quick attachment to the work force has resulted in a substantial and steady decrease in the W-2 cash assistance caseload, down to 10,800 by December 2004. Much of the caseload reduction has occurred in Milwaukee County, which has the highest concentration of W-2 participants. This combination of a strengthening economy and a work-first focus

should translate into quicker transitions into unsubsidized employment for W-2 participants, and therefore continued reductions in the W-2 cash assistance caseload.

In light of these factors, the Governor proposes the following:

- Reduce funding for the W-2 contracts to reflect a lower average caseload of approximately 7,500 cases per month, beginning with the next contract period, which runs from January 1, 2006, to December 31, 2007.
- Reduce funding for W-2 agency contracts for administration and services from \$76.8 million in fiscal year 2004-05 to \$63.2 million in fiscal year 2006-07 to address the structural deficit in the TANF program and streamline administrative operations
- As noted under KidsFirst, expand the caretaker of a newborn infant placement from 12 to 26 weeks. In addition to helping single parents better adjust to and care for newborn infants, the expansion will result in an estimated \$2.3 million net savings in the TANF budget, which limits the need to take further cuts in other TANF-funded programs.
- Replace TANF funding with GPR in order to maintain existing funding levels for the following programs: Head Start state supplement, English as a Second Language for Southeast Asian Children, pregnancy prevention and other services for at-risk youth, domestic violence services, and the Child Abuse and Neglect Prevention Board.
- Retain TANF funding for programs that support low-income families, including emergency assistance grants and key programs administered by the Department of Health and Family Services such as the TANF transfer to Community Aids, Milwaukee child welfare, kinship care, Supplemental Security Income (SSI) caretaker supplement and Wisconsin Statewide Automated Child Welfare Information System.
- Provide additional resources including GPR, a one-time allocation of the state's share of assigned child support collections and transportation funds in order to maintain spending for core TANF programs. The transportation fund dollars will be used to support transportation services for W-2 participants and other TANF-eligible working individuals. The Governor also recommends increasing the per-child fee assessed on group day care centers, to raise an additional \$574,600 annually for the TANF budget. This action will reduce the amount of federal child care funds that are needed for day care licensing and regulation activities. Those federal child care funds will be used to support other child care quality improvement activities.

Other Initiatives

- To better coordinate child care related services, transfer responsibility for day care licensing and regulation from the Department of Health and Family Services to the Department of Workforce Development
- Retain the current state-county sharing ratio of federal incentive funding for child support enforcement activities. Wisconsin has been among the national leaders in child support enforcement. It is important that the current partnership between the state and counties be maintained. The split of federal incentive funds is an important part of that partnership
- To help unemployed workers reenter the job market more quickly, provide \$1 million annually from the federal Reed Act distribution for reemployment services to unemployment insurance claimants.
- Provide \$2.1 million GPR in increased support over the biennium for vocational rehabilitation services to ensure that citizens with disabilities receive the services and training necessary to be productive workers.

- Provide \$500,000 PR annually from the worker's compensation program funding support to help health care facilities implement "no lift" work environments to decrease the number of work place injuries suffered by health care employees.
- Provide \$650,000 GPR annually in increased funding for the Wisconsin manufacturing extension partnership (MEP) programs and transfer the program to the Wisconsin Technical College System to improve the collaboration between the work of the MEPs and training services of the technical colleges

B. ECONOMIC DEVELOPMENT AND TRANSPORTATION

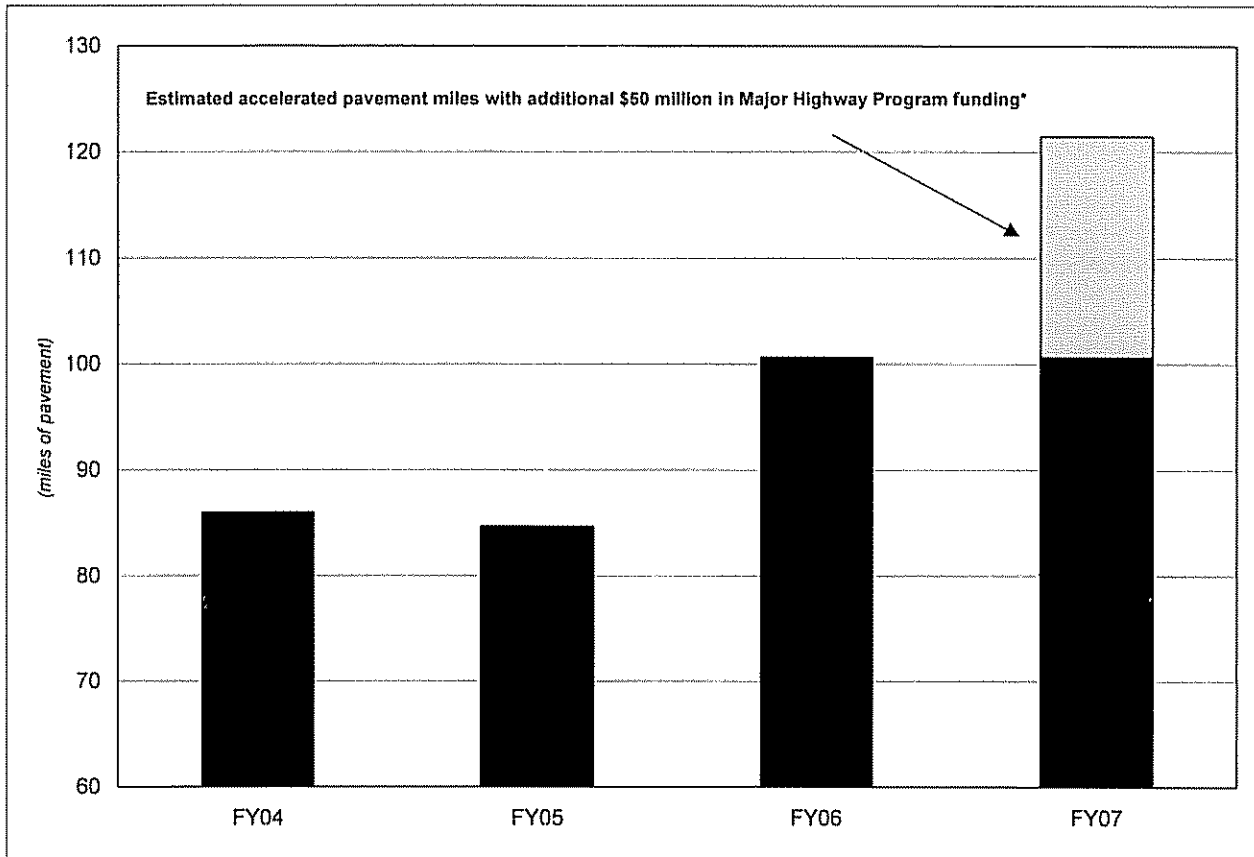
The Governor recognizes that the efficient and safe movement of people and goods across state highways is essential to economic development and the well-being of Wisconsin's citizens, businesses and visitors. The Governor's budget aims to preserve and improve Wisconsin's highway infrastructure by ensuring that existing highway construction projects are completed, new projects are moved forward, and funds are increased to rehabilitate and maintain roadways and bridges statewide.

In particular, funding is budgeted to finish reconstruction of the Marquette Interchange. Scheduled to be completed in 2008, the project is a major factor in improving the economic condition of the state. Located in the heart of the state's largest population center, the interchange serves people and goods traveling from Illinois and southeastern Wisconsin to the rest of the state and from all areas of the state to the City of Milwaukee and southeastern Wisconsin.

The Governor's budget further recommends that funding be budgeted to address immediate rehabilitation concerns in southeastern Wisconsin and to begin preliminary engineering for reconstruction of the I-94 South corridor. In addition to the Marquette Interchange and southeast freeway system, many other portions of the Interstate, U.S. Highway and state highway systems are in need of repair. The Governor has made it a priority that funding is provided in this budget for highway projects across the whole state.

Currently, there are approximately 25 enumerated major highway projects that are not completed. Once completed, these projects have a significant impact on the affected communities' and the state's economy. The Department of Transportation has been able to develop a schedule that would move the enumerated projects into the construction phase over the next six years. Nonetheless, additional effort should be made to ensure that these important projects, as well as other projects waiting to be enumerated, are moved forward as quickly as possible. To assist in accelerating these projects, the Governor recommends increasing Major Highway Program funding by \$64 million in the 2005-07 biennium, which will result in a considerable increase in the construction of pavement miles as shown in Chart 9. In addition, the Governor's budget includes increased rehabilitation funding, which will allow the Department of Transportation to resurface and replace pavement on additional highways where the pavement quality has eroded (as shown in Chart 10), ensure that highway bridges are safe, and increase capacity on heavily used ramps.

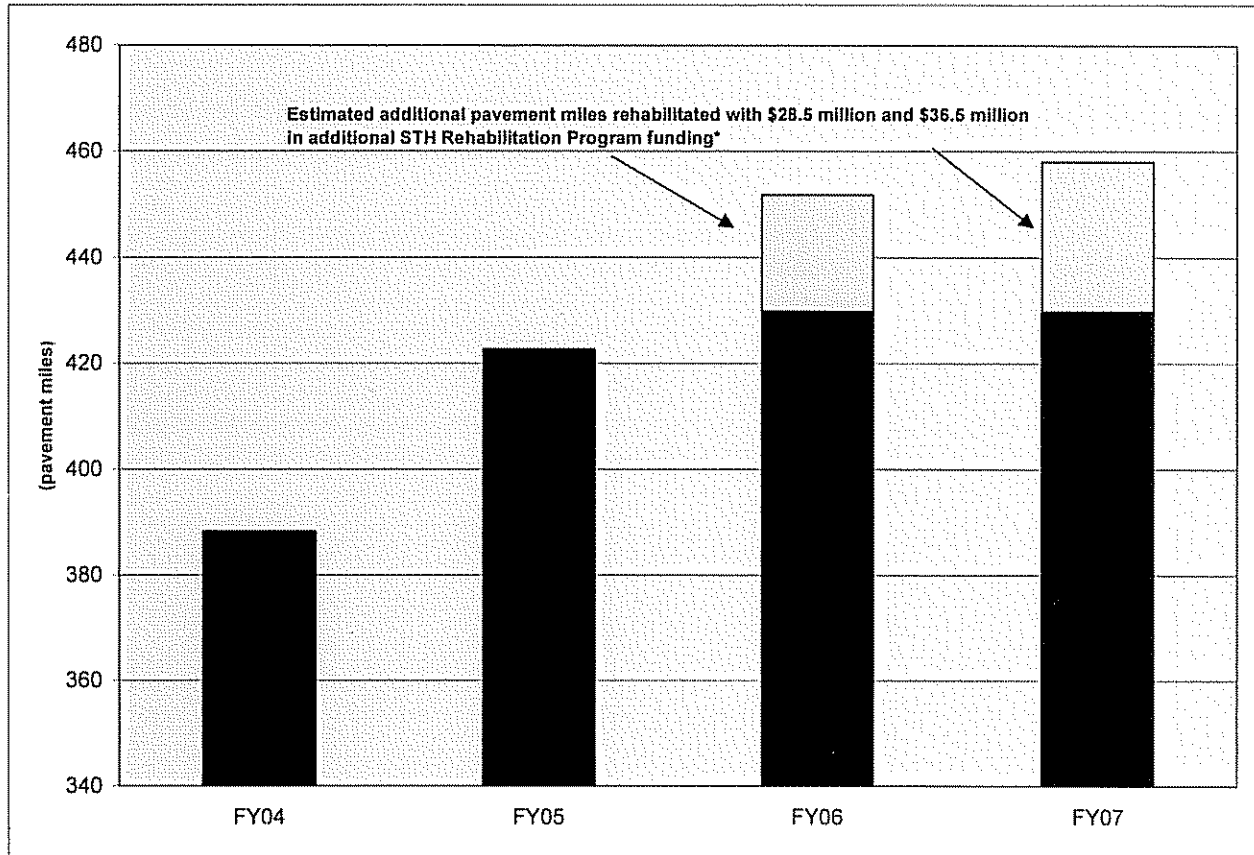
CHART 9: MAJOR HIGHWAY PROGRAM



Source: *Department of Transportation Six-Year Plan*.

*Does not include southeastern Wisconsin freeways.

CHART 10: STATE HIGHWAY REHABILITATION PROGRAM



Source: Department of Transportation Six-Year Plan

*Does not include southeastern Wisconsin freeways. Base miles only include rehabilitation miles associated with reconstruction, resurfacing and backbone.

The Governor's budget recommends that additional revenues be generated through a \$10 increase in the automobile registration fee and the title transfer fee, and various adjustments to the light truck registration fees to support highway needs and other program costs. Despite the increase, Wisconsin's automobile registration fee will continue to be the lowest in the Midwest. The Governor also recommends increasing the rental car fee from three percent to five percent and dedicating the additional revenue to promotion of Wisconsin's important tourism opportunities.

Economic Development and Rural Opportunities

In addition to a strong tourism industry, Wisconsin's economy includes a resilient manufacturing sector, a growing technology sector and a diverse agricultural sector. This broad base has allowed Wisconsin to lead the Midwest in job growth in 2004. To ensure that the state's businesses, industries and workers are equal participants in growing Wisconsin, the Governor has included several economic development initiatives in his budget recommendations. The Governor recommends creating a Training Assistance Grant program, funded with \$2.5 million GPR annually, to provide grants to businesses that partner with a training provider such as a technical college and will create a significant number of family-supporting jobs, make an investment in equipment or machinery to retain jobs, or allow employees to move to higher paying jobs. To assist with the continuing expansion of our manufacturing industry, the Governor proposes an additional \$1.3 million to support Wisconsin's manufacturing extension partnership programs.

While Wisconsin's economy has experienced outstanding growth recently, certain areas of the state have not shared fully in the improved economic condition. For these extremely depressed areas, the Governor recommends investing \$5 million GPR beginning in fiscal year 2006-07 in a new super employment and economic development zone program to encourage businesses and industries to locate in these areas and create family-supporting jobs for the residents. Often, existing economic development programs are neither flexible enough nor able to provide sufficient incentives or resources for businesses to locate and operate in these areas. The new program will provide grants to cover essential costs, which may include utilities, employee transportation costs, a portion of wages and child care services for employees hired from the area. The Department of Commerce will be able to combine the program's grants with other economic development programs, such as the brownfields program, to create a package that will allow businesses and their employees to succeed in and revitalize these areas.

Agriculture is an essential part of the Wisconsin economy. Wisconsin farms and agricultural businesses generate over \$51 billion in economic activity each year and provide jobs for over 420,000 individuals. Over 12 percent of the state's work force is employed in agriculture or industries that depend on agriculture. The dairy industry is the largest agricultural sector, contributing over \$20 billion to the state's economy. However, agriculture continues to face challenges such as an aging dairy infrastructure, competition from Western states and the need to address rural nonpoint source pollution. Agriculture also has promising opportunities including new markets for specialty products, biotechnology and new energy products such as ethanol. The Governor's budget aims to help agriculture address its challenges and benefit from its opportunities.

In particular, the Governor's budget establishes a new bioindustries grant program. Funded with \$2 million GPR over the biennium, the new grant program will award grants of up to \$300,000 per recipient for research and development. Potential projects include development of renewable energy sources such as manure digesters to generate electricity, profitable byproducts from ethanol production and biochemicals. The Governor's budget also provides 2.0 FTE GPR positions to provide technical assistance and guidance to the livestock, grazing and organic sectors as those sectors grow and diversify.

The state recently enacted a tax credit to promote investments in modernizing dairy farm operations. The credit will help the dairy industry install the modern equipment necessary to compete in a global marketplace. The Governor's budget expands that tax credit to include other livestock facilities to encourage modernization in cattle, aquaculture and other livestock sectors. This new credit is expected to reduce agricultural producers' tax burdens by approximately \$1.7 million starting in tax year 2006.

Rural nonpoint source pollution is a significant concern, particularly for dairy operations. New administrative rules encourage nutrient management planning and other control measures. Nutrient management planning assists farmers in determining the most effective use and combination of natural and chemical fertilizers. In addition to improving water quality, better nutrient management can reduce a farmer's costs. In order to speed the implementation of the nonpoint source pollution rules, the Governor's budget provides an additional \$520,000 SEG annually for cost-share grants to farmers to prepare nutrient management plans and an additional \$500,000 SEG annually to support county conservation staff, who are responsible for delivering program services to farmers and other landowners.

Department of Transportation Initiatives

- Increase transportation options for those who need access the most by providing \$6 million (a 36 percent increase) over the biennium for elderly and disabled transportation aids.
- Increase funding for the General Transportation Aid, Local Road Improvement and Transit Aid programs by two percent in each year to maintain local transportation systems. In addition, provide almost \$500,000 over the biennium to fully fund lift bridge aids.
- Provide an additional \$39,403,800 in fiscal year 2005-06 and \$58,525,700 in fiscal year 2006-07 to fund inflation and maintain pavement quality on state highways.

