



## Legislative Fiscal Bureau

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September 8, 2014

TO: Senator Jon Erpenbach  
Room 104 South, State Capitol

FROM: Bob Lang, Director

SUBJECT: Out-Year Commitment for 2015-17 Adjusted for Actual Tax Collections in 2013-14

At your request, I am providing information to update a memorandum to members of the Wisconsin Legislature dated May 22, 2014, relating to the state's out-year commitments for the 2015-17 biennium. This update reflects the effects of actual tax collections in 2013-14 being \$281 million less than the amounts projected when the earlier memorandum was prepared.

Since 1995, this office has made estimates during the budget process and at the end of each legislative session of how much revenue growth for the following biennium is already committed by law. This exercise does not include any projections for revenue growth or changes in program caseloads, but rather addresses the potential budget effects of actions of that Legislature, either in approving out-year tax reductions or spending increases that affect the following biennium. In the memorandum dated May 22, it was estimated that the 2015-17 out-year commitment was \$642 million, meaning that the first \$642 million of revenue growth would be committed to support commitments made in the 2013-14 legislative session.

On August 28, the Department of Revenue released data on general fund tax collections for 2013-14 that indicate that actual revenues were \$281 million less than earlier estimates. Information on final expenditures and departmental revenues that will also affect the ending balance for 2013-14 will not be available until the state's Annual Fiscal Report (AFR) is released in mid-October. However, focusing on the lower tax collections data, it should be noted that IHS Global Insight, Inc.'s national economic forecast has been downgraded significantly since the state's final tax revenue estimates were prepared. This suggests that collections in 2014-15 will be similarly reduced compared to the final budgeted amounts, and since 2014-15 is the base year for the 2015-17 biennium, the out-year commitment exercise would reflect lower base year revenues in 2015-16 and 2016-17. As a result, the out-year commitment number would increase by \$1,124 million from previous estimates, although this is subject to revision when the AFR provides additional information on the general fund's ending balance in 2013-14.

The following table shows the estimates prepared at the close of each legislative session since 1995 for the following biennium. The amount of general fund revenue growth needed to fund out-year commitments in the following biennium has ranged from a high of \$2.867 billion to a low of -\$146 million.

**General Fund Amounts Necessary for a Balanced Budget\***  
(In Millions)

	<u>1<sup>st</sup> Year</u>	<u>2<sup>nd</sup> Year</u>	<u>Total</u>
For the 2015-17 Biennium (September 3, 2014)	\$1,069	\$697	\$1,766
For the 2015-17 Biennium (May 22, 2014)	226	416	642
For the 2013-15 Biennium	-140	-6	-146
For the 2011-13 Biennium	1,232	1,279	2,511
For the 2009-11 Biennium	800	882	1,682
For the 2007-09 Biennium	653	846	1,499
For the 2005-07 Biennium	701	845	1,546
For the 2003-05 Biennium	1,340	1,527	2,867
For the 2001-03 Biennium	693	1,026	1,719
For the 1999-01 Biennium	589	914	1,503
For the 1997-99 Biennium	624	908	1,532

\*Except for 2013-15, all figures indicate amounts necessary to produce a balanced budget. A surplus of \$146 million is shown for 2013-15.

In considering the out-year commitment amounts shown for 2015-17, it should be noted that the budget stabilization fund currently has an estimated balance of \$280 million.

BL/sas