



Legislative Fiscal Bureau

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March 18, 2011

TO: Representative Jerry Petrowski
Room 11 North, State Capitol

FROM: Dave Loppnow, Program Supervisor

SUBJECT: Overview of Fiscal Effects of Budget Adjustment Legislation as Proposed by the Governor

At your request, I am providing a brief overview of the fiscal effect of the provisions of the budget adjustment legislation as proposed by the Governor (January 2011 Special Session Senate Bill 11 and its companion, Assembly Bill 11).

On January 31, 2011, a letter from this office indicated that the estimated closing balance of the general fund would be \$121.4 million on June 30, 2011. In that letter, there were several funding shortfalls identified, including medical assistance (-\$174.2 million), the Department of Corrections (-\$21.7 million), and State Public Defender (-\$3.5 million). In addition, Wisconsin owes Minnesota \$58.7 million for the last payment due to Minnesota under the former Minnesota/Wisconsin income tax reciprocity agreement. If these shortfalls would be addressed and the payment to Minnesota would be made by June 30, 2011, then the balance in the general fund would be reduced to -\$136.7 million. The budget adjustment legislation as proposed by the Governor would have provided \$152.5 million for medical assistance and \$21.6 million for Corrections, and made a number of other fiscal changes.

The attachment shows the current law factors identified above as well as the general fund fiscal effects of the Governor's proposed budget adjustment legislation.

I hope that this information is helpful. Please contact me if you have any questions.

DL/le
Attachment

ATTACHMENT

Budget Status under Current Law and under the Budget Adjustment Legislation as Proposed by the Governor (in Millions)

Current Law Factors	<u>Amount</u>
January 31, 2011, Letter	
Estimated Gross Balance	\$121.4
Budget Shortfalls or Obligations	
Medical Assistance	-\$174.2
Corrections	-21.7
Public Defender	-3.5
Minnesota Wisconsin Reciprocity	<u>-58.7</u>
Subtotal--Budget Shortfalls	-\$258.1
Gross Balance Less Shortfalls	-\$136.7

General Fund Fiscal Effect of Budget Adjustment Proposal

January 31, 2011, Letter	
Estimated Gross Balance	\$121.4
Savings to General Fund	
Debt Restructuring	\$165.0
Increases in Employee Health and Retirement Contributions	29.8
Earned Income Tax Credit	37.0
Other Appropriation Reductions	<u>7.7</u>
Subtotal--Savings to the General Fund	\$239.5
Costs to the General Fund	
Increase MA Funding	-\$152.5
Increase Corrections Funding	-21.6
Reduce Required Lapses	<u>-79.0</u>
Subtotal--Costs to the General Fund	-\$253.1
Gross Balance Plus Savings Less Costs	\$107.8