- Increase funding by \$4,745,600 in fiscal year 2005-06 and \$59,585,000 in fiscal year 2006-07 to reflect inflation and to complete major highway projects as rapidly as possible.
- Provide \$370 million over the biennium to complete the Marquette Interchange reconstruction project in 2008. The completed Marquette Interchange will serve generations of Milwaukee and southeastern Wisconsin commuters, as well as statewide commercial traffic and tourists. Because of its long-term projected life, \$213.1 million of the project is funded with 20-year transportation fund SEG-supported general obligation bonds.
- Provide \$68.6 million over the biennium to address rehabilitation needs of the southeast Wisconsin freeways, other than the Marquette Interchange.
- Allocate \$29.2 million over the biennium for preliminary engineering for the next phase of the reconstruction of the southeast Wisconsin freeway system.
- Provide an additional \$18 million over the biennium for the state highway maintenance program to cover inflation increases and the growth in lane miles.
- Provide an additional \$350,000 in each year and \$11.4 million of bonding authority over the biennium for harbor projects. Of the increased bonding authority, \$8.1 million will be utilized for projects in northeastern Wisconsin that would create or retain over 3,000 jobs.
- Fund Wisconsin's portion of the costs of Amtrak service from Milwaukee to Chicago. In addition, provide \$800,000 in fiscal year 2005-06 for final engineering of the proposed Metra commuter rail system.
- Provide \$1.2 million in each year for the Transportation Economic Assistance Program and a two percent annual increase for the Airport Improvement Program.
- Increase bonding authority for the Freight Rail Preservation Program by \$6.5 million, which is \$2 million more than the previous biennium.
- Provide \$2.7 million in fiscal year 2006-07 for grants to local governments for bike and pedestrian projects.
- Provide \$722,000 and 10.0 FTE engineering positions in fiscal year 2006-07 to design and manage highway projects.
- Provide \$117,800 in each year for Wisconsin's share of the Soo Locks project.

Economic Development Initiatives

- Provide \$3.8 million in additional support for the state's tourism industry by dedicating the increased revenue from the rental car fee to tourism promotion.
- Provide \$2 million for a new bioindustries grant program to increase the use of agricultural products and waste materials as energy sources, to reduce the generation or increase the beneficial use of agricultural wastes, and to encourage the development of biochemicals from agricultural products.
- Increase support for Wisconsin's critical animal agriculture industry by establishing a livestock modernization tax credit.
- Promote diversity in Wisconsin's agricultural industry by providing 2.0 FTE GPR positions to serve as livestock and grazing organic sector specialists, who will work with producers, processors, marketers, organizations and governments to assist in the development of these sectors.

- Maintain full funding of \$760,000 for the Agricultural Development and Diversification program to support innovative efforts by Wisconsin farmers to diversify their operations.
- Provide support for the new livestock facility siting board.

C. ENVIRONMENTAL AND NATURAL RESOURCES MANAGEMENT

Control of Invasive Species

Invasive species are a significant and growing threat to the state's waters, forests and wetlands. Economic losses from invasive species, including weeds, zebra mussel and forest pests, have been estimated at over \$138 billion per year for the United States. In addition, invasive species harm the environmental, commercial and recreational value of lakes, rivers and wildlands by displacing native species, reducing biodiversity and damaging watercraft. Aquatic invasive species, such as zebra mussel and eurasian water milfoil, reduce food supplies for native fish, foul drinking water systems and render lakes unusable for swimming and boating. Terrestrial species, such as buckthorn and gypsy moth, destroy trees and reduce reforestation. Lake associations, local governments, and forest and park managers statewide devote ever increasing resources to combating invasive species and protecting their properties for recreational and economic benefit.

The Governor supports the statewide effort to control invasive species. The state currently provides over \$1.1 million annually to address aquatic invasive species. The Department of Natural Resources provides grants to local governments, conducts research and develops control efforts. The Department of Natural Resources and Department of Agriculture, Trade and Consumer Protection expend over \$2 million annually in a cooperative effort with the federal government to control infestations and slow the spread of gypsy moths in the state.

Protecting Wisconsin's native natural resources and maintaining balanced ecosystems is important to the well-being of the state's residents, visitors and economy. In recognition of this, the Governor recommends increasing efforts to control invasive species including providing additional grants to local governments and private organizations, gathering information on new threats, supporting reforestation efforts, and protecting state-owned forests and natural areas. The Governor proposes the following:

- Provide almost \$2 million over the biennium to increase efforts to control aquatic species including grants to local communities, boat inspections, volunteer training and research.
- Provide an additional \$102,000 SEG in each year to control terrestrial invasive species including reforestation efforts and removal of buckthorn and other harmful undergrowth from forested lands
- Provide \$339,000 SEG in each year to increase protection and restoration of state-owned lands

Forestry Initiatives

- As part of the Managed Forest Law Program, create a grant program funded at \$2 million in each year for grants to acquire lands and easements to increase public access to forested lands.
- Provide over \$1.1 million SEG annually to improve sustainable forestry practices on state-owned lands, continue forest certification, update reconnaissance and sale databases, and provide forestry-related grants to local units of government.
- Provide \$600,000 SEG over the biennium to develop and partially fund the operations of the Forestry Education and Awareness Center on the Milwaukee County Grounds

State Parks, Trails and Southern Forests

- Maintain and improve the state's award-winning parks system for residents and tourists by increasing camping, and state park and forest admission fees.
- Enhance the state's network of recreational trails by providing operational funding for the Badger State Trail and promotion of the Great Wisconsin Birding and Nature Trail.

Fish and Wildlife

- Increase the fee for certain resident hunting licenses by \$2 to \$12 and resident fishing licenses by \$3 to support critical fish, game and habitat projects. This will be the first increase in the deer license in eight years and will ensure that Wisconsin's hunters and anglers continue to have places to hunt and fish, and protects Wisconsin's heritage and constitutional right to hunt and fish.
- Establish a new stamp, permit and tags to aid in fisheries and wildlife management projects including habitat improvement for wild turkeys, rearing and stocking pheasants on public hunting grounds, and sturgeon habitat improvement and stocking operations.
- Increase funding for conservation law enforcement by \$1.8 million over the biennium to cover overtime costs, provide warden recruit class support and replace obsolete communications equipment

Water Quality Initiatives

- Provide \$17.7 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 \$520,000 SEG annually for additional cost-share grants to farmers and \$500,000 SEG annually for additional county staff support to increase compliance with nonpoint source pollution control requirements.
- Provide \$770,600 PR and 5.0 FTE PR positions over the biennium to implement Wisconsin's new groundwater management law and ensure proper review of new high-capacity wells and protection of trout streams and other important waterways.
- Provide over \$1.4 million PR and 10.5 FTE PR positions over the biennium to work with conservationists, agriculture, local government and well drillers to implement federal and state stormwater regulations and protect the state's lakes and rivers from the harmful effects of polluted runoff from industrial facilities, streets and parking lots.

Air Quality Improvement

- Provide almost \$1.7 million over the biennium to streamline the air permit system by enhancing information technology resources. These resources will ensure a consistent and predictable regulatory system that protects Wisconsin's residents and environment while allowing business and industry to grow our economy without undue delay.
- Restructure fees for the air permit program to ensure rapid delivery of new streamlined permitting tools and address federal funding concerns. This restructured fee system will enable small businesses to grow without an increased financial burden while reducing their air permit transaction costs.

Environmental Repair and Remediation

- Stabilize funding for environmental programs, including the cleanup and redevelopment of contaminated properties, by repealing the sunset of the vehicle environmental impact fee.
- Provide \$3 million in SEG-supported general obligation bonding authority to fund investigations and cleanup activities at contaminated sites with no viable responsible party.

Land Use Planning

- Ensure continued funding and support for the comprehensive planning and land information programs by eliminating the sunset of the deed recording fee and transferring the duties of the Wisconsin Land Information Board and Land Council to the Department of Administration following the sunset of the board and council.

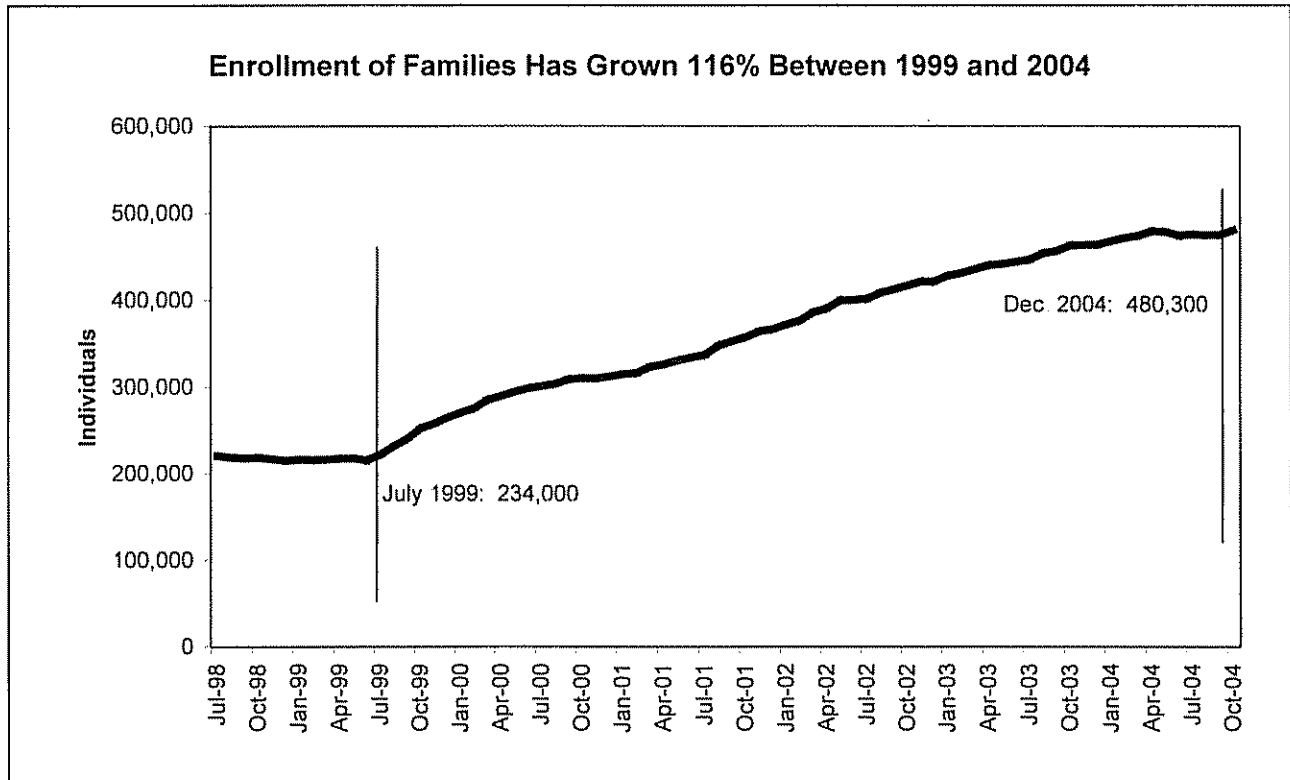
D. HUMAN SERVICES

Medicaid and BadgerCare

Medicaid and BadgerCare provide vital health care services for low-income children and families, seniors, and disabled individuals. Medicaid is a federal entitlement program under which the federal government shares the cost with the states. Wisconsin's Medicaid program is one of the most comprehensive in the nation, covering almost every optional service. BadgerCare provides health services for children and families whose income exceeds Medicaid standards, covering families up to 185 percent of poverty (i.e., the federal poverty line). Wisconsin contributes approximately 42 percent of the overall costs of the Medicaid program and 29 percent of BadgerCare. The Medicaid appropriation is one of the largest GPR expenditures in the state budget.

The Department of Health and Family Services requested additional GPR resources of \$246.2 million in fiscal year 2005-06 and \$411.4 million in fiscal year 2006-07, the vast majority for Medicaid. Some of this increase is due to increases in the number of individuals seeking assistance. Since the start of the 2003-05 biennium, the Medicaid and BadgerCare caseload alone has grown by 41,500 individuals, a seven percent increase. Since 1999, when caseload figures started to climb initially, the number of families seeking Medicaid and BadgerCare has grown by an astonishing 116 percent, or 258,100 individuals, due largely to the loss of jobs during the recession and the dwindling ability of employers to provide benefits to low-wage employees.

CHART 11: FAMILY CASELOAD



Across the country many states are struggling to find ways to constrain growth in their Medicaid programs. From New York to California and for most states in between, governors are proposing ways to reduce benefits, eligibility and provider rates, while increasing copayments and provider assessments. Rising numbers of program applicants, increased costs for medical services (especially prescriptions) and lack of federal engagement to acknowledge the federal government's responsibility for this program have combined to force many states to reduce benefits and eligibility. Every state is caught in this dilemma, and no single state can solve this problem. This national problem demands a national solution. Unfortunately, the current leadership in Washington has chosen to exacerbate this problem by making states absorb most of the federal responsibility to cover drugs costs under the new Medicare Part D program.

Health Care Quality Improvement and Patient Safety

The need to improve the health care system transcends the Medicaid program. Medical costs are increasing far faster than families' ability to pay for them. A recent study in *Health Affairs* indicates that approximately half of bankruptcy filings are caused by medical bills. Other studies point to wide variations in patient care and the Institute of Medicine's *To Err is Human* report estimates that as many of 98,000 patients die each year due to medical errors. Improving the use of medical information systems technology has been demonstrated to save money and, more importantly, improve patient care.

A number of recent studies, highlighted by Institute of Medicine reports, point out that somewhere between 30 percent and 45 percent of care is inappropriate or unnecessary, costing between \$300 billion and \$500 billion per year nationally. While the causes of this wasteful, inappropriate spending are varied, the solution for many parts of this problem can be addressed through improvements and adoption of information technology to improve clinical decision-making, interconnect health care providers, provide patient access to records and information, and measure quality and performance. Improving the delivery

of health care and the administration of it will yield benefits for everyone by reducing costs, improving care and savings patients' lives.

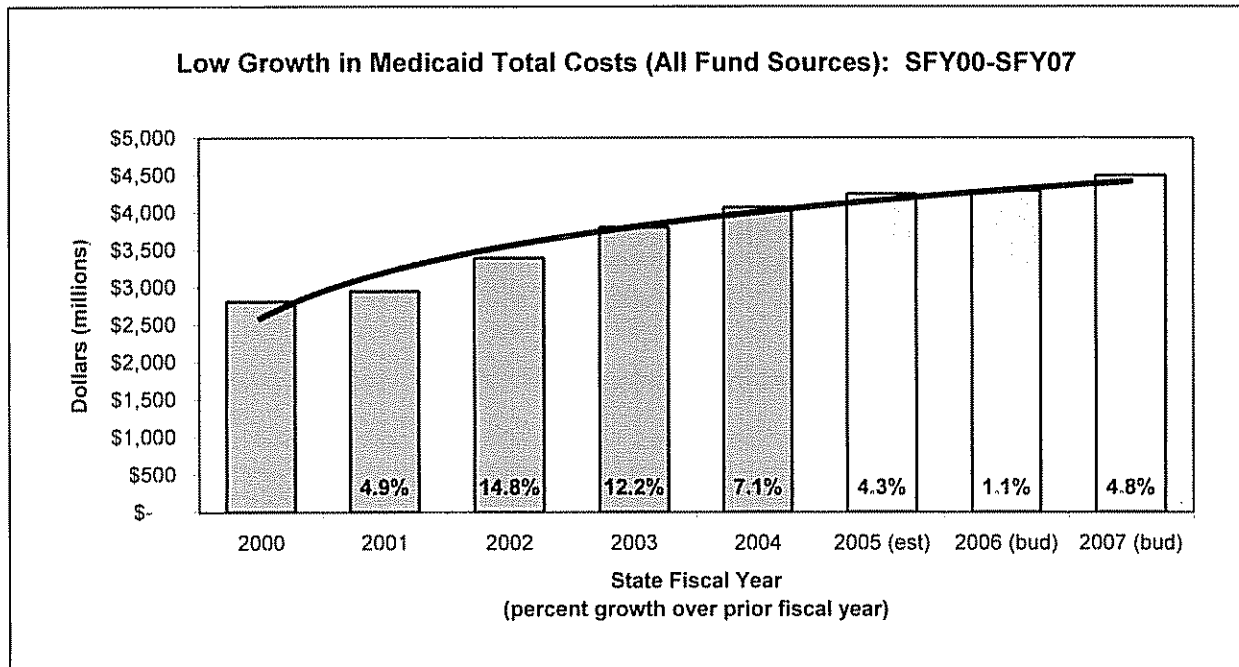
To address these issues, the Governor is recommending the creation of a new Health Care Quality and Patient Safety Board at the Department of Administration to promote adoption of medical technology information systems to reduce medical errors, enhance the ability to measure quality health care outcomes and improve patient safety. The board will be composed of health care leaders and the Department of Administration chief information officer and will be charged with evaluating information technology improvements and plans. The board will receive \$10 million from the health care quality improvement fund to make loans and grants to health care providers for information technology projects, including such activities as creating integrated data repositories, automating patient records and developing clinical decision making systems. The funding will be transferred from the injured patients and families compensation fund to the new health care quality improvement fund to support this effort. It is appropriate to make this investment from the injured patients and families compensation fund since the results of this work will reduce medical errors and reduce malpractice claims.

