



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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TO: Representative Scott Krug
Room 207 North, State Capitol

FROM: Dave Loppnow, Assistant Director

SUBJECT: Recent Actions by the Administration that Reduced GPR Expenditures in 2019-20

At your request, I am providing information relating to recent actions taken by the Department of Administration (DOA) to reduce GPR expenditures in 2019-20 as well as background on recent general fund tax collections.

Background on Recent General Fund Tax Collections

On January 23, 2020, this office distributed projections of general fund revenues for the 2019-21 biennium. That report, when adjusted for tax law changes enacted under the federal CARES Act and 2019 Wisconsin Acts 181 and 185, estimated that tax collections for 2019-20 would increase by 1.75% (\$303 million) over 2018-19 collections and that 2020-21 taxes would increase by 2.0% (\$354 million) over the 2019-20 estimate.

The contraction following the coronavirus pandemic resulted in the largest month-over-month increase in seasonally adjusted unemployment since the data series began in 1976. The seasonally adjusted unemployment rate in Wisconsin for April, 2020, was 14.1%, which was 11 percentage points higher than the March rate of 3.1%. The increase in the number of unemployed individuals was expected to result in diminished taxable salaries and wages, lower state sales and use tax collections reflecting limited ability for consumers to purchase taxable goods and services, and lower corporate income/franchise taxes due to reduced corporate profits.

Preliminary information on taxes collected by DOR for the month of May, 2020, has been released. As anticipated, due to the coronavirus pandemic and its impact on employment and the economy, the May report indicates a continued reduction in collections. May, 2020, preliminary tax collections were \$1,261 million, which is \$66 million below collections of May, 2019. And, for the 11 months of the current fiscal year, collections are \$380 million below those over the same 11 months of 2018-19.

The decline in May collections is primarily attributable to lower state sales and use taxes, which reflects that the coronavirus pandemic has severely impacted economic activity in the state and tax collections. Reduced collections for the 11 months of the current fiscal year have been affected by the extension of income and franchise tax filing deadlines from April to July 15 in 2020. It is important to note, however, that income and franchise tax returns and estimated payments filed by July 15 will accrue to state fiscal year 2019-20 under the state's budgetary cash and modified accrual method of accounting.

DOA Action Relating to Appropriation Lapses and Transfers to the General Fund

Recently, DOA announced required 2019-20 GPR lapse and program revenue transfers to the general fund. In total, the amount to be lapsed and transferred to the general fund for the 2019-20 fiscal year totals \$70.0 million.

DOA Action to Re-Amortize Variable Rate Debt

The Department of Administration recently re-amortized variable rate debt that otherwise would have been paid off in fiscal year 2019-20, and instead scheduled it for repayment over a five year period starting in the 2021-22 fiscal year. This variable rate debt re-amortization will reduce GPR debt service payments by an estimated \$66.1 million in 2019-20.

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

DL/lb