



## Legislative Fiscal Bureau

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December 11, 2019

TO: Senator Howard Marklein  
Room 8 South, State Capitol

FROM: Dave Loppnow, Assistant Director

SUBJECT: 2017-18 General Fund Deficit under Generally Accepted Accounting Principles

At your request, I am providing information relating to the general fund deficit for 2017-18 under generally accepted accounting principles.

For fiscal year 2017-18, the state's Annual Fiscal Report indicates that the general fund had a balance of \$588.5 million on June 30, 2018. This report is prepared by the Department of Administration and released each year by October 15. The Annual Fiscal Report is prepared using a statutory basis of accounting, which uses a mixture of cash and modified accrual accounting, and is the accounting treatment that is used by the state for budget purposes.

Each year the Department of Administration also prepares the Comprehensive Annual Fiscal Report, which is prepared using generally accepted accounting principles (GAAP). Generally accepted accounting principles use accrual accounting and uniform accounting and reporting standards. In the Comprehensive Annual Fiscal Report, the general fund is shown as having a deficit of -\$1.25 billion in 2017-18, when the financial statement is presented in conformity with generally accepted accounting principles. The state began issuing the Comprehensive Annual Fiscal Report in 1989-90. The deficit when presented on a GAAP basis since 1989-90 is shown in the following table.

**Annual GAAP Deficit**  
**(\$ in Billions)**

<u>Fiscal Year</u>	<u>Deficit</u>
1989-90	-\$0.74
1990-91	-1.08
1991-92	-1.17
1992-93	-1.13
1993-94	-1.22
1994-95	-1.13
1995-96	-0.92
1996-97	-1.47
1997-98	-1.27
1998-99	-0.91
1999-00	-0.83
2000-01	-1.21
2001-02	-1.48
2002-03	-2.24
2003-04	-1.93
2004-05	-2.12
2005-06	-2.15
2006-07	-2.44
2007-08	-2.50
2008-09	-2.71
2009-10	-2.94
2010-11	-2.99
2011-12	-2.21
2012-13	-1.73
2013-14	-1.38
2014-15	-1.78
2015-16	-1.72
2016-17	-1.63
2017-18	-1.25

The attachment is a copy of a page from the Comprehensive Annual Fiscal Report for 2017-18 that shows the adjustments that are made to the statutory basis of accounting to report the general fund balance using GAAP.

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

DL/lb  
Attachment

# ATTACHMENT

## State of Wisconsin

### Notes To Required Supplementary Information

#### NOTE 1. BUDGETARY INFORMATION

##### A. Budgetary – GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedule compares the legally adopted budget (more fully described in RSI Note 1-B) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on the budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of basis and perspective differences as of June 30, 2018 is presented below (in thousands):

	General Fund	Transportation Fund
<b>Fund balance June 30, 2018 (budgetary basis – budgetary fund structure):</b>		
General Purpose Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>		
Undesignated fund balance	\$ 588,472	
Designated fund balance	238,549	
Total General Purpose Revenue fund balance	827,021	
Program Revenue – fund balance per budgetary basis <i>Annual Fiscal Report</i>	1,156,501	
Fund balance June 30, 2018 (budgetary basis – budgetary fund structure)	1,983,522	
as reported on the budgetary comparison schedule		\$(1,210,456)
Reclassifications:		
To eliminate encumbrances reported as expenditures under budgetary reporting ( <i>basis difference</i> )	524,427	1,706,452
To include activities of funds such as the Medical Assistance Trust, Hospital Assessment, Critical Hospital Assessment, Budget Stabilization, and Permanent Endowment Funds (reported as special revenue funds under budgetary reporting) as part of the General Fund ( <i>perspective difference</i> )	429,320	--
To remove activities reported in another GAAP fund type ( <i>perspective differences</i> ):		
Enterprise funds (except for the University of Wisconsin System)	(32,151)	--
University of Wisconsin System	(1,306,911)	--
Internal Service funds	(6,005)	--
Fiduciary funds	(4,066)	--
Transportation Revenue Bonds capital project fund	--	1,422
Fund balance June 30, 2018 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	1,588,136	497,417
Adjustments ( <i>basis differences</i> ):		
To accrue receivables and establish payables for individual income taxes (net)	(884,330)	--
To defer revenues for gross receipts public utility taxes	(277,475)	--
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(472,705)	(7,310)
To adjust expenditures for the municipal and county shared revenue program	(507,375)	--
To adjust expenditures for State property tax credit program	(810,964)	--
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(263,343)	--
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(137,828)	--
To accrue receivable for Medicaid drug rebates (net of payable to federal government)	203,918	--
To adjust expenditures/revenues for other Health Services, Workforce Development, Children and Families, and Corrections accruals and deferrals	(62,520)	--
To recognize the tobacco settlement revenue receivable	75,761	--
To accrue State educational aids payments deferred until the subsequent year	(75,000)	--
To accrue receivables from the federal government for the Children's Health Insurance Program	275,390	--
To adjust expenditures and revenues for State Energy Program and other revolving loan programs	5,453	--
To adjust revenues and expenditures for other items (net)	89,354	165,774
<b>Fund balance June 30, 2018 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements</b>	<b>\$(1,253,527)</b>	<b>\$655,881</b>