While the Governor is making new investments to improve the health care system, the federal government is reducing its commitment to fund health care for those dependent on Medicaid and has recently announced plans to cut Medicaid funding by at least \$60 billion over the next ten years.

Loss of Federal Medicaid Revenues

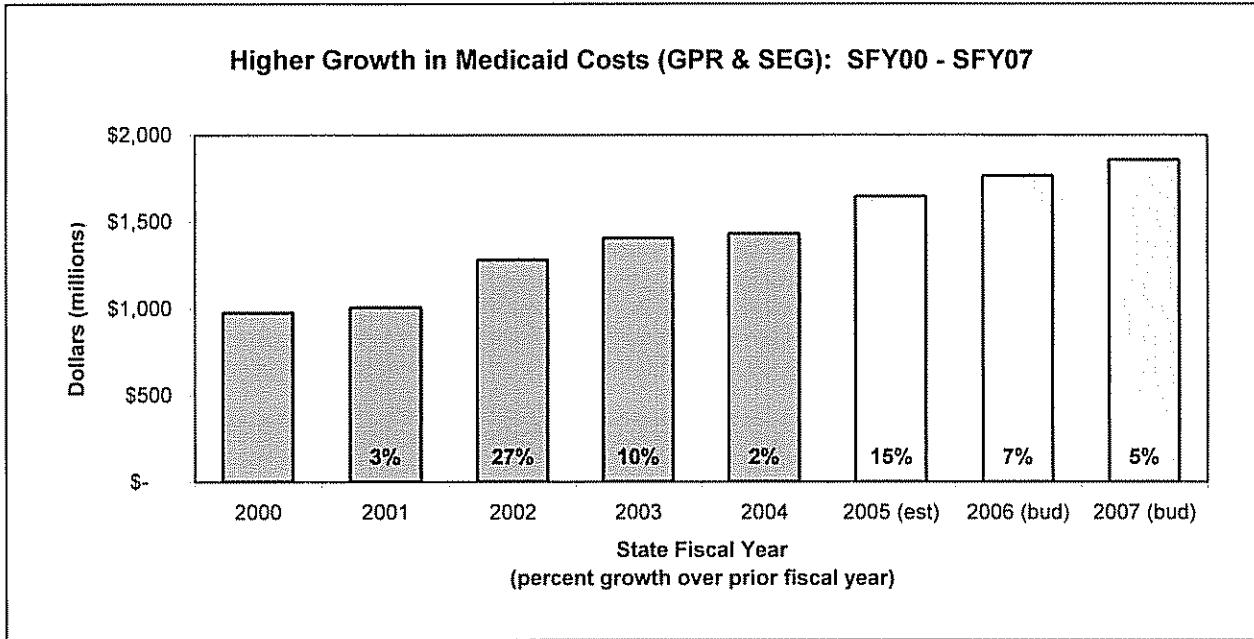
A major factor in Wisconsin's Medicaid funding dilemma is that the federal government has continued to reduce its share of program costs over the past ten years. Total program costs have stabilized over the past year and are projected to grow at a slower rate in the future, mostly due to efforts to contain costs and make the program more efficient

CHART 12: LOW GROWTH IN TOTAL COST



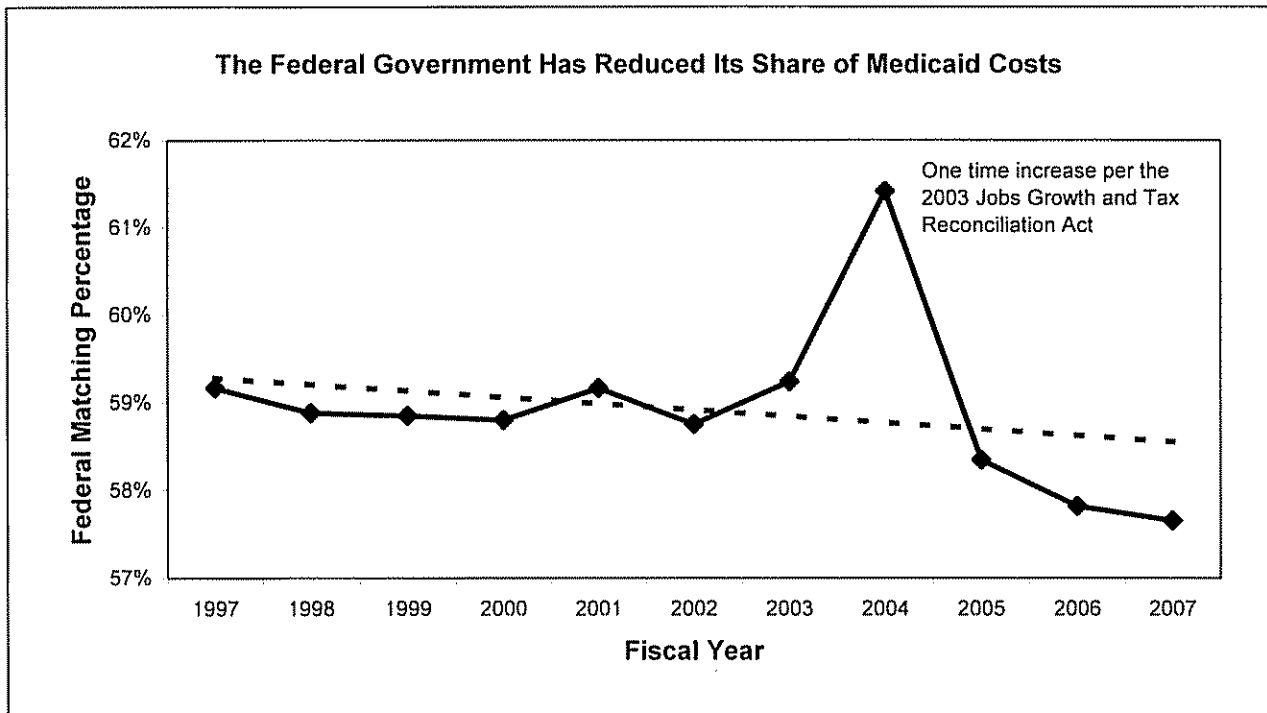
However, when looking at the state's share of the total program costs, the growth trend is much higher. This development is due to a reduction in federal support for the program.

CHART 13: HIGHER GROWTH IN STATE SHARE



The clearest example of this trend of shifting costs to the state is apparent when examining the federal reimbursement rate for program costs.

CHART 14: FEDERAL MEDICAL ASSISTANCE PERCENTAGE

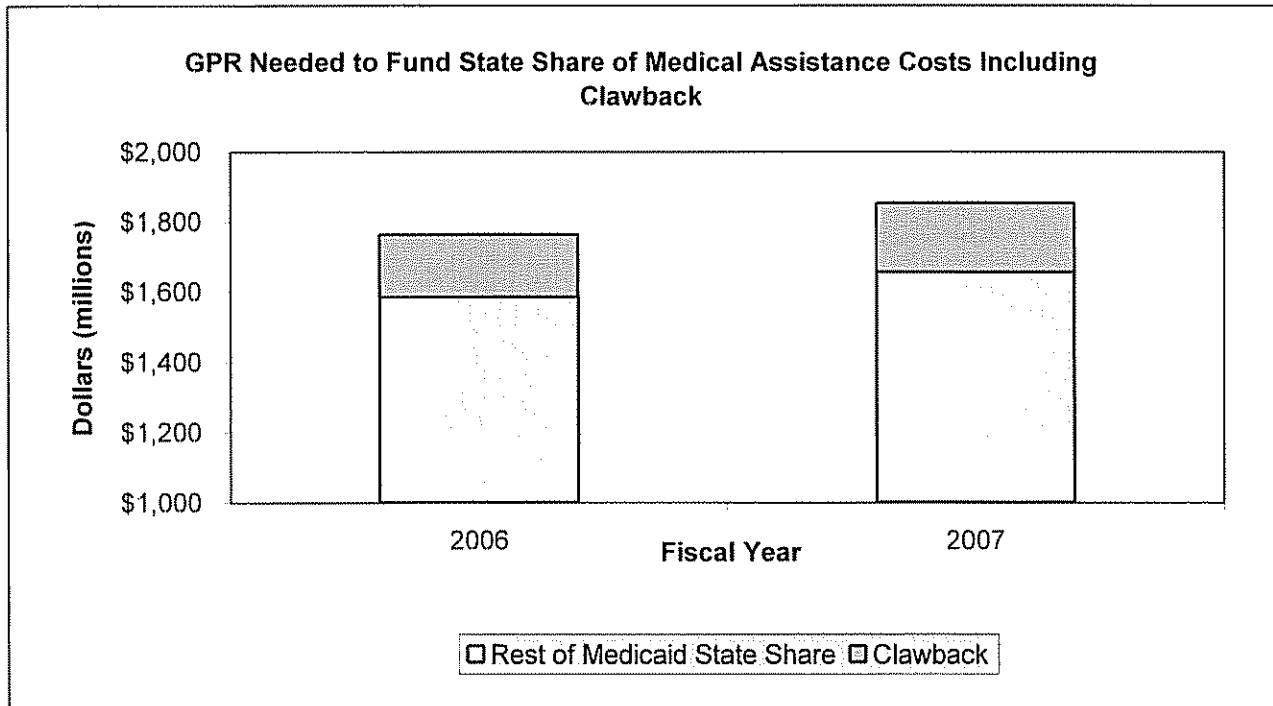


With the exception of fiscal year 2003-04, when every state received a one-time boost in the federal Medicaid matching percentage, the federal share of program has been declining. If Wisconsin received the same matching rate that it did in 2001, the GPR need in the 2005-07 biennium would be reduced by \$119 million.

The federal government has also denied legitimate new projects to generate federal funding and acted to phase out existing federal claiming initiatives that have been explicitly authorized by Congress. The Governor's 2003-05 biennial budget included a recommendation to initiate new federal claiming for supplemental payments to school districts that provide services to disabled, special needs children. The federal government would not approve this project which would have brought the state an additional \$12 million in federal revenue per year, or \$48 million between fiscal year 2003-04 and fiscal year 2006-07. Another example is the state's current intergovernmental transfer program for nursing home services payments. The federal government is phasing out this initiative. Between fiscal year 2003-04 and fiscal year 2006-07, the state will lose approximately \$17.4 million in federal funding, which will have to be replaced with GPR in the 2005-07 biennial budget.

The Department of Health and Family Services continues to pursue strategies to lower prescription drug costs, though many of these efforts may be in jeopardy due to the impacts of the new Medicare Part D drug benefit. The 2003 Medicare Modernization Act extends prescription drug coverage to persons eligible for Medicare and, thus, removes Medicaid coverage for those dually eligible for Medicare and Medicaid. However, under the Medicare Modernization Act Clawback provision the federal government will charge states for the costs of providing the services under Medicare, and it is unclear whether Medicare will be as efficient and effective as Medicaid in negotiating lower prices from manufacturers and encouraging the use of generic drugs. In fact, the Medicare Modernization Act explicitly prohibits the federal government from negotiating price discounts for Medicare recipients. Predicting the impact of this significant change in federal policy on the state budget is impossible, though the budget now plans on making large clawback payments to the federal government.

CHART 15: CLAWBACK



This clawback is estimated to cost \$178.8 million GPR in fiscal year 2005-06 and \$197.1 million GPR in fiscal year 2006-07. If the federal government had assumed the cost of covering drugs for dual eligibles, the amount of GPR needed for Medicaid would decline by \$376 million over the biennium.

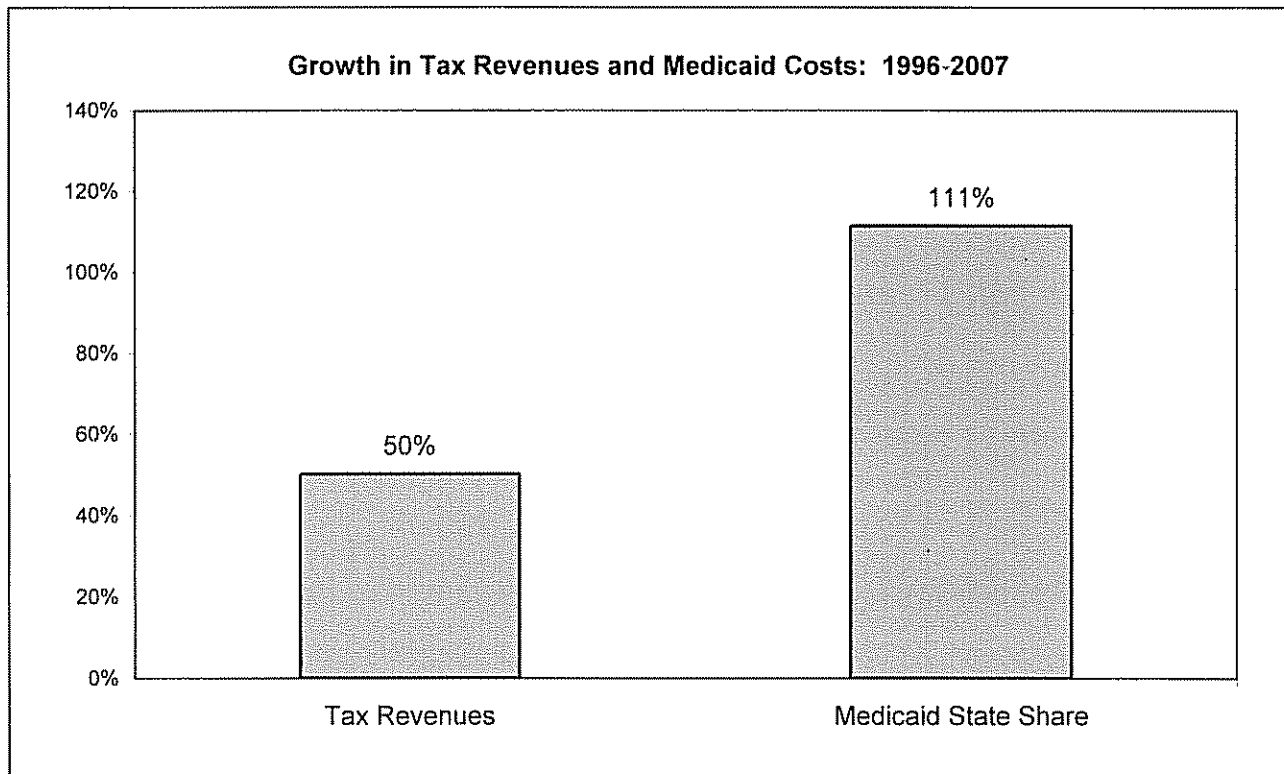
Eligibility and Benefits

As with the 2003-05 biennial budget, the Governor's 2005-07 biennial budget recommends no reductions in eligibility for Medicaid or BadgerCare recipients. Protecting citizens currently benefiting from these programs is a central priority of the Governor in this budget. Many other states have resorted to eliminating coverage in their programs. According to the Kaiser Family Foundation, Texas discontinued coverage for some medically needy adults and some pregnant women, eliminating benefits for 12,800 individuals. Oregon, once considered the model for health care coverage and reform, enacted premium increases in the Oregon health plan causing 50,000 persons to lose coverage. Tennessee has been forced to eliminate coverage for approximately 323,000 adults after groups blocked reform of the TennCare program. Although such changes may help balance Medicaid program budgets in the short term, they will eventually only worsen the health care crisis in these states.

While other states have reduced benefit levels in Medicaid, the Governor remains committed to preserving eligibility and benefit standards. Rather than rushing to the easy solution of denying needed health care, the budget continues the hard work of real reform by including strategies to improve the efficiency and ensure the integrity of the program. Funding is provided for additional reviews of participants' eligibility status to ensure that persons receiving benefits are eligible and eligible for the correct level of benefits. County income maintenance agencies will have expanded authority to request income-related information from participants who apply for benefits. Additional funding for training and technical assistance to counties is also recommended. All of these changes will produce some savings in the short-term and significant savings in the long-run.

However, even in Wisconsin the current rate of growth in the Medicaid program is not sustainable. Medicaid is growing at twice the rate of increase in state tax revenues.

CHART 16: REVENUE GROWTH



In short, while the challenges facing Medicaid are significant, they will not be solved on the backs of the poorest and most vulnerable residents of this state. More far-reaching strategies will be needed in both the short- and long-term.

The Department of Health and Family Services requested \$708 million GPR to fund the ongoing costs of the Medicaid, BadgerCare and SeniorCare programs. In order for the budget to balance, this request needed to be reduced by \$450 million to avoid further pressure on other already stressed sectors of the state budget. This was achieved through the following steps.

TABLE 9: MEDICAID BUDGET SUMMARY

		<u>GPR (Biennial)</u>
Department of Health and Family Services Request for Medical Assistance, BadgerCare and SeniorCare		\$707,866,000
Governor's Decisions		
Reestimates	-\$87,777,200	
Reductions and Efficiencies	-62,522,800	
New Federal Funds and Provider Assessments	<u>-110,668,400</u>	
Total Governor's Decisions		<u>-260,968,400</u>
Revised GPR Need		\$446,897,600
Less 2003-05 Structural Hole – Transfer from Injured Patients and Families Compensation Fund ¹		<u>-168,136,000</u>
Revised GPR Need		\$278,761,600
Additional Reduction Needed to Protect Medical Assistance Program – Potential Revenue Bonds or Excess Sales Tax		<u>-130,000,000</u>
GPR Funding in Governor's Budget		\$148,761,600

¹Total transfer amount is \$169.4 million. This includes \$1.2 million increase in essential access city hospital (EACH) payments.

Of the GPR requested, the Governor revised the estimates to reflect an improved outlook on caseload growth and growth in service utilization, reducing the GPR need by \$87.8 million over the biennium. Program reductions and efficiencies, totaling \$62.5 million GPR over the biennium are also recommended. An example of the reductions and efficiencies included in the budget is a proposal to bring prescription drug reimbursement under Medicaid, BadgerCare and SeniorCare into alignment with broader market rates.

Prescription Drugs

Although the growth in prescription drug costs has moderated, pharmaceuticals continue to be a significant cost driver in the Medicaid program. After peaking at a growth rate of 20.8 percent in fiscal year 2002-03, spending on prescription drugs is projected to decline to ten percent by fiscal year 2006-07. The 2003-05 biennial budget included significant steps to bring these costs under control, including expanded use of prior authorization and the implementation of a new preferred drug list to generate supplemental rebate revenues from pharmaceutical manufacturers and to encourage the use of lower cost generics and therapeutically equivalent drugs. The Governor's budget recommendations continue these efforts by including a requirement for the department to seek a waiver from the federal

government to allow the implementation of a tiered copayment – as is used by most employers including the State of Wisconsin for state employee health insurance – in the BadgerCare program.

The budget also includes changes in reimbursement for prescription drugs to bring rates more in line with what is seen in the private sector. The Governor's recommendations include:

- Reducing the reimbursement rate for brand name drugs from the average wholesale price (AWP) minus 13 percent to AWP minus 16 percent.
- Eliminating the five percent rate enhancement for prescriptions dispensed under SeniorCare.
- Lowering the dispensing fee from \$4.38 to \$3.88 per prescription.
- Adopting a wholesale acquisition cost methodology for J-Code prescriptions provided by physicians or clinics.
- Studying alternatives to the AWP methodology, to reform reimbursement policies for brand name prescription drugs.

Federal Revenue Enhancements

Several smaller efforts to claim federal revenues will generate GPR savings of \$53.1 million over the biennium. The Governor recommends maintaining the Wisconsin Medicaid Cost Reporting Program, which generates federal claims based on actual county expenditures for human services activities. This program has been approved by the federal government and is projected to generate \$55 million in new federal claims in fiscal year 2004-05, and could generate an additional \$24.5 million in the 2005-07 biennium. This program was sunset by the provisions of 2003 Wisconsin Act 318, but given the fiscal constraints faced by the state, it is necessary to maintain this program. To compensate counties for their efforts in generating these claims, a \$4.5 million increase in hold harmless payments has been recommended.

An additional opportunity, which has been successful in other states, is to claim Medicaid funding for Health Check services provided to children living in residential care centers. When implemented, this project will generate just under \$60 million between fiscal year 2004-05 and fiscal year 2006-07, \$15 million of which the Governor recommends reallocating back to the centers to compensate them for the costs of tracking the eligible services and submitting the cost reports used in justifying the federal claim.

Additional New Revenues

To bring additional revenues into the program, the Governor recommends implementing a new assessment on the gross revenues of Wisconsin health maintenance organizations (HMOs) that accept Medicaid and BadgerCare recipients. The assessment will be calculated as six percent of a health maintenance organization's gross revenues. Assessment revenues will be deposited in the Medicaid trust fund where they will be used to support payments to Medicaid and BadgerCare providers. The Governor also recommends using a portion of the revenues to support an estimated 7.6 percent increase in capitation payments paid for the provision of services to Medicaid and BadgerCare recipients. This increase is in addition to a 3.4 percent intensity adjustment provided in the Medicaid base reestimate. The assessment will be effective January 1, 2006.

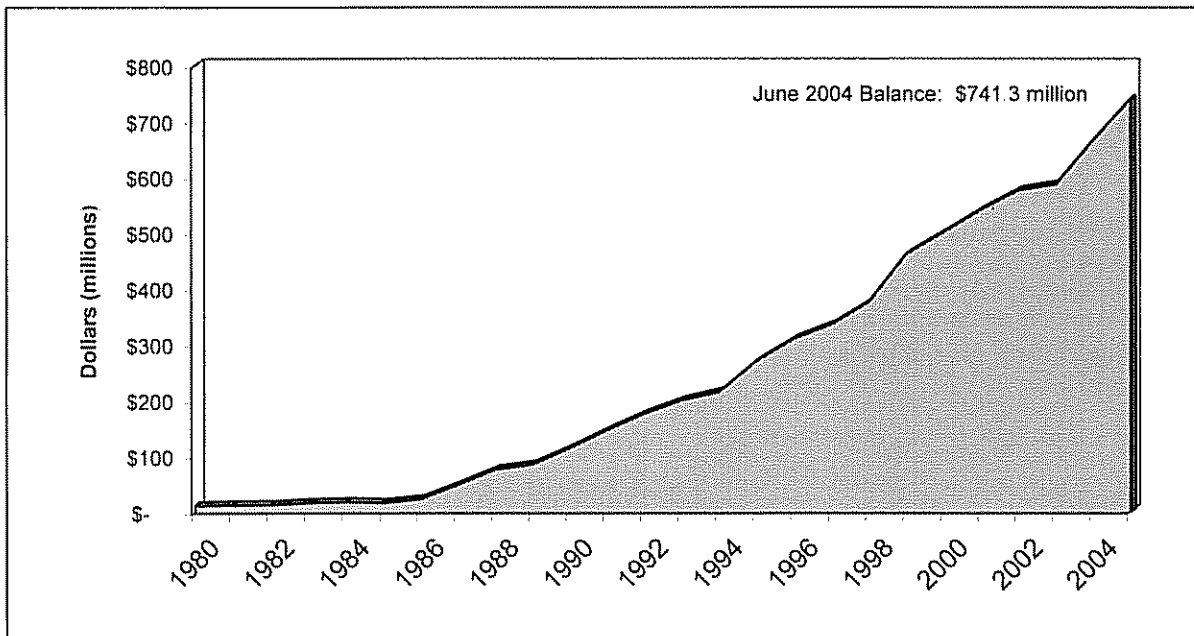
The Governor also recommends increasing the assessment on licensed nursing home beds from \$75 to \$125 per bed per month. A portion of these revenues would be used to provide nursing homes with a 1.4 percent rate increase. Between the new health maintenance organization assessment and an increase to the nursing home bed assessment, GPR costs would decline by \$57.6 million over the biennium.

The Injured Patients and Families Compensation Fund

A primary factor contributing to the department's GPR request, though, is not growth in total costs but rather a miscalculation by the Legislature. During the last biennial budget, the Governor recommended transferring some funding from the patients compensation fund to preserve the Medicaid program. Instead, the Legislature chose to rely on questionable federal revenues, which have not materialized, leaving a structural shortfall in the Medicaid program. In fact, the secretaries of the Department of Administration and Department of Health and Family Services warned in May 2003 that the federal tide had shifted and that the budget should not over-rely on new federal funds, but the Legislature proceeded to count on \$283 million in federal funding that was unlikely to be approved. This over-reliance on federal funding created a structural hole in the Medicaid budget, which the Governor and the Legislature partially addressed in 2003 Wisconsin Act 129. However, nearly \$131.8 million of the department's 2005-07 biennial budget GPR request for Medicaid represents funding to address the structural shortfall from the decision to shortchange the program.

The injured patients and families compensation fund currently has a balance of over \$740 million and has been growing every year. This sizeable balance far exceeds – in light of Wisconsin's tough medical malpractice laws – the potential future expenditures of the fund. The fund, which collects approximately \$38 million from providers in annual fees and had \$34 million in investment earnings in each of the last two years, has paid out an average of only \$28 million in claims annually.

CHART 17: GROWTH IN THE INJURED PATIENTS AND FAMILIES COMPENSATION FUND



The fund was established to help limit increasing health care costs and preserve the availability of health care in Wisconsin. Independent analysis of the fund reserves indicate that the liabilities have been overestimated and that revenues can be transferred without affecting the financial stability and long-term viability of the fund. Without this revenue transfer, reimbursement to Medicaid providers would have to be cut at unprecedented levels and reform would be impossible. By keeping Medicaid in a strong fiscal position, the state can then continue to provide access to health care to low-income persons and help maintain the overall availability of health care providers, one of the twin purposes the led to the creation of the fund. By forestalling a steep reduction in Medicaid rates, the state also prevents a cost-shifting increase in health care costs to non-Medicaid employers and insurers, which supports the other underlying purpose of injured patients and families compensation fund.

Medicaid Reform

Fundamental, structural reform of the Medicaid and BadgerCare programs is needed, but such reforms will not change behaviors and produce savings overnight. Consequently, the Governor's budget relies on available new state revenues to bridge the gap to a reformed Medicaid program. A primary source of revenue will be a transfer of \$169.4 million from the injured patients and families compensation fund, which will be deposited in a new health care quality improvement fund and be used to fund the state share of a portion of Medicaid provider payments. Of these revenues, \$9.7 million per fiscal year will be used to pay for supplemental payments to hospitals currently funded with GPR. These supplemental payments fund training for residents and improve patient care, helping to reduce patient errors and malpractice claims. Specific supplements are provided for direct graduate medical education, rural hospital adjustments, pediatric services adjustments, a major managed care supplement and the essential access city hospital (EACH) supplement, which will be increased by \$1.5 million (all funds) in each fiscal year. The remaining \$150 million will be used to maintain the current level of payments to health care service providers.

Even with all of the measures highlighted above, the Medicaid program still required more GPR than available. As a last resort, the Governor recommends creating the option to authorize up to \$130 million in revenue bonds to bridge the gap in fiscal year 2006-07 in order to keep the program stable and operating while major reforms are pursued. This amount represents less than two percent of overall biennial expenditures for Medicaid. The secretary of the Department of Administration will determine if the bonding is needed based on tax collections. The potential need for these bonds will likely decline throughout the 2005-07 biennium. Reforms of Medicaid should begin to reduce costs as implemented, and the budget authorizes the Department of Administration secretary to reduce the amount of revenue bonds when additional state tax revenues become available.

Without the \$299.4 million in combined revenues from these revenue bond proceeds and the injured patients and families compensation fund, across-the-board rate reductions to providers would be required at a scale never before seen in the program – up to 15 percent if vital safety net providers like nursing homes and Family Care were excluded, and up to ten percent if all provider groups were cut. Such massive reductions would certainly force many providers to leave the program, thus undermining Wisconsin's crucial health care safety net. As has been demonstrated numerous times before, reducing Medicaid payments to providers or even limiting benefits or eligibility in the program only succeeds in increasing the level of uncompensated care in the state. These costs are then passed on to individuals with private insurance and even more directly to individuals without insurance who pay their health costs directly out of their own pockets. Such policies only exacerbate the problem of rising health care costs and eventually lead to greater rates of uninsurance and, even more, uncompensated care.

The funding from these revenue bond proceeds and the injured patients and families compensation fund transfers will be used to invest in significant reform of the Medicaid program, including the reform of long-term care services. Efforts will include:

- Implementing regional managed care models with mandatory enrollment.
- Creating new risk-based managed care models for community long-term care services, including options to manage both long-term care and acute care services, and development of regional networks.
- Developing new acuity-based rate methodology for nursing homes.
- Contracting for a mail order pharmacy option for Medicaid recipients.
- Investigating an alternative pricing methodology to better measure the actual cost of prescription drugs.

- Investigating ways to do value based purchasing, by linking payments to quality measures and adjusting Medicaid provider rates to reflect the adoption of medical technology and promotion of quality care and patient safety.
- Promoting recipient involvement in managing care with the potential to provide incentives and supports to promote healthier lifestyles.
- Improving links to employer health insurance coverage for working families receiving BadgerCare and/or Medicaid coverage.
- Implementing clinical support systems for better disease management. These systems can inform doctors of evidence based protocols to use for their patients and, in effect, establish disease management programs for chronic diseases.
- Investigating streamlining and centralizing income maintenance functions.
- Implementing the use of transportation brokers.
- Pursuing better integration of substance abuse and mental health care needs with acute and long-term care needs, including mental health parity for health insurance coverage.

Long-Term Care Reform

The Governor recommends continuing ambitious efforts to serve more elderly and disabled residents in the community rather than in institutions. Central to this effort is improving the methodology for nursing home payments, enhancing rates paid for relocating nursing residents to the community, developing new managed care options for community long-term care services and providing the resources need for seniors and their families to plan for their health care needs.

The budget creates the framework for additional Community Integration Program II (CIP II) placements for the elderly or physically disabled at enhanced rates. The creation of these placements will facilitate the transfer of individuals seeking to live in the community out of nursing homes. The Department of Health and Family Services will relocate 540 individuals in fiscal year 2005-06 and 900 individuals in fiscal year 2006-07, with a long range goal of reducing nursing home utilization by 25 percent over the next eight years.

The Governor also recommends moving to a detailed acuity-based reimbursement system for nursing homes that better reflects the cost of care for nursing home residents. The acuity-based system will reimburse less for those individuals who require less complex care and more for those with higher acuity needs. The intent is to focus nursing home attention on short-term rehabilitation or end-of-life care rather than on residential long-term care.

The Governor recommends issuing a request-for-information to gauge the ability of managed care organizations to provide acute, primary and long-term care services to Medicaid recipients on a managed basis. The Governor would like to see more managed care for the elderly and the disabled, particularly if the managed care organizations are willing to accept full risk in the provision of services. The Governor envisions a scenario where county, nonprofit and private managed care organizations will compete to provide managed care services in different parts of the state.

The Governor further recommends improving the resources seniors and their families need to plan for their health care needs by increasing funding for elderly benefit specialists, and adding 1.0 FTE market regulator position at the Office of the Commissioner of Insurance to specifically focus on seniors. Elderly benefit specialists are available to any individual over the age of 60 and their primary function is to assist the elderly with issues they have in relation to health benefits, income assistance, housing and long-term care.

SeniorCare

Wisconsin has the best senior prescription drug benefit program in the country and this budget fully funds the SeniorCare program, with no changes to eligibility or to participant cost sharing. The 2005-07 budget recommendation assumes that some current lower-income SeniorCare recipients will move into the new Medicare Part D benefit. However, because most SeniorCare recipients would not qualify for Medicare premium subsidies, and because there is a coverage gap in Medicare for persons with drug expenses over \$2,250 per year that does not close until a person has spent over \$5,100, most recipients are expected to stay in SeniorCare. Additional funds are recommended to address the continued growth in drug prices and drug utilization. The budget assumes that the federal government will maintain funding provided through a Medicaid waiver approved in September 2002.

Health Insurance Risk Sharing Plan (HIRSP)

The Health Insurance Risk-Sharing Plan (HIRSP) provides major medical health insurance coverage to Wisconsin residents who are either unable to find adequate health insurance coverage in the private market due to their medical conditions or have lost their employer-sponsored group health insurance. Changes to the program in the Governor's budget includes restructuring HIRSP's pharmacy drug coverage, repealing statutory provisions requiring HIRSP to have the same payment rates and dispensing fees as Medicaid, and allowing individuals that qualify for limited Medicaid benefits to participate in the HIRSP program if they meet the other HIRSP eligibility criteria.

Establishing a Common Pharmacy Purchasing Pool

The Governor's first biennial budget (2003 Wisconsin Act 33) created the BadgerRx pharmacy purchasing pool for the state employee group health program and authorized the expansion of the BadgerRx pool to local governments, private employers and individuals. In its first year in using BadgerRx, the state employee health program saved over \$25 million in expected drug costs. The pool, administered by Navitus Health Solutions, is now open to local governments and private employers. As of April 2005, the pool will be expanded to allow individuals to join for a minimal fee. Navitus will offer Wisconsin citizens who lack prescription drug coverage the opportunity to purchase a BadgerRx Gold Value card. The card will entitle purchasers to savings on the drugs included in the Navitus formulary, or preferred drug list. This is the same formulary that covers state employees. The added value offered by BadgerRx stems from the fact that the formulary is carefully selected by a committee of Wisconsin physicians and pharmacists. The committee evaluates drugs for their safety and quality, and only when the best drugs in each class are selected, is pricing considered. Purchasers will be able to fill their prescriptions at local pharmacies at reduced prices.

E. JUSTICE

Corrections Initiatives

The Governor remains committed to protecting public safety and ensuring that offenders are held accountable for their crimes while also receiving the assistance necessary to correct their criminal behavior, successfully reintegrate into their communities and lead crime-free lives. The budget continues the Governor's commitment to redesigning the criminal justice system to be more efficient in its use of state resources and more effective in protecting the public and rehabilitating offenders.

Health Care Improvements and Operations Efficiencies

The Department of Corrections will improve efficiencies and cut costs by eliminating vacant positions throughout the department and reevaluating the health care delivery system for prison inmates. Soaring health care costs have prompted the need to investigate new ways to control costs by managing inmate health care more efficiently while reducing liability and obtaining health care accreditation through national associations. Other states have contracted all or portions of their prison health care systems and have improved the quality of health care delivery through accreditation, while lowering growth in health

care costs. Accreditation is a widely recognized measure of quality for improving the health of inmates, creating efficiencies in health care delivery, reducing costs, and reducing legal risk. No Wisconsin prisons are currently accredited.

Nonviolent Offenders and Alcohol and Other Drug Abuse Treatment Efforts

The Earned Release Program created in the last budget authorizes judges to consider earned release for nonviolent offenders who complete the intensive Drug Abuse Correctional Center programming. The Governor recommends expanding this program to allow the Department of Corrections to establish an earned release program at any state prison. The Department of Corrections currently houses male earned release inmates at the 280-bed Drug Abuse Correctional Center and female inmates in a 30-bed unit at the Robert E. Ellsworth Correctional Center.

The Governor also recommends providing \$7.7 million GPR in fiscal year 2005-06 and \$6.3 million GPR in fiscal year 2006-07 and 63.50 FTE GPR positions annually to expand capacity for the Earned Release Program by 40 beds at each of five correctional centers in southern Wisconsin for a total of 200 additional beds, provide enhanced reintegration services to adult inmates prior to their release from prison, expand local housing and treatment options available to offenders at risk of being revoked to prison for technical rule violations, increase purchase of service funding available for treatment of offenders on community supervision, and create a 174-bed intensive alcohol and other drug abuse treatment unit at the Racine Correctional Institution and a 36-bed unit at the Taycheedah Correctional Institution. Intensive alternative to revocation programming efforts have helped to reduce the number of probation, parole and extended supervision violators sent to prison, the most expensive and least productive option for managing this population.

The budget reduces the maximum probation supervision term for misdemeanors from two years to one year for Class A misdemeanor offenses and six months for Class B and C misdemeanor offenses, allowing the department to focus on supervising more serious offenders and making more efficient use of resources. The maximum probation supervision term for misdemeanor offenses involving domestic abuse, nonconsensual sexual contact with another person, crimes against children and misdemeanors committed while possessing a firearm will remain at the current two year maximum.

The Governor also recommends that the Sentencing Commission provide a report by December 31, 2005, which analyzes sentences imposed on individuals who are convicted of nonviolent offenses, other than operating while intoxicated or driving under the influence, and develop recommendations for alternative dispositions for those individuals that may be considered by courts at or before sentencing.

Other Justice Initiatives

In an effort to reduce public defender caseloads without decreasing community safety, the Governor recommends modifying first offense operating after revocations without an alcohol or drug basis from a criminal to a civil offense. The Governor also recommends modifying habitual traffic offender provisions by removing operating after suspension and revocation violations from the list of minor offenses. By making this change, the minor offense category will be more focused upon individuals with unsafe driving habits. Because of these two modifications, the Governor is able to reduce the Public Defender's budget by \$379,700 in fiscal year 2005-06 and \$581,700 in fiscal year 2006-07.

The budget also contains several initiatives to improve the efficiency of the state's justice system. Administration of grants for county-tribal law enforcement will be transferred to the Office of Justice Assistance to enhance administration of this program. The community intervention program will transfer from the Department of Corrections to the Office of Justice Assistance. This will enable communities to take a more comprehensive approach to delinquency prevention and intervention.

Recognizing that the justice system is not limited to criminal prosecution and defense, the budget creates a new program for indigent civil legal assistance. The Office of Justice Assistance will administer a new grant program that will be allocated to the Wisconsin Trust Account Foundation, Inc., to provide funding for civil legal services to indigent persons. The grants may be used to assist Wisconsin Works (W-2) participants with medical claims, develop discharge plans for mentally ill inmates, coordinate insurance

benefits for Medical Assistance recipients, provide ancillary services to juvenile offenders, obtain child support and act as a guardian ad litem in cases with the Bureau of Milwaukee Child Welfare

The Governor also recommends modifying current law to require that courts provide, in all criminal and civil proceedings, an interpreter for a party or witness who has limited English proficiency, regardless of indigence. This will ensure that all individuals are able to understand court proceedings and have access to justice. The Governor further provides additional funding to counties to ensure full-funding of court interpreter costs.

The budget adjusts Byrne and penalty assessment programs to match available funds. Federal Byrne antidrug grant funds and matching monies administered by the Office of Justice Assistance will be reduced to reflect a 48 percent cut in that program at the federal level. To continue to provide match monies for this program, the penalty surcharge will be increased from 24 percent of fines and forfeitures to 25 percent. Further, distribution of revenue from the surcharge will be adjusted to reflect current projections.

To support specific justice activities, certain fees will be adjusted to meet expanded program needs. The justice information fee will increase to help provide for the information technology needs of the state's district attorney offices. Part A of the victim-witness surcharge will increase to help maintain the current level of reimbursements to counties for providing services to victims of crime and witnesses. The state crime lab and drug law enforcement surcharge will increase to provide funding for two additional DNA analysts in each of the state crime labs in Madison and Milwaukee. These positions will address the backlog at the state crime labs and enhance the state's use of DNA evidence to convict the guilty and exonerate the innocent. The increased fee will also provide funding to enhance law enforcement's response to illegal drug laboratories and address the health needs of children exposed to such environments.

Finally, to improve service delivery and locate the decision to prosecute consumer protection cases in one agency, the budget consolidates consumer protection regulation at the Department of Justice. Responsibility for major consumer protection laws, including fraudulent representations and unfair trade practices, transfers from the Department of Agriculture, Trade and Consumer Protection to the Department of Justice. The transfer involves 28.0 FTE positions related to general consumer protection duties and 6.5 FTE positions related to the telephone solicitation do-not-call list. The Department of Justice is also provided with funding for consumer information and education funded from existing surcharges on consumer protection judgments. The Department of Agriculture, Trade and Consumer Protection is renamed the Department of Agriculture, Trade and Rural Resources and will retain the responsibility for dairy and other agricultural trade issues as well as weights and measures regulation.

F. REVENUE AND GENERAL FUND TAXES

Significant Tax Changes

The table below summarizes the impact of tax changes made in this budget.

TABLE 10: TAX CHANGES

	<u>FY06</u>	<u>FY07</u>
Conform to Streamlined Sales Tax	-\$3,100,000	-\$2,600,000
Voluntary Compliance with Streamlined Sales Tax	15,100,000	16,600,000
Sales Tax Base Definitions	1,300,000	1,900,000
Collections Initiatives	11,850,000	9,350,000
Internal Revenue Code Updates	620,000	1,110,000
Direct Marketing of Tobacco Products		1,105,000
Livestock Modernization Tax Credit		-1,714,600
Tuition Tax Deduction	-4,900,000	-5,300,000
Repayment of Medicaid Revenue Bonds	0	-3,900,000
School Property Tax Rent Credit	<u>3,800,000</u>	<u>8,700,000</u>
TOTAL	\$26,470,000	\$28,550,400

The Governor recommends implementing the provisions of the Streamlined Sales and Use Tax Project, which is a cooperative effort among state governments to standardize and simplify sales and use tax provisions among state and local governments. The provisions of the project that standardize those items subject to the state sales tax are expected to reduce general fund tax revenues by \$3.1 million in fiscal year 2005-06 and \$2.6 million in fiscal year 2006-07. Implementation of the project is expected to increase voluntary compliance and result in remittance of additional sales tax. As a result of voluntary compliance due to adoption of the streamlined sales and use tax provisions, general fund tax revenues are expected to increase by \$15.1 million in fiscal year 2005-06 and \$16.6 million in fiscal year 2006-07.

In addition, action by Congress or successful litigation to require national compliance with these provisions could result in significant increases in state sales tax revenue. As such, the Governor recommends that any additional sales tax revenue associated with the streamlined sales tax provisions, as determined by the Department of Revenue, in excess of the amounts listed above be used to increase general school aid.

In order to protect the sales tax base, the Governor recommends the following changes to the sales tax: (a) redefine the custom software exemption; (b) specify direct marketing of cigarette and tobacco sales are subject to the tax; (c) specify digitized versions of personal property delivered via the Internet are subject to the tax; and (d) clarify the definition of retail sale and minimize the effect on nonprofit organizations. The result of these provisions is an increase of tax revenue of \$1.3 million in fiscal year 2005-06 and \$1.9 million in fiscal year 2006-07 and an estimated avoidance of \$65 million in annual revenue loss to the general fund.

The Governor also recommends updating Wisconsin Statutes to conform with changes made to the federal Internal Revenue Code, except in those cases where the fiscal impact is significant. The net impact of these changes is \$0.6 million in fiscal year 2005-06 and \$1.1 million in fiscal year 2006-07 in tax revenue.

The Governor recommends requiring direct marketers of tobacco products to obtain a permit to sell these products in Wisconsin. As a result, all tobacco products sold via direct marketing would include excise as well as sales taxes. Consequently, direct marketers will be selling these products at the same price levels.

as in-state retailers. Additional tax revenue of \$1,105,000 will be generated in fiscal year 2006-07. Permit fee revenue will also increase GPR-Earned by \$161,500 in fiscal year 2006-07.

The state recently enacted a tax credit to promote investments in dairy modernization. The credit will help the dairy industry install the modern equipment necessary to compete in a global market place. The Governor's budget expands that tax credit to include other livestock facilities to encourage modernization in cattle, aquaculture and other livestock sectors. This new credit is expected to reduce agricultural producers' tax burdens by approximately \$1.7 million starting in tax year 2006.

To help offset higher tuition costs incurred by Wisconsin families, the Governor recommends increasing the tuition tax deduction from \$3,000 to \$5,100 and increasing annually to match the change in University of Wisconsin System tuition. This change will decrease tax revenue by \$4.9 million in fiscal year 2005-06 and \$5.3 million in fiscal year 2006-07.

In order to protect health care eligibility and benefits for Wisconsin seniors, disabled individuals and low-income families, the Governor is recommending authorizing \$130 million in excise tax revenue bonds for the Medicaid program. Repayment of these bonds will reduce general fund tax revenues by \$3.9 million in fiscal year 2006-07.

Finally, property tax relief provided by the Governor's budget will reduce the amount of the school property tax rent credit claimed below the amount that would otherwise occur in the absence of the Governor's proposals. This will result in higher individual income tax collections of \$3.8 million in fiscal year 2005-06 and \$8.7 million in fiscal year 2006-07.

Department of Revenue

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

- Allow the department to post on the Internet the identity of taxpayers with delinquencies of more than \$25,000.
- Add law license to the list of professional credentials that may be denied or revoked for tax delinquency.
- Allow other state agencies to disclose information about individuals to the department.
- Require withholding of income taxes from nonresident members of pass-through entities.
- Eliminate the requirement that debt owed to a state agency must be established as a judgment before it can be offset against a taxpayer's refund.
- Allow the department to withhold lottery contracts from retailers who owe uninsured employer or worker's compensation assessments to the Department of Workforce Development.
- Authorizing the department to collect lottery debts.
- Allow any state disbursement, other than entitlement or student aid payments, to be intercepted to repay debt owed to any state agency or local government.

The estimated fiscal impact of these changes is an increase in tax revenue of \$11,850,000 in fiscal year 2005-06 and \$9,350,000 in fiscal year 2006-07.

In targeting its budget reductions, the department not only reduces staffing department-wide but also reallocates resources to areas where increased revenue can be generated. Where its activities are largely regulation of trade, alcohol licensing, the department will follow the lead of other state agencies

and collect the revenue to support such regulation, not from the general taxpayer, but from the industry itself.

The lottery now operates in part with state employees and in part through private vendors. Private retailers are the distribution network. In lieu of having the state supply this consumer business, the Governor recommends evaluating private sector options for the state lottery retail trade. Increasing private sector involvement in operating the lottery should permit the department to eliminate 55 positions in fiscal year 2006-07. The functions most likely to be provided through private vendors are sales and marketing, game design and product development, player relations and special events, and Web site design and maintenance. Department employees would continue to perform those functions that involve the integrity of the lottery and its games and administrative support, including supervision of contracts. Bids for provision of these services would be completed and evaluated by the end of 2006. Vendors will be required to offer employment to those individuals whose jobs are contracted out.

G. GOVERNMENT OPERATIONS AND EFFICIENCY

The Governor recommends a variety of initiatives aimed at improving the efficiency of agency operations. Among these initiatives are: (a) an overall reduction in GPR funding for state agency operations; (b) a lapse of PR-O and transfer of SEG funding for state operations to the general fund; (c) a reduction of FTE positions from all funding sources; and (d) consolidation of certain agency functions to improve management and efficiency. These actions will generally affect all state agencies.

The Governor required all state agencies to submit plans to reduce all nonfederally-funded state administrative operations appropriations by ten percent. Unlike in the past, the Governor specifically chose to apply this requirement to more than just GPR appropriations based on his belief that all of state government should run more efficiently, not just those programs funded with GPR.

State Agency Operating Budget and Position Cuts

State agency operating budgets, excluding debt service and fuel and utilities, are being reduced by an average of four percent over the biennium and FTE positions have been reduced on average by 7.0 percent in fiscal year 2006-07. (See Table 11).

TABLE 11: STATE AGENCY OPERATION REDUCTIONS

<u>Agency</u>	<u>2005-07 Cuts</u>	<u>Percent of Base Year Doubled</u>	<u>Total FTE in FY07</u>	<u>% of FTE</u>
Administration ¹	\$9,738,000	2.1%	66.5	6.6%
Aging and Long Term Care Board	0	0.0%	1.0	4.0%
Agriculture, Trade and Consumer Protection	6,766,400	14.4%	75.5	12.5%
Arts Board	0	0.0%	1.0	9.1%
Board of Commissioners of Public Lands	121,600	4.2%	0.0	0.0%
Child Abuse and Neglect Prevention Board	0	0.0%	0.0	0.0%
Commerce	6,230,900	9.8%	47.4	10.6%
Corrections	45,820,200	2.8%	258.4	2.5%
Courts ²	1,300,000	3.3%	0.0	0.0%
District Attorneys	0	0.0%	0.0	0.0%
Educational Communications Board	880,800	10.0%	8.8	12.4%
Elections Board	0	0.0%	0.0	0.0%
Employee Trust Funds	138,200	0.3%	4.3	2.1%
Employment Relations Commission	50,000	0.9%	0.0	0.0%
Office of State Employment Relations	1,047,300	8.6%	5.0	8.5%
Ethics Board	0	0.0%	0.0	0.0%
Financial Institutions	1,787,400	5.7%	21.0	13.6%
Governor's Office	575,600	7.5%	2.5	6.3%
Health and Family Services	42,885,200	3.3%	433.9	7.0%
Higher Educational Aids Board	53,200	3.6%	0.5	4.5%
Historical Society	549,600	2.9%	3.8	2.6%
Insurance Commission	0	0.0%	10.7	8.2%
Investment Board	0	0.0%	0.0	0.0%
Judicial Commission	0	0.0%	0.0	0.0%
Justice	1,800,400	1.7%	29.8	5.4%
Legislature ²	9,350,000	7.4%	38.0	4.8%
Lieutenant Governor's Office	6,000	0.9%	0.0	0.0%
Lower WI State Riverway Board	0	0.0%	0.0	0.0%
Military Affairs	0	0.0%	3.8	1.0%
Natural Resources	7,482,500	8.4%	170.8	6.0%
Public Defender Board	594,600	0.4%	6.6	1.3%
Public Instruction	985,400	3.7%	16.9	2.6%
Public Service Commission	1,946,800	6.2%	21.5	11.9%
Regulation and Licensing	1,668,700	7.3%	42.7	33.9%
Revenue	18,748,500	7.6%	150.8	12.6%
Secretary of State	0	0.0%	0.0	0.0%
State Fair Park	0	0.0%	1.8	6.0%
Technical College System	490,000	7.4%	5.0	6.7%
Tourism	866,600	10.0%	10.1	18.8%
Transportation	39,946,800	9.4%	252.9	6.9%
Treasurer	0	0.0%	0.3	2.7%
University of Wisconsin System	65,000,000	4.1%	200.0	1.1%
Veterans Affairs ³	1,847,400	7.4%	27.6	2.8%
Workforce Development	<u>3,276,500</u>	<u>5.9%</u>	<u>206.7</u>	<u>9.3%</u>
TOTAL	\$271,954,600	4.0%	1,935.8	7.0%
Total Excluding University of Wisconsin	\$206,954,600	4.0%	1,735.8	18.7%
Net GPR Impact:	\$185,666,000			

¹Fiscal year 2006-07 FTE does not include additions related to Streamlining Administrative Services and Attorney Consolidation Initiatives.

²Legislature and Courts will lapse funds

³Agency request related to trust fund solvency plan.

Streamlining Administrative Services

The Governor has demonstrated time and again that operating state government more efficiently can significantly reduce costs without reducing services to the public. For example, significant reductions have already been made in the state's automobile and plane fleets and in the number of state cell phones. In addition, as another example, the Medical Assistance fiscal agent contract was renegotiated and will result in savings of \$93 million over a five-year period.

In this budget, in order to achieve additional savings, the Governor recommends significant changes to the way administrative services are delivered. The Streamlining Administrative Services initiative will result in estimated savings over the biennium of \$35.5 million and a net reduction of 108.29 FTE positions. In the 2007-09 biennium, the savings are estimated to increase to \$110 million. Components of the initiative include restructuring of statewide procurement contracts, realignment of procurement and purchasing FTE positions, consolidation of server and network support, consolidation and standardization of human resource and payroll benefit staffing, and improved facility and space management.

In order to achieve these savings, the secretary of the Department of Administration will be given the authority to lapse or transfer up to \$35.5 million from any executive branch agency appropriation. While the Legislature and the Courts are not included, they could clearly benefit from participating in this initiative and the Governor encourages the leadership of both branches to do so.

- Restructuring of Statewide Procurement Contracts

(\$25.8 Million Estimated 2005-07 Biennial Savings)

The state currently does not leverage its buying power very effectively, in part because it has delegated much of the procurement and purchasing authority to agencies without effective oversight. In fiscal year 2003-04, state agencies, including the University of Wisconsin System, spent approximately \$1.5 billion on goods and services. By establishing more statewide procurement contracts, by negotiating the price and terms of these contracts more aggressively and by ensuring that purchasing processes are working in concert with procurement strategies, the state and the University of Wisconsin System have an opportunity to realize significant savings.

While the savings in 2005-07 are significant, savings in the 2007-09 biennium are projected to grow substantially after all the new contracts and procurement strategies are fully implemented and utilized by all state agencies and the University of Wisconsin System.

- Realignment of Procurement and Purchasing FTE Positions

(\$0.95 Million and 37.25 FTE Positions Estimated Biennial Savings)

A necessary step in achieving significant procurement savings is to recentralize general procurement authority and management. This will allow the Department of Administration to establish commodity and services teams with expertise within specific business areas. Contracts will be renegotiated based on increased buying power to achieve best prices.

Beginning in fiscal year 2006-07, certain types of specialized purchasing will also be done by the Department of Administration for all but the larger agencies. This will ensure that purchasing is done in such a way to maximize savings. Finally, in order to generate additional savings, the number of staff in certain larger agencies will be reduced to be consistent with public sector staffing ratios.

As a result of these steps, there will be a net reduction of 37.25 FTE positions and projected savings of approximately \$950,000 by the end of the biennium. (See Table 12)

- Consolidation of Server and Network Support

(\$3.7 million and 58.09 FTE Positions Estimated Biennial Savings)

Most agencies currently maintain their own information technology shops, complete with server and network support and application support and development. As the number of applications and servers on which they run grew over the years, they have become difficult and labor-intensive to manage. This part of the initiative is aimed at rationalizing the support of the state's server and network infrastructure. Having these services provided by the Department of Administration will enhance systems management, stability, security and the ability to leverage resources and yet maintain or improve service levels for all aspects of the server infrastructure. At the same time, the state can realize financial savings from the consolidation.

As a result, there will be a net reduction of 58.09 FTE positions and 20 full-time contractors and projected savings of \$3,720,000 by the end of the biennium. (See Table 12)

- Consolidation and Standardization of Human Resource/Payroll Benefits Staffing

(\$0.86 Million and 12.95 FTE Positions Estimated Biennial Savings)

The state human resources function is largely decentralized with considerable variation from agency to agency in the ratio of human resources staff to total agency FTE positions. Given the complexity of state human resource policies, the service levels and efficiency of this administrative function varies a great deal depending on the knowledge and experience of human resource staff, which is of particular concern for smaller agencies.

There are two goals for this part of the initiative. First is to rationalize the distribution of human resource and payroll benefit staff. FTE positions in the larger agencies will be reduced to be consistent with staffing levels achieved at the Departments of Workforce Development and Natural Resources. The second goal is to improve efficiency and consistency of human resource and payroll benefit services by consolidating these functions for small and medium size agencies (those with fewer than 200 total FTE positions) within the Department of Administration.

As a result of these steps, there will be a net reduction of 12.95 FTE positions and projected savings of approximately \$865,800 by the end of the biennium. (See Table 12)

- Improved Facility and Space Management

(\$4.2 million Estimated Biennial Savings)

Rather than focusing solely on facility-related transactions like renegotiating a lease or approving a building project, the Department of Administration is implementing portfolio management practices that use strategic performance measures such as Total Cost of Occupancy data to lower the costs of facilities for state government as an enterprise.

In addition to the asset sales discussed below, savings can also be generated by improving operation and maintenance in all state-owned properties and through improved management of the state's leases as well as consolidation of space. For example, there are 16 state office buildings within a five mile radius of a large metropolitan area. Consolidating into a single leased space and potentially selling state office buildings would clearly save money.

Savings by the end of the biennium due to these actions are estimated to be \$4,200,000

TABLE 12: STREAMLINING ADMINISTRATIVE EFFICIENCIES

<u>Agency</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>Total</u>
Agriculture, Trade and Consumer Protection	-2.75	-1.50		-1.00	-5.25
Commerce	-2.45	-0.60		-2.20	-5.25
Corrections	-8.80			-14.50	-23.30
Educational Communications Board	-1.52		-0.80	-1.00	-3.32
Employee Trust Funds	-1.65				-1.65
Financial Institutions	-3.46		-3.00	-0.50	-6.96
Health and Family Services	-21.55				-21.55
Historical Society	-0.75				-0.75
Insurance Commissioner	-1.20		-4.00	-0.80	-6.00
Justice	-9.25				-9.25
Military Affairs	-0.85			-3.00	-3.85
Natural Resources	-12.00				-12.00
Public Instruction	-0.88			-3.00	-3.88
Public Service Commission	-2.50		-3.00		-5.50
Regulation and Licensing	-0.83		-2.00		-2.83
Revenue	-6.30	-3.00		-5.50	-14.80
State Fair Park			-1.80		-1.80
State Public Defender	-1.50			-0.60	-2.10
State Treasurer	-0.30				-0.30
Tourism	-0.90		-1.25	-0.25	-2.40
Transportation	-6.95				-6.95
University of Wisconsin System				-14.80	-14.80
Veterans Affairs	-3.29			-5.60	-8.89
Workforce Development	<u>-15.41</u>				<u>-15.41</u>
	-105.09	-5.10	-15.85	-52.75	-178.79
Administration	<u>47.00</u>		<u>8.00</u>	<u>15.50</u>	<u>70.50</u>
Net	-58.09	-5.10	-7.85	-37.25	-108.29

- A Server and Network Consolidation
- B Human Resources and Payroll Benefit Staff Standardization Reductions
- C Human Resources and Payroll Benefit Reductions, Services to be Provided by the Department of Administration
- D Procurement and Purchasing Functions Realignment

Asset Sales

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

Consistent with this philosophy, the Governor is directing the secretary of the Department of Administration to create a list of potential assets that can be sold. This list will be presented to the Building Commission by October 1, 2006. The net proceeds of these sales will be deposited in the general fund. This will offset a required \$36 million transfer from the general fund to the budget stabilization fund by the end of the biennium.

The list of assets to be sold will include state-owned buildings and the surrounding land but will not include any land, such as state parks, under the jurisdiction of the Department of Natural Resources. In addition, while the University of Wisconsin System is encouraged to conduct a similar review of assets for

potential sale, any proceeds resulting from such a sale are not included in this initiative and would be available for reinvestment by the system.

Attorney Consolidation

In the Attorney Consolidation Initiative, the Governor recommends streamlining the provision of legal services of most executive branch agencies by transferring attorneys and legal support staff to a new division within the Department of Administration on January 1, 2006. This new division will act as the state's "law firm" with subject specific teams that will leverage the expertise and program knowledge of current staff and yet allow management flexibility to distribute workload more evenly. This structure will create opportunities for attorneys to broaden their expertise as well as promote cross-training and consistent and improved legal work.

In addition, there will be one specialty unit that will focus on contracts and one unit that will focus on the administrative rules process. The contract unit will work with the State Bureau of Procurement and state agencies to standardize and tighten contract language and to improve the contracting process by negotiating contracts more aggressively with a focus on accountability as well as the bottom line. The administrative rules unit will include administrative rules coordinators as well as attorneys. While the bulk of policy work needed to construct a rule will continue to be done in agencies, this unit will use its expertise to translate agencies' policy goals into the more technical language and format required under the administrative rule process.

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

Once transferred to the Department of Administration, the attorneys will be given agency assignments based on need and work load. Agencies will be charged for these services based on these assignments. The impact on agencies is shown in Table 13.

TABLE 13: ATTORNEY CONSOLIDATION INITIATIVE

<u>Agency</u>	<u>A</u> <u>(FTE)</u>	<u>B¹</u> <u>(FTE)</u>	<u>C</u> <u>(FTE)</u>	<u>D</u> <u>(FTE)</u>	<u>Total</u> <u>(FTE)</u>
Administration	3.00	4.00	1.00	0.00	5.00
Aging and Long-Term Care	1.00	1.00	0.00	0.00	1.00
Agriculture, Trade and Consumer Protection	7.50	7.50	1.00	0.00	8.50
Commerce	3.00	3.00	1.00	0.00	4.00
Corrections	7.80	7.80	1.00	0.00	8.80
Employment Relations Office	2.00	1.00	0.00	1.00	2.00
Employee Trust Funds	2.00	1.00	0.00	1.00	2.00
Financial Institutions	7.00	7.00	1.00	0.00	8.00
Health and Family Services	22.95	22.95	1.00	0.00	23.95
Insurance	5.70	5.70	1.00	0.00	6.70
Justice ²	2.00	2.00	0.00	N/A	2.00
Military Affairs	1.00	0.00	0.00	1.00	1.00
Natural Resources	17.50	17.50	1.00	0.00	18.50
Public Instruction	4.00	3.00	0.00	1.00	4.00
Regulation and Licensing	29.00	29.00	1.00	0.00	30.00
Revenue	16.75	16.75	1.00	0.00	17.75
Transportation	11.00	11.00	1.00	0.00	12.00
Veterans Affairs	3.00	2.00	0.00	1.00	3.00
Workforce Development ²	<u>3.00</u>	<u>3.00</u>	<u>1.00</u>	<u>0.00</u>	<u>4.00</u>
Subtotal	149.20	145.20	12.00	5.00	162.20
Total FY06 FTE		145.20	12.00	5.00	162.20
FY07 FTE Reduction		<u>-26.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-26.00</u>
Total FY07 FTE		119.20	12.00	5.00	136.20
Net Reduction (Current FTE vs. FY07 FTE)					-13.00

- A Agency Current
- B Transfer to New Department of Administration Division¹
- C New Unclassified General Counsel
- D Classified Lead Attorney

¹1.0 FTE administrator position included under the Department of Administration

²The Department of Justice and the Department of Workforce Development retain additional legal resources.

As illustrated in the table above, 17 agencies will each retain 1.0 FTE attorney position as a general or lead counsel. An unclassified attorney position is created in 12 of the 17 agencies for this purpose.

As a result of this reorganization, the number of attorney positions at the Department of Administration will be reduced by 26 FTE positions in fiscal year 2006-07. In total over the biennium, the net reduction in attorneys will be 13 FTE positions. The secretary of the Department of Administration is authorized to lapse or transfer the resulting savings (estimated to be \$724,900) to the general fund from state operation appropriations by the end of the biennium.

State Health Insurance Costs

The Wisconsin Department of Employee Trust Funds employs the Quality Composite System (QCS) combined with other measures to reward health plans for improved performance in designated areas of quality and patient safety and to lower health care costs. Building on the state employee health insurance plan cost containment strategies included in the Governor's first budget, the department is developing plans to expand pay-for-performance for the 2006 plan year by incorporating measures to improve disease management, increase preventive care, expand use of electronic patient records and add additional operational efficiencies into the QCS. Further activities will include monitoring the effectiveness of disease management programs by specific conditions, such as diabetes and hypertension, establishing best practice guidelines for care and creating Centers of Excellence for certain conditions or episodes of care.

Domestic Partner Benefits

The Governor recommends extending eligibility for state health care benefits to the domestic partners of state employees. It is important to recognize that many hardworking and talented individuals, who could make important contributions to the quality of public services in this state, live in committed, but unmarried, relationships. A major roadblock preventing some of these individuals from accepting employment with the State of Wisconsin or the University of Wisconsin System is the lack of health care coverage for their partners. For example, 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 extend eligibility for health care coverage to domestic partners.

In the competition for talent, it is clear that the private sector gets the message. Many major Wisconsin employers, including SC Johnson, Miller Brewing, Oscar Mayer, Land's End and American Family Insurance offer domestic partner health care coverage. They do it because it helps them recruit and retain employees who will add value to their businesses. To ensure that the State of Wisconsin and the University of Wisconsin System can continue to attract the best and brightest into public service, it is important that eligibility for health care benefits be available for the domestic partners of state employees.

**Economic
Assumptions and
Revenue Estimates**

V. ECONOMIC ASSUMPTIONS AND REVENUE ESTIMATES

NATIONAL ECONOMY

The Legislative Fiscal Bureau's 2005-07 revenue estimates are based on the January 2005 national economic forecast from Global Insight. These revenue estimates predict more rapid growth in employment and retail sales in 2005 than the past five years. Thereafter, the pace of the recovery will moderate during 2006 and 2007. See Table 14.

- Real Growth. Real Gross Domestic Product (GDP) will increase by 3.2 percent in 2005, by 3.1 percent in 2006 and 2007.
- Employment. Employment gains will continue, initially at a faster pace in 2005 but a slower rate in 2006 and 2007. Total employment will increase by 1.8 percent in 2005, 1.5 percent in 2006 and 1.1 percent in 2007.
- Inflation. At 2.7 percent, inflation in 2004 was higher than recent years primarily because of pressure from energy and construction commodities. A reduction in energy costs will abate inflationary pressure in the coming biennium. In 2005, prices should increase at 2.1 percent and then moderate to 1.6 percent in 2006 and 1.8 percent in 2007.
- Profits. Profits will rebound sharply in 2005 (up 35 percent) before moderating in 2006 and 2007.
- Incomes. Solid employment growth will lift income gains in 2005 to 5.2 percent. Personal income will improve in 2006 (up 5.7 percent) and 2007 (up 5.6 percent).
- Retail Sales. Retail sales will be below income growth as consumers rebalance income, savings and spending. Retail sales are expected to increase 4.6 percent in 2005, increase 3.8 percent in 2006 and 4.3 percent in 2007.

TABLE 14: SUMMARY OF THE NATIONAL ECONOMIC OUTLOOK

Economic Indicators	Actual			Forecast	
	2003	2004	2005	2006	2007
Gross Domestic Product					
Nominal GDP	4.8	6.6	5.6	5.1	5.1
Real GDP (2001 Dollars)	3.0	4.4	3.6	3.3	3.3
Prices and Wages					
GDP Deflator	1.8	2.2	2.0	1.8	1.8
Consumer Price Index	2.3	2.7	2.1	1.6	1.8
Compensation Per Hour	4.0	3.9	3.7	3.8	3.8
Production and Other Measures					
Total Nonfarm Employment	-0.3	1.0	1.8	1.5	1.1
Industrial Production	0	4.1	3.5	3.3	4.2
Housing Starts (Millions of Units)	1,853	1,933	1,815	1,702	1,669
Light Vehicle Sales (Millions)	16.6	16.8	16.9	17.1	17.3
Retail Sales	5.3	7.5	4.6	3.8	4.3
Profits and Income					
Corporate Profits Before Tax	15.4	12.8	34.9	0.1	1.5
Personal Income	3.2	5.4	5.2	5.7	5.6

All numbers are annual percent change except as noted.

WISCONSIN ECONOMY

In 2004, Wisconsin's economy fared better than the rest of the country. Wisconsin ranked ninth in the nation in job growth. Wisconsin's unemployment rate averaged 4.9 percent, compared to a national average of 5.5 percent. Wisconsin gained 1.6 percent in jobs while the nation only managed a 1.0 percent gain. Wisconsin's income growth trailed the nation for the entire year 4.5 percent compared to 5.4 percent nationally. The Wisconsin economy was stronger in the second half. In the third quarter 2004, Wisconsin was among the nations leaders in income growth.

For the coming biennium, Wisconsin will keep pace with the rest of the country.

- **Employment.** In 2005, total nonfarm employment will improve by 1.9 percent. In 2006 and 2007, employment growth will be 2.6 percent and 1.9 percent, respectively, matching the national employment estimates.
- **Income.** Wisconsin's personal income growth will be above national averages for 2005 and trail national estimates slightly for 2006 and 2007. Wisconsin's total personal income should increase by 5.5 percent in 2005, by 5.1 percent in 2006 and 5.4 percent for 2007. This compares to national income growth estimates of 5.2 percent in 2005, 5.7 percent in 2006 and 5.6 percent in 2007.

TABLE 15: SUMMARY OF THE WISCONSIN ECONOMIC OUTLOOK

Economic Indicators	Actual		2005	Forecast	
	2003	2004		2006	2007
Total Nonfarm Employment (in thousands)	2,858.2	2,904.5	2,961.0	2,1996.0	3,028.6
Percent Change		1.6	1.9	1.2	1.1
Income (Annual Rates of Change)					
Personal Income	3.1	4.5	5.5	5.1	5.4

REVENUE ESTIMATES

General fund taxes will increase by 5.4 percent in fiscal year 2004-05, 4.3 percent in fiscal year 2005-06 and 5.1 percent in fiscal year 2006-07. See Table 16.

TABLE 16: GENERAL PURPOSE REVENUE ESTIMATES
(\$ in millions)

<u>Current Law Estimates</u>	Actual FY04	Estimate FY05	Estimate FY06	Estimate FY07
Individual Income	\$5,277.1	\$5,630.0	\$6,000.0	\$6,415.0
General Sales and Use	3,899.3	4,025.0	4,180.0	4,355.0
Corporation Franchise and Income	650.5	735.0	675.0	660.0
Public Utility	269.8	253.2	267.6	281.2
Excise				
Cigarette	291.3	296.0	294.4	293.6
Liquor and Wine	38.5	40.0	40.8	41.6
Tobacco Products	16.1	16.7	17.5	18.4
Beer	9.6	9.6	9.6	9.6
Insurance Companies	123.6	130.0	133.0	135.0
Estate	86.4	100.0	100.0	105.0
Miscellaneous	<u>77.1</u>	<u>84.6</u>	<u>87.5</u>	<u>89.5</u>
Total GPR Taxes	\$10,739.3	\$11,320.1	\$11,805.4	\$12,403.9
Change Over Prior Year				
Amount		\$580.8	\$485.3	\$598.5
Percent		5.4%	4.3%	5.1%

Detail may not add precisely to total due to rounding.

The Governor also recommends several initiatives to improve collection of taxes owed to the state, adhering to the streamlined sales tax agreement and conforming to the federal changes in the internal revenue code. Taken together, these initiatives should increase revenue by \$26.5 million in fiscal year 2005-06 and \$28.6 million in fiscal year 2006-07.

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 FY06 for fiscal year 2005-06, 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 within 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 of 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, 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 – FY06

	<u>FY05 Base</u>	<u>FY06 Recommended</u>	<u>Change From Base (Amt)</u>	<u>Change Percent</u>
Administration, Dept	542,863,700	789,511,700	246,648,000	45.4
Aging and Long-Term Care, Board	1,774,900	1,942,100	167,200	9.4
Agriculture, Trade, and Consumer Prot., Dept	77,668,600	75,296,300	-2,372,300	-3.1
Arts Board	3,486,700	3,562,200	75,500	2.2
Building Commission	13,573,300	26,094,700	12,521,400	92.3
Child Abuse and Neglect Prevention	2,739,600	3,213,800	474,200	17.3
Circuit Courts	79,338,300	81,472,800	2,134,500	2.7
Commerce, Dept.	227,318,900	227,299,900	-19,000	0.0
Corrections, Dept.	1,038,830,800	1,066,786,700	27,955,900	2.7
Court of Appeals	8,380,200	8,524,300	144,100	1.7
District Attorneys	40,963,100	41,066,200	103,100	0.3
Educational Approval Board	0	0	0	0.0
Educational Communications Board	17,294,400	17,422,400	128,000	0.7
Elections Board	1,692,200	1,565,200	-127,000	-7.5
Employee Trust Funds, Dept	22,713,100	22,346,800	-366,300	-1.6
Employment Relations Commission	2,731,900	3,129,300	397,400	14.5
Environmental Improvement Program	44,036,200	47,083,800	3,047,600	6.9
Ethics Board	629,200	693,000	63,800	10.1
Financial Institutions, Dept	15,808,900	15,971,800	162,900	1.0
Fox River Navigational System Authority	30,700	30,700	0	0.0
Governor's Office	3,883,800	3,780,300	-103,500	-2.7
Health and Family Services, Dept	6,364,710,400	6,578,367,000	213,656,600	3.4
Higher Educational Aids Board	89,545,000	99,058,200	9,513,200	10.6
Historical Society	18,956,500	18,954,900	-1,600	0.0
Insurance, Commissioner	104,305,300	105,326,000	1,020,700	1.0
Investment Board	19,390,300	19,390,300	0	0.0
Judicial Commission	220,800	238,100	17,300	7.8
Justice, Dept	77,150,700	78,893,700	1,743,000	2.3
Legislature	64,046,600	65,163,400	1,116,800	1.7
Lieutenant Governor	354,600	390,900	36,300	10.2
Lower WI State Riverway Board	155,700	166,400	10,700	6.9
Medical College of Wisconsin	6,335,400	6,578,600	243,200	3.8
Military Affairs, Dept	58,657,200	73,114,800	14,457,600	24.6
Miscellaneous Appropriations	132,588,900	117,696,800	-14,892,100	-11.2
Natural Resources, Dept	492,370,200	510,799,500	18,429,300	3.7
Office of State Employment Relations	6,191,400	6,006,900	-184,500	-3.0
Program Supplements	8,827,000	6,849,900	-1,977,100	-22.4
Public Defender Board	76,482,900	75,083,400	-1,399,500	-1.8
Public Instruction, Dept.	5,591,376,900	5,962,700,800	371,323,900	6.6
Public Lands	1,485,100	1,438,400	-46,700	-3.1
Public Service Commission	26,488,500	25,693,200	-795,300	-3.0
Regulation and Licensing, Dept	11,725,800	11,097,900	-627,900	-5.4
Revenue, Dept	166,756,300	162,336,900	-4,419,400	-2.7
Secretary of State	679,600	776,200	96,600	14.2
Shared Revenue and Tax Relief	1,835,587,400	1,849,193,500	13,606,100	0.7
State Fair Park Board	18,772,400	24,107,800	5,335,400	28.4
Supreme Court	25,196,300	25,822,400	626,100	2.5
Technical College System	178,079,600	181,337,300	3,257,700	1.8
Tourism, Dept.	13,912,300	15,184,300	1,272,000	9.1
Transportation, Dept.	2,134,944,600	2,166,020,400	31,075,800	1.5
Treasurer, State	2,131,300	11,344,900	9,213,600	432.3
UW Hospitals and Clinics Board	103,667,400	113,494,400	9,827,000	9.5
UW System	3,822,003,400	3,959,597,900	137,594,500	3.6
Veterans Affairs, Dept.	174,644,100	117,065,800	-57,578,300	-33.0
WHEDA	0	0	0	0.0
Workforce Development, Dept	1,091,314,700	1,069,151,300	-22,163,400	-2.0
TOTALS	24,864,813,100	25,895,236,200	1,030,423,100	4.1
Compensation Reserve	<u>354,926,800</u>	<u>227,696,800</u>	<u>-127,230,000</u>	<u> </u>
	25,219,739,900	26,122,933,000	903,193,100	3.6

APPENDIX 2
Summary of All Funds Appropriations
Governor's Recommendations -- FY07

	<u>FY06</u> <u>Recommended</u>	<u>FY07</u> <u>Recommended</u>	<u>Change From</u> <u>FY06 (Amt)</u>	<u>Change</u> <u>Percent</u>
Administration, Dept	789,511,700	777,592,200	-11,919,500	-1.5
Aging and Long-Term Care, Board	1,942,100	1,943,100	1,000	0.1
Agriculture, Trade, and Consumer Prot, Dept	75,296,300	73,071,300	-2,225,000	-3.0
Arts Board	3,562,200	3,562,200	0	0.0
Building Commission	26,094,700	38,261,100	12,166,400	46.6
Child Abuse and Neglect Prevention	3,213,800	3,602,700	388,900	12.1
Circuit Courts	81,472,800	81,606,100	133,300	0.2
Commerce, Dept.	227,299,900	232,962,800	5,662,900	2.5
Corrections, Dept	1,066,786,700	1,064,771,400	-2,015,300	-0.2
Court of Appeals	8,524,300	8,524,300	0	0.0
District Attorneys	41,066,200	41,074,700	8,500	0.0
Educational Approval Board	0	0	0	0.0
Educational Communications Board	17,422,400	17,549,200	126,800	0.7
Elections Board	1,565,200	2,217,500	652,300	41.7
Employee Trust Funds, Dept.	22,346,800	21,958,200	-388,600	-1.7
Employment Relations Commission	3,129,300	3,129,300	0	0.0
Environmental Improvement Program	47,083,800	52,996,200	5,912,400	12.6
Ethics Board	693,000	693,000	0	0.0
Financial Institutions, Dept	15,971,800	15,986,700	14,900	0.1
Fox River Navigational System Authority	30,700	30,700	0	0.0
Governor's Office	3,780,300	3,780,300	0	0.0
Health and Family Services, Dept	6,578,367,000	6,857,814,400	279,447,400	4.2
Higher Educational Aids Board	99,058,200	106,051,200	6,993,000	7.1
Historical Society	18,954,900	18,856,000	-98,900	-0.5
Insurance, Commissioner	105,326,000	105,659,200	333,200	0.3
Investment Board	19,390,300	19,390,300	0	0.0
Judicial Commission	238,100	238,100	0	0.0
Justice, Dept	78,893,700	80,095,400	1,201,700	1.5
Legislature	65,163,400	65,116,100	-47,300	-0.1
Lieutenant Governor	390,900	390,900	0	0.0
Lower WI State Riverway Board	166,400	166,400	0	0.0
Medical College of Wisconsin	6,578,600	8,022,400	1,443,800	21.9
Military Affairs, Dept	73,114,800	72,927,100	-187,700	-0.3
Miscellaneous Appropriations	117,696,800	124,602,700	6,905,900	5.9
Natural Resources, Dept	510,799,500	517,353,700	6,554,200	1.3
Office of State Employment Relations	6,006,900	5,821,500	-185,400	-3.1
Program Supplements	6,849,900	7,090,300	240,400	3.5
Public Defender Board	75,083,400	74,882,600	-200,800	-0.3
Public Instruction, Dept	5,962,700,800	6,147,989,500	185,288,700	3.1
Public Lands	1,438,400	1,438,400	0	0.0
Public Service Commission	25,693,200	25,590,500	-102,700	-0.4
Regulation and Licensing, Dept.	11,097,900	11,178,800	80,900	0.7
Revenue, Dept	162,336,900	161,739,200	-597,700	-0.4
Secretary of State	776,200	776,200	0	0.0
Shared Revenue and Tax Relief	1,849,193,500	1,785,676,400	-63,517,100	-3.4
State Fair Park Board	24,107,800	24,306,000	198,200	0.8
Supreme Court	25,822,400	25,879,200	56,800	0.2
Technical College System	181,337,300	181,337,300	0	0.0
Tourism, Dept	15,184,300	15,740,900	556,600	3.7
Transportation, Dept.	2,166,020,400	2,474,368,900	308,348,500	14.2
Treasurer, State	11,344,900	6,978,000	-4,366,900	-38.5
UW Hospitals and Clinics Board	113,494,400	113,495,700	1,300	0.0
UW System	3,959,597,900	4,042,221,300	82,623,400	2.1
Veterans Affairs, Dept	117,065,800	127,317,900	10,252,100	8.8
WHEDA	0	0	0	0.0
Workforce Development, Dept.	<u>1,069,151,300</u>	<u>1,043,558,100</u>	<u>-25,593,200</u>	<u>-2.4</u>
TOTALS	25,895,236,200	26,699,383,600	804,147,400	3.1
Compensation Reserve	<u>227,696,800</u>	<u>450,828,800</u>	<u>223,132,000</u>	<u>---</u>
	26,122,933,000	27,150,212,400	1,027,279,400	3.9

APPENDIX 3
Summary of GPR Appropriations
Governor's Recommendations – FY06

	<u>FY05 Base</u>	<u>FY06 Recommended</u>	<u>Change From Base (Amt)</u>	<u>Change Percent</u>
Administration, Dept	16,962,600	213,115,200	196,152,600	1,156.4
Aging and Long-Term Care, Board	825,400	867,100	41,700	5.1
Agriculture, Trade, and Consumer Prot., Dept	28,955,400	26,230,700	-2,724,700	-9.4
Arts Board	2,386,300	2,420,100	33,800	1.4
Building Commission	12,357,900	25,070,500	12,712,600	102.9
Child Abuse and Neglect Prevention	0	340,000	340,000	0.0
Circuit Courts	79,338,300	81,472,800	2,134,500	2.7
Commerce, Dept.	24,368,500	26,118,100	1,749,600	7.2
Corrections, Dept	890,638,300	934,240,700	43,602,400	4.9
Court of Appeals	8,380,200	8,524,300	144,100	1.7
District Attorneys	38,904,700	39,304,500	399,800	1.0
Educational Approval Board	0	0	0	0.0
Educational Communications Board	7,128,800	7,460,200	331,400	4.6
Elections Board	933,000	1,278,200	345,200	37.0
Employee Trust Funds, Dept	2,360,400	1,909,000	-451,400	-19.1
Employment Relations Commission	2,229,800	2,595,500	365,700	16.4
Environmental Improvement Program	38,036,200	41,083,800	3,047,600	8.0
Ethics Board	243,600	295,300	51,700	21.2
Financial Institutions, Dept	0	0	0	0.0
Fox River Navigational System Authority	0	0	0	0.0
Governor's Office	3,883,800	3,780,300	-103,500	-2.7
Health and Family Services, Dept	2,384,674,800	2,406,372,500	21,697,700	0.9
Higher Educational Aids Board	71,845,400	96,081,100	24,235,700	33.7
Historical Society	11,441,400	11,609,200	167,800	1.5
Insurance, Commissioner	0	0	0	0.0
Investment Board	0	0	0	0.0
Judicial Commission	220,800	238,100	17,300	7.8
Justice, Dept.	33,962,000	34,573,800	611,800	1.8
Legislature	62,332,000	63,361,800	1,029,800	1.7
Lieutenant Governor	354,600	390,900	36,300	10.2
Lower WI State Riverway Board	0	0	0	0.0
Medical College of Wisconsin	5,585,400	6,328,600	743,200	13.3
Military Affairs, Dept	20,348,000	19,511,700	-836,300	-4.1
Miscellaneous Appropriations	105,916,800	90,658,000	-15,258,800	-14.4
Natural Resources, Dept	144,209,600	135,883,300	-8,326,300	-5.8
Office of State Employment Relations	4,886,800	4,707,000	-179,800	-3.7
Program Supplements	8,827,000	6,849,900	-1,977,100	-22.4
Public Defender Board	75,176,300	73,765,900	-1,410,400	-1.9
Public Instruction, Dept	4,899,544,300	5,204,036,100	304,491,800	6.2
Public Lands	0	0	0	0.0
Public Service Commission	0	0	0	0.0
Regulation and Licensing, Dept	0	0	0	0.0
Revenue, Dept.	86,514,400	82,089,200	-4,425,200	-5.1
Secretary of State	0	0	0	0.0
Shared Revenue and Tax Relief	1,469,358,800	1,657,319,000	187,960,200	12.8
State Fair Park Board	2,259,400	2,383,800	124,400	5.5
Supreme Court	12,019,100	12,292,200	273,100	2.3
Technical College System	140,392,200	141,066,600	674,400	0.5
Tourism, Dept	8,985,600	3,433,000	-5,552,600	-61.8
Transportation, Dept	154,200	64,032,800	63,878,600	41,425.8
Treasurer, State	0	0	0	0.0
UW Hospitals and Clinics Board	0	0	0	0.0
UW System	976,581,000	1,000,694,300	24,113,300	2.5
Veterans Affairs, Dept	1,559,700	1,961,700	402,000	25.8
WHEDA	0	0	0	0.0
Workforce Development, Dept	<u>182,318,300</u>	<u>192,390,400</u>	<u>10,072,100</u>	<u>5.5</u>
TOTALS	11,867,401,100	12,728,137,200	860,736,100	7.3
Compensation Reserve	<u>163,019,600</u>	<u>90,054,100</u>	<u>-72,965,500</u>	<u>---</u>
	12,030,420,700	12,818,191,300	787,770,600	6.5

APPENDIX 4
Summary of GPR Appropriations
Governor's Recommendations – FY07

	<u>FY06</u> <u>Recommended</u>	<u>FY07</u> <u>Recommended</u>	<u>Change From</u> <u>FY06 (Amt)</u>	<u>Change</u> <u>Percent</u>
Administration, Dept.	213,115,200	214,928,700	1,813,500	0.9
Aging and Long-Term Care, Board	867,100	867,100	0	0.0
Agriculture, Trade, and Consumer Prot., Dept.	26,230,700	27,078,700	848,000	3.2
Arts Board	2,420,100	2,420,100	0	0.0
Building Commission	25,070,500	37,236,900	12,166,400	48.5
Child Abuse and Neglect Prevention	340,000	340,000	0	0.0
Circuit Courts	81,472,800	81,606,100	133,300	0.2
Commerce, Dept.	26,118,100	32,038,100	5,920,000	22.7
Corrections, Dept.	934,240,700	930,591,200	-3,649,500	-0.4
Court of Appeals	8,524,300	8,524,300	0	0.0
District Attorneys	39,304,500	39,304,500	0	0.0
Educational Approval Board	0	0	0	0.0
Educational Communications Board	7,460,200	7,582,400	122,200	1.6
Elections Board	1,278,200	1,280,500	2,300	0.2
Employee Trust Funds, Dept.	1,909,000	1,549,200	-359,800	-18.8
Employment Relations Commission	2,595,500	2,595,500	0	0.0
Environmental Improvement Program	41,083,800	46,996,200	5,912,400	14.4
Ethics Board	295,300	295,300	0	0.0
Financial Institutions, Dept.	0	0	0	0.0
Fox River Navigational System Authority	0	0	0	0.0
Governor's Office	3,780,300	3,780,300	0	0.0
Health and Family Services, Dept.	2,406,372,500	2,514,939,700	108,567,200	4.5
Higher Educational Aids Board	96,081,100	103,074,100	6,993,000	7.3
Historical Society	11,609,200	11,510,400	-98,800	-0.9
Insurance, Commissioner	0	0	0	0.0
Investment Board	0	0	0	0.0
Judicial Commission	238,100	238,100	0	0.0
Justice, Dept.	34,573,800	34,899,200	325,400	0.9
Legislature	63,361,800	63,362,700	900	0.0
Lieutenant Governor	390,900	390,900	0	0.0
Lower WI State Riverway Board	0	0	0	0.0
Medical College of Wisconsin	6,328,600	7,772,400	1,443,800	22.8
Military Affairs, Dept.	19,511,700	19,399,700	-112,000	-0.6
Miscellaneous Appropriations	90,658,000	96,640,100	5,982,100	6.6
Natural Resources, Dept.	135,883,300	141,061,600	5,178,300	3.8
Office of State Employment Relations	4,707,000	4,707,000	0	0.0
Program Supplements	6,849,900	7,090,300	240,400	3.5
Public Defender Board	73,765,900	73,565,100	-200,800	-0.3
Public Instruction, Dept.	5,204,036,100	5,376,071,600	172,035,500	3.3
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.	82,089,200	80,758,500	-1,330,700	-1.6
Secretary of State	0	0	0	0.0
Shared Revenue and Tax Relief	1,657,319,000	1,591,035,000	-66,284,000	-4.0
State Fair Park Board	2,383,800	2,382,000	-1,800	-0.1
Supreme Court	12,292,200	12,330,300	38,100	0.3
Technical College System	141,066,600	141,066,600	0	0.0
Tourism, Dept.	3,433,000	3,330,300	-102,700	-3.0
Transportation, Dept.	64,032,800	78,948,500	14,915,700	23.3
Treasurer, State	0	0	0	0.0
UW Hospitals and Clinics Board	0	0	0	0.0
UW System	1,000,694,300	1,002,124,000	1,429,700	0.1
Veterans Affairs, Dept.	1,961,700	1,870,700	-91,000	-4.6
WHEDA	0	0	0	0.0
Workforce Development, Dept.	<u>192,390,400</u>	<u>185,569,600</u>	<u>-6,820,800</u>	<u>-3.5</u>
TOTALS	12,728,137,200	12,993,153,500	265,016,300	2.1
Compensation Reserve	<u>90,054,100</u>	<u>178,302,800</u>	<u>88,248,700</u>	<u>—</u>
	12,818,191,300	13,171,456,300	353,265,000	2.8

APPENDIX 5
Summary of All Funds Positions
Governor's Recommendations – FY06

	<u>FY05 Base</u>	<u>FY06 Recommended</u>	<u>Change From Base (FTE)</u>
Administration, Dept	1,007 38	1,175 28	167 9
Aging and Long-Term Care, Board	25 00	27 00	2 0
Agriculture, Trade, and Consumer Prot., Dept	603 94	511 62	-92 3
Arts Board	11 00	10 00	-1 0
Building Commission	0 00	0 00	0 0
Child Abuse and Neglect Prevention	4 00	4 00	0 0
Circuit Courts	511 00	511 00	0 0
Commerce, Dept.	445 50	391 90	-53 6
Corrections, Dept.	10,419 33	10,243 94	-175 4
Court of Appeals	75 50	75 50	0 0
District Attorneys	415 50	390 90	-24 6
Educational Approval Board	0 00	0 00	0 0
Educational Communications Board	71 00	65 50	-5 5
Elections Board	11 00	15 00	4 0
Employee Trust Funds, Dept	198 35	197 25	-1 1
Employment Relations Commission	23 50	25 50	2 0
Environmental Improvement Program	0 00	0 00	0 0
Ethics Board	5 75	5 75	0 0
Financial Institutions, Dept.	154 00	139 00	-15 0
Fox River Navigational System Authority	0 00	0 00	0 0
Governor's Office	39 75	37 25	-2 5
Health and Family Services, Dept	6,210 85	5,875 71	-335 1
Higher Educational Aids Board	11 00	10 50	-0 5
Historical Society	142 79	139 79	-3 0
Insurance, Commissioner	131 00	130 30	-0 7
Investment Board	104 50	104 50	0 0
Judicial Commission	2 00	2 00	0 0
Justice, Dept	550 18	567 18	17 0
Legislature	788 97	788 97	0 0
Lieutenant Governor	4 00	4 00	0 0
Lower WI State Riverway Board	2 00	2 00	0 0
Medical College of Wisconsin	0 00	0 00	0 0
Military Affairs, Dept	385 16	381 76	-3 4
Miscellaneous Appropriations	0 00	0 00	0 0
Natural Resources, Dept	2,823 75	2,737 78	-86 0
Office of State Employment Relations	58 50	55 50	-3 0
Program Supplements	0 00	0 00	0 0
Public Defender Board	527 55	523 05	-4 5
Public Instruction, Dept.	637 14	626 14	-11 0
Public Lands	7 50	7 50	0 0
Public Service Commission	180 50	163 50	-17 0
Regulation and Licensing, Dept.	126 00	86 15	-39 8
Revenue, Dept	1,195 85	1,124 88	-71 0
Secretary of State	8 50	8 50	0 0
Shared Revenue and Tax Relief	0 00	0 00	0 0
State Fair Park Board	30 20	30 20	0 0
Supreme Court	213 75	213 75	0 0
Technical College System	74 50	73 50	-1 0
Tourism, Dept	53 45	45 80	-7 6
Transportation, Dept	3,645 83	3,452 78	-193 1
Treasurer, State	11 00	17 00	6 0
UW Hospitals and Clinics Board	2,371 46	2,371 46	0 0
UW System	30,685 30	30,503 80	-181 5
Veterans Affairs, Dept	980 60	991 90	11 3
WHEDA	0 00	0 00	0 0
Workforce Development, Dept	<u>2,215.68</u>	<u>2,161.83</u>	<u>-53.8</u>
TOTALS	68,201 01	67,028 12	-1,172 9

APPENDIX 6
Summary of All Funds Positions
Governor's Recommendations – FY07

	<u>FY06</u> <u>Recommended</u>	<u>FY07</u> <u>Recommended</u>	<u>Change From</u> <u>FY06 (FTE)</u>
Administration, Dept	1,175 28	1,124 08	-51 2
Aging and Long-Term Care, Board	27 00	27 00	0 0
Agriculture, Trade, and Consumer Prot , Dept	511 62	493 92	-17 7
Arts Board	10 00	10 00	0 0
Building Commission	0 00	0 00	0 0
Child Abuse and Neglect Prevention	4 00	4 00	0 0
Circuit Courts	511 00	511 00	0 0
Commerce, Dept.	391 90	385 65	-6 3
Corrections, Dept.	10,243 94	10,076 19	-167 8
Court of Appeals	75 50	75 50	0 0
District Attorneys	390 90	388 90	-2 0
Educational Approval Board	0 00	0 00	0 0
Educational Communications Board	65 50	62 18	-3 3
Elections Board	15 00	15 00	0 0
Employee Trust Funds, Dept	197 25	195 60	-1 7
Employment Relations Commission	25 50	25 50	0 0
Environmental Improvement Program	0 00	0 00	0 0
Ethics Board	5 75	5 75	0 0
Financial Institutions, Dept	139 00	132 04	-7 0
Fox River Navigational System Authority	0 00	0 00	0 0
Governor's Office	37 25	37 25	0 0
Health and Family Services, Dept	5,875 71	5,695 03	-180 7
Higher Educational Aids Board	10 50	10 50	0 0
Historical Society	139 79	139 04	-0 8
Insurance, Commissioner	130 30	124 30	-6 0
Investment Board	104 50	104 50	0 0
Judicial Commission	2 00	2 00	0 0
Justice, Dept	567 18	557 93	-9 3
Legislature	788 97	788 97	0 0
Lieutenant Governor	4 00	4 00	0 0
Lower WI State Riverway Board	2 00	2 00	0 0
Medical College of Wisconsin	0 00	0 00	0 0
Military Affairs, Dept	381 76	377 91	-3 8
Miscellaneous Appropriations	0 00	0 00	0 0
Natural Resources, Dept	2,737 78	2,654 93	-82 9
Office of State Employment Relations	55 50	53 50	-2 0
Program Supplements	0 00	0 00	0 0
Public Defender Board	523 05	520 95	-2 1
Public Instruction, Dept	626 14	622 26	-3 9
Public Lands	7 50	7 50	0 0
Public Service Commission	163 50	158 00	-5 5
Regulation and Licensing, Dept	86 15	83 32	-2 8
Revenue, Dept	1,124 88	1,042 08	-82 8
Secretary of State	8 50	8 50	0 0
Shared Revenue and Tax Relief	0 00	0 00	0 0
State Fair Park Board	30 20	28 40	-1 8
Supreme Court	213 75	213 75	0 0
Technical College System	73 50	73 50	0 0
Tourism, Dept	45 80	42 40	-3 4
Transportation, Dept	3,452 78	3,421 93	-30 8
Treasurer, State	17 00	10 70	-6 3
UW Hospitals and Clinics Board	2,371 46	2,371 46	0 0
UW System	30,503 80	30,628 80	125 0
Veterans Affairs, Dept	991 90	1,091 51	99 6
WHEDA	0 00	0 00	0 0
Workforce Development, Dept	<u>2,161.83</u>	<u>1,980.65</u>	<u>-181.2</u>
TOTALS	67,028.12	66,389.88	-638.2

APPENDIX 7
Summary of GPR Positions
Governor's Recommendations – FY06

	<u>FY05 Base</u>	<u>FY06 Recommended</u>	<u>Change From Base (FTE)</u>
Administration, Dept	96 21	92 86	-3 3
Aging and Long-Term Care, Board	12 53	12 53	0 0
Agriculture, Trade, and Consumer Prot , Dept	236 73	190 23	-46 5
Arts Board	4 00	4 00	0 0
Building Commission	0 00	0 00	0 0
Child Abuse and Neglect Prevention	0 00	0 00	0 0
Circuit Courts	511 00	511 00	0 0
Commerce, Dept.	68 00	61 80	-6 2
Corrections, Dept	9,311 67	9,312 42	0 8
Court of Appeals	75 50	75 50	0 0
District Attorneys	375 40	375 40	0 0
Educational Approval Board	0 00	0 00	0 0
Educational Communications Board	45 60	40 10	-5 5
Elections Board	11 00	11 00	0 0
Employee Trust Funds, Dept	3 50	3 50	0 0
Employment Relations Commission	18 50	20 50	2 0
Environmental Improvement Program	0 00	0 00	0 0
Ethics Board	2 30	2 30	0 0
Financial Institutions, Dept.	0 00	0 00	0 0
Fox River Navigational System Authority	0 00	0 00	0 0
Governor's Office	39 75	37 25	-2 5
Health and Family Services, Dept.	2,142 10	2,120 00	-22 1
Higher Educational Aids Board	10 36	9 86	-0 5
Historical Society	109 90	106 90	-3 0
Insurance, Commissioner	0 00	0 00	0 0
Investment Board	0 00	0 00	0 0
Judicial Commission	2 00	2 00	0 0
Justice, Dept	341 53	348 96	7 4
Legislature	769 17	769 17	0 0
Lieutenant Governor	4 00	4 00	0 0
Lower WI State Riverway Board	0 00	0 00	0 0
Medical College of Wisconsin	0 00	0 00	0 0
Military Affairs, Dept	100 35	90 85	-9 5
Miscellaneous Appropriations	0 00	0 00	0 0
Natural Resources, Dept	373 12	297 60	-75 5
Office of State Employment Relations	52 00	49 00	-3 0
Program Supplements	0 00	0 00	0 0
Public Defender Board	523 55	519 05	-4 5
Public Instruction, Dept	271 72	262 37	-9 4
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	970 00	902 08	-67 9
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	111 50	112 50	1 0
Technical College System	32 25	30 25	-2 0
Tourism, Dept.	48 45	41 80	-6 6
Transportation, Dept	0 00	0 00	0 0
Treasurer, State	0 00	0 00	0 0
UW Hospitals and Clinics Board	0 00	0 00	0 0
UW System	18,327 63	18,128 58	-199 0
Veterans Affairs, Dept	0 00	0 00	0 0
WHEDA	0 00	0 00	0 0
Workforce Development, Dept	<u>196.22</u>	<u>168.04</u>	<u>-28.2</u>
TOTALS	35,197 54	34,713 40	-484 1

APPENDIX 8
Summary of GPR Positions
Governor's Recommendations – FY07

	<u>FY06</u> <u>Recommended</u>	<u>FY07</u> <u>Recommended</u>	<u>Change From</u> <u>FY06 (FTE)</u>
Administration, Dept	92.86	91.86	-1.0
Aging and Long-Term Care, Board	12.53	12.53	0.0
Agriculture, Trade, and Consumer Prot., Dept	190.23	189.40	-0.8
Arts Board	4.00	4.00	0.0
Building Commission	0.00	0.00	0.0
Child Abuse and Neglect Prevention	0.00	0.00	0.0
Circuit Courts	511.00	511.00	0.0
Commerce, Dept.	61.80	61.80	0.0
Corrections, Dept	9,312.42	9,150.92	-161.5
Court of Appeals	75.50	75.50	0.0
District Attorneys	375.40	375.40	0.0
Educational Approval Board	0.00	0.00	0.0
Educational Communications Board	40.10	37.44	-2.7
Elections Board	11.00	11.00	0.0
Employee Trust Funds, Dept	3.50	3.50	0.0
Employment Relations Commission	20.50	20.50	0.0
Environmental Improvement Program	0.00	0.00	0.0
Ethics Board	2.30	2.30	0.0
Financial Institutions, Dept.	0.00	0.00	0.0
Fox River Navigational System Authority	0.00	0.00	0.0
Governor's Office	37.25	37.25	0.0
Health and Family Services, Dept.	2,120.00	2,122.20	2.2
Higher Educational Aids Board	9.86	9.86	0.0
Historical Society	106.90	106.15	-0.8
Insurance, Commissioner	0.00	0.00	0.0
Investment Board	0.00	0.00	0.0
Judicial Commission	2.00	2.00	0.0
Justice, Dept.	348.96	339.71	-9.3
Legislature	769.17	769.17	0.0
Lieutenant Governor	4.00	4.00	0.0
Lower WI State Riverway Board	0.00	0.00	0.0
Medical College of Wisconsin	0.00	0.00	0.0
Military Affairs, Dept	90.85	88.82	-2.0
Miscellaneous Appropriations	0.00	0.00	0.0
Natural Resources, Dept	297.60	293.10	-4.5
Office of State Employment Relations	49.00	49.00	0.0
Program Supplements	0.00	0.00	0.0
Public Defender Board	519.05	516.95	-2.1
Public Instruction, Dept	262.37	260.37	-2.0
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	902.08	880.63	-21.5
Secretary of State	0.00	0.00	0.0
Shared Revenue and Tax Relief	0.00	0.00	0.0
State Fair Park Board	0.00	0.00	0.0
Supreme Court	112.50	112.50	0.0
Technical College System	30.25	30.25	0.0
Tourism, Dept.	41.80	38.40	-3.4
Transportation, Dept.	0.00	0.00	0.0
Treasurer, State	0.00	0.00	0.0
UW Hospitals and Clinics Board	0.00	0.00	0.0
UW System	18,128.58	18,253.58	125.0
Veterans Affairs, Dept.	0.00	0.00	0.0
WHEDA	0.00	0.00	0.0
Workforce Development, Dept	<u>168.04</u>	<u>161.65</u>	<u>-6.4</u>
TOTALS	34,713.40	34,622.74	-90.7

ABOUT THE BUDGET DOCUMENTS

The 2005-07 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 2003-04.

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

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

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